Annual Report

Out of the Ordinary®

Investec

2014 | Investec Bank (Mauritius) Limited annual financial statements

About this report

We value feedback and invite questions and comments on our reporting. To give feedback or request hard copies of our reports, please contact our Investor Relations division.

Get the most out of our report

For easy reading we have provided cross-referencing tools.

Audited information

Denotes information in the risk reports that form part of the bank's audited annual financial statements

Reporting standard

Denotes our consideration of a reporting standard

Website

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

Page references

Refers readers to information elsewhere in this report

Sustainability

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

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Investec Bank (Mauritius) Limited
in perspective

Overview of Investec Bank (Mauritius) Limited

Who we are

Investec Bank (Mauritius) Limited was established as a wholly owned subsidiary of Investec Bank Limited in 1997. Initially the bank focused on structured finance transactions and then broadened its focus to cover a wider range of products, including property finance into most geographical regions where the Investec group has a footprint. Since being established, the bank has quickly become recognised as one of the leading international banks in Mauritius.

The bank employs a team of 68 staff and has an efficient and profitable business operating in compliance with regulatory standards and banking practices both in Mauritius and in South Africa.

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

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

What we do

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

The bank offers the following services:

Specialised finance and lending

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

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

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

Treasury and deposit products

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

The bank offers a secure online transactional banking facility that allows deposit account holders to transact online, and view account balances, transaction history and monthly statements. During the year under review, this offering was extended to provide an online solution for users to open accounts; and will be extended during the course of 2014 to execute foreign currency dealings.

During the fourth quarter of 2013, the bank launched its USD debit card offering which is currently being extended to provide a Euro and GBP debit card.

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

Mission statement

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

Who we are

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

Founded as a leasing company in Johannesburg in 1974.

The Investec group acquired a banking licence in 1980 and was listed on the Johannesburg Stock Exchange (JSE) in 1986.

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

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

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

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

What we do

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

We value

1 Distinctive performance	2 Client focus	3 Cast-iron integrity	4 Dedicated partnership
Outstanding talent – empowered, enabled and inspired Meritocracy Passion, energy, stamina, tenacity Entrepreneurial spirit	Distinctive offering Leverage resources Break china for the client	Moral strength Risk consciousness Highest ethical standards	Respect for others Embrace diversity Open and honest dialogue Unselfish contribution to colleagues, clients and society

Our philosophies

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

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

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

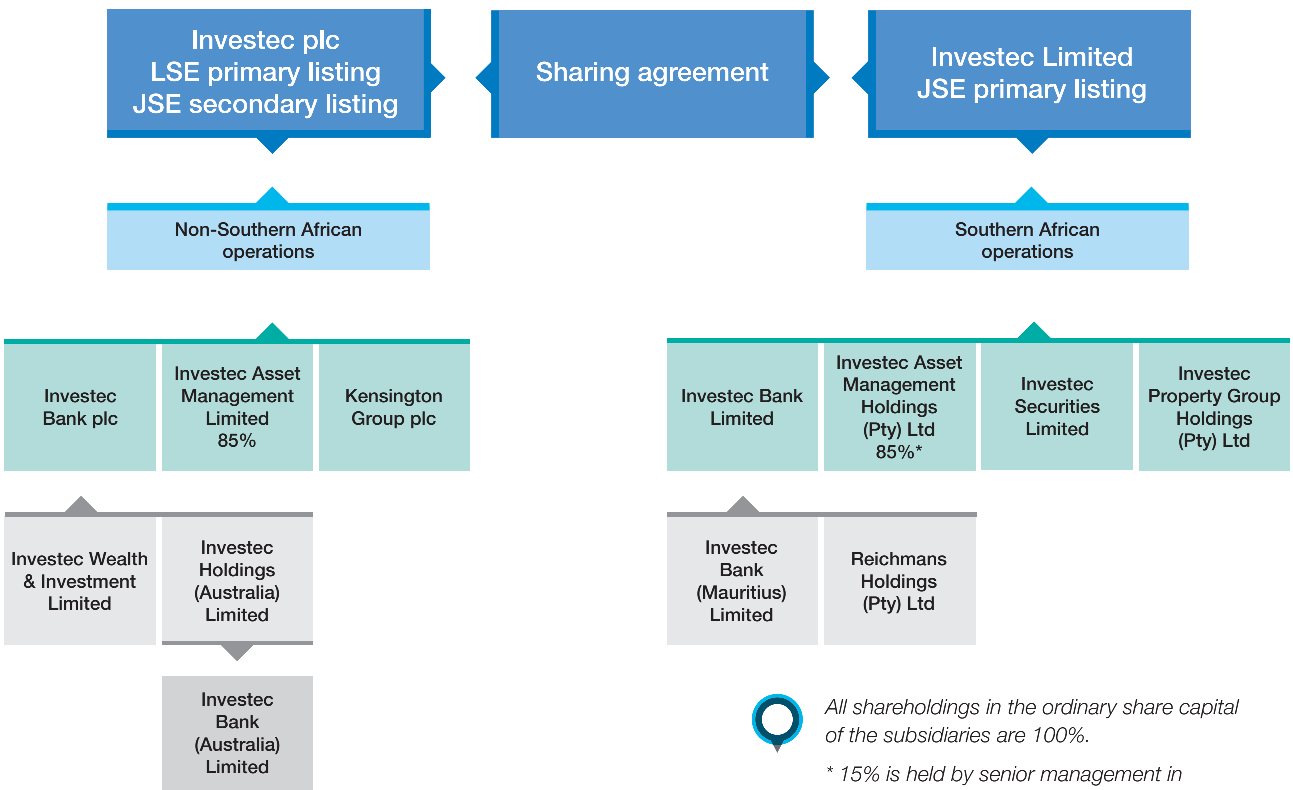
Operating structure

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

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

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

Our DLC structure and main operating subsidiaries at 31 March 2014



All shareholdings in the ordinary share capital of the subsidiaries are 100%.

** 15% is held by senior management in the company.*

Salient features of the DLC structure

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

Management discussion
and analysis

Management discussion and analysis

Business and strategic overview

Results for the year were well in excess of budget targets. Exceptional growth in net interest income, fee and operating income was achieved through growth in the bank asset base and an increase in fee-based transactions. Operating expenses increased largely due to personnel expenditure related to IT projects and compliance. Net interest margin was largely unchanged while return on equity increased to 14%.

An overview of the bank's performance

Salient financial features

For the year to 31 March U$'000	2014	2013	2012
Income statement			
Net interest income	49 383	40 977	34 115
Net fee and commission income	5 421	3 166	1 704
Total operating income	60 077	44 271	45 700
Impairment losses	(3 654)	(377)	(9 403)
Net operating income	56 423	43 894	36 297
Total operating expenses	(10 323)	(9 645)	(10 077)
Profit for the year	45 901	32 994	25 590
Balance sheet			
Loans and advances to customers	890 702	772 245	724 764
Total assets	1 667 476	1 371 598	1 160 902
Total shareholders' equity	350 406	304 106	271 112

Net interest income increased by 20.5% to U$49.4 million largely as a result of an increase in the loans and advances portfolio and a sound performance from the bank's interest-earning investments.

Net fee and commission income grew by 71.2% to U$5.4 million mainly due to structuring fees emanating from the bank's corporate clients and private clients activities.

Total operating income increased by 35.7% and includes dividends received from investment in equities and the profit on disposal of Investec Trust (Mauritius) Limited.

Impairments amounted to U$3.7 million out of which U$2.6 million related to a bad debt written off.

Profit after tax for the year reached U$45.9 million representing 39.1% growth over last year.

Review by financial priority areas

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

Key ratios

For the year to 31 March %	2014	2013	2012
Net interest margin*	3.3	3.4	3.7
Productivity ratio	17.2	21.8	22.0
Return on average equity	14.0	11.4	9.8
Return on average assets*	3.1	2.8	2.7
Cash to customer deposits	36.2	51.8	56.5
Capital adequacy ratio	28.8	29.1	28.6
Tier 1 ratio	27.7	28.2	27.6

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

Net interest margin decreased marginally to 3.3% (2013: 3.4%).

The productivity ratio which is the ratio of non-interest expense to net interest and other income improved to 17.2% mainly due to an increase in operating income.

The return on average equity increased to 14.0% (2013: 11.4%) resulting in the bank achieving its target of 13.5%.

The return on average assets increased to 3.1% (2013: 2.8%), 20% above the bank's 2.5% target.

The cash to customer deposit ratio decreased to 36.2% (2013: 51.8%).

The capital adequacy ratio remained stable at 28.8% (2013: 29.1%). Capital adequacy is still in excess of the bank's long-term target ratio of 13% – 15%. Tier 1 capital represents 96.4% (2013: 96.8%) of the bank's capital base.

Interest income and related assets

	2014		2013		2012	
For the year to 31 March U$'000	Interest income	Related assets	Interest income	Related assets	Interest income	Related assets
Due from banks	1 248	284 161	835	340 995	1 003	221 030
Loans and advances to customers	49 983	890 702	43 929	772 245	32 872	724 764
Financial assets – held to maturity	5 764	140 816	4 805	121 740	3 954	125 218
Amount due from group companies	1 262	186 307	545	21 747	656	16 597
Financial assets designated at fair value through profit or loss	3 100	22 387	5 110	23 119	4 727	24 768
Financial assets – available-for-sale	2 441	56 201	–	–	–	–
Investment securities – loans and receivables	576	24 347	573	44 897	579	3 212
Total	64 374	1 604 921	55 797	1 324 743	43 791	1 115 589

Interest expense and related liabilities

	2014		2013		2012	
For the year to 31 March U$'000	Interest expense	Related liabilities	Interest expense	Related liabilities	Interest expense	Related liabilities
Deposits by banks	69	–	137	3 527	269	2 039
Repurchase agreements	1 012	121 403	223	119 378	–	–
Due to customers	5 817	832 204	4 574	666 854	4 361	397 730
Debt securities in issue	6 438	266 299	5 867	217 060	3 459	219 904
Amount due to group companies	1 655	52 747	4 019	49 342	1 587	251 107
Total	14 991	1 272 653	14 820	1 056 161	9 676	870 780

Operating expenses

For the year to 31 March U$'000	2014	2013	2012
Personnel expenses	4 735	4 080	4 759
Depreciation of equipment	128	126	127
Other operating expenses	5 460	5 439	5 191
Total	10 323	9 645	10 077

Total operating expenses increased by 7.0% to U$10.3 million (2013: U$9.6 million) as a result of the increase in personnel expenses following a rise in the number of staff employed from 52 at 31 March 2013 to 68 at 31 March 2014.

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 10 to 47) with further disclosures provided within the financial statements section (pages 57 to 119).

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 a sound track record in the activity funded. The credit loss ratio has amounted to 0.4% of core loans and advances
- Limited exposure to rated and unrated structured credit investments representing less than 4% of total assets
- A low leverage ratio of approximately 4.8 times
- A high level of readily available, high-quality liquid assets. The bank continues to maintain a low reliance on interbank wholesale funding to fund core lending asset growth
- Healthy capital ratios; the bank has always held capital in excess of regulatory requirements and it intends to perpetuate this philosophy. The bank continued to strengthen its capital base and increased its net tangible asset value during the period
- A high level of recurring income which continues to support sustainability of operating profit.

The global financial market crisis and weakened global economies have resulted in increasing risk levels and have impacted the markets in which the bank operated on a number of fronts over the past six years. The bank's overall risk management philosophies, practices and frameworks have remained largely unchanged, and have held the bank in good stead. Maintaining credit quality, strictly managing risk and liquidity and continuing to grow the capital base remain core strategic imperatives.

An overview of key risks

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

These risks are summarised briefly in the table below. The sections that follow provide information on a number of these risk areas.

12 – 34

Credit and counterparty risk exposes the bank to losses caused by financial or other problems experienced by its clients.

41 – 43

Operational risk may disrupt its business or result in regulatory action.

43

Legal and regulatory risks are substantial in its businesses.

38 – 40

Liquidity risk may impair the bank's ability to fund its operations.

43

Reputational, strategic and **business risk.**

36 – 37

The bank's net interest earnings and net asset value may be adversely affected by **interest rate risk.**

41 – 43

The bank may be **vulnerable to the failure of its systems** and breaches of its security systems.

41

The bank is exposed to non-traded **currency risk** where fluctuation in exchange rates against the US Dollar could have an **impact** on its financial results.

41 – 43

Market, business and general economic conditions and fluctuations could adversely affect its businesses in a number of ways.

43 – 47

The bank may have insufficient capital in the future and may be unable to secure additional financing when it is required.

41 – 43

Employee misconduct could cause harm that is difficult to detect.

3 – 6

The **financial services industry** in which the bank operates is intensely competitive.

The bank may be unable to **recruit, retain and motivate key personnel.**

See the Investec group's 2014 integrated annual report on our website.

Additional risks and uncertainties not presently known to the bank or that are currently deemed immaterial may in the future also negatively impact the bank's business operations.

Credit and counterparty risk management

Credit and counterparty risk description

Credit and counterparty risk is defined as the current and prospective risk to earnings or capital arising from an obligor's (typically a client's or counterparty's) failure to meet the terms of any obligation to the bank or otherwise to perform as agreed. 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 giving rise to a direct exposure. The risk is created when an obligor will be unable or unwilling to repay capital and/or interest on advances and loans granted to it. 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, with one party effecting required settlements as they fall due but not receiving settlements to which they are entitled. In terms of our definition, settlement debtors receivable in the short term (i.e. less than three days) are excluded from credit and counterparty risk due to market-guaranteed settlement mechanisms
  - Replacement risk is the risk following default by the original counterparty resulting in the contract holder having to enter into a replacement contract with a second counterparty in order to finalise the transaction.

Credit and counterparty risk can manifest as country risk as a result of the geopolitical and transfer risk associated with exposures arising from transactions with borrowers who are resident in a particular foreign country or dependent on that country's economy.

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 2014, the bank has provided an amount of U$3.2 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 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, third party income or cash flow streams derived from lease or rental agreements in support of property-related transactions. In this manner, the bank seeks comfort in mitigating its risk by thoroughly assessing the ability of its borrowers to meet their 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 32 and 33 for further information.

Target clients include high net worth individuals, certain professionally qualified individuals, high income earning individuals, corporate, state-owned enterprises and banks. Corporates must have scale, experienced management, able board members and strong earnings/cash flow. Direct exposures to cyclical industries and start-up ventures tend to be avoided.

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

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

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 regards to the capital held. These tests stress the existing portfolio to allow the bank to identify underlying risks and manage them accordingly. These stresses 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 place reliance upon internal considerations of counterparties and borrowers and use 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, S&P and Moody's have been approved as ECAIs for the purposes of determining external credit ratings with the following elections:

- In relation to sovereigns, Fitch has been selected by Investec as the primary ECAI, with S&P or Moody's being used as support where a Fitch rating is not available
- In relation to banks and securities firms, Fitch has been selected by Investec as the primary ECAI, with S&P being used as support where a Fitch rating is not available
- In relation to corporates, and small to medium enterprises, both S&P and Moody's are considered to be eligible ECAIs. Where the assessments of these two ECAIs differ, the more conservative rating will be applied
- 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.

Concentration of risk policies

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

At 31 March 2014, facilities to customers or group of closely related customers for amounts aggregating more than 15% of its capital base amounted to U$184.0 million (2013: nil and 2012: U$195.1 million). These exposures represented at 31 March 2014, 51.3% (2013: 0.0% and 2012: 70.2%) of the total capital base and were below the regulatory limit of 1 200%.

Related party transactions, policies and practices

The bank adheres to the Bank of Mauritius Guideline on Related Party Transactions issued in January 2009. 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 all related party transactions initiated in the preceding quarter. After each meeting the matters approved and reviewed by the CRC are reported to the board of directors.

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

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

For the year to 31 March	2014	2013	2012
On- and off-balance sheet credit exposure (U$'million)	104.6	31.0	33.0
On- and off-balance sheet credit exposure to all customers (%)	6.3	2.3	2.9
Proportion of credit exposure that has become non-performing as a result of negative mark-to-market adjustments (%)	3.9	–	4.2
Amount of credit exposure to six related parties with the highest exposure (U$'million)	103.7	30.9	32.9
Amount of credit exposure to six related parties with the highest exposure to tier 1 capital (%)	30.0	10.3	12.3

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

Asset quality analysis – credit risk classification and provisioning policy

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

Specific impairments

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

Portfolio impairments

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

Financial guarantees and unutilised commitments are assessed and provisions are made in a similar manner as for loans.

The information provided below reflects the guidelines and definitions that have been applied in assessing the asset quality of credit exposures (see page 24).

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

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

<table>
<tr><th>Regulatory and economic capital classification</th><th>IFRS impairment treatment</th><th>Arrears, default and recoveries classification category</th><th>Description</th></tr>
<tr><td rowspan="3">Assets in default (non-performing assets)</td><td rowspan="3">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.</td><td>Sub-standard</td><td>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).</td></tr>
<tr><td>Doubtful</td><td>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.</td></tr>
<tr><td>Loss</td><td>• 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.</td></tr>
</table>

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. Risk mitigants include any collateral item, netting and margining agreement, covenant or term and condition imposed on a transaction with the aim of reducing the credit risk inherent to that transaction.

As Investec has a low appetite for unsecured debt, the credit risk mitigation technique most commonly used is the taking of collateral, primarily over 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 32 and 33.

Where a transaction is supported by a bond or charge over property, the primary credit risk is still taken on the borrower. When applications for facilities to be secured by property are submitted to the relevant committee, the following characteristics of the property are considered: type of property; location of property; 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 will attempt to lend for a maximum of a certain period of the lease.

The bulk of collateral taken by private clients is commercial and residential real estate. 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.

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 financial statements but reported on a gross basis to regulators.

Credit and counterparty risk year in review

The global economy continued to face uncertainty during the year under review. Europe’s situation has improved but growth remains low and unemployment high; China and India are still growing, yet at a lower pace; and the reduction of the stimulus in the United States has led to volatility in financial markets.

Loans and advances are generally well secured and are monitored frequently and counterparties remain within credit approved loan to value or cover ratios and are performing on current debt obligations. Past due and default core loans and advances to customers amounted to U$25.6 million at 31 March 2014 which represented 2.8% of gross core loans.

The bank has continued to write assets at low loan to value as pressure on margin continues.

Credit quality on gross core loans remained at a satisfactory level for the year under review with specific impairments amounting to U$0.1 million and bad debts written off amounting to U$2.6 million which represented 0.3% of gross core loans and advances to customers.

Gross core loans and advances increased by 15.3% to U$899.1 million during the year under review. Defaults loans (net of impairments) as a percentage of core loans and advances remained at 0.0% and the credit loss ratio stood at 0.4%.

Credit and counterparty risk information

Pages 12 to 33 describe where and how credit and counterparty risk exists in the bank's operations.

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

An analysis of gross credit and counterparty exposures

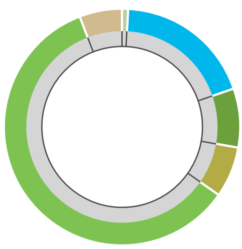
Credit and counterparty exposures increased by 8.6% to U$1.515 billion.

