ANNUAL REPORT 2012

conception · consolidation · connection

AFRASIA
bank different

GML

Think Green

As part of its ongoing programme to help protect the environment and within the context of the GML "Think Green" initiative, GML companies have once again chosen to use Cocoon paper for their Annual Reports.

Cocoon paper is made from 100% recycled pulp, certified FSC (Forest Stewardship Council).

FSC is an international, non-governmental, non-profit making organisation created in 1993. It encourages socially, ecologically and economically responsible forestry management initiatives.

By using Cocoon offset, rather than a non-recycled paper, the environmental impact was reduced by:

36,463
kg of landfill

6,813
kg of CO_2 of greenhouse gases

68,127
km travel in the average European car

713,854
litres of water

67,209
kWh of energy

59,241
kg of wood

Source:
Carbon footprint data is calculated by the Edinburgh Centre for Carbon Management in partnership with the Carbon-Neutral Company. Calculations are based on a comparison between recycled paper versus virgin fibre paper produced at the same mill, and on the latest European BREF data (virgin fibre paper) available. Results are obtained according to technical information and subject to change.

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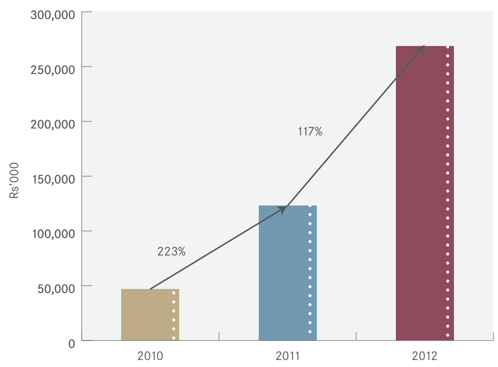
Financial Highlights

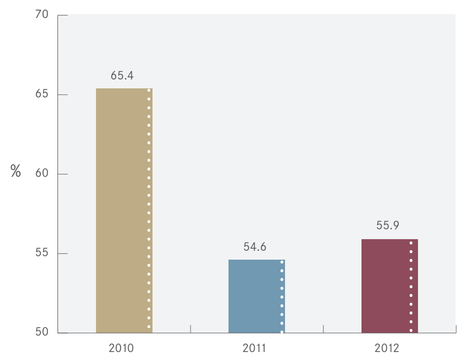
AFRASIA BANK LIMITED AND ITS GROUP ENTITIES

	Year Ended 30 June 2012	Year Ended 30 June 2011	Year Ended 30 June 2010
STATEMENT OF COMPREHENSIVE INCOME (Rs'000)			
Net Interest Income	322,522	218,760	107,527
Non Interest Income	165,057	151,266	124,094
Total Income	487,579	370,026	231,621
Operating Expenses	(272,422)	(202,153)	(151,683)
Profit after tax	270,362	124,387	38,470
STATEMENT OF FINANCIAL POSITION (Rs'000)			
Total Assets	22,392,352	16,866,735	9,147,529
Total Loans	12,784,321	8,549,379	4,851,153
Total Deposits	19,626,671	14,962,436	7,985,566
Shareholders‡Funds	1,781,751	1,068,884	682,455
PERFORMANCE RATIO (%)			
Return on Average Equity	17.5	13.3	5.6
Loan to Deposit Ratio	65.1	57.1	60.7
Operating Expense to Total Operating Income	55.9	54.6	65.4
Capital Adequacy Ratio (%)			
Basel II	13.5	15.3	11.8

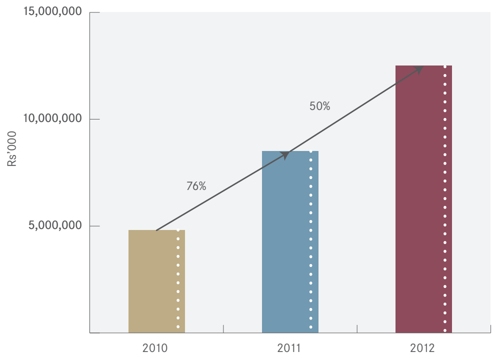
Profit After Tax (The Group)