U$'000	31 March 2014	31 March 2013	31 March 2012	2014 vs 2013 % change	Average* 2014 vs 2013	2013 vs 2012 % change	Average* 2013 vs 2012
On-balance sheet exposures							
Cash and balances at central banks	16 705	4 552	3 820	>100%	10 629	19.2%	4 186
Due from banks	284 161	340 995	221 030	(16.7%)	312 578	54.3%	281 012
Investment securities – bank debt securities	123 978	121 740	125 218	1.8%	122 859	(2.8%)	123 479
Investment securities – other debt securities	103 005	53 479	9 998	92.6%	78 242	>100%	31 738
Derivative financial instruments	710	1 459	27 038	(51.3%)	1 084	(94.6%)	14 249
Loans and advances to customers	899 069	779 946	732 142	15.3%	839 508	6.5%	756 044
Other assets	14	–	–	100.0%	7	–	–
Total on-balance sheet credit and counterparty exposures	1 427 642	1 302 171	1 119 246	9.6%	1 364 907	16.3%	1 210 708
Guarantees^	21 919	14 564	27 543	50.5%	18 242	(47.1%)	21 054
Committed facilities	65 923	81 374	91 359	(19.0%)	73 649	(10.9%)	86 366
Total off-balance sheet exposures	87 842	95 938	118 902	(8.4%)	91 890	(19.3%)	107 420
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	1 515 484	1 398 109	1 238 148	8.4%	1 456 797	12.9%	1 318 128

* *Where the average is based on a straight-line average.*

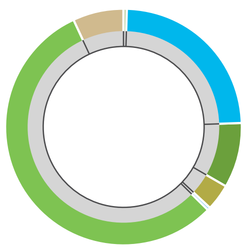
^ *Excludes guarantees provided to clients which are backed/secured by cash deposit with the bank.*

An analysis of gross credit and counterparty exposures



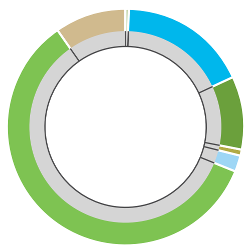
31 March 2014
U$1 515 million

Cash and balances at central banks	1.1%
Loans and advances to banks	18.7%
Bank debt securities	8.2%
Other debt securities	6.8%
Securities arising from trading activities	0.0%
Loans and advances to customers	59.4%
Other assets	0.0%
Off-balance sheet exposures	5.8%



31 March 2013
U$1 398 million

Cash and balances at central banks	0.3%
Loans and advances to banks	24.4%
Bank debt securities	8.7%
Other debt securities	3.8%
Securities arising from trading activities	0.1%
Loans and advances to customers	55.8%
Other assets	0.0%
Off-balance sheet exposures	6.9%

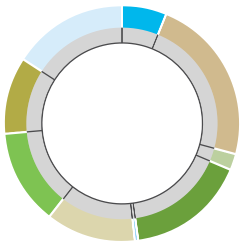


31 March 2012
U$1 238 million

Cash and balances at central banks	0.3%
Loans and advances to banks	17.9%
Bank debt securities	10.1%
Other debt securities	0.8%
Securities arising from trading activities	2.2%
Loans and advances to customers	59.1%
Other assets	0.0%
Off-balance sheet exposures	9.6%

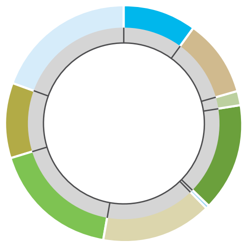
Concentration of risk is managed by client/counterparty, by geographical region and by industry sector. The maximum credit exposure to any client and counterparty at 31 March 2014 was U$86.0 million (2013: U$86.9 million and 2012: U$75.4 million).

An analysis of gross credit and counterparty exposure by geography



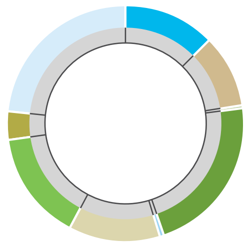
31 March 2014
U$1 515 million

South Africa	6.3%
Africa (excl RSA)	22.9%
Asia	2.3%
European Union	16.4%
Europe (non EU)	0.4%
North America	12.3%
Other	13.1%
Australia	10.5%
United Kingdom	15.8%



31 March 2013
U$1 398 million

South Africa	10.1%
Africa (excl RSA)	10.7%
Asia	1.8%
European Union	14.8%
Europe (non EU)	0.2%
North America	15.3%
Other	17.5%
Australia	10.4%
United Kingdom	19.2%



31 March 2012
U$1 238 million

South Africa	12.7%
Africa (excl RSA)	10.0%
Asia	0.1%
European Union	22.1%
Europe (non EU)	0.3%
North America	12.7%
Other	15.1%
Australia	3.7%
United Kingdom	23.4%

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

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

U$'000	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
At 31 March 2014				
Cash and balances at central banks	16 705	5		16 710
Due from banks	284 161	–		284 161
Investment securities – bank debt securities	123 978	–		123 978
Investment securities – non-structured debt securities	73 037	–		73 037
Investment securities – other debt securities	29 968	–		29 968
Derivative financial instruments	710	34 453		35 163
Loans and advances to customers	899 069	(8 367)	1	890 702
Other assets	14	5 122		5 136
Investment securities – equity investments	–	16 768	2	16 768
Interest in associated undertakings	–	4 915		4 915
Deferred taxation assets	–	293		293
Property and equipment	–	338		338
Intergroup	–	186 307	3	186 307
Total on-balance sheet exposures	1 427 642	239 834		1 667 476

1. *Largely relates to impairments.*
2. *Largely relates to exposures that are classified as equity in the banking book.*
3. *Intergroup balances are deemed to have no credit exposure.*

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

U$'000	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note refer-ence	Total balance sheet
At 31 March 2013				
Cash and balances at central banks	4 552	4		4 556
Due from banks	340 995	–		340 995
Investment securities – bank debt securities	121 740	–		121 740
Investment securities – other debt securities	53 479	–		53 479
Derivative financial instruments	1 459	30 125		31 584
Loans and advances to customers	779 946	(7 701)	1	772 245
Other assets	–	5 136		5 136
Investment securities – equity investments	–	14 537	2	14 537
Interest in associated undertakings	–	4 915		4 915
Deferred taxation assets	–	262		262
Property and equipment	–	387		387
Intergroup	–	21 747	3	21 747
Investment in subsidiary companies	–	15		15
Total on-balance sheet exposures	1 302 171	69 427		1 371 598
At 31 March 2012				
Cash and balances at central banks	3 820	3		3 823
Due from banks	221 030	–		221 030
Investment securities – bank debt securities	125 218	–		125 218
Investment securities – other debt securities	9 998	–		9 998
Derivative financial instruments	27 038	1 799		28 837
Loans and advances to customers	732 142	(7 378)	1	724 764
Other assets	–	6 988		6 988
Investment securities – equity investments	–	17 982	2	17 982
Interest in associated undertakings	–	4 915		4 915
Deferred taxation assets	–	250		250
Property and equipment	–	485		485
Intergroup	–	16 597	3	16 597
Investment in subsidiary companies	–	15		15
Total on-balance sheet exposures	1 119 246	41 656		1 160 902

1. *Largely relates to impairments.*
2. *Largely relates to exposures that are classified as equity in the banking book.*
3. *Intergroup balances are deemed to have no credit exposure.*

Summary analysis of gross credit and counterparty exposure by industry

At 31 March U$'000	Gross core loans and advances			Other credit and counterparty exposures			Total		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Professional	34 257	33 340	38 840	929	21 001	5 653	35 186	54 341	44 493
Agriculture	–	–	726	–	21 730	–	–	21 730	726
Construction	331 915	360 590	353 640	25 662	18 625	44 680	357 577	379 215	398 320
Personal	114	189	222	230	–	–	344	189	222
Global Business Licence holders	137 138	23 861	30 366	56 058	823	22 433	193 196	24 684	52 799
Finance and business services	65 384	99 316	58 332	528 573	522 225	396 309	593 957	621 541	454 641
Traders	19 817	52 118	40 617	–	11 091	–	19 817	63 209	40 617
Manufacturing	60 891	83 099	103 499	3 405	–	5 133	64 296	83 099	108 632
Transport	76 903	57 328	31 817	–	1 395	–	76 903	58 723	31 817
Tourism	28 564	29 972	29 055	–	190	3 428	28 564	30 162	32 483
Infrastructure	88 730	7 507	9 288	–	3 293	2 387	88 730	10 800	11 675
Information, communication and technology	33 242	17 569	21 991	–	10 926	16 519	33 242	28 495	38 510
Media, entertainment and recreational	1 775	6 728	7 500	1 558	6 864	4 797	3 333	13 592	12 297
Other industries	20 339	8 329	6 249	–	–	4 667	20 339	8 329	10 916
Total	899 069	779 946	732 142	616 415	618 163	506 006	1 515 484	1 398 109	1 238 148

Detailed analysis of gross credit and counterparty exposures by industry

U$'000	Professional	Agriculture	Construction	Personal	Global Business Licence holders	Finance and business services
At 31 March 2014						
On-balance sheet exposures	34 257	–	331 915	114	137 138	593 957
Investment securities – other debt securities	–	–	–	–	–	103 005
Investment securities – bank debt securities	–	–	–	–	–	123 978
Bank placements	–	–	–	–	–	300 866
Derivative financial instruments	–	–	–	–	–	710
Other credit exposures	–	–	–	–	–	14
Gross core loans and advances to customers	34 257	–	331 915	114	137 138	65 384
Off-balance sheet exposures	929	–	25 662	230	56 058	–
Guarantees	890	–	20 850	–	179	–
Committed facilities	39	–	4 812	230	55 879	–
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	35 186	–	357 577	344	193 196	593 957
At 31 March 2013						
On-balance sheet exposures	33 340	–	360 590	189	23 861	621 541
Investment securities – other debt securities	–	–	–	–	–	53 479
Investment securities – bank debt securities	–	–	–	–	–	121 740
Bank placements	–	–	–	–	–	345 547
Derivative financial instruments	–	–	–	–	–	1 459
Gross core loans and advances to customers	33 340	–	360 590	189	23 861	99 316
Off-balance sheet exposures	21 001	21 730	18 625	–	823	–
Guarantees	1 953	–	11 969	–	642	–
Committed facilities	19 048	21 730	6 656	–	181	–
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	54 341	21 730	379 215	189	24 684	621 541
At 31 March 2012						
On-balance sheet exposures	38 840	726	353 640	222	30 366	445 436
Investment securities – other debt securities	–	–	–	–	–	9 998
Investment securities – bank debt securities	–	–	–	–	–	125 218
Bank placements	–	–	–	–	–	224 850
Derivative financial instruments	–	–	–	–	–	27 038
Gross core loans and advances to customers	38 840	726	353 640	222	30 366	58 332
Off-balance sheet exposures	5 653	–	44 680	–	22 433	9 205
Guarantees	5 418	–	20 823	–	134	–
Committed facilities	235	–	23 857	–	22 299	9 205
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	44 493	726	398 320	222	52 799	454 641

Traders	Manufac-turing	Transport	Tourism	Infra-structure	Information, communi-cation and technology	Media, entertain-ment and recreational	Other entities	Total
19 817	60 891	76 903	28 564	88 730	33 242	1 775	20 339	1 427 642
–	–	–	–	–	–	–	–	103 005
–	–	–	–	–	–	–	–	123 978
–	–	–	–	–	–	–	–	300 866
–	–	–	–	–	–	–	–	710
–	–	–	–	–	–	–	–	14
19 817	60 891	76 903	28 564	88 730	33 242	1 775	20 339	899 069
–	3 405	–	–	–	–	1 558	–	87 842
–	–	–	–	–	–	–	–	21 919
–	3 405	–	–	–	–	1 558	–	65 923
19 817	64 296	76 903	28 564	88 730	33 242	3 333	20 339	1 515 484
52 118	83 099	57 328	29 972	7 507	17 569	6 728	8 329	1 302 171
–	–	–	–	–	–	–	–	53 479
–	–	–	–	–	–	–	–	121 740
–	–	–	–	–	–	–	–	345 547
–	–	–	–	–	–	–	–	1 459
52 118	83 099	57 328	29 972	7 507	17 569	6 728	8 329	779 946
11 091	–	1 395	190	3 293	10 926	6 864	–	95 938
–	–	–	–	–	–	–	–	14 564
11 091	–	1 395	190	3 293	10 926	6 864	–	81 374
63 209	83 099	58 723	30 162	10 800	28 495	13 592	8 329	1 398 109
40 617	103 499	31 817	29 055	9 288	21 991	7 500	6 249	1 119 246
–	–	–	–	–	–	–	–	9 998
–	–	–	–	–	–	–	–	125 218
–	–	–	–	–	–	–	–	224 850
–	–	–	–	–	–	–	–	27 038
40 617	103 499	31 817	29 055	9 288	21 991	7 500	6 249	732 142
–	5 133	–	3 428	2 387	16 519	4 797	4 667	118 902
–	–	–	1 168	–	–	–	–	27 543
–	5 133	–	2 260	2 387	16 519	4 797	4 667	91 359
40 617	108 632	31 817	32 483	11 675	38 510	12 297	10 916	1 238 148

Asset quality and impairments

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

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

An overview of development during the financial year is provided on page 17.

At 31 March U$'000	2014	2013	2012
Gross core loans and advances to customers	899 069	779 946	732 142
Total impairments	(8 367)	(7 701)	(7 378)
Portfolio impairments	(8 289)	(7 150)	(7 158)
Specific impairments	(78)	(551)	(220)
Net core loans and advances to customers	890 702	772 245	724 764
Average gross core loans and advances to customers	839 507	756 044	648 036
Current loans and advances to customers	873 448	761 500	705 769
Past due loans and advances to customers (1 – 60 days)	20 986	12 327	24 153
Special mention loans and advances to customers	2 658	111	196
Default loans and advances to customers	1 977	6 008	2 024
Gross core loans and advances to customers	899 069	779 946	732 142
Current loans and advances to customers	873 448	761 500	705 769
Gross core loans and advances to customers that are past due but not impaired	25 543	14 209	24 956
Gross core loans and advances to customers that are impaired	78	4 237	1 417
Gross core loans and advances to customers	899 069	779 946	732 142
Total income statement charge for core loans and advances	(3 654)	(377)	(7 970)
Gross default loans and advances to customers	1 977	6 008	2 024
Specific impairments	(78)	(551)	(220)
Portfolio impairments	(8 289)	(7 150)	(7 158)
Defaults net of impairments	(6 390)	(1 693)	(5 354)
Collateral and other credit enhancements	3 964	10 243	2 716
Net default loans and advances to customers (limited to zero)	–	–	–
Ratios:			
Total impairments as a % of gross core loans and advances to customers	0.93%	0.99%	1.01%
Total impairments as a % of gross default loans	>100%	>100%	>100.0%
Gross defaults as a % of gross core loans and advances to customers	0.22%	0.77%	0.28%
Defaults (net of impairments) as a % of net core loans and advances to customers	(0.72%)	(0.22%)	(0.74%)
Net defaults as a % of gross core loans and advances to customers	–	–	–
Credit loss ratio (i.e. income statement impairment charge as a % of average gross core loans and advances)	0.44%	0.05%	1.23%

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

At 31 March U$'000	2014	2013	2012
Default loans that are current			
1 – 60 days	20 986	12 378	25 213
61 – 90 days	3 575	414	196
91 – 180 days	982	1 700	160
181 – 365 days	78	293	447
>365 days	–	276	357
Past due and default core loans and advances to customers (actual capital exposure)	25 621	15 061	26 373
1 – 60 days	1 351	934	982
61 – 90 days	146	22	11
91 – 180 days	71	1 123	17
181 – 365 days	41	51	117
>365 days	–	150	93
Past due and default loans and advances to customers (actual amount in arrears)	1 609	2 280	1 220

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

U$'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
At 31 March 2014							
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	20 986	3 575	982	–	–	25 543
Amount in arrears	–	1 351	146	71	–	–	1 568
Gross core loans and advances to customers that are impaired							
Total capital exposure	–	–	–	–	78	–	78
Amount in arrears	–	–	–	–	41	–	41
At 31 March 2013							
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	12 378	414	1 124	293	–	14 209
Amount in arrears	–	934	22	1 095	51	–	2 102
Gross core loans and advances to customers that are impaired							
Total capital exposure	3 385	–	–	576	–	276	4 237
Amount in arrears	–	–	–	28	–	150	178
At 31 March 2012							
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	24 153	196	160	447	–	24 956
Amount in arrears	–	976	11	17	117	–	1 121
Gross core loans and advances to customers that are impaired							
Total capital exposure	–	1 060	–	–	–	357	1 417
Amount in arrears	–	6	–	–	–	93	99

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 2014 was U$66.3 million (2013: U$49.2 million and 2012: U$85.1 million).

An age analysis of past due and default core loans and advances to customers at 31 March 2014 (based on total capital exposure)

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

An age analysis of past due and default core loans and advances to customers at 31 March 2014 (based on actual amount in arrears)

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

An age analysis of past due and default core loans and advances to customers at 31 March 2013 (based on total capital exposure)

U$'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	12 327	–	–	–	–	12 327
Special mention	–	–	111	–	–	–	111
Special mention (1 – 90 days)	–	–	–	–	–	–	–
Special mention (61 – 90 days and item well secured)	–	–	111	–	–	–	111
Default	3 385	51	303	1 700	293	276	6 008
Sub-standard	–	51	303	1 124	293	–	1 771
Doubtful	3 385	–	–	576	–	276	4 237
Total	3 385	12 378	414	1 700	293	276	18 446

An age analysis of past due and default core loans and advances to customers at 31 March 2013 (based on actual amount in arrears)

U$'000	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	924	–	–	–	–	924
Special mention	–	6	–	–	–	6
Special mention (1 – 90 days)	–	–	–	–	–	–
Special mention (61 – 90 days and item well secured)	–	6	–	–	–	6
Default	10	16	1 123	51	150	1 350
Sub-standard	10	16	1 095	51	–	1 172
Doubtful	–	–	28	–	150	178
Total	934	22	1 123	51	150	2 280

An age analysis of past due and default core loans and advances to customers at 31 March 2012 (based on total capital exposure)

U$'000	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	24 153	–	–	–	–	24 153
Special mention	–	196	–	–	–	196
Special mention (1 – 90 days)	–	–	–	–	–	–
Special mention (61 – 90 days and item well secured)	–	196	–	–	–	196
Default	1 060	–	160	447	357	2 024
Sub-standard	–	–	160	447	–	607
Doubtful	1 060	–	–	–	357	1 417
Total	25 213	196	160	447	357	26 373

An age analysis of past due and default core loans and advances to customers at 31 March 2012 (based on actual amount in arrears)

U$'000	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	976	–	–	–	–	976
Special mention	–	11	–	–	–	11
Special mention (1 – 90 days)	–	–	–	–	–	–
Special mention (61 – 90 days and item well secured)	–	11	–	–	–	11
Default	6	–	17	117	93	233
Sub-standard	–	–	17	117	–	134
Doubtful	6	–	–	–	93	99
Total	982	11	17	117	93	1 220

An analysis of core loans and advances to customers

U$'000	Gross core loans and advances that are neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances (actual capital exposure)	Specific impair-ments	Portfolio impair-ments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
At 31 March 2014								
Current core loans and advances	873 448	–	–	873 448	–	(8 115)	865 333	–
Past due (1 – 60 days)	–	20 986	–	20 986	–	(135)	20 851	1 351
Special mention	–	2 658	–	2 658	–	(23)	2 635	115
Special mention (1 – 90 days)	–	–	–	–	–	–	–	–
Special mention (61 – 90 days and item well secured)	–	2 658	–	2 658	–	(23)	2 635	115
Default	–	1 899	78	1 977	(78)	(16)	1 883	143
Sub-standard	–	1 899	–	1 899	–	(16)	1 883	102
Doubtful	–	–	78	78	(78)	–	–	41
Total	873 448	25 543	78	899 069	(78)	(8 289)	890 702	1 609
At 31 March 2013								
Current core loans and advances	761 500	–	–	761 500	–	(7 083)	754 417	–
Past due (1 – 60 days)	–	12 327	–	12 327	–	(44)	12 283	924
Special mention	–	111	–	111	–	(1)	110	6
Special mention (1 – 90 days)	–	–	–	–	–	–	–	–
Special mention (61 – 90 days and item well secured)	–	111	–	111	–	(1)	110	6
Default	–	1 771	4 237	6 008	(551)	(22)	5 435	1 350
Sub-standard	–	1 771	–	1 771	–	(15)	1 756	1 172
Doubtful	–	–	4 237	4 237	(551)	(7)	3 679	178
Total	761 500	14 209	4 237	779 946	(551)	(7 150)	772 245	2 280
At 31 March 2012								
Current core loans and advances	705 769	–	–	705 769	–	(6 961)	698 808	–
Past due (1 – 60 days)	–	24 153	–	24 153	–	(197)	23 956	976
Special mention	–	196	–	196	–	–	196	11
Special mention (1 – 90 days)	–	–	–	–	–	–	–	–
Special mention (61 – 90 days and item well secured)	–	196	–	196	–	–	196	11
Default	–	607	1 417	2 024	(220)	–	1 804	233
Sub-standard	–	607	–	607	–	–	607	134
Doubtful	–	–	1 417	1 417	(220)	–	1 197	99
Total	705 769	24 956	1 417	732 142	(220)	(7 158)	724 764	1 220

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

U$'000	Current core loans and advances	Past due (1 – 60 days)	Special mention (61 – 90 days and item well secured)
At 31 March 2014			
Professional	31 810	1 319	943
Agriculture	–	–	–
Construction	328 742	1 038	343
Personal	114	–	–
Global Business Licence holders	126 542	10 596	–
Financial and business services	64 944	–	440
Traders	19 817	–	–
Manufacturing	60 891	–	–
Transport	68 870	8 033	–
Tourism	27 632	–	932
Infrastructure	88 730	–	–
Information, communication and technology	33 242	–	–
Media, entertainment and recreational	1 775	–	–
Other entities	20 339	–	–
Total gross core loans and advances to customers	873 448	20 986	2 658
At 31 March 2013			
Professional	31 443	642	111
Agriculture	–	–	–
Construction	358 114	997	–
Personal	189	–	–
Global Business Licence holders	19 983	3 878	–
Financial and business services	98 816	500	–
Traders	52 118	–	–
Manufacturing	83 099	–	–
Transport	51 018	6 310	–
Tourism	29 972	–	–
Infrastructure	4 122	–	–
Information, communication and technology	17 569	–	–
Media, entertainment and recreational	6 728	–	–
Other entities	8 329	–	–
Total gross core loans and advances to customers	761 500	12 327	111
At 31 March 2012			
Professional	37 106	121	196
Agriculture	726	–	–
Construction	353 369	–	–
Personal	222	–	–
Global Business Licence holders	24 314	6 051	–
Financial and business services	57 997	–	–
Traders	40 617	–	–
Manufacturing	103 499	–	–
Transport	29 825	1 993	–
Tourism	13 066	15 988	–
Infrastructure	9 288	–	–
Information, communication and technology	21 991	–	–
Media, entertainment and recreational	7 500	–	–
Other entities	6 249	–	–
Total gross core loans and advances to customers	705 769	24 153	196

Sub-standard	Doubtful	Total gross core loans and advances to customer	Portfolio impairments	Specific impairments	Total impairment
107	78	34 257	(316)	(78)	(394)
–	–	–	–	–	–
1 792	–	331 915	(3 060)	–	(3 060)
–	–	114	(1)	–	(1)
–	–	137 138	(1 264)	–	(1 264)
–	–	65 384	(603)	–	(603)
–	–	19 817	(184)	–	(184)
–	–	60 891	(561)	–	(561)
–	–	76 903	(709)	–	(709)
–	–	28 564	(263)	–	(263)
–	–	88 730	(818)	–	(818)
–	–	33 242	(306)	–	(306)
–	–	1 775	(16)	–	(16)
–	–	20 339	(188)	–	(188)
1 899	78	899 069	(8 289)	(78)	(8 367)
292	852	33 340	(306)	(203)	(509)
–	–	–	–	–	–
1 479	–	360 590	(3 306)	–	(3 306)
–	–	189	(2)	–	(2)
–	–	23 861	(219)	–	(219)
–	–	99 316	(910)	–	(910)
–	–	52 118	(478)	–	(478)
–	–	83 099	(761)	–	(761)
–	–	57 328	(525)	–	(525)
–	–	29 972	(275)	–	(275)
–	3 385	7 507	(69)	(348)	(417)
–	–	17 569	(161)	–	(161)
–	–	6 728	(62)	–	(62)
–	–	8 329	(76)	–	(76)
1 771	4 237	779 946	(7 150)	(551)	(7 701)
–	1 417	38 840	(380)	(220)	(600)
–	–	726	(7)	–	(7)
271	–	353 640	(3 457)	–	(3 457)
–	–	222	(2)	–	(2)
–	–	30 365	(297)	–	(297)
336	–	58 333	(570)	–	(570)
–	–	40 617	(397)	–	(397)
–	–	103 499	(1 012)	–	(1 012)
–	–	31 818	(311)	–	(311)
–	–	29 054	(284)	–	(284)
–	–	9 288	(91)	–	(91)
–	–	21 991	(215)	–	(215)
–	–	7 500	(73)	–	(73)
–	–	6 249	(62)	–	(62)
607	1 417	732 142	(7 158)	(220)	(7 378)

Collateral

The following disclosure is made with respect to Basel II requirements and definitions:

U$'000	Collateral held against: Gross core loans and advances	Collateral held against: Other credit and counterparty exposures*	Total
At 31 March 2014			
Eligible financial collateral	26 209	151	26 360
Listed shares	–	–	–
Cash**	26 209	151	26 360
Mortgage bonds	751 250	7 464	758 714
Residential mortgages	118 361	–	118 361
Commercial property developments	600 578	7 464	608 042
Commercial property investments	32 311	–	32 311
Other collateral	2 760 748	52 972	2 813 720
Unlisted shares	2 187 864	–	2 187 864
Bonds other than mortgage bonds	225 009	–	225 009
Guarantees	79 921	–	79 921
Other	267 954	52 972	320 926
Total collateral	3 538 207	60 587	3 598 794
At 31 March 2013			
Eligible financial collateral	63 737	1 965	65 702
Listed shares	36 109	–	36 109
Cash**	27 628	1 965	29 593
Mortgage bonds	816 683	2 613	819 296
Residential mortgages	153 196	–	153 196
Commercial property developments	607 893	2 613	610 506
Commercial property investments	55 594	–	55 594
Other collateral	1 784 579	32 963	1 817 542
Unlisted shares	1 374 204	–	1 374 204
Bonds other than mortgage bonds	188 808	–	188 808
Guarantees	23 148	4 895	28 043
Other	198 419	28 068	226 487
Total collateral	2 664 999	37 541	2 702 540

Collateral (continued)

U$'000	Collateral held against: Gross core loans and advances	Collateral held against: Other credit and counterparty exposures*	Total
At 31 March 2012			
Eligible financial collateral	18 523	7 167	25 690
Cash**	18 523	7 167	25 690
Debt securities issued by sovereigns	–	–	–
Mortgage bonds	862 988	1 980	864 968
Residential mortgages	154 385	–	154 385
Commercial property developments	708 603	1 980	710 583
Other collateral	1 749 559	28 054	1 777 613
Unlisted shares	1 473 693	–	1 473 693
Bonds other than mortgage bonds	218 795	–	218 795
Guarantees	19 364	8 254	27 618
Other	37 707	19 800	57 507
Total collateral	2 631 070	37 201	2 668 271

* *A large percentage of these exposures (for example 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 U$26.2 million (2013: U$27.6 million and 2012: U$18.5 million) with regard to loans and advances of U$51.7 million (2013: U$53.0 million and 2012: U$48.7 million). The bank has the right to invoke the cash collateral only in an event of default from the borrower and as a result was not offset against the loans and advances balance. The cash collateral is included in 'Due to customers'.*

The effect of offsetting the above financial instruments would have resulted in net balances for loans and advances of U$25.5 million (2013: U$25.4 million and 2012: U$30.2 million).

Equity and investment risk in the banking book

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

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

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

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

For the year to 31 March U$'000	Gains/(losses): Unrealised	Gains/(losses): Realised	Total
2014			
Unlisted investments	3 619	(662)	2 957
Listed equities	39	–	39
Equity derivatives	4 329	–	4 329
Total	7 987	(662)	7 325
2013			
Unlisted investments	(3 189)	–	(3 189)
Listed equities	(202)	–	(202)
Equity derivatives	3 303	–	3 303
Total	(88)	–	(88)

For the year to 31 March US$'000	Gains/(losses) Unrealised	Realised	Total
2012			
Unlisted investments	10 198	–	10 198
Listed equities	(247)	555	308
Equity derivatives	1 369	–	1 369
Total	11 320	555	11 875

Unrealised revaluation gains are included in tier 1 capital.

Summary of investments held and stress testing analyses

The balance sheet value of investments is indicated in the table below.

At 31 March US$'000	On-balance sheet value of investments 2014	Valuation change stress test* 2014	On-balance sheet value of investments 2013	Valuation change stress test* 2013	On-balance sheet value of investments 2012	Valuation change stress test* 2012
Unlisted investments	21 469	3 220	19 128	2 869	17 606	2 641
Listed equities	213	53	174	43	376	94
Equity derivatives	32 482	11 369	28 318	9 911	24 769	8 669
Total	54 164	14 642	47 620	12 823	42 751	11 404

* *In order to assess its 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 2014, indicates that the bank could have a U$14.6 million reversal in revenue. 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 II 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 management encompasses the independent monitoring and prudential management of the financial risks relating to our asset and liability portfolios comprising market liquidity, funding, concentration and non-trading interest rate and foreign exchange risks on balance sheet.

Balance sheet risk mitigation

The central treasury function centrally directs the raising of wholesale liabilities, establishes and maintains access to stable funds with appropriate tenor and pricing characteristics, and manages liquid securities and collateral, providing for a controlled and flexible response to volatile market conditions. The central treasury function is the sole interface with the wholesale market for both cash and derivative transactions, and actively manages the liquidity mismatch and non-trading interest rate risk arising from the bank's asset and liability portfolios. The treasurer is required to exercise tight control over funding, liquidity, concentration and non-trading interest rate risk within parameters defined by the board-approved risk appetite policy.

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

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

Non-trading interest rate risk description

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

Sources of interest rate risk include:

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

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

Management and measurement of non-trading interest rate risk

Non-trading interest rate risk in the banking book is a normal part of banking 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 macro-economic 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 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 II framework for assessing banking book (non-trading) interest rate risk.

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

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

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 2014 U$'million	Not >three months	>three months but <six months	>six months but <one year	>one year but <five years	>five years	Non-rate	Total non-trading
Cash and short-term funds – banks	301	–	–	–	–	–	301
Investment/trading assets	21	1	1	80	101	77	281
Advances	678	18	73	39	83	–	891
Other assets	–	–	–	–	–	6	6
Assets	1 000	19	74	119	184	83	1 479
Deposits – banks	–	–	–	–	–	–	–
Deposits – non-banks	(702)	(33)	(88)	(9)	–	–	(832)
Securities sold under repurchase agreement	(121)	–	–	–	–	–	(121)
Other liabilities	(26)	–	–	–	–	(8)	(34)
Liabilities	(849)	(33)	(88)	(9)	–	(8)	(987)
Intercompany loans	26	–	–	(63)	(96)	–	(133)
Shareholders' funds	–	–	–	–	–	(349)	(349)
Balance sheet	177	(14)	(14)	47	88	(274)	10
Off-balance sheet	92	14	19	(113)	(22)	–	(10)
Repricing gap	269	–	5	(66)	66	(274)	–
Cumulative repricing gap	269	269	274	208	274	–	–

At 31 March 2013 U$'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	346	–	–	–	–	–	346
Investment/trading assets	42	–	–	–	112	69	223
Advances	714	25	7	26	–	–	772
Other assets	–	–	–	–	–	6	6
Assets	1 102	25	7	26	112	75	1 347
Deposits – banks	(4)	–	–	–	–	–	(4)
Deposits – non-banks	(564)	(15)	(45)	(43)	–	–	(667)
Securities sold under repurchase agreement	(119)	–	–	–	–	–	(119)
Other liabilities	–	–	–	–	–	(8)	(8)
Liabilities	(687)	(15)	(45)	(43)	–	(8)	(798)
Intercompany loans	(134)	–	(2)	(18)	(91)	–	(245)
Shareholders' funds	–	–	–	–	–	(304)	(304)
Balance sheet	281	10	(40)	(35)	21	(237)	–
Off-balance sheet	(21)	(1)	17	5	–	–	–
Repricing gap	260	9	(23)	(30)	21	(237)	–
Cumulative repricing gap	260	269	246	216	237	–	–

At 31 March 2012 U$'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	225	–	–	–	–	–	225
Investment/trading assets	13	–	3	–	111	56	183
Advances	669	6	9	41	–	–	725
Other assets	–	–	–	–	–	7	7
Assets	**907**	**6**	**12**	**41**	**111**	**63**	**1 140**
Deposits – banks	(2)	–	–	–	–	–	(2)
Deposits – non-banks	(324)	(12)	(26)	(36)	–	–	(398)
Other liabilities	–	–	–	–	–	(14)	(14)
Liabilities	**(326)**	**(12)**	**(26)**	**(36)**	**–**	**(14)**	**(414)**
Intercompany loans	(336)	(5)	(2)	–	(111)	–	(454)
Shareholders' funds	**–**	**–**	**–**	**–**	**–**	**(271)**	**(271)**
Balance sheet	**245**	**(11)**	**(16)**	**5**	**–**	**(222)**	**1**
Off-balance sheet	(7)	(1)	(7)	14	–	–	(1)
Repricing gap	**238**	**(12)**	**(23)**	**19**	**–**	**(222)**	**–**
Cumulative repricing gap	238	226	203	222	222	–	–

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, i.e. the numbers represent the change in our net asset value should such a hypothetical scenario arise. The effect of the change in net asset value is on the statement of profit or loss only – there is no effect on other comprehensive income.

At 31 March 'million	Sensitivity to the following interest rates (expressed in original currencies)					
	ZAR	GBP	USD	EUR	AUD	All (U$)
2014						
200bp down	0.83	4.18	4.09	0.27	0.43	11.89
200bp up	(0.72)	(3.57)	(3.51)	(0.24)	(0.42)	(10.26)
2013						
200bp down	(0.39)	0.34	2.86	0.31	(0.04)	3.70
200bp up	0.50	(0.33)	(2.68)	(0.26)	0.04	(3.41)
2012						
200bp down	(1.18)	0.03	3.09	0.57	0.01	3.77
200bp up	1.26	(0.03)	(4.81)	(0.42)	(0.01)	(5.27)

Liquidity risk

Liquidity risk description

Liquidity risk is the risk that 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 the normal course of business, 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

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 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 8.0% of Mauritian Rupee customer deposits and 6.0% Segment A foreign currency deposits. The liquidity position is assessed and managed under a variety of scenarios giving due consideration to stress factors relating to both the market in general and specifically to the bank. Liquidity risk is calculated by the contractual maturity cash flow mismatch between assets and liabilities.

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

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

Liquidity mismatch

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

With respect to the contractual liquidity mismatch:

- No assumptions are made, and we record all assets and liabilities with the underlying contractual maturity as determined by the cash flow profile for each deal
- As an integral part of the broader liquidity generation strategy, we maintain a liquidity buffer in the form of unencumbered cash and near cash as a buffer against both expected and unexpected cash flows.

With respect to the behavioural liquidity mismatch:

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

Contractual liquidity

At 31 March 2014 U$'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	>Five years	Total
Cash and short-term funds – banks	173	48	80	–	–	–	–	301
Investment/trading assets	–	–	–	17	1	102	161	281
Advances	5	14	85	27	127	518	115	891
Other assets	–	–	–	–	–	–	6	6
Assets	178	62	165	44	128	620	282	1 479
Deposits – banks	–	–	–	–	–	–	–	–
Deposits – non-banks	(614)	(62)	(27)	(35)	(85)	(9)	–	(832)
Securities sold under repurchase agreement	–	–	–	–	–	(18)	(103)	(121)
Other liabilities	(28)	–	(5)	–	–	(1)	–	(34)
Liabilities	(642)	(62)	(32)	(35)	(85)	(28)	(103)	(987)
Intercompany loans	6	128	40	–	(6)	(35)	(266)	(133)
Shareholders' funds	–	–	–	–	–	–	(349)	(349)
Balance sheet	(458)	128	173	9	37	557	(436)	10
Off-balance sheet	–	(6)	–	–	1	(4)	(1)	(10)
Contractual liquidity gap	(458)	122	173	9	38	553	(437)	–
Cumulative liquidity gap	(458)	(336)	(163)	(154)	(116)	437	–	–

At 31 March 2013 U$'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	211	55	55	–	25	–	–	346
Investment/trading assets	–	–	–	–	–	3	220	223
Advances	5	7	68	15	91	546	40	772
Other assets	–	–	–	6	–	–	–	6
Assets	216	62	123	21	116	549	260	1 347
Deposits – banks	–	(4)	–	–	–	–	–	(4)
Deposits – non-banks	(356)	(75)	(132)	(15)	(43)	(46)	–	(667)
Securities sold under repurchase agreement	–	–	–	–	–	–	(119)	(119)
Other liabilities	–	–	(5)	(3)	–	–	–	(8)
Liabilities	(356)	(79)	(137)	(18)	(43)	(46)	(119)	(798)
Intercompany loans	8	–	(1)	–	–	(53)	(199)	(245)
Shareholders' funds	–	–	–	–	–	–	(304)	(304)
Balance sheet	(132)	(17)	(15)	3	73	450	(362)	–
Off-balance sheet	–	–	–	–	–	–	–	–
Contractual liquidity gap	(132)	(17)	(15)	3	73	450	(362)	–
Cumulative liquidity gap	(132)	(149)	(164)	(161)	(88)	362	–	–

At 31 March 2012 U$'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	192	–	–	13	20	–	–	225
Investment/trading assets	–	–	–	–	–	6	177	183
Advances	3	4	30	58	57	526	47	725
Other assets	–	–	–	7	–	–	–	7
Assets	195	4	30	78	77	532	224	1 140
Deposits – banks	–	(2)	–	–	–	–	–	(2)
Deposits – non-banks	(172)	(101)	(52)	(12)	(25)	(36)	–	(398)
Other liabilities	–	–	–	(10)	–	(4)	–	(14)
Liabilities	(172)	(103)	(52)	(22)	(25)	(40)	–	(414)
Intercompany loans	(18)	(67)	(2)	(1)	(112)	(35)	(219)	(454)
Shareholders' funds	–	–	–	–	–	–	(271)	(271)
Balance sheet	5	(166)	(24)	55	(60)	457	(266)	1
Off-balance sheet	–	–	–	–	–	(1)	–	(1)
Contractual liquidity gap	5	(166)	(24)	55	(60)	456	(266)	–
Cumulative liquidity gap	5	(161)	(185)	(130)	(190)	266	–	–

Behavioural liquidity (as discussed on page 38)

At 31 March U$'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
2014								
Behavioural liquidity gap	35	160	149	94	127	287	(852)	–
Cumulative	35	195	344	438	565	852	–	–
2013								
Behavioural liquidity gap	162	27	89	(46)	109	310	(651)	–
Cumulative	162	189	278	232	341	651	–	–
2012								
Behavioural liquidity gap	147	(32)	(17)	(6)	(46)	375	(421)	–
Cumulative	147	115	98	92	46	421	–	–

Foreign exchange risk

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

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

At 31 March U$'000	EUR	GBP	MUR	Other currencies	Aggregate net open foreign exchange position
Open position					
2014					
Long/(short) position	(1 360)	1 059	(819)	7 577	8 636
2013					
Long/(short) position	(38)	1 764	281	3 390	5 435
2012					
Long/(short) position	1 383	2 435	891	(356)	4 709

Operational risk management

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

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

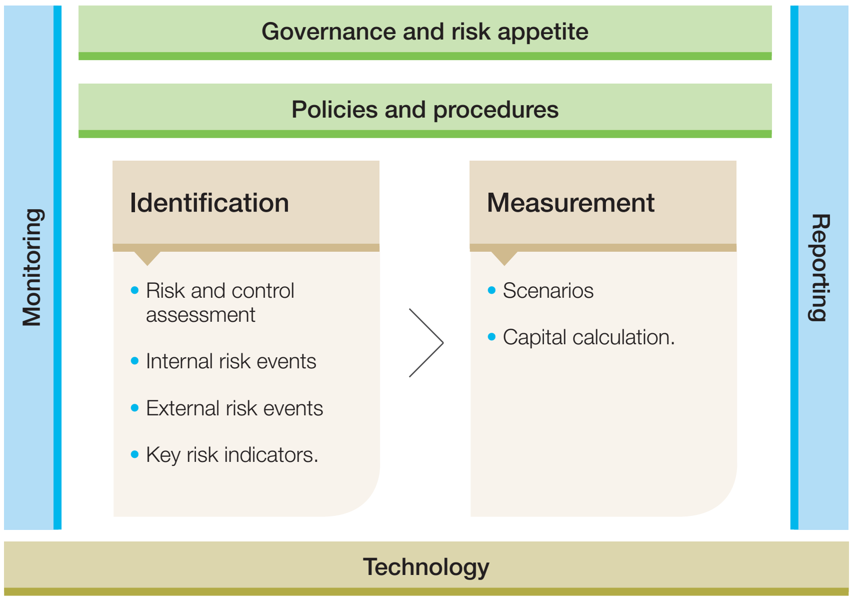
Operational risk management framework

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

During the year under review, enhancement of all the components of the operational risk management framework remained an area of focus.

The process of advancing practices and understanding regulatory requirements is supported by regular interaction with the regulator.

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



Governance

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

Board and board committees

- Review and approval of the overall risk management strategy, including determination of the risk appetite and tolerance for the bank
- Monitor and review the operational risk exposures and metrics.

External assurance and supervision

- External assessment of operational risk environment
- Onsite reviews by the SARB and BoM.

Assurance

Internal assurance

- Independent review of framework and its effectiveness
- Audit findings integrated into operational risk management process.

Reliance

Group operational risk management

- Challenge and review business unit operational risk practices and data
- Maintain operational risk framework and policy
- Report to board and board committees on operational risk exposures, events and emerging issues.

Business unit management

- Identify, own and mitigate operational risk
- Establish and maintain an appropriate operational risk and control environment
- Maintain an embedded operational risk management capability.

The board has established and mandated an independent operational risk management function to manage operational risk within the bank. Policies and procedures, which the bank has adopted and implemented, are developed at a group level to ensure that operational risk is managed in an appropriate and consistent manner. The bank's embedded risk manager (ERM) manages operational risk through review, challenge and escalation of issues. Significant risk exposures and events are subject to action and escalation by the ERM in terms of the operational risk appetite policy. This policy sets out the operational risk exposure that the bank is willing to accept or retain.