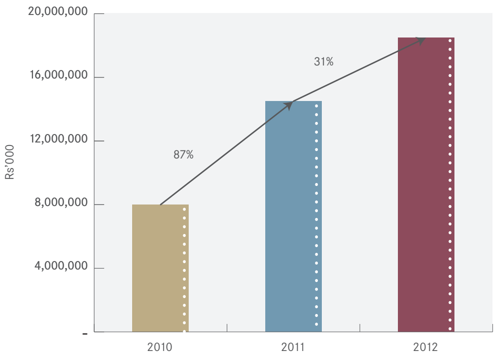
Operating Expense to Total Operating Income (The Group)



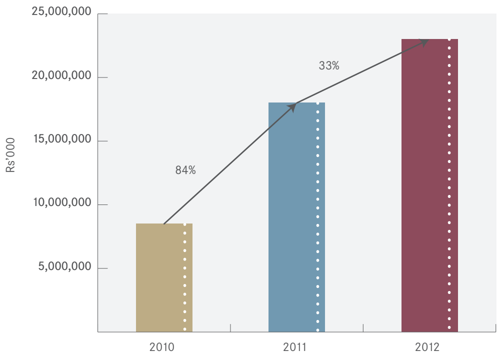
Total Loans (The Group)



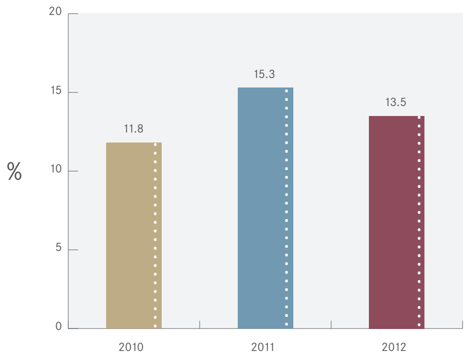
Total Deposits (The Group)



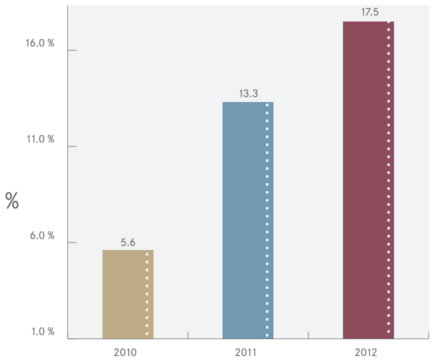
Total Assets (The Group)



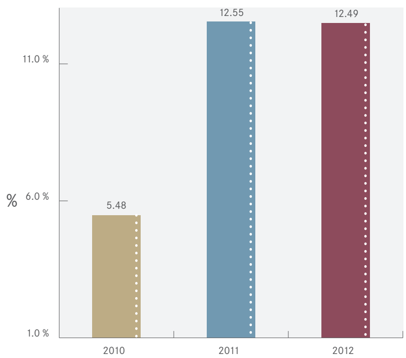
Capital Adequacy Ratio (The Group)



Return on Average Equity (The Group)



Return on Average Equity (The Bank)