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

Operational risk practices

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

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

Operational risk year under review

Enhancement of the risk and control environment has remained a key focus for the year under review. In addition, the bank recognises the need to enhance practices relating to other components of the operational risk management framework. The enhancement of practices are currently being driven through identified project work streams at group level which, over the next few years, aim to deliver more effective management of operational risk aligned to industry best practice and regulatory requirements.

Key operational risk considerations

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

Financial crime

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

Financial crime is mitigated as follows:

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

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

Regulatory and compliance risk

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

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

Information security risk

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

Process management risk

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

Insurance

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

Reputational risk

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

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

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

Legal risk management

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

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 three 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 13%.

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:

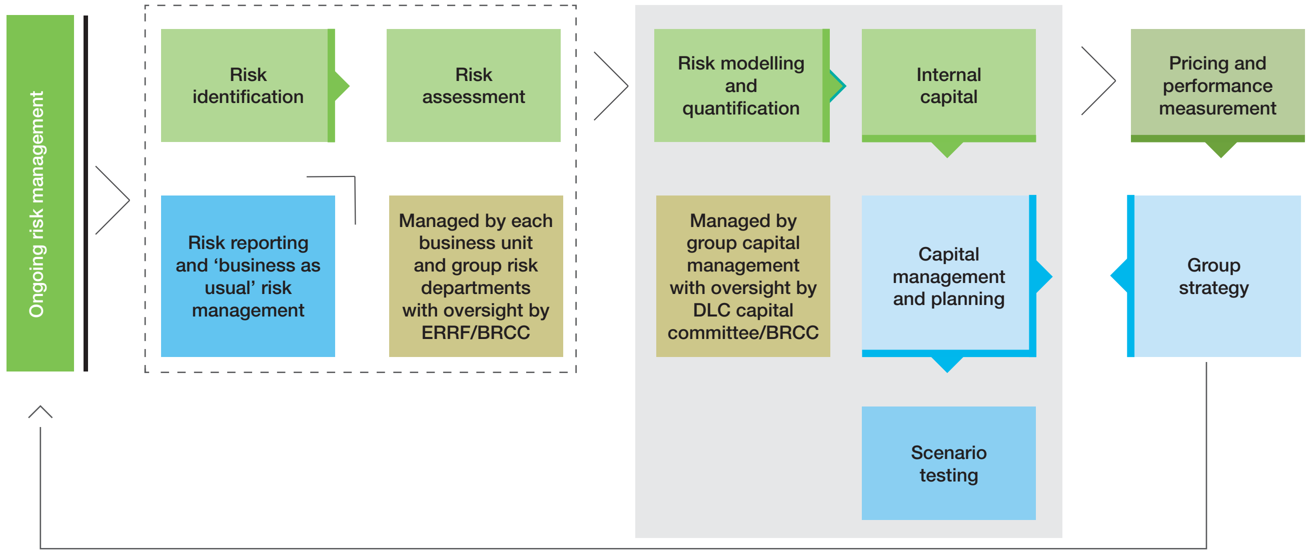
- Maintain sufficient capital to satisfy the board's risk appetite across all risks faced by the bank
- Support a target level of financial strength aligned with long-term external rating of at least A
- Provide protection to depositors against losses arising from risks inherent in the business
- Provide 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 greatest 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

The (simplified) integration of risk and capital management



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

Risk reporting

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

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

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

Risk modelling and quantification (internal capital)

Internal capital requirements are quantified by analysis of the potential impact of key risks to a degree consistent with our risk appetite. Internal capital requirements are supported by the board-approved risk assessment process described above. Quantification of all risks is based on analysis of internal data, management expertise and judgement and external benchmarking.

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

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

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

Capital management, planning and scenario testing

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

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

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

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

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

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

Pricing and performance measurement

The use of internal capital means that all transactions are considered in the context of the impact on the allocation of our capital resources, and hence on the basis of their contribution to return on risk-adjusted internal capital. This is to ensure that expected returns are sufficient after taking recognition of the inherent risk generated for a given transaction. This approach allows us to embed risk and capital discipline at the level of deal initiation. Using expectations of risk-based returns as the basis for pricing and deal acceptance ensures that risk management retains a key role in ensuring that the portfolio is appropriately managed for that risk.

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

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

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

Capital disclosures in terms of Basel II

The tables that follow provide information as required in terms of Basel II.

Capital structure

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

Capital structure

At 31 March U$'000	2014	2013	2012
Regulatory capital			
Tier 1 capital			
Share capital	56 478	56 478	56 478
Retained income	241 637	204 563	176 378
Statutory reserves	47 205	40 320	35 371
Other reserves	399	–	–
Total tier 1	345 719	301 361	268 227
Less: deductions	(293)	(269)	(7)
	345 426	301 092	268 220
Tier 2 capital			
General banking reserve	4 687	2 745	2 885
Portfolio provisions	8 289	7 150	7 158
Total tier 2	12 976	9 895	10 043
Less: deductions	–	(7)	(7)
	12 976	9 888	10 036
Total capital	358 402	310 980	278 256
Capital requirements	124 624	106 906	97 315
Credit risk – prescribed standardised exposure classes	112 772	96 749	86 992
Corporates	47 654	40 869	35 682
Secured on real estate property	36 833	39 413	36 501
Short-term claims on institutions and corporates	9 097	6 707	4 374
Retail	10	14	17
Institutions	17 938	8 818	9 842
Other exposure classes	1 240	928	576
Equity risk – standardised approach	3 065	3 108	3 290
Listed equities	21	17	38
Unlisted equities	3 044	3 091	3 252
Aggregate net open foreign exchange position	864	544	471
Operational risk – standardised approach	7 923	6 505	6 562

Capital adequacy

At 31 March U$'000	2014	2013	2012
Tier 1 capital	345 719	301 361	268 227
Less: deductions	(293)	(269)	(7)
	345 426	301 092	268 220
Tier 2 capital	12 976	9 895	10 043
Less: deductions	–	(7)	(7)
	12 976	9 888	10 036
Total capital	358 402	310 980	278 256
Risk-weighted assets	1 246 235	1 069 061	973 135
Credit risk – prescribed standardised exposure classes	1 127 714	967 498	869 916
Corporates	476 535	408 692	356 820
Secured on real estate property	368 329	394 134	365 008
Short-term claims on institutions and corporates	90 974	67 068	43 736
Retail	100	143	168
Institutions	179 376	88 181	98 419
Other exposure classes	12 400	9 280	5 765
Equity risk – standardised approach	30 652	31 082	32 895
Listed equities	213	174	376
Unlisted equities	30 439	30 908	32 519
Aggregate net open foreign exchange position	8 636	5 435	4 709
Operational risk – standardised approach	79 233	65 046	65 615
Capital adequacy ratio	28.8%	29.1%	28.6%
Tier 1 ratio	27.7%	28.2%	27.6%
Capital adequacy ratio – pre-operational risk	30.7%	32.3%	30.7%
Tier 1 ratio – pre-operational risk	29.6%	33.3%	29.6%

Corporate governance report

Chairman's introduction

We are pleased to present the 2014 annual corporate governance report which sets out Investec's approach to corporate governance and, more specifically, how I as chairman ensure that I discharge my duties of leading the board and ensuring the board's effectiveness in carrying out its role.

Regulatory context

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

Our culture and values

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

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

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

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

2014/15 priorities

In broad terms, our priorities for 2014/15 from a corporate governance perspective are as follows:

- A continued focus on ensuring that the bank maintains a strong management team
- A continued focus on ensuring a risk-conscious operational environment.

Conclusion

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

David M Lawrence
Chairman, board of directors

18 June 2014

Statement of compliance under section 75(3) of the Financial Reporting Act 2004

The Code of Corporate Governance

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

In case of conflict between the Code and the BOM guideline, the BOM guideline takes precedence. The board continuously reviews the implications of corporate governance best practices and accordingly it has taken all the required actions to comply with the requirements of the Guideline on Corporate Governance issued by Bank of Mauritius in August 2012.

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

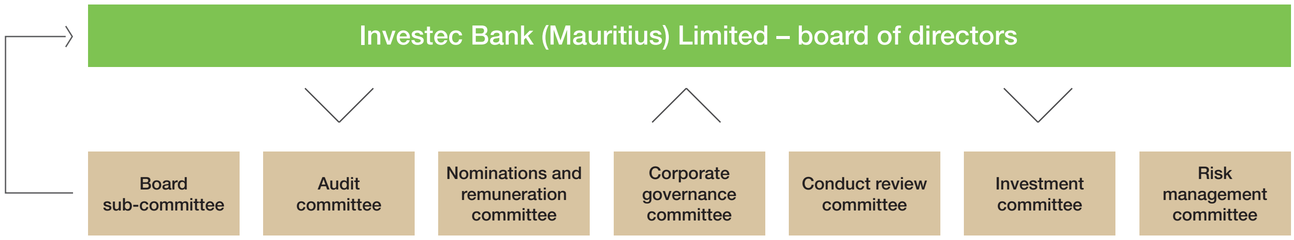
We, the directors of Investec Bank (Mauritius) Limited, confirm that Investec Bank (Mauritius) Limited has not complied with section 2.8 – Remuneration of directors – of the Code. Investec Bank (Mauritius) Limited is a wholly owned subsidiary of Investec Bank Limited. Investec Bank Limited has consented to the disclosure of the directors' emoluments on an aggregated basis in line with the resolution referred to under the section 'other statutory disclosures' of the 2014 annual report.

David M Lawrence
Chairman, board of directors

Pierre De Chasteigner Du Mée
Chairperson, corporate governance committee

18 June 2014

Governance framework



Board committees

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

Board sub-committee

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

Audit committee

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

Nominations and remuneration committee

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

Corporate governance committee

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

Conduct review committee

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

Investment committee

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

Risk management committee

This new committee comprises three members including the chief executive officer. The objectives of the committee are to:

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

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

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

Financial reporting and going concern

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

- Budgeting and forecasts
- Profitability
- Capital
- Liquidity.

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

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

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

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

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

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

Further information on the liquidity and capital position is provided on pages 38 to 40 and pages 43 to 47.

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

Management and succession planning

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

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

Internal control

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

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

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.

Board of directors

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

The board:

- Approves the bank's strategy
- Ensures that the bank complies with the applicable laws and considers adherence to non-binding rules and standards
- Is responsible for the governance of risk, including that of information technology (IT)
- Acts as focal point for, and custodian of, corporate governance
- Provides effective leadership on an ethical foundation

- Ensures the bank is and is seen to be a responsible corporate citizen.

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

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

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

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

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

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

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

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

Name	Age at 31 March 2014	Qualifications	Current other directorships	Committee membership	Brief biography
David M Lawrence (Chairman)	62	BA(Econ) (Hons) MCom	Investec Bank Limited, various Investec companies and various listed and unlisted companies	1, 3, 4, 5, 6, 7	Currently the deputy chairman of Investec Bank Limited and chairman of the board of directors of the bank. Former chairman and managing director of Citibank (South Africa), and managing director of FirstCorp Bank Limited.
Peter RS Thomas	69	CA(SA)	Investec plc, Investec Limited, Investec Bank Limited, various Investec companies, JCI Limited and various listed and unlisted companies	2, 3, 4, 5	Peter is the former managing director of The Unisec Group Limited. Currently chairman of the audit committee of the bank.
Pierre de Chasteigner du Mée	60	ACEA, FBIM, FMAAT	P.O.L.I.C.Y Limited, C.O.R.O.I Limited, Associate Brokers Limited and various private companies	1, 2, 3, 4, 5, 6, 7	Pierre is the estate general manager of Constance La Gaieté Co. Limited, a major property owner and sugarcane producer in Mauritius. Previously group financial controller of The Constance group of companies and executive director of Constance Hotels Services Limited. He is a stockbroker on the stock exchange of Mauritius, a licensed company secretary and a member of the Chartered Management Institute (England). Also a member of the National Pension Fund board (NPF), National Savings Fund technical committee (NSF) and of the NPF/NSF investment committee that manages the national pension scheme of the Republic of Mauritius.
Angelique A Desvaux de Marigny	38	LLB, Barrister-at-Law Maîtrise en Droit Privé (Université Paris 1 Panthéon-Sorbonne)	None	2	Angelique is a barrister-at-law who was admitted to the Mauritian Bar in 2001. She graduated from King's College London and Université Paris 1 Panthéon-Sorbonne with a LLB (First Class Honours) and a Maîtrise en Droit Privé (Droit des Affaires) and completed her vocational training at the Inns of Courts School of Law, London. She initially practised as a litigation counsel for the first six years of her career as a tenant of De Spéville Sauzier Desvaux Chambers before joining the CIEL group as head of Legal Affairs. In 2009, she returned to private practice in the same chambers and has since then been involved in advising and litigation work in various fields. She has a marked interest in commercial and private international law matters.

Name	Age at 31 March 2014	Qualifications	Current other directorships	Committee membership	Brief biography
Craig C McKenzie	53	BSc, MSc, CFA	Various unlisted companies	1, 6, 7	Chief executive officer with 26 years of banking experience.

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

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

	Number of meetings held during the year	Number of meetings attended during the year
David M Lawrence	4	4
Craig C McKenzie	4	4
Pierre de Chasteigner du Mée	4	4
Angelique Anne Desvaux de Marigny	4	3
Peter RS Thomas	4	4

Skills, knowledge, experience and attributes of directors

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

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

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

Board and board committees

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

The performance evaluation process takes place both informally, through personal observations and discussions, and/or in the form of evaluation questionnaires. The results are considered and discussed by the board. The chairman holds regular one-on-one meetings with each director 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. Individual training and development needs are discussed with each board member and any requests for training are communicated to the company secretary for implementation.

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 regular formal presentations on regulatory and governance matters as well as on the business and support functions. Regular interactive workshops are arranged between directors and the heads of risk management, control functions and business units.

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

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

During the period under review, a directors' training session on operational risk and financial crime was organised in collaboration with the Investec group. The bank envisages organising similar training sessions in the coming months.

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 U$941,491 for the year under review.

The remuneration of directors has not been disclosed on an individual basis due to commercial sensitivity.

Directors' service contracts and terms of employment

The chief executive officer, who is the only executive director of the bank, has an indefinite contract of employment, terminable by either party giving the required written notice to the other. The chief executive officer is entitled to receive a basic salary and is also eligible for an annual bonus, the amount of which is determined at the discretion of the compensation and 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 has arranged for appropriate insurance cover in respect of any legal action against its directors and officers.

Donations

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

Dividend policy

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

Executive management

The board has delegated the day-to-day running of the business and affairs of the bank to its executive management. Issues are debated and decisions in management forums are taken unanimously. The executive management team of the bank is made up of the chief executive officer and chief operating officer. Below is the profile of the management team.

Craig C McKenzie – chief executive officer

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

Lara Ann Vaudin – chief operating officer

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

Other statutory disclosures

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

External audit

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

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

Regulation and supervision

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

Values and code of conduct

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

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

Human resources and remuneration policy

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

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

Related party transactions

Refer to note 35 to the financial statements.

Risk management

Refer to pages 10 to 47.

Internal audit

The internal audit function is managed at group level and is tasked with providing the board with an independent and objective opinion as to the bank's control environment in relation to the risks it faces. 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 operates independently of executive management but has access to the chief executive officer and the chairman of the audit committee.

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

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

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

Compliance

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

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

Sustainability

The bank believes in making a positive contribution to the society and the environment in which it operates.

The bank's corporate social investment (CSI) strategy is to focus on projects and initiatives in the following areas:

- Education
- Environment
- Sports development.

The bank looks to spend 30% of its budget in each of the areas above. The bank allocates 10% of its budget to discretionary philanthropic donations which may fall out of its focus areas but allows it to make small but meaningful donations to worthwhile causes.

Corporate social responsibility (CSR) was legislated by the government of Mauritius in July 2008. In terms of the legislation, all Mauritian companies are required to allocate 2% of their chargeable income to CSR-approved NGOs or projects. Although 'segment B profits', or offshore income derived by banks, is legally exempt from this requirement, the bank has chosen to contribute an additional 0.5% of this income to CSI.

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. Our approach is to ensure long-term sustainability. This means making multi-faceted interventions in selected communities and may include building operational skills and organisational capacity.

The criteria for assessing projects are:

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

Investec encourages its staff to contribute and participate in our CSI programme. Staff have given their time to the Mauritian Wildlife Foundation project at Ile de la Passe by cleaning up litter and planting endemic plants, assisting TIPA with their Art Festival at the Guy Rozemont government school and assisting PAWS with a free sterilisation campaign for dogs and cats in Tranquebar.

Projects supported

Education

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

The bank has supported the Guy Rozemont government school in Tranquebar for the past five years.

We have worked with the school on a number of projects, namely:

- A remedial education programme for children preparing to write their Certificate of Primary Education (CPE) exams
- Upgrading the children's playground areas by:
  - Providing playground equipment
  - Landscaping the gardens
  - Constructing a covered shelter
  - Providing tables and benches.

TIPA (Terrain or the Interactive Pedagogy through Arts) develops essential life skills of vulnerable children. Their focus is to empower children to become critical thinkers, participate in discussions, be responsible and be team players through art, drama and cultural education. They also develop teachers' skills and organise an annual art festival at the school.

Mothers' Club – Investec sponsors the monthly meeting of mothers and school representatives. The purpose of this club is to provide a forum for parental participation in education. The club also uses this forum as an opportunity to upgrade and enhance the skills of mothers.

Environment

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

The bank supports the Mauritian Wildlife Foundation's 'Learning with Nature' education project at L'iles aux Aigrettes that teaches children about the flora and fauna of Mauritius. Educational books and materials have been developed, and are given to school children who visited the island and participated in the tour. 3 000 children and 600 teachers visited the island in 2013/14 as part of the learning with nature programme.

We are currently working with the Protection of Animal Welfare Society (PAWS) to develop and implement its education programme focusing on the health and welfare of companion animals. This three-year programme has seen the development of training material and educators.

We have also sponsored the printing of a children's educational book on animal welfare, Bouledamour, and a video on the importance of sterilisation as a sustainable solution to the population of stray dogs in Mauritius.

Sports development

Access to sport should be available to all. Apart from the importance of physical exercise, sport also teaches children discipline, perseverance, team work, and develops self esteem.

The bank supports the following sport development projects:

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

Tranquebar Black Rangers Women's Volley Ball Club

We have sponsored the Black Rangers Women's Volley Ball Club for the past four years. The club is based at the Tranquebar Women's centre and has a membership of 45 made up of a strong first team and a junior development team.

Sailing Pour Tous

The bank supports Sailing Pour Tous school which is managed by world renowned French sailors, Herve and Sophie Laurent. They bring extensive sailing experience and knowledge to Mauritius, having run similar schools for children in France.

This project makes sailing accessible to underprivileged children in Port Louis and surrounding areas. It offers free sailing lessons to any child (between the ages of 7 and 16) who would like to learn how to sail. Optimists are provided for the younger children and lasers are provided at a later stage for older children. Initially the school will prepare young sailors to compete at a national level and over time at the international level. Apart from learning nautical skills, the children participating in this sailing school also benefit from team work, discipline and responsibility. Gaining knowledge of the sea and sailing skills could assist participants in finding employment in marine activities in the future. Sailing Pour Tous has 220 children enrolled for sailing lessons.

Tranquebar Boxing Club

The bank sponsored the Tranquebar Boxing Club. The club has 40 members aged from 10 to 25. The aim of the club is to give young men in the area the opportunity to learn the skill of boxing, to train and to compete in boxing competitions. The club boxers won two gold medals and two bronze medals at the Championat Nationale Elite. Two of their members were also selected to participate in an international competition in April 2014.

Environmental footprint

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

Shareholder diary

Financial year:	31 March
Unaudited quarterly report:	Within 45 days from the quarters ending June, September and December
Audited financial statements:	Within three months of 31 March 2014
AGM:	June 2014

Signed on behalf of the board

David M Lawrence
Chairman

Pierre de Chasteigner du Mée
Director

Craig C McKenzie
Chief executive officer

18 June 2014

Three

Annual financial
statements

Statement of management's responsibility for financial reporting

Directors' statement

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

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

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

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

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

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

Signed on behalf of the board

David M Lawrence Chairman Board of directors	Pierre de Chasteigner du Mée Director	Craig C McKenzie Chief executive officer

18 June 2014

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 2014

Independent auditors' report to the members of Investec Bank (Mauritius) Limited

Report on the financial statements

We have audited the financial statements of Investec Bank (Mauritius) Limited (the bank) on pages 60 to 119 which comprise the statement of financial position at 31 March 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements on pages 60 to 119 give a true and fair view of the financial position of the bank at 31 March 2014 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Other matter

This report, including the opinion, has been prepared for and only for the bank's member, in accordance with section 205 of the Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on other legal and regulatory requirements

Companies Act 2001

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

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

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

Banking Act 2004

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

Financial Reporting Act 2004

The directors are responsible for preparing the corporate governance report.

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

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

Ernst & Young

Ernst & Young
Ebène
Mauritius

Thierry Leung Hing Wah FCCA
Licensed by FRC

18 June 2014

Statement of profit or loss

For the year to 31 March U$'000	Notes	2014	2013	2012
Interest income	3	64 374	55 797	43 791
Interest expense	3	(14 991)	(14 820)	(9 676)
Net interest income		49 383	40 977	34 115
Fee and commission income	4	6 643	3 670	2 758
Fee and commission expense	4	(1 222)	(504)	(1 054)
Net fee and commission income		5 421	3 166	1 704
Net trading income/(loss)	5	2 329	1 327	(5 825)
Net gain/(loss) on financial instruments designated at fair value through profit or loss	6	427	(1 199)	15 687
Net other operating income	7	2 517	–	19
Total operating income		60 077	44 271	45 700
Impairment loss on loans and advances	8	(3 654)	(377)	(7 970)
Impairment loss on non-current asset held-for-sale		–	–	(1 433)
Net operating income		56 423	43 894	36 297
Personnel expenses	9	(4 735)	(4 080)	(4 759)
Depreciation of equipment	20	(128)	(126)	(127)
Other operating expenses	10	(5 460)	(5 439)	(5 191)
Total operating expenses		(10 323)	(9 645)	(10 077)
Profit before tax		46 100	34 249	26 220
Income tax expense	11	(199)	(1 255)	(630)
Profit for the year		45 901	32 994	25 590
Analysed as follows:				
Transfer to statutory reserve		6 885	4 949	3 838
Transfer to retained earnings		39 016	28 045	21 752
Profit attributable to equity holder of the bank		45 901	32 994	25 590

Statement of other comprehensive income

For the year to 31 March U$'000	2014	2013	2012
Profit for the year	45 901	32 994	25 590
Other comprehensive income to be reclassified to profit or loss in subsequent period			
– Fair value movements on available-for-sale assets	399	–	–
Total other comprehensive income to be reclassified to profit or loss in subsequent period	399	–	–
Total comprehensive income for the year	46 300	32 994	25 590
Attributable to:			
Equity holder of the bank	46 300	32 994	25 590

Statement of financial position

At 31 March U$'000	Notes	2014	2013	2012
Assets				
Cash and balances with central bank	13	16 710	4 556	3 823
Due from banks	14	284 161	340 995	221 030
Derivative financial instruments	15	35 163	31 584	28 837
Investment securities	16	243 751	189 756	153 198
Amount due from holding bank	35	182 430	18 625	13 530
Amount due from group companies	35	3 877	3 122	3 067
Loans and advances to customers	17	890 702	772 245	724 764
Investment in associate	18	4 915	4 915	4 915
Investment in subsidiary	19	–	15	15
Equipment	20	338	387	485
Deferred tax assets	11	293	262	250
Other assets	21	5 136	5 136	6 988
Total assets		1 667 476	1 371 598	1 160 902
Liabilities				
Deposits by banks	22	–	3 527	2 039
Securities sold under repurchase agreement with banks	23	121 403	119 378	–
Derivative financial instruments	15	11 250	3 234	5 265
Amount due to holding bank	35	42 632	35 554	240 460
Amount due to group companies	35	10 115	13 788	10 647
Due to customers	24	832 204	666 854	397 730
Debt securities in issue	25	266 299	217 060	219 904
Current tax liabilities	11	1 107	1 015	20
Other liabilities	26	32 060	7 082	13 725
Total liabilities		1 317 070	1 067 492	889 790
Equity				
Stated capital	28	56 478	56 478	56 478
Other reserves	29	52 291	43 065	38 256
Retained earnings		241 637	204 563	176 378
Total equity		350 406	304 106	271 112
Total liabilities and equity		1 667 476	1 371 598	1 160 902

Signed on behalf of the board

David M Lawrence
Chairman

Pierre de Chasteigner du Mée
Director

Craig C McKenzie
Chief executive officer

18 June 2014

Statement of changes in equity

U$'000	Stated capital	Available-for-sale reserve	General banking reserve	Statutory reserve	Retained earnings	Total
At 1 April 2013	56 478	–	2 745	40 320	204 563	304 106
Movement in reserves 1 April 2013 – 31 March 2014						
Total comprehensive income						
Profit for the year	–	–	–	–	45 901	45 901
Other comprehensive income	–	399	–	–	–	399
Total comprehensive income for the year	–	399	–	–	45 901	46 300
Appropriations to other reserves	–	–	1 942	6 885	(8 827)	–
At 31 March 2014	56 478	399	4 687	47 205	241 637	350 406
At 1 April 2012	56 478	–	2 885	35 371	176 378	271 112
Movement in reserves 1 April 2012 – 31 March 2013						
Total comprehensive income						
Profit for the year	–	–	–	–	32 994	32 994
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	32 994	32 994
Appropriations to other reserves	–	–	(140)	4 949	(4 809)	–
At 31 March 2013	56 478	–	2 745	40 320	204 563	304 106
At 1 April 2011	56 478	–	1 837	31 533	160 265	250 113
Movement in reserves 1 April 2011 – 31 March 2012						
Total comprehensive income						
Profit for the year	–	–	–	–	25 590	25 590
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	25 590	25 590
Appropriations to other reserves	–	–	1 048	3 838	(4 886)	–
Ordinary dividend paid	–	–	–	–	(4 591)	(4 591)
At 31 March 2012	56 478	–	2 885	35 371	176 378	271 112

Statement of cash flows

For the year to 31 March U$'000	Notes	2014	2013	2012
Operating activities				
Profit before tax		46 100	34 249	26 220
Adjustments for:				
Change in operating assets	32	(219 511)	(122 468)	(279 048)
Change in operating liabilities	32	198 227	62 205	96 910
Non-cash item included in profit before tax	32	502	(2 645)	(1 639)
Dividends received		(1 857)	–	–
Income tax paid		(140)	(272)	(1 277)
Net cash inflows/(outflows) from operating activities		23 321	(28 931)	(158 834)
Investing activities				
Proceeds from disposal of subsidiary		658	–	–
Purchase of investment securities		(74 270)	–	–
Proceeds from disposal of investment securities		938	–	14 550
Dividend received		1 857	–	–
Purchase of equipment	20	(79)	(28)	(80)
Proceeds on disposal of equipment		–	–	23
Net cash flows (invested)/generated from investing activities		(70 896)	(28)	14 493
Financing activities				
Dividend paid		–	–	(4 591)
Repurchase agreements made with banks		–	119 743	–
Issue of preference shares		44 000	–	221 365
Net cash flows generated from financing activities		44 000	119 743	216 774
Net (decrease)/increase in cash and cash equivalents		(3 575)	90 784	72 433
Net foreign exchange differences		7 388	(517)	(764)
Cash and cash equivalents at the beginning of the year		291 515	201 248	129 579
Cash and cash equivalents at the end of the year	32	295 328	291 515	201 248

Notes to the annual financial statements

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 2014 were authorised for issue in accordance with a resolution of the directors on 16 June 2014.

2. Accounting policies

2.1 Basis of preparation

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

Statement of compliance

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

The bank does not prepare consolidated financial statements since it satisfies the criteria for exemption under IFRS 10 paragraph 4. The bank is wholly owned by Investec Bank Limited which prepares consolidated financial statements that comply with International Financial Reporting Standards. Investec Bank Limited is incorporated in the Republic of South Africa and its registered office, where the consolidated financial statements are obtainable, is at 100 Grayston Drive, Sandown Sandton, South Africa.

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 10 to 44 in sections marked as audited.

Going concern

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

2.2 Significant accounting judgements and estimates

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

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position 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 31 to the financial statements.

Impairment losses on loans and advances

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

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

The impairment loss on loans and advances is disclosed in more detail in note 17.

Impairment of investment in associate

The bank reviews its investment in associate at each reporting date to assess whether it is impaired. It requires similar judgement as applied to the individual impairment assessment of loans and advances above.

2.3 Change in accounting policies

The accounting policies adopted in the current year are consistent with those of the previous year, except that the bank has adopted the following new and revised accounting standards:

- IAS 1 – Presentation of Financial Statements
- IFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

- IFRS 12 – Disclosure of Interest in Other Entities
- IFRS 13 – Fair Value Measurement.

IAS 1 – Presentation of Financial Statements

Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will not be reclassified. The bank only has the fair value of available for sale investment as other comprehensive income and this has been disclosed as OCI that could be reclassified to profit or loss.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

This standard amends the disclosure requirements in IFRS 7 – Financial Instruments: Disclosures to require information about all recognised financial instruments that are set-off in accordance with paragraph 42 of IAS 32 – Financial Instruments: Presentation.

The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set-off under IAS 32. The IASB believes that these disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. This standard required a number of new disclosures to be made in the financial statements.

IFRS 12 – Disclosures of Interest in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements.

This standard required a number of new disclosures to be made in the financial statements, including disclosures regarding the bank's investment in its associates, but has not impacted the bank's financial position or performance.

IFRS 13 – Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the bank reassessed its policies for measuring fair values.

Additional disclosures where required, are provided in the individual notes related to the assets whose fair values were determined. Fair value hierarchy is provided in note 30.

2.4 Summary of significant accounting policies

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

Foreign currency translation

The bank's functional currency and presentation currency is U$.

Transactions and balances

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

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

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

Financial instruments – initial recognition and subsequent measurement

Date of recognition

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

Initial recognition of financial instruments

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

Derivatives recorded at fair value through profit or loss

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

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

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 statement of financial position at fair value. Changes in fair value are recorded in 'net loss or gain on financial instruments designated at fair value through profit or loss'. Relevant interest earned or incurred is accrued in 'Interest income' or 'interest expense', respectively, using the effective interest rate (EIR), while any dividend income is recorded in 'net other operating 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 statement of profit or loss. 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 statement of profit or loss 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 statement of profit and loss in Net other operating income. Interest earned whilst 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 statement of profit and loss in 'Impairment losses on financial investments' and removed from the Available-for-sale reserve.

Held-to-maturity financial assets

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

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

Due from banks and loans and advances to customers

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

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

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

Debt securities in issue

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

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

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

An analysis of the bank's issued debt is disclosed in note 25 to the financial statements.

Reclassification of financial assets

Effective from 1 July 2008, the bank was permitted to reclassify, in certain circumstances, non-derivative financial assets out of the 'held-for-trading' category and into the 'available-for-sale', 'loans and receivables', or 'held-to-maturity' categories. From this date it may also reclassify, in certain circumstances, financial instruments out of the 'Available-for-sale' category and into the 'loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

The bank may reclassify a non-derivative trading asset out of the 'held-for-trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the bank has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

For a financial asset reclassified out of the 'available-for-sale' category, any previous gain or loss on that asset that has been recognised in other comprehensive income is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in other comprehensive income is recycled to the statement of profit or loss.

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The bank does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

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 statement of profit or loss.

Repurchase agreements

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

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

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

Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position 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 statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in 'net trading income or loss'.

Determination of fair value

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

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 30.

Impairment of financial assets

The bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

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

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

Financial assets carried at amortised cost

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the statement of profit or loss.

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

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

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Available-for-sale (AFS) financial asset

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. 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 statement of profit or loss, the impairment loss is reversed through the statement of profit 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 statement of financial position 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 statement of financial position.

Recognition of income and expenses

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

Interest and similar income and expenses

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

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

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

Fee and commission income

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

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

Dividend income

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

Net trading income or loss

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on 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. Investment in associates is accounted for at cost. The bank determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the bank calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognises the amount in the income statement.

Equipment

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

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

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

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

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

Impairment of non-financial assets

The bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs 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, quoted share prices for publicly traded subsidiaries 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 statement of profit or loss 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 event whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the bank's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements unless they are remote.

Pension benefits

Defined contribution pension plan

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

Provisions

Provisions are recognised when the bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

Share-based payment transactions

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

The cost of cash-settled transactions is measured initially at fair value at the grant date and taking into account the terms and conditions upon which the instruments were granted (note 38).

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

Taxes

Current tax

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

Deferred tax

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

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

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

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

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

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

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

Value added tax

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

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- 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 statement of financial position.

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.

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 shareholders. 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
- 'General banking reserve' which comprises amounts set aside for general banking risks including country risk.

Segment reporting

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

Segment B

Segment B activity essentially relates to the provision of international financial services that give rise to 'foreign source income'. Such services may be fund based and/or non-fund based. Segment B assets will generally consist of placements with and advances to foreign companies, institutions as well as individuals including stocks and debt instruments and claims on non-resident and/or Global Business Licences (GBLs). Segment B liabilities will normally arise from deposits, borrowings, funds deposited by non-residents and GBLs and capital.

Segment A

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

In addition, private clients, corporate clients and investment strategies operating segments are reported.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the bank's financial statements are disclosed below. The bank intends to adopt these standards, if applicable, when they become effective.

IFRS 9 – Financial Instruments

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

Amendments in 2009

- Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss
- All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss
- The concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines.

Amendments in 2010

- A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 – Financial Instruments: Recognition and Measurement
- The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

Amendments in 2013

- Introduces a new chapter to IFRS 9 on hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures
- Permits an entity to apply only the requirements introduced in IFRS 9 (2010) for the presentation of gains and losses on financial liabilities designated at fair value through profit or loss without applying the other requirements of IFRS 9, meaning the portion of the change in fair value related to changes in the entity's own credit risk can be presented in other comprehensive income rather than within profit or loss
- Removes the mandatory effective date of IFRS 9 (2013), IFRS 9 (2010) and IFRS 9 (2009), leaving the effective date open pending the finalisation of the impairment and classification and measurement requirements. Notwithstanding the removal of an effective date, each standard remains available for application.

IFRS 9 does not yet have a mandatory effective date, but early adoption is allowed. A mandatory effective date will be set when the IASB completes the impairment phase of the project. At its February 2014 meeting, the IASB tentatively decided that the mandatory effective date of IFRS 9 will be for annual periods beginning on or after 1 January 2018.

The bank will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10, IFRS 12 and IAS 27 Investment Entities (Amendments)

These amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities and IAS 27 – Separate Financial Statements were made to:

- Provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 – Financial Instruments or IAS 39 – Financial Instruments: Recognition and Measurement
- Require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries
- Require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).

The amendment to the standard is effective for annual periods beginning on or after 1 January 2014 and should be applied retrospectively subject to certain transition reliefs. Early application is permitted and must be disclosed.

These amendments are not expected to be relevant to the bank.

IFRS 14 – Regulatory Deferral Account

IFRS 14 allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first time adoption of IFRS. Existing IFRS preparers are prohibited from applying this standard. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first time application of IFRS:

- Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income
- The standard requires disclosures on the nature of, and risks associated with, the entity's rate regulation and the effects of that rate regulation on its financial statements.

IFRS 14 is effective for annual periods beginning on or after 1 January 2016 and should be applied retrospectively. Early application is permitted and must be disclosed.

These amendments are not expected to be relevant to the bank.

IAS 19 – Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

This amendment to IAS 19 – Employee Benefits clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contribution, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

The amendment to the standard is effective for annual periods beginning on or after 1 July 2014 and should be applied retrospectively in accordance with the requirement of IAS 8 for changes in accounting policy. Early application is permitted and must be disclosed.

These amendments are not expected to be relevant to the bank.

IAS 32 – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

This amendment to IAS 32 – Financial Instruments: Presentation was made to clarify certain aspects because of diversity in application of the requirements on offsetting thereby focusing on four main areas:

- The meaning of 'currently has a legally enforceable right of set-off'
- The application of simultaneous realisation and settlement
- The offsetting of collateral amounts
- The unit of account for applying the offsetting requirements.

The amendment is effective for annual periods beginning on or after 1 January 2014. The bank does not expect that the above amendments will have material financial impact on the financial statements.

IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

IAS 36 – Impairment of Assets was amended to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

The amendment is effective for annual periods beginning on or after 1 January 2014. The bank does not expect that the above amendments will have material financial impact on the financial statements.

IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

The amendments to IAS 39 – Financial Instruments: Recognition and Measurement were made to clarify that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

- A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations.

The amendment is effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the bank.

IFRIC 21 Levies

Provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.

The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies:

- The liability is recognised progressively if the obligating event occurs over a period of time
- If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

The amendment is effective for annual periods beginning on or after 1 January 2014 and is not expected to have a material impact on the financial statements.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 specifies how and when an entity will recognise revenue with relevant disclosures to be made. The standard will apply to annual periods beginning on or after 1 January 2017. The bank is still evaluating the impact of this standard.

Annual Improvements 2010-2012 Cycle – effective 1 July 2014

These improvements will not have an impact on the bank, but include:

- IFRS 2 — Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'
- IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date
- IFRS 8 — Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly
- IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)
- IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount
- IAS 24 — Clarify how payments to entities providing management services are to be disclosed.

Annual improvements 2011 – 2013 Cycle – effective 1 July 2014

These improvements will not have an impact on the bank, but include:

- IFRS 1 — Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only)
- IFRS 3 — Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself
- IFRS 13 — Clarify the scope of the portfolio exception in paragraph 52
- IAS 40 — Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

For the year to 31 March U$'000	2014	2013	2012
3. Interest income/(expense)			
Interest income			
Due from banks	1 248	835	1 003
Loans and advances to customers	49 983	43 929	32 872
Holding bank and group companies	1 262	545	656
Financial assets – loans and receivables	576	573	579
Financial assets – available-for-sale	2 441	–	–
Financial assets – held-to-maturity	5 764	4 805	3 954
	61 274	50 687	39 064
Financial assets designated at fair value through profit or loss	3 100	5 110	4 727
	64 374	55 797	43 791
Interest expense			
Deposits by banks	(69)	(137)	(269)
Repurchase agreements	(1 012)	(223)	–
Due to customers	(5 817)	(4 574)	(4 361)
Debt securities in issue	(6 438)	(5 867)	(3 459)
Holding bank and group companies	(1 655)	(4 019)	(1 587)
	(14 991)	(14 820)	(9 676)

For the year to 31 March U$'000	2014	2013	2012
4. Fee and commission income			
Fee and commission income			
Credit-related fees and commissions	5 163	2 428	1 082
Brokerage fees received	1 436	1 174	1 606
Other fees received	44	68	70
	6 643	3 670	2 758
Fee and commission expense			
Brokerage fees paid	(65)	(16)	(2)
Portfolio and other management fees	(607)	(454)	(975)
Other fees paid	(550)	(34)	(77)
	(1 222)	(504)	(1 054)

For the year to 31 March U$'000	2014	2013	2012
5. Net trading income/(loss)			
Changes in fair value of derivative financial instruments	9 018	8 515	3 250
Net interest expense on trading derivatives	(6 271)	(6 861)	(8 483)
Foreign exchange loss	(418)	(327)	(592)
	2 329	1 327	(5 825)

For the year to 31 March U$'000	2014	2013	2012
6. Net gain/(loss) on financial instruments designated at fair value through profit or loss			
The fair value gains/(losses) arise on:			
Debt securities			
– Realised gain	–	–	5 113
– Unrealised (loss)/gain	(2 569)	2 192	68
Equities			
– Realised loss	(662)	–	555
– Unrealised gain/(loss)	3 658	(3 391)	9 951
	427	(1 199)	15 687

For the year to 31 March U$'000	2014	2013	2012
7. Net other operating income			
Other operating income			
Profit on disposal of equipment	–	–	19
Profit on disposal of investment in subsidiary	643	–	–
Dividends received	1 857	–	–
Card income	27	–	–
	2 527	–	19
Other operating loss			
Risk-event loss	(10)	–	–
	2 517	–	19

For the year to 31 March U$'000	2014	2013	2012
8. Impairment losses on loans and advances			
Movement in allowance for credit impairment (note 17)	(1 071)	(377)	(2 286)
Loans and advances written-off	(2 583)	–	–
Loss on disposal of loans and advances	–	–	(5 684)
	(3 654)	(377)	(7 970)

For the year to 31 March U$'000	2014	2013	2012
9. Personnel expenses			
Wages and salaries	(4 057)	(3 530)	(4 108)
Pension costs – defined contribution plan	(98)	(73)	(77)
Other benefits	(580)	(477)	(574)
	(4 735)	(4 080)	(4 759)

For the year to 31 March U$'000	2014	2013	2012
10. Other operating expenses			
Administrative expenses	(5 177)	(5 101)	(4 906)
Advertising and marketing	(43)	(68)	(71)
Audit fees	(151)	(144)	(135)
Non-audit fees*	(21)	(11)	(24)
Professional fees	(68)	(115)	(55)
	(5 460)	(5 439)	(5 191)

* *Non-audit fees relate to the half-year review performed by EY.*

For the year to 31 March U$'000	2014	2013	2012
11. Taxation			
Statement of financial position			
Income tax liability:			
Current year	1 694	1 413	794
Tax credit	(562)	–	–
Tax paid under Advance Payment Scheme	(25)	(398)	(774)
	1 107	1 015	20
Statement of profit or loss			
The components of income tax expense for the years ended 31 March 2014, 31 March 2013 and 31 March 2012 are:			
Current income tax	1 694	1 413	794
Corporate Social Responsibility	9	5	48
Adjustment in respect of current income tax of prior years	(1 473)	(151)	(40)
Deferred tax			
– Relating to origination and reversal of temporary differences	(31)	(13)	(71)
– Adjustment in respect of deferred tax of prior years	–	1	–
– Reversal of charge	–	–	(101)
Income tax expense reported in the statement of profit or loss	199	1 255	630

For the year to 31 March U$'000	2014	2013	2012

11. Taxation (continued)

Reconciliation of the total tax charge

A reconciliation between the tax expense and the accounting profit multiplied by the domestic tax rate for the years ended 31 March 2014, 2013 and 2012 is as follows:

For the year to 31 March U$'000	2014	2013	2012
Profit before tax	46 100	34 249	26 220
At statutory income tax rate of 15% (2013 and 2012: 15%)	6 915	5 137	3 933
Foreign tax credit	(5 033)	(3 864)	(2 745)
Adjustment in respect of current income tax of prior years	(1 473)	(151)	–
Special levy on banks	406	343	1 178
Corporate social responsibility	9	5	48
Income not subject to tax	(2 096)	(1 298)	(2 291)
Non deductible expenses	1 471	1 082	608
Deferred tax			
– Adjustment in respect of deferred tax of prior years	–	1	–
– Reversal of charge	–	–	(101)
Income tax expense reported in the statement of profit or loss	199	1 255	630
Effective income tax rate	0%	4%	2%

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.