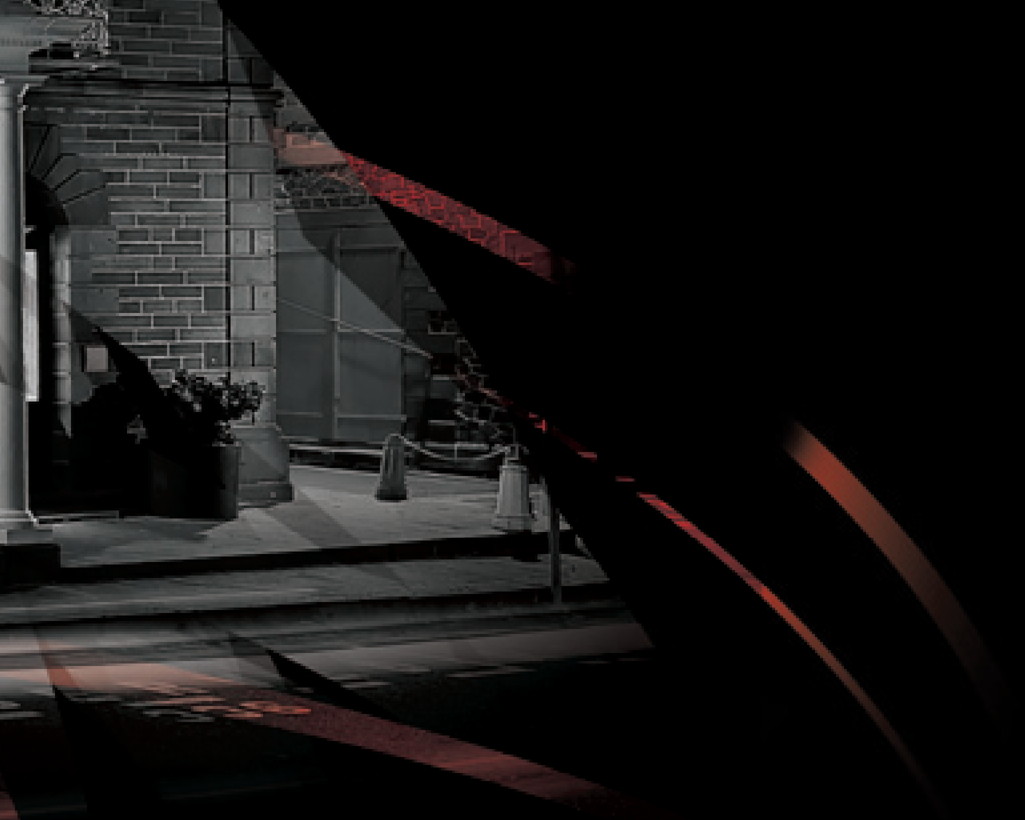



AFRASIA BANK
AFRASIA
Private Banking

2007

AfrAsia: A bank is born

AfrAsia Bank was born from one strategic conviction – recognition of the growth potential of the African lions to match the rise of the Asian tiger economies. In October 2007, AfrAsia Bank opened its doors for business in Mauritius, serving the Africa – Asia trade corridor. Today the Bank has carved out a unique niche with a focus on Private Banking & Wealth Management, Corporate & Investment Banking and Global Business Solutions. With its presence in Mauritius, South Africa and Zimbabwe, the Bank continues to pursue an audacious strategy, tapping into the growing trade, investment and capital flows between Africa and Asia and becoming a fully-fledged regional bank of international standing.



Corporate Profile & Overview

A regional bank of local relevance and international standing

Headquartered in the Mauritius International Financial Centre, an enviable strategic location between Africa & Asia, our ability to serve clients globally with solutions tailored to their needs gives us a strong advantage in today's rapidly changing and highly competitive marketplace. We operate as an integrated bank, combining our strengths and expertise in our three global divisions, Private Banking, Corporate and Investment Banking and Global Business, to offer our clients customized services.

In addition to our Mauritian shareholder, the largest conglomerate on the island, GML, other strong strategic partners include PROPARCO (subsidiary of the Agence Française de Développement and other major financial institutions) and Intrasia Capital (Singapore). The Bank's core banking and transactional capabilities are also complemented by its asset management arm, AXYS Capital Management and its investment banking arm, AfrAsia Corporate Finance.

Our global structure comprises representative offices in South Africa, namely Cape Town and Johannesburg. Within a trustworthy environment and a sound legal framework, the Bank has cross-border capabilities to deliver a global banking network with boutique service and speed. Our regional expansion has been taken to a new level with the strategic acquisition of Kingdom Financial Holdings Limited, an investment holding company domiciled in Zimbabwe with interests in the banking, stock broking and asset management sectors. The company, rebranded as AfrAsia Kingdom Zimbabwe Limited, also has operations in Botswana and Malawi.

With our regional presence and global approach, AfrAsia Bank is well positioned to respond to changing client needs and its operating environment.

Corporate Philosophy

To be the reference point for Corporate and Investment Banking, Private Banking and Global Business Solutions linking Mauritius and the Africa-Asia trade corridor...and beyond.

VALUES

Disruptive Banking

AfrAsia Bank provides you with tailor-made, innovative and attractive products and services which are entirely different from traditional banking. We strongly believe in Disruptive Innovation.