Deferred tax

The deferred tax included in the statement of financial position and changes recorded in the income tax expense are as follows:

	2014			2013			2012		
For the year to 31 March U$'000	Deferred tax asset	Deferred tax liability	Statement of profit or loss	Deferred tax asset	Deferred tax liability	Statement of profit or loss	Deferred tax asset	Deferred tax liability	Statement of profit or loss
The movement on deferred income tax account is as follows:									
Provisions for credit impairment	273	–	31	242	–	12	230	–	71
Other temporary differences:									
– Accelerated tax depreciation	–	(1)	–	–	(1)	–	–	(1)	(5)
– Deferred fees income	21	–	–	21	–	–	21	–	5
Special levy	–	–	–	–	–	–	–	–	48
Corporate social responsibilty	–	–	–	–	–	–	–	–	53
	294	(1)	31	263	(1)	12	251	(1)	172

Special levy

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

For the year to 31 March U$'000	2014	2013	2012
12. Dividend paid and proposed			
Declared and paid during the year			
Equity dividends on ordinary shares:			
Final dividends for 2014: U$Nil (2013: U$Nil and 2012: U$0.08)	–	–	(4 591)

At 31 March U$'000	2014	2013	2012
13. Cash and balances with central bank			
Cash in hand (note 32)	5	4	3
Cash reserve with the central bank (note 32)			
– Restricted	5 543	4 026	3 551
– Unrestricted	11 162	526	269
	16 710	4 556	3 823

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

At 31 March U$'000	2014	2013	2012
14. Due from banks			
Placements with other banks (note 32)	284 161	290 985	200 976
Loans and advances	–	50 010	20 054
	284 161	340 995	221 030

15. Derivative financial instruments

The table shows the fair values of derivatives financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

	2014			2013			2012		
At 31 March U$'000	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
Interest rate swaps	2 486	(775)	145 494	2 519	(1 335)	99 478	1 975	(1 720)	78 947
Currency swaps	159	(4 436)	65 997	229	(1 344)	142 494	996	(2 080)	10 344
Forward foreign exchange contracts	36	(6 039)	325 114	683	(555)	287 038	1 094	(1 465)	397 802
Equity derivative – stay-in option	32 482	–	–	28 153	–	–	24 769	–	–
Credit default swaps	–	–	–	–	–	3 576	–	–	12 552
Credit link note	–	–	–	–	–	–	3	–	5 003
	35 163	(11 250)	536 605	31 584	(3 234)	532 586	28 837	(5 265)	504 648

Most of the bank's derivative trading activities relate to deals with customers which are normally offset by transactions with other counterparties. 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 bank has credit exposure to the counterparties of forwards contracts. Forwards 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. In case of credit default swaps, it is the streams of payment with respect to defined credit events based on specified notional amounts. Collateral given in respect of the credit default swaps amounted to U$nil as the swap has been matured during the year (2013: U$4.5 million and 2012: U$13.3 million).

Equity derivatives – stay-in option

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

At 31 March U$'000	2014	2013	2012
16. Investment securities			
Financial assets designated at fair value through profit or loss (a)	22 387	23 119	24 768
Financial assets – loans and receivable	24 347	44 897	3 212
Financial assets – held-to-maturity	140 816	121 740	125 218
Financial assets – available-for-sale	56 201	–	–
	243 751	189 756	153 198
At year end, loans and receivables were neither past due nor impaired.			
(a) Financial assets designated at fair value through profit or loss			
Debt securities	5 620	8 582	6 786
Quoted equities	213	174	376
Unquoted equities	16 554	14 363	17 606
	22 387	23 119	24 768

At 31 March U$'000	2014	2013	2012
17. Loans and advances to customers			
Personal	1 734	881	996
Business	94 884	54 043	57 408
Entities outside Mauritius	802 451	725 022	673 738
Gross loans and advances	899 069	779 946	732 142
Less: allowance for impairment losses (note 17(b))	(8 367)	(7 701)	(7 378)
	890 702	772 245	724 764

Set-off

The bank has entered into a lease and sub-lease agreement with two different counterparties in prior years. Under this transaction, the bank does not have an obligation to make payment for the lease, except if funds have been received from the sub-lease. The bank currently has a legally enforceable right to set-off the lease receivable and payable of U$4.2 million (2013: U$7.7 million and 2012: U$10.8 million) and the amount recognised in the statement of financial position is nil.

Refer to page 32 for cash collateral which the bank has a right to invoke in an event of default by the borrower.

17. Loans and advances to customers (continued)

Impairment allowance for loans and advances to customers

A reconciliation of the allowance for impairment losses for loans and advances by class is as follows:

U$'000	Personal	Business	Entities outside Mauritius	Total
At 1 April 2013	7	440	7 254	7 701
Provisions charged during the year (note 8)	8	936	127	1 071
Written off out of allowance	–	–	(348)	(348)
Exchange difference	–	–	(57)	(57)
At 31 March 2014	15	1 376	6 976	8 367
Individual impairment	–	–	78	78
Collective impairment	15	1 376	6 898	8 289
	15	1 376	6 976	8 367
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	–	–	78	78
At 1 April 2012	8	463	6 907	7 378
Provisions (reversed)/charged during the year (note 8)	(1)	(23)	401	377
Exchange difference	–	–	(54)	(54)
At 31 March 2013	7	440	7 254	7 701
Individual impairment	–	–	551	551
Collective impairment	7	440	6 703	7 150
	7	440	7 254	7 701
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	–	–	4 237	4 237
At 1 April 2011	9	926	4 182	5 117
Provisions (reversed)/charged during the year (note 8)	(1)	(463)	2 750	2 286
Exchange difference	–	–	(25)	(25)
At 31 March 2012	8	463	6 907	7 378
Individual impairment	–	–	220	220
Collective impairment	8	463	6 687	7 158
	8	463	6 907	7 378
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	–	–	1 417	1 417

The following is a reconciliation of the individual and collective allowances for impairment losses on loans and advances:

U$'000	Individual impairment	Collective impairment	Total
17. Loans and advances to customers (continued)			
At 1 April 2013	551	7 150	7 701
(Release)/charge for the year (note 8)	(68)	1 139	1 071
Written off out of allowance	(348)	–	(348)
Exchange difference	(57)	–	(57)
At 31 March 2014	78	8 289	8 367
At 1 April 2012	220	7 158	7 378
Charge for the year (note 8)	385	(8)	377
Exchange difference	(54)	–	(54)
At 31 March 2013	551	7 150	7 701
At 1 April 2011	224	4 893	5 117
Charge for the year (note 8)	21	2 265	2 286
Exchange difference	(25)	–	(25)
At 31 March 2012	220	7 158	7 378

The fair value of collaterals that the bank holds relating to loans individually determined to be impaired at 31 March 2014 is U$nil (2013: U$10.24 million and 2012: U$1.12 million).

U$'000	2014	2013	2012
18. Investment in associate			
Cost			
At 31 March	4 915	4 915	4 915

The associate relates to:

At 31 March 2014	Class of shares	Country of incorporation	Nominal value	% holding
Dolphin Coast Marina Estate Limited	Ordinary	Mauritius	4 915	34.54%

The bank does not prepare consolidated financial statements and hence does not account for the results of the above associate under the equity method since it satisfies the criteria for exemption under IAS 28 paragraph 17. The bank is wholly owned by Investec Bank Limited which prepares consolidated financial statements that comply with International Financial Reporting Standards. Investec Bank Limited is incorporated in South Africa and its registered office, where consolidated financial statements are obtainable, is 100 Grayston Drive Sandown Sandton South Africa. Investment in associates are accounted for at cost net of any impairment.

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

At 31 March U$'000	2014	2013	2012
Share of associate's balance sheet			
Assets	10 183	7 438	9 043
Liabilities	(4 639)	(2 538)	(3 990)
Net assets	5 544	4 900	5 053
Share of associate's revenue and profit/(loss)			
Revenue	1 837	6 441	1 441
Profit/(loss)	146	(108)	(122)

U$'000	2014	2013	2012
19. Investment in subsidiary			
Cost			
At 31 March	–	15	15

At 31 March	Class of shares	Country of incor-poration	Nominal value 2014	Nominal value 2013	Nominal value 2012	% holding 2014	% holding 2013	% holding 2012
Investec Trust (Mauritius) Limited	Ordinary	Mauritius	–	15	15	–	100%	100%

The subsidiary was disposed during the financial year ended 31 March 2014.

U$'000	Computer equipment	Furniture and fittings	Office equipment	Motor vehicles	Total
20. Equipment					
Cost					
At 1 April 2013	167	374	313	87	941
Additions	53	6	20	–	79
Disposal	(32)	–	–	–	(32)
At 31 March 2014	188	380	333	87	988
Depreciation					
At 1 April 2013	140	151	204	59	554
Charge for the year	26	37	59	6	128
Disposal adjustment	(32)	–	–	–	(32)
At 31 March 2014	134	188	263	65	650
Net book values at 31 March 2014	54	192	70	22	338
Cost					
At 1 April 2012	160	374	312	87	933
Additions	27	–	1	–	28
Disposal	(20)	–	–	–	(20)
At 31 March 2013	167	374	313	87	941
Depreciation					
At 1 April 2012	137	114	144	53	448
Charge for the year	23	37	60	6	126
Disposal adjustment	(20)	–	–	–	(20)
At 31 March 2013	140	151	204	59	554
Net book values at 31 March 2013	27	223	109	28	387
Cost					
At 1 April 2011	155	366	278	68	867
Additions	5	8	34	33	80
Disposal adjustment	–	–	–	(14)	(14)
At 31 March 2012	160	374	312	87	933
Depreciation					
At 1 April 2011	110	77	84	59	330
Charge for the year	27	37	60	3	127
Disposal adjustment	–	–	–	(9)	(9)
At 31 March 2012	137	114	144	53	448
Net book values at 31 March 2012	23	260	168	34	485

For the year to 31 March U$'000	2014	2013	2012
21. Other assets			
Accrued income	1 776	985	1 064
Prepayments	10	3	43
Other receivables	3 350	4 148	5 881
	5 136	5 136	6 988

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

For the year to 31 March U$'000	2014	2013	2012
22. Deposits by banks			
Term deposits from other banks			
– Bank in Mauritius	–	3 527	2 039
	–	3 527	2 039

For the year to 31 March U$'000	2014	2013	2012
23. Securities sold under repurchase agreement with banks			
Transferred financial asset – held-to-maturity bonds			
Carrying amount assets	123 978	121 740	–
	123 978	121 740	–
Carrying amount associated liabilities	(121 403)	(119 378)	–
	(121 403)	(119 378)	–

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.

The associated liabilities, which are recorded against the cash received for such transactions for a carrying amount and fair value of US$121 million at 31 March 2014 (2013: US$119 million), are presented in the statement of financial position in the line item 'securities' sold under repurchase agreements with banks.

For the year to 31 March U$'000	2014	2013	2012
24. Due to customers			
Personal			
– Current accounts	29 273	29 243	19 344
– Term deposits	60 282	47 621	44 973
Business			
– Current accounts	585 188	326 980	152 117
– Term deposits	157 461	263 010	181 296
	832 204	666 854	397 730

For the year to 31 March U$'000	Carrying value 2014	Carrying value 2013	Carrying value 2012
25. Debt securities in issue			
Redeemable cumulative non-participating preference shares of nominal value U$191 525 000 and EUR 52 700 000 at no par value (2013 and 2012: U$147 525 000 and EUR 52 700 000)	266 299	217 060	219 904

The 10-year redeemable preference shares bear interest as follows:

Class A1	3 month USD Libor+1.35%
Class A2	Fixed rate 3.394% up to 25 November 2019 thereafter 3 month USD Libor+1.35%
Class A3	Fixed rate 3.075% up to 31 March 2018 thereafter 3 month USD Libor+1.35%
Class B1	Fixed rate 3.99% up to 29 October 2019 thereafter 3 month Euribor+1.35%
Class B2	Fixed rate 3.962% up to 30 September 2019 thereafter 3 month Euribor+1.35%
Class B3	3 month Euribor+1.63%
Class CU1	Fixed rate 1.912% up to 28 July 2017 thereafter 3 month USD Libor+1%

For the year to 31 March U$'000	2014	2013	2012
26. Other liabilities			
Accounts payable and sundry creditors	30 593	4 408	9 470
Deferred income	1 467	2 674	4 255
	32 060	7 082	13 725

Accounts payable and sundry creditors mainly consist of settlement liabilities (unallocated deposit) of U$26.1 million at 31 March 2014 (2013: U$0.5 million and 2012: U$0.5 million).

27. Retirement benefit costs

Defined contribution plan

The assets of the plan are held separately from those of the bank 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 bank are reduced by the amount of forfeited contributions.

The total cost charged to income of U$98 015 (2012: U$73 327 and 2011: U$76 658) represents contributions payable to these plans by the bank at rates specified in the rules of the plan.

The defined contribution made in respect of key management personnel amounts to U$48 918 (2013: U$50 419 and 2012: U$44 729).

At 31 March	2014 Number of shares	2014 Amount U$'000	2013 Number of shares	2013 Amount U$'000	2012 Number of shares	2012 Amount U$'000
28. Stated capital						
Ordinary shares (issued)	56 478 463	56 478	56 478 463	56 478	56 478 463	56 478

29. Reserves

U$'000	Available-for-sale reserve	General banking reserve	Statutory reserve	Total
At 1 April 2013	–	2 745	40 320	43 065
Fair value movement on available-for-sale assets	399	–	–	399
Appropriations to other reserves	–	1 942	6 885	8 827
At 31 March 2014	399	4 687	47 205	52 291
At 1 April 2012	–	2 885	35 371	38 256
Appropriations to other reserves	–	(140)	4 949	4 809
At 31 March 2013	–	2 745	40 320	43 065
At 1 April 2011	–	1 837	31 533	33 370
Appropriations to other reserves	–	1 048	3 838	4 886
At 31 March 2012	–	2 885	35 371	38 256

Available-for-sale reserve

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

General banking reserve

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

Statutory reserve

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

30. Fair value of financial instruments

Set out below is a comparison by class of the carrying amounts and fair values of the bank's financial instruments that are carried in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

At 31 March U$'000	Fair value classification	Carrying value 2014	Fair value 2014	Carrying value 2013	Fair value 2013	Carrying value 2012	Fair value 2012
Financial assets							
Cash and balances with central bank	Loans and receivables	16 710	16 710	4 556	4 556	3 823	3 823
Due from banks	Loans and receivables	284 161	284 161	340 995	340 995	221 030	221 030
Derivative financial instruments	Held-for-trading	35 163	35 163	31 584	31 584	28 837	28 837
Investment securities	Held-to-maturity	140 816	152 505	121 740	136 146	125 218	126 190
Investment securities	Loans and receivables	24 347	24 347	44 897	44 897	3 212	3 212
Investment securities	Assets at fair value through profit or loss	22 387	22 387	23 119	23 119	24 768	24 768
Investment securities	Available-for-sale	56 201	56 201	–	–	–	–
Amount due from holding bank	Loans and receivables	182 430	182 430	18 625	18 625	13 530	13 530
Amount due from group companies	Loans and receivables	3 877	3 877	3 122	3 122	3 067	3 067
Loans and advances to customers	Loans and receivables	890 702	892 117	772 245	780 348	724 764	731 770
Other assets	Loans and receivables	5 126	5 126	5 132	5 132	6 945	6 945
		1 661 920	1 675 024	1 366 015	1 388 524	1 155 194	1 163 172
Financial liabilities							
Deposits by banks	Liabilities at amortised cost	–	–	3 527	3 527	2 039	2 039
Derivative financial instruments	Held-for-trading	11 250	11 250	3 234	3 234	5 265	5 265
Amount due to holding bank	Liabilities at amortised cost	42 632	42 632	35 554	35 554	240 460	240 460
Amount due to group companies	Liabilities at amortised cost	10 115	10 115	13 788	13 788	10 647	10 647
Due to customers	Liabilities at amortised cost	832 204	832 380	666 854	665 179	397 730	397 600
Debt securities in issue	Liabilities at amortised cost	266 299	268 270	217 060	221 222	219 904	220 131
Other liabilities	Liabilities at amortised cost	32 060	32 060	7 082	7 082	13 725	13 725
		1 194 560	1 196 707	947 099	949 586	889 770	889 867

Financial instruments for which fair value approximates carrying value

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

Fixed rate financial instruments

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

30. Fair value of financial instruments (continued)

Investment securities held-to-maturity

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

Financial instruments recorded at fair value

Determination of fair value and fair value hierarchy

The bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

U$'000	Level 1	Level 2	Level 3	Total
At 31 March 2014				
Financial assets				
Derivative financial instruments	–	35 163	–	35 163
Financial assets designated at fair value through profit or loss	213	16 554	5 620	22 387
Financial assets – available-for-sale	56 201	–	–	56 201
Total unrecognised change in unrealised fair value	56 414	51 717	5 620	113 751
Financial liabilities				
Derivative financial instruments	–	11 250	–	11 250
Total unrecognised change in unrealised fair value	–	11 250	–	11 250
At 31 March 2013				
Financial assets				
Derivative financial instruments	–	31 584	–	31 584
Financial assets designated at fair value through profit or loss	174	12 939	10 006	23 119
Financial assets – available-for-sale	–	–	–	–
Total unrecognised change in unrealised fair value	174	44 523	10 006	54 703
Financial liabilities				
Derivative financial instruments	–	3 234	–	3 234
Total unrecognised change in unrealised fair value	–	3 234	–	3 234
At 31 March 2012				
Financial assets				
Derivative financial instruments	–	28 837	–	28 837
Financial assets designated at fair value through profit or loss	376	16 196	8 196	24 768
Financial assets – available-for-sale	–	–	–	–
Total unrecognised change in unrealised fair value	376	45 033	8 196	53 605
Financial liabilities				
Derivative financial instruments	–	5 265	–	5 265
Total unrecognised change in unrealised fair value	–	5 265	–	5 265

Certain financial instruments are recorded at fair value using valuation techniques as current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against the prices of actual market transactions and using the bank's best estimate of the most appropriate model inputs.

30. Fair value of financial instruments (continued)

Financial instrument whose fair value is disclosed

The fair value of fixed rate financial instruments as per note 30 would have been classified as level 2.

Movements in level 3 financial instruments measured at fair value

The level of the fair value hierarchy of financial instruments is determined at the beginning of each reporting period and reassessed as and when required. The following table shows a reconciliation of the opening and closing amounts of level 3 financial assets and liabilities which are recorded at fair value:

At 31 March U$'000	2014	2013	2012
Opening balance	10 006	8 196	16 493
Total (losses)/gains in the statement of profit or loss	(2 982)	2 278	5 899
Acquisitions	–	–	721
Disposals	(1 424)	–	(14 784)
Exchange difference	20	(468)	(133)
Closing balance	5 620	10 006	8 196

31. Valuation techniques and assumptions for financial instruments measured at fair value

Valuation techniques

Listed investment in equity securities

When fair values of publicly traded equity securities are based on quoted market prices, or binding dealer price quotations, in an active market for identical assets without any adjustments, the instruments are included within level 1 of the hierarchy. The bank values these investments at closing price.

Unlisted equity investment

The bank invests in unquoted equity shares. The fair value of the investment is based on the underlying security which is quoted on the stock exchange. To the extent that the significant inputs are observable, the bank categorises these investments as level 2.

Over-the-counter derivatives

The bank uses widely recognised valuation models for determining fair values of over-the-counter interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including both credit and debit valuation adjustments for counterparty and own credit risk, foreign exchange spot and forward rates and interest rate curves. For these financial instruments, significant inputs into models are market observable and are included within level 2.

Unlisted debt securities

The fair values of investments in debt securities, for which there is currently no active market, are calculated using a valuation model which is accepted in the industry. The model uses discounted cash flow analysis which incorporates both observable and non-observable data. Observable inputs include assumptions regarding current rates of interest and real estate prices. Unobservable inputs include assumptions regarding expected future default rates and market liquidity discounts. Such instruments are included within level 3.

Valuation process for level 3 instrument

The valuation of unlisted debt securities is obtained on a monthly basis from the valuation department of Investec Bank plc. The investment committee considers the appropriateness of the valuation methods and inputs, and may request that alternative valuation methods are applied to support the valuation arising from the method chosen.

Quantitative information of significant unobservable inputs – level 3

U$'000 Description	2014	Valuation basis/ technique	Main assumptions	Range
Debt securities	5 620	Discounted cash flow model	Discount rate	15% – 30%

Sensitivity analysis to significant changes in unobservable inputs within level 3 hierarchy – level 3

The significant unobservable inputs used in the fair value measurement categorised within level 3 of the fair value hierarchy together with a quantitative sensitivity analysis at 31 March 2014 are as shown below:

U$'000 Description	Input	Sensitivity used	Effect on fair value
		(3%)	731
Debt securities	Discount rate	2%	(688)

For the year to 31 March U$'000	2014	2013	2012
32. Additional cash flow information			
Cash and cash equivalents			
Cash in hand (note 13)	5	4	3
Current account with the central bank (note 13) – unrestricted	11 162	526	269
Placements with other banks (note 14)	284 161	290 985	200 976
	295 328	291 515	201 248
Change in operating assets			
Investment securities	19 076	(37 757)	(124 342)
Non-current asset held-for-sale	–	–	11 775
Derivative financial instruments	(405)	(3 125)	(2 354)
Loans and advances to banks (note 14)	50 010	(29 956)	(20 054)
Loans and advances to customers	(122 111)	(47 858)	(173 998)
Balance with central bank	(1 517)	(475)	3 080
Movements in amount due from holding bank	(163 805)	(5 095)	11 461
Movements in amount due from other group companies	(755)	(55)	21 782
Other assets	(4)	1 853	(6 398)
	(219 511)	(122 468)	(279 048)
Change in operating liabilities			
Due to customers	165 350	269 124	25 045
Derivative financial instruments	8 016	–	–
Deposits from banks	(3 527)	1 488	(78 019)
Movements in amount due to holding bank	7 078	(204 906)	154 459
Movements in amount due to other group companies	(3 664)	3 141	(9 953)
Other operating liabilities	24 974	(6 642)	5 378
	198 227	62 205	96 910
Non-cash items included in profit before tax			
Depreciation of equipment (note 20)	128	126	127
Gain on investment securities and derivatives	(3 174)	(455)	(10 454)
Profit on disposal of equipment	–	–	(19)
Loss on disposal of investment	19	–	–
Interest and foreign exchange loss/(gain) on preference shares	5 238	(2 843)	(1 460)
Interest and foreign exchange loss/(gain) on securities sold under repurchase agreement	2 025	(367)	–
Foreign exchange (gain)/loss on retranslation of cash and cash equivalent	(7 388)	517	764
Impairment loss on loans and advances	3 654	377	7 970
Impairment loss on non-current asset held-for-sale	–	–	1 433
	502	(2 645)	(1 639)

33. 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.

At 31 March 2014 U$'000	Less than 12 months	Over 12 months	Total
Assets			
Cash and current account with central bank	11 167	5 543	16 710
Due from banks	284 161	–	284 161
Derivative financial instruments	17 354	17 809	35 163
Financial assets designated at fair value through profit or loss	–	22 387	22 387
Financial assets at amortised cost	–	24 347	24 347
Financial assets – available-for-sale	–	56 201	56 201
Held-to-maturity financial assets	–	140 816	140 816
Amount due from holding bank	182 430	–	182 430
Amount due from group companies	3 877	–	3 877
Loans and advances to customers	211 574	679 128	890 702
Investment in associates	–	4 915	4 915
Investment in subsidiaries	–	–	–
Equipment	–	338	338
Deferred tax assets	–	293	293
Other assets	2 002	3 134	5 136
Total	712 565	954 911	1 667 476
Liabilities			
Deposits by banks	–	–	–
Securities sold under repurchase agreement with banks	–	121 403	121 403
Derivative financial instruments	6 044	5 206	11 250
Amount due to holding bank	7 541	35 091	42 632
Amount due to group companies	10 115	–	10 115
Due to customers	823 571	8 633	832 204
Debt securities in issue	–	266 299	266 299
Current tax liabilities	1 107	–	1 107
Other liabilities	31 319	741	32 060
Total	879 697	437 373	1 317 070
Net	(167 132)	517 538	350 406

At 31 March 2013 U$'000	Less than 12 months	Over 12 months	Total
33. Maturity analysis of assets and liabilities (continued)			
Assets			
Cash and current account with central bank	530	4 026	4 556
Due from banks	340 995	–	340 995
Derivative financial instruments	1 424	30 160	31 584
Financial assets designated at fair value through profit or loss	–	23 119	23 119
Financial assets at amortised cost	11 659	33 238	44 897
Held-to-maturity financial assets	–	121 740	121 740
Amount due from holding bank	18 625	–	18 625
Amount due from group companies	3 122	–	3 122
Loans and advances to customers	140 002	632 243	772 245
Investment in associates	–	4 915	4 915
Investment in subsidiaries	–	15	15
Equipment	–	387	387
Deferred tax assets	–	262	262
Other assets	1 705	3 431	5 136
Total	518 062	853 536	1 371 598
Liabilities			
Deposits by banks	3 527	–	3 527
Securities sold under repurchase agreement with banks	–	119 378	119 378
Derivative financial instruments	1 399	1 835	3 234
Amount due to holding bank	458	35 096	35 554
Amount due to group companies	13 722	66	13 788
Due to customers	622 086	44 768	666 854
Debt securities in issue	–	217 060	217 060
Current tax liabilities	1 015	–	1 015
Other liabilities	5 435	1 647	7 082
Total	647 642	419 850	1 067 492
Net	(129 580)	433 686	304 106

33. Maturity analysis of assets and liabilities
(continued)

At 31 March 2012 U$'000	Less than 12 months	Over 12 months	Total
Assets			
Cash and current account with central bank	272	3 551	3 823
Due from banks	221 030	–	221 030
Derivative financial instruments	1 093	27 744	28 837
Financial assets designated at fair value through profit or loss	–	24 768	24 768
Financial assets at amortised cost	–	3 212	3 212
Held-to-maturity financial assets	–	125 218	125 218
Amount due from holding bank	13 530	–	13 530
Amount due from group companies	3 067	–	3 067
Loans and advances to customers	96 510	628 254	724 764
Investment in associates	–	4 915	4 915
Investment in subsidiaries	–	15	15
Equipment	–	485	485
Deferred tax assets	–	250	250
Other assets	2 507	4 481	6 988
Total	338 009	822 893	1 160 902
Liabilities			
Deposits by banks	2 039	–	2 039
Derivative financial instruments	1 492	3 773	5 265
Amount due to holding bank	205 340	35 119	240 459
Amount due to group companies	10 547	100	10 647
Due to customers	360 730	37 000	397 730
Debt securities in issue	–	219 904	219 904
Current tax liabilities	20	–	20
Other liabilities	9 473	4 253	13 726
Total	589 641	300 149	889 790
Net	(251 632)	522 744	271 112

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34. Contingent liabilities and 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.

For the year to 31 March U$'000	2014	2013	2012
Contingent liabilities			
Guarantees	28 880	22 710	34 710
Commitments			
Undrawn commitments to lend	65 923	81 374	91 359
Total contingent liabilities	94 803	104 084	126 069

Guarantees

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

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.

Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business. The bank has 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 was no legal claim against the bank.

For the year to 31 March U$'000	2014	2013	2012
35. Related party disclosures			
Compensation of key management personnel of the bank			
Short-term employee benefits	1 766	1 797	1 645
Other benefits	580	477	574
	2 346	2 274	2 219

The non-executive directors do not receive pension entitlements from the bank.

Transactions with key management personnel of the bank

The bank enters into transactions, arrangements and agreements involving directors, senior management and their related concerns in the ordinary course of business at market-related rates.

The following table provides the total amount of transactions which has been entered into with the related parties for the relevant financial year:

For the year to 31 March U$'000	2014	2013	2012
Loans and advances to key management personnel	25	61	60
Deposits from key management personnel	2 136	2 396	1 262

35. Related party disclosures (continued)

Transactions with other related parties

In addition to transactions with key management, the bank enters into transactions with its holding company, associates, fellow subsidiaries of the group as well as the pension fund and the CSR fund.

Person with significant influence relates to companies where directors of the bank and/or the holding company have power to participate in the operating decisions.

The corporate social responsibility fund: see page 55 of the management discussion and analysis.

For the year to 31 March 2014 U$'000	Holding bank	Associate	Subsidiaries and fellow subsidiaries	Person with significant influence	Pension fund	Corporate social responsi-bility fund	Total
Statement of profit or loss							
Interest income	1 129	–	134	5 008	–	–	6 271
Interest expense	(6 853)	–	(1 241)	(58)	–	–	(8 152)
Fees expense	(289)	–	(318)	–	–	–	(607)
Contribution	–	–	–	–	(98)	(93)	(191)
Statement of financial position							
Assets							
Derivative assets	1 971	–	–	–	–	–	1 971
Investment securities	–	–	–	24 441	–	–	24 441
Investment in associate	–	4 915	–	–	–	–	4 915
Amount due from holding bank and group companies	182 430	–	3 877	–	–	–	186 307
Loans and advances	–	–	–	72 169	–	–	72 169
Liabilities							
Derivative liabilities	(11 170)	–	(80)	–	–	–	(11 250)
Amount due to holding bank and group companies	(42 632)	–	(10 115)	–	–	–	(52 747)
Deposits	–	–	–	(4 432)	–	(15)	(4 447)
Debt securities in issue	(266 299)	–	–	–	–	–	(266 299)
Off-balance sheet							
Guarantees received from	(75 637)	–	–	–	–	–	(75 637)

35. Related party disclosures

(continued)

For the year to 31 March 2013 U$'000	Holding bank	Associate	Subsidiaries and fellow subsidiaries	Person with significant influence	Pension fund	Corporate social responsibility fund	Total
Statement of profit or loss							
Interest income	418	–	128	573	–	–	1 119
Interest expense	(7 678)	–	(2 207)	(118)	–	–	(10 003)
Fees expense	(238)	–	(216)	–	–	–	(454)
Contribution	–	–	–	–	(73)	(119)	(192)
Statement of financial position							
Assets							
Derivative assets	1 442	–	694	–		–	2 136
Investment securities	–	–	–	21 930	–	–	21 930
Investment in associate	–	4 915	–	–	–	–	4 915
Investment in subsidiary	–	–	15	–	–	–	15
Amount due from holding bank and group companies	18 625	–	3 122	–	–	–	21 747
Loans and advances	–	–	–	1 039	–	–	1 039
Liabilities							
Derivative liabilities	(3 081)	–	(153)	–	–	–	(3 234)
Amount due to holding bank and group companies	(35 554)	–	(13 788)	–	–	–	(49 342)
Deposits	–	–	–	(4 248)	–	(19)	(4 267)
Debt securities in issue	(217 060)	–	–	–	–	–	(217 060)
Off-balance sheet							
Guarantees received from	(17 798)	–	–	–	–	–	(17 798)

35. Related party disclosures

(continued)

For the year to 31 March 2012 U$'000	Holding bank	Associate	Subsidiaries and fellow subsidiaries	Person with significant influence	Pension fund	Corporate social responsibility fund	Total
Statement of profit or loss							
Interest income	441	–	–	–	–	–	441
Interest expense	(4 584)	–	(463)	–	–	–	(5 047)
Fees expense	(309)	–	(666)	–	–	–	(975)
Contribution	–	–	–	–	(77)	(114)	(191)
Statement of financial position							
Asset							
Derivative assets	1 579	–	220	–	–	–	1 799
Investment securities	–	–	–	23 741	–	–	23 741
Investment in associate	–	4 915	–	–	–	–	4 915
Investment in subsidiary	–	–	15	–	–	–	15
Amount due from holding bank and group companies	13 530	–	3 067	–	–	–	16 597
Loans and advances	–	–	–	1 479	–	–	1 479
Liabilities							
Derivative liabilities	(5 071)	–	(190)	–	–	–	(5 261)
Amount due to holding bank and group companies	(240 460)	–	(10 647)	–	–	–	(251 107)
Deposits	–	–	–	(1 138)	–	(38)	(1 176)
Debt securities in issue	(219 904)	–	–	–	–	–	(219 904)
Off-balance sheet							
Guarantees received from	(13 355)	–	–	–	–	–	(13 355)

Terms and conditions of transactions with related parties

The abovementioned outstanding balances arose from the ordinary course of business. The interest charged to and by related parties are at normal commercial rates. Outstanding balances at the year end are unsecured except for loans and advances where security is given. For the year ended 31 March 2014, the bank has not made any impairment loss relating to amounts owed by related parties (2013: nil and 2012: US$1.4 million). The bank has recorded a negative mark-to-market adjustment of U$352 000 relating to debt securities classified under investment securities.

36. Holding companies

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

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

At 31 March 2014 U$'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	>Five years	Total
Derivative financial instruments	–	6 044	–	–	–	5 138	68	11 250
Amount due to holding bank	388	950		–	6 247	35 550	–	43 135
Amount due to group companies	10 082	–	–	–	33	–	–	10 115
Due to customers	614 461	62 047	27 114	34 971	86 601	9 171	–	834 365
Securities sold under repurchase agreement with banks	–	86	173	259	518	31 471	94 078	126 585
Debt securities in issue	1 869	541	1 100	1 658	3 281	25 544	274 639	308 632
Other liabilities	27 623	60	3 155	181	362	679	–	32 060
	654 423	69 728	31 542	37 069	97 042	107 553	368 785	1 366 142

The balances in the above table will not agree directly to the balances in the statement of financial position as the table incorporates all cash flow on an undiscounted basis relating to both principal and those associated with all future coupon payments.

At 31 March 2013 U$'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	>Five years	Total
Deposits by banks	–	3 527	–	–	–	–	–	3 527
Derivative financial instruments	–	555	–	18	827	1 816	18	3 234
Amount due to holding bank	458	–	–	–	–	35 885	–	36 343
Amount due to group companies	8 670	4 220	837	–	–	68	–	13 795
Due to customers	356 223	75 600	131 724	15 283	44 189	46 759	–	669 778
Securities sold under repurchase agreement with banks	–	565	1 567	2 805	2 224	29 013	121 761	157 935
Debt securities in issue	–	–	–	–	–	21 271	235 032	256 303
Other liabilities	–	–	5 435	–	–	1 647	–	7 082
	365 351	84 467	139 563	18 106	47 240	136 459	356 811	1 147 997

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

(continued)

At 31 March 2012 U$'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	>Five years	Total
Deposits by banks	–	2 039	–	–	–	–	–	2 039
Derivative financial instruments	–	1 239	232	–	21	3 765	8	5 265
Amount due to holding bank	554	93 229	–	–	113 381	36 697	–	243 861
Amount due to group companies	7 617	–	876	2 065	–	104	–	10 662
Due to customers	171 462	100 669	51 599	11 958	25 145	38 160	–	398 993
Debt securities in issue	–	–	1 386	1 795	3 107	30 726	233 014	270 028
Other liabilities	–	–	9 472	–	–	4 253	–	13 725
	179 633	197 176	63 565	15 818	141 654	113 705	233 022	944 573

38. Share-based payments

Options granted relate to Investec Bank Limited shares which are listed on the Johannesburg Stock Exchange and are accordingly denominated in South African Rands. The U$/ZAR rate was 10.529 at 31 March 2014. (2013: 9.2014 and 2012: 7.6753).

	2014		2013		2012	
Details of options outstanding during the year	Number of share options	WAEP ZAR	Number of share options	WAEP ZAR	Number of share options	WAEP ZAR
Outstanding at the beginning of the year	481 538	–	465 913	–	462 448	0.15
Relocation of employees during the year	–	–	–	–	–	–
Granted during the year	140 850	–	103 650	–	61 400	–
Exercised during the year	(69 973)	–	(88 025)	–	(52 435)	1.28
Lapsed during the year	(9 150)	–	–	–	(5 500)	–
Outstanding at the end of the year	543 265	–	481 538	–	465 913	–
Exercisable at the end of the year	–	Nil	–	Nil	38	Nil

The exercise price range and weighted average remaining contractual life for options outstanding at 31 March, were as follows:

	2014	2013	2012
Options with strike prices			
Exercise price range	n/a	ZARnil	ZARnil
Weighted average remaining contractual life	n/a	Nil years	Nil years
Long-term incentive grants with no strike price			
Exercise price range	ZARnil	ZARnil	ZARnil
Weighted average remaining contractual life	2.59 years	2.72 years	2.87 years

38. Share-based payments (continued)

The fair value of options granted were calculated using a Black-Scholes option pricing model. For options granted during the period, the inputs were as follows:

	2014	2013	2012
– Share price at date of grant	ZAR70.00 – ZAR71.20	ZAR43.85 – ZAR54.85	ZAR44.00 – ZAR56.29
– Exercise price	ZARnil	ZARnil	ZARnil
– Expected volatility	30%	30%	30%
– Option life	5 years	5 years	5 years
– Expected dividend yield	3.89% – 5.08%	5.42% – 6.70%	3.87% – 5.33%
– Risk-free rate	6.04% – 7.08%	5.46% – 6.29%	6.44% – 7.58%

	ZAR'000	ZAR'000	ZAR'000
Fair value of options granted in the year	7 316	3 871	2 569

Expected volatility was determined based on the implied volatility levels quoted by the equity derivatives' trading desk of our holding company. The expected volatility is based on the respective share price movement over the last six months, but also includes an element of forward expectation.

39. Segmental analysis – Business analysis

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 on an arm's length basis in a manner similar to transactions with third parties.