Can-do Attitude

Our aim is to help our clients to reach their objectives. AfrAsia Bank believes in quick decision taking. Our employees are focused, proficient and friendly. With our latest state-of-the-art IT platform, we are capable of bringing you service excellence and efficient products.

Genuineness

Dealings with AfrAsia Bank are carried out in full confidentiality. We conduct business in a professional and ethical way. AfrAsia Bank is committed to best-in-class governance and all credit decisions are processed independently of shareholders.

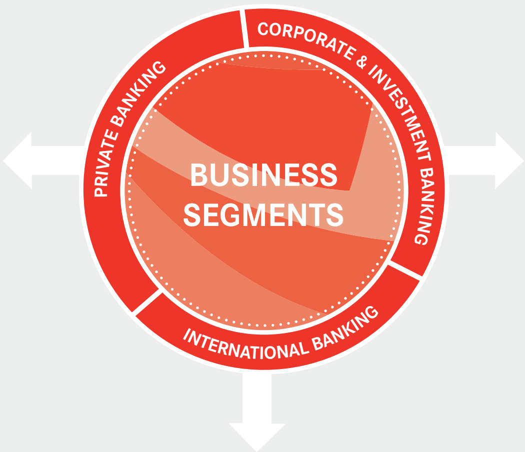
Privileged Relationships

Establishing a privileged and durable relationship takes time and requires a specialist advisor with whom you can build an open and confidential dialogue. That is what makes us stand out. Your AfrAsia Relationship Manager is your preferred banking expert and financial advisor and, first and foremost, a trusted and accessible person on whom you can rely at any time for financial solutions and advice.

Passionate Partners

AfrAsia Bank has a highly experienced team at your service. Our staff thrives on the success of our customers. We do our level best to reward you in the most beneficial way. Our team of professionals is dedicated to providing you with the highest standard of service. More than just bankers, we are partners.

We offer comprehensive advice and a relevant range of financial solutions to private, corporate and institutional clients. Being the winner of “Best Local Private Bank in Mauritius 2012”, “Best Private Bank for the Super Affluent in Mauritius 2012” and “Best Private Bank in Mauritius 2011” all awarded by Euromoney, further reveal our “bank different” customer service approach and our unremitting commitment to craft best-of-breed products for our clients.



AfrAsia Investment Banking solutions aim at providing the highest quality financial advice, arrangement and execution expertise. We deliver our global investment banking capabilities via our regional team at AfrAsia Corporate Finance and our services include Arrangement of Bond Issues, Debt Arrangement, Equity Arrangement, Merger and Acquisitions.

We deliver a comprehensive suite of custom-designed international banking solutions to assist in any kind of cross-border operations: Corporate & Investment Banking, Private Banking & Wealth Management, Treasury products and Hedging services, High yielding multi-currency deposits, Project Finance including Integrated Resort Scheme (IRS) and Real Estate Scheme (RES) for developers and buyers, Comprehensive range of Trade Finance services & facilities, Structured Investment Products, Investment opportunities to Indian Equity/Debt Market as Foreign Institutional Investor (FII), Global Custody and Brokerage services through our partners.

With our 35% strategic acquisition in AfrAsia Kingdom Zimbabwe Limited, we aim to use Zimbabwe as an operating launch pad in the region. It will be an opportunity for us to expand our franchise in the SADC region through an established local operation and with highly credible local partners.

AfrAsia Bank has Representative Offices in both Johannesburg and Cape Town serving the local corporate, asset management and private banking markets. With these Representative Offices, AfrAsia Bank is ideally poised to become a reference point linking Mauritius and the Africa-Asia trade corridor. Our core international products and services available to SA residents include Corporate Banking & Investment Banking, Investment Banking solutions, Private Banking & Wealth Management and Treasury.

Corporate Profile & Overview (cont'd)

Strategic Partners

GML

AfrAsia Bank has strong strategic Mauritian and international shareholders to pursue its growth regionally and exceed clients' expectations.

Our anchor shareholder is GML, the largest conglomerate in Mauritius. GML exists since 1939 and is today a well diversified group with strategic stakes in companies operating in the main pillars of the Mauritian economy: sugar and diversification, commerce, industry, financial services, financial holding, hospitality and property development. The Group employs over 10,000 persons with turnover near Rs18.3bn (USD610m) and asset size at Rs58.3bn (USD1.9bn). GML is now ranked first in the Top 100 companies in Mauritius.