The following table presents income and profit and certain asset and liability information regarding the bank's operating segments:

For the year to 31 March 2014 U$'000	Private Client	Corporate Client	Investment Strategies	Interdivisional adjustment	Total
Interest income	22 785	62 163	11 629	(32 203)	64 374
Interest expense	(13 477)	(29 408)	(4 309)	32 203	(14 991)
Net interest income	9 308	32 755	7 320	–	49 383
Fee and commission income	1 126	5 412	105	–	6 643
Fee and commission expense	(206)	(777)	(239)	–	(1 222)
Net fee and commission income/(expense)	920	4 635	(134)	–	5 421
Net trading income/(loss)	48	(5 023)	7 304	–	2 329
Net (loss)/gain on financial instruments designated at fair value through profit or loss	–	(966)	1 393	–	427
Net other operating income	–	18	2 499	–	2 517
Total operating income	10 276	31 419	18 382	–	60 077
Impairment reversals/(losses) on loans and advances	808	(3 826)	(636)	–	(3 654)
Net operating income	11 084	27 593	17 746	–	56 423
Personnel expenses	(930)	(2 315)	(1 490)	–	(4 735)
Depreciation of equipment	–	–	(128)	–	(128)
Other operating expenses	(1 073)	(2 670)	(1 717)	–	(5 460)
Total operating expenses	(2 003)	(4 985)	(3 335)	–	(10 323)
Profit before income tax	9 081	22 608	14 411	–	46 100
Cost to income ratio	19.5%	15.9%	18.1%	–	17.2%
Total assets	422 497	2 363 742	489 354	(1 608 117)	1 667 476
Total liabilities	(410 683)	(2 344 300)	(170 204)	1 608 117	(1 317 070)

39. Segmental analysis – Business analysis (continued)

For the year to 31 March 2013 U$'000	Private Client	Corporate Client	Investment Strategies	Interdivisional adjustment	Total
Interest income	24 743	52 605	6 176	(27 727)	55 797
Interest expense	(13 526)	(27 293)	(1 728)	27 727	(14 820)
Net interest income	11 217	25 312	4 448	–	40 977
Fee and commission income	424	3 246	–	–	3 670
Fee and commission expense	(151)	(290)	(63)	–	(504)
Net fee and commission income/(expense)	273	2 956	(63)	–	3 166
Net trading (loss)/income	(115)	(5 129)	6 571	–	1 327
Net (loss)/gain on financial instruments designated at fair value through profit or loss	–	(1 621)	422	–	(1 199)
Net other operating income	–	–	–	–	–
Total operating income	11 375	21 518	11 378	–	44 271
Impairment (losses)/reversals on loans and advances	(404)	70	(43)	–	(377)
Impairment loss on asset classified as held-for-sale	–	–	–	–	–
Net operating income	10 971	21 588	11 335	–	43 894
Personnel expenses	(1 040)	(2 285)	(755)	–	(4 080)
Depreciation of equipment	–	–	(126)	–	(126)
Other operating expenses	(1 786)	(3 041)	(612)	–	(5 439)
Total operating expenses	(2 826)	(5 326)	(1 493)	–	(9 645)
Profit before income tax	8 145	16 262	9 842	–	34 249
Cost to income ratio	24.8%	24.8%	13.1%	–	21.8%
Total assets	485 484	817 446	289 709	(221 041)	1 371 598
Total liabilities	(420 302)	(840 861)	(27 370)	221 041	(1 067 492)

39. Segmental analysis – Business analysis (continued)

For the year to 31 March 2012 U$'000	Private Client	Corporate Client	Investment Strategies	Interdivisional adjustment	Total
Interest income	15 375	45 515	4 250	(21 349)	43 791
Interest expense	(9 171)	(20 994)	(860)	21 349	(9 676)
Net interest income	6 204	24 521	3 390	–	34 115
Fee and commission income	475	2 208	75	–	2 758
Fee and commission expense	(190)	(371)	(493)	–	(1 054)
Net fee and commission income/(expense)	285	1 837	(418)	–	1 704
Net trading loss	(20)	(3 931)	(1 874)	–	(5 825)
Net gain on financial instruments designated at fair value through profit or loss	–	2 022	13 665	–	15 687
Net other operating income	–	–	19	–	19
Total operating income	6 469	24 449	14 782	–	45 700
Impairment (losses)/reversals on loans and advances	(7 841)	(414)	285	–	(7 970)
Impairment loss on asset classified as held-for-sale	–	–	(1 433)	–	(1 433)
Net operating (loss)/income	(1 372)	24 035	13 634	–	36 297
Personnel expenses	(1 214)	(2 665)	(880)	–	(4 759)
Depreciation of equipment	–	–	(127)	–	(127)
Other operating expenses	(1 398)	(2 975)	(818)	–	(5 191)
Total operating expenses	(2 612)	(5 640)	(1 825)	–	(10 077)
(Loss)/profit before income tax	(3 984)	18 395	11 809	–	26 220
Cost to income ratio	40.4%	23.1%	12.3%	–	22.1%
Total assets	418 714	681 072	282 157	(221 041)	1 160 902
Total liabilities	(422 405)	(661 851)	(26 575)	221 041	(889 790)

40. Segmental reporting

At 31 March U$'000	Notes	Segment A 2014	2013	2012
Statement of financial position				
Cash and balances with central bank		16 710	4 556	3 823
Due from banks		30 236	55 497	394
Derivative financial instruments		–	–	–
Investment securities	I	–	–	–
Amount due from holding bank	II(a)	–	–	–
Amount due from group companies	III(a)	–	–	–
Loans and advances to customers	IV(a)	30 266	30 565	27 838
Investment in associates		4 915	4 915	4 915
Investment in subsidiary		–	15	15
Equipment		338	387	485
Deferred tax assets		293	262	250
Other assets	V	107	80	156
		82 865	96 277	37 876
Liabilities and equity				
Deposits by banks	VI	–	3 527	2 039
Securities sold under repurchase agreement with bank		–	–	–
Derivative financial instruments		–	–	–
Amount due to holding bank	II(b)	–	–	–
Amount due to group companies	III(b)	–	1 214	1 199
Due to customers	VII	120 801	56 211	36 772
Debt securities in issue		–	–	–
Current tax liabilities		1 107	1 015	20
Other liabilities	VIII	3 243	3 626	59
		125 151	65 593	40 089
Equity				
Stated capital				
Other reserves				
Retained earnings				
Total equity				
Total liabilities and equity				

	Segment B			Total		
	2014	2013	2012	2014	2013	2012
	–	–	–	16 710	4 556	3 823
	253 925	285 498	220 636	284 161	340 995	221 030
	35 163	31 584	28 837	35 163	31 584	28 837
	243 751	189 756	153 198	243 751	189 756	153 198
	182 430	18 625	13 530	182 430	18 625	13 530
	3 877	3 122	3 067	3 877	3 122	3 067
	860 436	741 680	696 926	890 702	772 245	724 764
	–	–	–	4 915	4 915	4 915
	–	–	–	–	15	15
	–	–	–	338	387	485
	–	–	–	293	262	250
	5 029	5 056	6 832	5 136	5 136	6 988
	1 584 611	1 275 321	1 123 026	1 667 476	1 371 598	1 160 902
	–	–	–	–	3 527	2 039
	121 403	119 378	–	121 403	119 378	–
	11 250	3 234	5 265	11 250	3 234	5 265
	42 632	35 554	240 460	42 632	35 554	240 460
	10 115	12 574	9 448	10 115	13 788	10 647
	711 403	610 643	360 958	832 204	666 854	397 730
	266 299	217 060	219 904	266 299	217 060	219 904
	–	–	–	1 107	1 015	20
	28 817	3 456	13 666	32 060	7 082	13 725
	1 191 919	1 001 899	849 701	1 317 070	1 067 492	889 790
				56 478	56 478	56 478
				52 291	43 065	38 256
				241 637	204 563	176 378
				350 406	304 106	271 112
				1 667 476	1 371 598	1 160 902

40. Segmental reporting (continued)

For the year ended 31 March U$'000	Segment A 2014	2013	2012
Income statement			
Interest income	1 873	1 887	1 629
Interest expense	(1 984)	(1 432)	(1 703)
Net interest income	**(111)**	**455**	**(74)**
Fee and commission income	551	81	383
Fee and commission expense	–	–	–
Net fee and commission income	**551**	**81**	**383**
Net trading income/(loss)	–	–	–
Net gain/(loss) on financial instruments designated at fair value through profit or loss	–	–	–
Net other operating income/(loss)	1 298	–	19
Total operating income	**1 738**	**536**	**328**
Impairment losses on loans and advances	(19)	(37)	(102)
Impairment loss on asset classified as held-for-sale	–	–	–
Net operating income	**1 719**	**499**	**226**
Personnel expenses	(144)	(43)	(30)
Depreciation of equipment	(4)	(1)	(1)
Other operating expenses	(166)	(57)	(31)
Total operating expenses	**(314)**	**(101)**	**(62)**
Profit before tax	**1 405**	**398**	**164**
Income tax expense	**(19)**	**(122)**	**(630)**
Profit for the year	**1 386**	**276**	**(466)**

	Segment B			Total		
	2014	2013	2012	2014	2013	2012
	62 501	53 910	42 162	64 374	55 797	43 791
	(13 007)	(13 388)	(7 973)	(14 991)	(14 820)	(9 676)
	49 494	40 522	34 189	49 383	40 977	34 115
	6 092	3 589	2 375	6 643	3 670	2 758
	(1 222)	(504)	(1 054)	(1 222)	(504)	(1 054)
	4 870	3 085	1 321	5 421	3 166	1 704
	2 329	1 327	(5 825)	2 329	1 327	(5 825)
	427	(1 199)	15 687	427	(1 199)	15 687
	1 219	–		2 517	–	19
	58 339	43 735	45 372	60 077	44 271	45 700
	(3 635)	(340)	(7 868)	(3 654)	(377)	(7 970)
	–	–	(1 433)	–	–	(1 433)
	54 704	43 395	36 071	56 423	43 894	36 297
	(4 591)	(4 037)	(4 729)	(4 735)	(4 080)	(4 759)
	(124)	(125)	(126)	(128)	(126)	(127)
	(5 294)	(5 382)	(5 160)	(5 460)	(5 439)	(5 191)
	(10 009)	(9 544)	(10 015)	(10 323)	(9 645)	(10 077)
	44 695	33 851	26 056	46 100	34 249	26 220
	(180)	(1 133)	–	(199)	(1 255)	(630)
	44 515	32 718	26 056	45 901	32 994	25 590

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40. Segmental reporting (continued)

For the year ended 31 March U$'000	Segment A		
	2014	2013	2012
Cash flow statement			
Operating activities			
Profit before tax	1 405	398	164
Adjustments for:			
Change in operating assets	273	(2 656)	1 506
Change in operating liabilities	59 466	24 509	9 116
Non-cash item included in profit before tax	115	143	(9 973)
Dividend income	(655)	–	–
Income tax paid	(140)	(272)	(1 277)
Net cash flows from/(used in) operating activities	60 464	22 122	(464)
Investing activities			
Proceed from disposal of subsidiary	658	–	–
Purchase of investment securities	–	–	–
Proceeds on disposal of investment securities	938	–	–
Dividend income	655	–	–
Proceeds on disposal of equipment	–	–	23
Purchase of equipment	(79)	(28)	(80)
Net cash flows from/(used in) investing activities	2 172	(28)	(57)
Financing activities			
Dividend paid	–	–	–
Repurchase agreements made with banks	–	–	–
Issue of preference shares	–	–	–
Net cash flows from financing activities	–	–	–
Net increase/(decrease) in cash and cash equivalents	62 636	22 094	(521)
Cash and cash equivalents at the beginning of the year	22 542	466	990
Net foreign exchange difference	13	(18)	(3)
Cash and cash equivalents at the end of the year	85 191	22 542	466

Segment B			Total		
2014	2013	2012	2014	2013	2012
44 695	33 851	26 056	46 100	34 249	26 220
(219 784)	(119 812)	(280 554)	(219 511)	(122 468)	(279 048)
138 761	37 696	87 794	198 227	62 205	96 910
387	(2 788)	8 334	502	(2 645)	(1 639)
(1 202)	–	–	(1 857)	–	–
–	–	–	(140)	(272)	(1 277)
(37 143)	(51 053)	(158 370)	23 321	(28 931)	(158 834)
–	–	–	658	–	–
(74 270)	–	–	(74 270)	–	–
–	–	14 550	938	–	14 550
1 202	–	–	1 857	–	–
–	–	–	–	–	23
–	–	–	(79)	(28)	(80)
(73 068)	–	14 550	(70 896)	(28)	14 493
–	–	(4 591)	–	–	(4 591)
–	119 943	–	–	119 743	–
44 000	–	221 365	44 000	–	221 365
44 000	119 743	216 774	44 000	119 743	216 774
(66 211)	68 690	72 954	(3 575)	90 784	72 433
268 973	200 782	128 589	291 515	201 248	129 579
7 375	(499)	(761)	7 388	(517)	(764)
210 137	268 973	200 782	295 328	291 515	201 248

40. Segmental reporting (continued)

For the year ended at 31 March U$'000	Segment A 2014	2013	2012
I. Investment securities			
Financial assets designated at fair value through profit or loss			
– Other debt securities	–	–	–
– Quoted equities	–	–	–
– Unquoted equities	–	–	–
Held-to-maturity financial assets	–	–	–
Available-for-sale financial asset	–	–	–
	–	–	–
II. Amounts due from/(to) holding bank			
Remaining term to maturity			
(a) Amount due from holding bank			
Within three months	–	–	–
	–	–	–
(b) Amount due to holding bank			
Within three months	–	–	–
Over six to 12 months	–	–	–
Over one to five years	–	–	–
	–	–	–
III. Amount due from/(to) subsidiaries and other group companies			
Remaining term to maturity			
(a) Amount due from subsidiaries and other group companies			
Within three months	–	–	–
	–	–	–
(b) Amount due to subsidiaries and other group companies			
Within three months	–	1 214	1 199
Over six to 12 months	–	–	–
Over one to five years	–	–	–
	–	1 214	1 199

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	Segment B			Total		
	2014	2013	2012	2014	2013	2012
	29 967	53 479	9 998	29 967	53 479	9 998
	213	174	376	213	174	376
	16 554	14 363	17 606	16 554	14 363	17 606
	140 816	121 740	125 218	140 816	121 740	125 218
	56 201	–	–	56 201	–	–
	243 751	189 756	153 198	243 751	189 756	153 198
	182 430	18 625	13 530	182 430	18 625	13 530
	182 430	18 625	13 530	182 430	18 625	13 530
	1 338	458	93 587	1 338	458	93 587
	6 203	–	111 753	6 203	–	111 753
	35 091	35 096	35 120	35 091	35 096	35 120
	42 632	35 554	240 460	42 632	35 554	240 460
	3 877	3 122	3 067	3 877	3 122	3 067
	3 877	3 122	3 067	3 877	3 122	3 067
	10 082	12 508	7 291	10 082	13 722	8 490
	33	–	2 057	33	–	2 057
	–	66	100	–	66	100
	10 115	12 574	9 448	10 115	13 788	10 647

40. Segmental reporting (continued)

At 31 March U$'000	Segment A 2014	Segment A 2013	Segment A 2012
IV. Loans and advances to customers			
(a) Remaining term to maturity			
Within three months	9 105	4 963	–
Over three to six months	–	3 661	4 598
Over six to 12 months	1 119	–	–
Over one to five years	594	3 651	5 876
Over five years	19 448	18 290	17 364
	30 266	30 565	27 838
(b) Credit concentration of risk by industry sectors			
Credit exposures to any one customer exceeding 15% of capital base, classified by industry sectors			
Construction	–	–	–
Financial and business services	–	–	–
Global Business Licence holders (GBL)	–	–	–
Manufacturing	–	–	–
	–	–	–
(c) Allowance for credit impairment losses			
(i) Portfolio provision			
At 1 April	449	275	247
(Release of)/provision for credit losses for the year	(10)	174	28
Differences due to foreign currency translation	–	–	–
At 31 March	439	449	275
(ii) Specific provision			
At 1 April	–	–	–
Loans written off out of allowance	–	–	–
(Release of)/provision for credit losses for the year	–	–	–
Differences due to foreign currency translation	–	–	–
At 31 March	–	–	–
(iii) Total provision			
At 1 April	449	275	247
Loans written off out of allowance	–	–	–
(Release of)/provision for credit losses for the year	(10)	174	28
Differences due to foreign currency translation	–	–	–
At 31 March	439	449	275

Segment B			Total		
2014	2013	2012	2014	2013	2012
79 295	65 709	14 392	88 400	70 672	14 392
16 447	185	43 199	16 447	3 846	47 797
105 608	65 593	34 321	106 727	65 593	34 321
502 112	553 159	518 729	502 706	556 810	524 605
156 974	57 034	86 285	176 422	75 324	103 649
860 436	741 680	696 926	890 702	772 245	724 764
–	–	149 545	–	–	149 545
–	–	–	–	–	–
127 784	–	–	127 784	–	–
–	–	45 551	–	–	45 551
127 784	–	195 096	127 784	–	195 096
6 701	6 883	4 646	7 150	7 158	4 893
1 149	(182)	2 237	1 139	(8)	2 265
–	–	–	–	–	–
7 850	6 701	6 883	8 289	7 150	7 158
551	220	224	551	220	224
(348)	–	–	(348)	–	–
(68)	385	21	(68)	385	21
(57)	(54)	(25)	(57)	(54)	(25)
78	551	220	78	551	220
7 252	7 103	4 870	7 701	7 378	5 117
(348)	–	–	(348)	–	–
1 081	203	2 258	1 071	377	2 286
(57)	(54)	(25)	(57)	(54)	(25)
7 928	7 252	7 103	8 367	7 701	7 378

40. Segmental reporting (continued)

At 31 March U$'000	Gross amount of loans	Non-performing loans
IV. Loans and advances to customers (continued)		
(d) Allowance for credit losses by sector		
Agriculture	–	–
Manufacturing	60 891	–
Tourism	28 564	–
Transport	76 903	–
Construction	331 915	1 792
Information, communication and technology	33 242	–
Financial and business services	65 384	–
Traders	19 817	–
Personal	114	–
Professional	34 257	184
Global Business Licence holders (GBL)	137 138	–
Media, entertainment and recreational activities	1 775	–
Infrastructure	88 730	–
Other entities	20 339	–
	899 069	1 976
Analysed by segments:		
Segment A		
Agriculture	–	–
Tourism	17 958	–
Construction	11 014	–
Financial and business services	–	–
Personal	114	–
Professional	1 620	–
Other entities	–	–
	30 706	–
Segment B		
Agriculture	–	–
Manufacturing	60 891	–
Tourism	10 606	–
Transport	76 903	–
Construction	320 901	1 792
Information, communication and technology	33 242	–
Financial and business services	65 384	–
Traders	19 817	–
Personal	–	–
Professional	32 637	184
Global Business Licence holders (GBL)	137 138	–
Media, entertainment and recreational activities	1 775	–
Infrastructure	88 730	–
Other entities	20 339	–
	868 363	1 976
	899 069	1 976

Specific provision	Portfolio provision	Total 2014	Total 2013	Total 2012
–	–	–	–	17
–	561	561	762	305
–	263	263	275	234
–	709	709	525	498
–	3 060	3 060	3 305	1 118
	306	306	161	–
–	603	603	910	1 399
–	184	184	478	120
–	1	1	3	2
78	316	394	509	479
–	1 264	1 264	219	743
–	16	16	62	152
–	818	818	417	50
–	188	188	75	–
78	8 289	8 367	7 701	5 117
–	–	–	–	5
–	256	256	327	156
–	159	159	106	101
–	–	–	–	3
–	1	1	3	2
–	23	23	13	8
–	–	–	–	–
–	439	439	449	275
–	–	–	–	2
–	561	561	762	1 012
–	7	7	(52)	128
–	709	709	525	311
–	2 901	2 901	3 199	3 356
–	306	306	161	215
–	603	603	910	568
–	184	184	478	397
–	–	–	–	–
78	293	371	496	592
–	1 264	1 264	219	297
–	16	16	62	73
–	818	818	417	91
–	188	188	75	61
78	7 850	7 928	7 252	7 103
78	8 289	8 367	7 701	7 378

40. Segmental reporting (continued)

At 31 March U$'000	Segment A 2014	2013	2012
V. Other assets			
Accrued fee income	45	–	–
Prepayments	10	–	–
Other receivables	52	80	156
	107	80	156
VI. Deposit by banks			
Bank in Mauritius and banks abroad			
Remaining term to maturity			
Within three months	–	3 527	2 039
Over three to six months	–	–	–
	–	3 527	2 039
VII. Due to customers			
Demand	17 932	6 863	12 768
Term deposits with remaining term to maturity			
Within three months	21 505	7 884	1 970
Over three to six months	20 763	222	637
Over six to 12 months	58 867	20 655	1 046
Over one to five years	1 734	20 587	20 351
Over five years	–	–	–
	120 801	56 211	36 772
VIII. Other liabilities			
Amounts payable and sundry creditors	3 243	3 626	59
	3 243	3 626	59
IX. Contingent liabilities			
To meet the financial needs of customers, the bank enters into various irrevocable commitments and contingent liabilities. Even though the obligations may not be recognised on the balance sheet they do contain credit risk and are therefore part of the overall risk of the bank.			
Guarantees	20 850	11 969	25 269
Commitments – irrevocable unutilised facilities	36	11 006	2 536
	20 886	22 975	27 805

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

Segment B			Total		
2014	2013	2012	2014	2013	2012
1 731	985	1 064	1 776	985	1 064
–	3	43	10	3	43
3 298	4 068	5 725	3 350	4 148	5 881
5 029	5 056	6 832	5 136	5 136	6 988
–	–	–	–	3 527	2 039
–	–	–	–	–	–
–	–	–	–	3 527	2 039
596 530	349 360	159 415	614 462	356 223	172 183
67 587	199 344	151 137	89 092	207 228	153 107
13 873	14 902	11 290	34 636	15 124	11 927
26 515	22 855	24 029	85 382	43 510	25 075
6 898	24 182	15 087	8 632	44 769	35 438
–	–	–	–	–	–
711 403	610 643	360 958	832 204	666 854	397 730
28 817	3 456	13 666	32 060	7 082	13 725
28 817	3 456	13 666	32 060	7 082	13 725
8 030	10 741	9 441	28 880	22 710	34 710
65 887	70 368	88 823	65 923	81 374	91 359
73 917	81 109	98 264	94 803	104 084	126 069

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Peter RS Thomas (69)
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Chief executive officer (CEO)

Pierre de Chasteigner du Mée (60)
ACEA, FBIM, FMAAT

Angelique Anne Desvaux De Marigny (38)
LLB, Barrister-at-Law
Maitrise en droit privé (Université de Paris
IPanthéon-Sorbonne)

Board committees

Board sub-committee

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

Audit committee

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

In attendance

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

Nominations and remuneration committee

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

In attendance

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

Conduct review committee

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

In attendance

Craig C McKenzie (CEO)

Corporate governance committee

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

Investment committee

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

Risk management committee

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

In attendance

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