INTRASIA CAPITAL

Intrasia Capital is an investment, development and boutique private equity firm based in Singapore with additional offices in Mauritius and Australia. Intrasia Capital is primarily focused on investing in and developing high growth international public and private companies in the energy and resources, real estate, financial services and agricultural sectors. It is the second largest shareholder of the Bank and provides guidance and support to our international expansion.

PROPARCO

PROPARCO is a development finance institution jointly held by Agence Française de Développement (AFD) and public and private shareholders from the North and South.

The company has a mandate to galvanize private investment in emerging and developing countries with the aim of supporting growth, sustainable development and the achievement of the Millennium Development Goals (MDGs). PROPARCO finances investments that are economically viable, socially equitable, environmentally sustainable and financially profitable. It tailors its sectoral strategy to the level of development of each country and focuses on productive sectors, financial systems, infrastructure and private equity investment. PROPARCO invests in a vast geographical area that encompasses both the major emerging countries and the poorest countries, particularly Africa. The company has extremely high requirements in terms of social and environmental responsibility.

Licences

AfrAsia Bank Limited holds a Banking Licence to conduct banking business in Mauritius issued by the Bank of Mauritius under Section 7 of the Banking Act 2004 since 29 August 2007. The Bank and its group entities have also been granted the following licences:

Entity	Licence	Issuer
AfrAsia Bank Limited	Investment Adviser (Unrestricted)	Financial Services Commission of Mauritius
AfrAsia Bank Limited	Investment Adviser (Currency Derivatives Segment)	Financial Services Commission of Mauritius
AfrAsia Bank Limited	Custodian	Financial Services Commission of Mauritius
AfrAsia Bank Limited	Custodian (Non-CIS)	Financial Services Commission of Mauritius
AfrAsia Bank Limited	Representative Office	South African Reserve Bank
AfrAsia Bank Limited	Foreign Institutional Investor (FII)	Securities and Exchange Board of India (SEBI)
AfrAsia Investments Limited	Investment Dealer (Full Service Dealer excluding Underwriting)	Financial Services Commission of Mauritius
AfrAsia Corporate Finance (Pty) Limited	Financial Services Provider	Financial Services Board of South Africa

Bank of Mauritius has also granted the Bank the status of Primary Dealer to deal in government securities. Moreover, AfrAsia Bank is an Integrated Trading and Clearing member of the Global Board of Trade (GBOT) exchange.

Corporate Profile & Overview (cont'd)

AfrAsia Bank Group Structure

AfrAsia Bank Limited

- 100% → **AfrAsia Investments Limited**
  - 50% → **AXYS Capital Management Ltd**
  - 50% → **AfrAsia Corporate Finance (Pty) Ltd**
  - 50% → **AfrAsia Corporate Finance (Africa) Limited**
- 100% → **AfrAsia Holdings Limited**
  - 52.01% → **AfrAsia Kingdom Holdings Limited**
    - 68.02% → **AfrAsia Kingdom Zimbabwe Limited**

Accolades

This year has seen AfrAsia Bank win 2 prestigious awards from Euromoney for private banking excellence - 'Best Local Private Bank in Mauritius' and 'Best Private Bank for Super Affluent in Mauritius'. And while it's always nice to be acknowledged for our efforts, our greatest reward has always been the smiles on our customers' faces.

These accolades personify our unremitting commitment to client and stakeholder expectations, crafting best-of-breed banking products and solutions to meet their changing needs.

Listed among Top 200 African Banks 2012 (The Africa Report)

Best Local Private Bank in Mauritius 2012 (Euromoney)

Best Private Bank for Super Affluent in Mauritius 2012 (Euromoney)

Best Private Bank in Mauritius 2011 (Euromoney)

Quality Recognition for achieving high Straight Through Processing rate for payments and transfers 2010 (Citi Bank)

Most Innovative Bank in Mauritius 2008 (World Finance)

C - Capital Adequacy

A - Asset Quality

M - Management

E - Earnings

L - Liquidity

2+

Highest Camel Rating 2+ in Mauritius as at December 2011 (Bank of Mauritius)

Board of Directors

ARNAUD LAGESSE

Non-Executive Chairman

Appointed as Director on 12 January 2007 and as Chairman on 13 February 2007 Arnaud Lagesse, born in 1968, holds a "Ma²trise de Gestion" from the University of Aix-Marseille III, France and is a graduate of "Institut Supérieur de Gestion", France. He also completed an Executive Education Program at INSEAD, Fontainebleau, France and an Advanced Management Program at Harvard University, Boston, USA. He joined GML in 1995 as the Finance and Administrative Director before becoming, in August 2005, its Chief Executive Officer. He also participated in the National Corporate Governance Committee as a member of the Board of Directors' subcommittee. He is a member of the Board of Directors of several of the country's major companies and is also the Chairman of Lux³ Island Resorts, Mauritius Stationery Manufacturers Limited, Robert Le Maire Limited and various other companies. He is an ex-President of the Mauritius Chamber of Agriculture, the Mauritius Sugar Producers' Association and the Sugar Industry Pension Fund.

JAMES BENOIT

Chief Executive Officer and Executive Director

Appointed on 31 May 2007

James Benoit was previously a global management executive with HSBC Group for 16 years in emerging and developing markets in China, Philippines, Hong Kong, the Middle East, Canada and Mauritius. He has developed, implemented and grown leading consumer banking, wealth management, credit card and corporate banking businesses in these regions with proven ability to engage customers, regulators and staff from diverse backgrounds. James is also a Chartered Financial Analyst and a co-founder of the local Chapter of the CFA Institute which has won global awards for revitalization under his Presidency. He is a sought after financial conference speaker and opinion leader published in media channels in South Africa, London, India, UK, Vietnam, Singapore, Philippines and Mauritius.

BRETT CHILDS

Independent Non-Executive Director

Appointed on 27 January 2010

Brett Childs has spent many years in the venture capital industry. Currently he is an Executive Director of Brait S.A., a company listed on Luxembourg and Johannesburg stock exchanges and is responsible for managing the Fund Manager and General Partner of the international private equity funds of the Brait group. Brett spent fifteen years living in London. He was involved in the development of Equitas, the vehicle set up by Lloyds of London to acquire distressed re-insurance contracts from Names. He was subsequently one of the first individuals to be approved by Lloyds of London to act as the Chief Finance Officer to corporate capital providers in Lloyds of London. After leaving the re-insurance industry, he helped build a successful venture capital business focused on the IT industry, ultimately culminating in the listing of companies on the London Stock Exchange, Finnish HEX exchange and exiting other investments via trade sales. Brett resides in Mauritius where he sits on the Boards, in a non-executive capacity, of a number of privately and publicly owned investment businesses.

JEAN DE FONDAUMI¥RE

Independent Non-Executive Director

Appointed on 12 January 2007

Jean de Fondaumiµre is a member of the Institute of Chartered Accountants of Scotland since 1980. He acquired experience in the field of Merchant Banking with Kleinwort Benson in Australia between 1984 and 1991 before joining the Swan Group in 1992. He retired as Chief Executive Officer of the Swan Group in December 2006. He is a Director of a number of companies involved in various economic activities such as finance, tourism, agriculture and commerce in Mauritius and in the region. Several of those companies are listed on the Stock Exchange of Mauritius. He was the Chairman of the Stock Exchange of Mauritius from 2002 to 2006 and is a member of a number of Corporate Governance and Audit Committees.

CATHERINE DVORAK

Independent Non-Executive Director

Appointed on 8 February 2011

Catherine Dvorak is a member of the South African Institute of Chartered Accountants. She previously held senior management positions with Investec Bank (Mauritius) Limited between 2004 and 2010 as well as having extensive banking experience in South Africa. Catherine is a member of the Risk, Conduct Review and Audit Committees of AfrAsia Bank Limited.

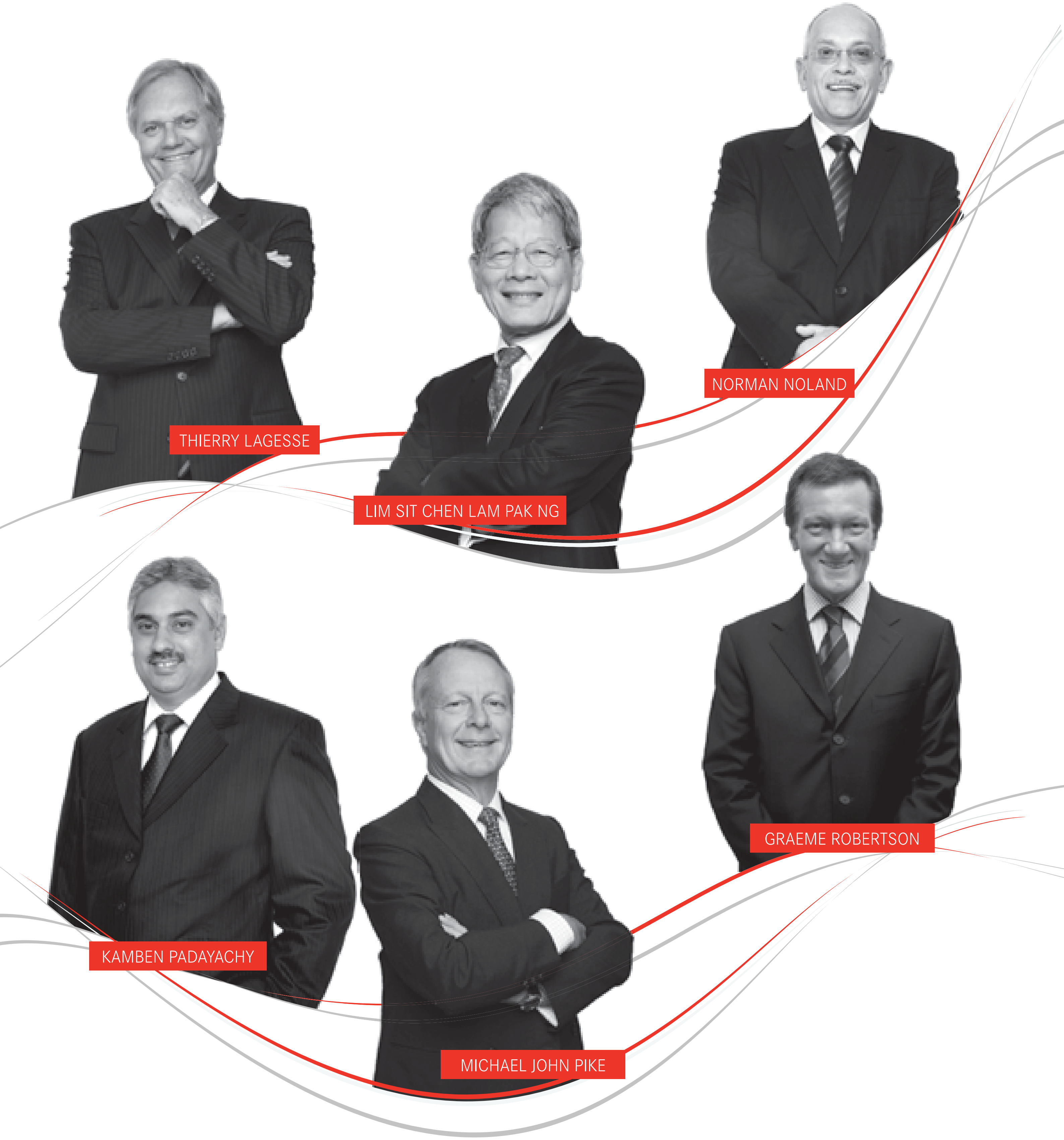
JEAN-CLAUDE B¦GA

Non-Executive Director

Appointed on 28 October 2011

Born in 1963 and Fellow of the Association of Chartered Certified Accountants, Jean-Claude Béga was appointed as Alternate Director to J. Cyril Lagesse in June 2007. He joined GML in 1997 and is presently Chief Financial Officer. He is also Chairman of City Brokers Limited and Director of a number of corporations including Lux³ Island Resorts, Mauritius Stationery Manufacturers Limited, Phoenix Beverages Limited and Sugar Insurance Fund Board.

Board of Directors (cont'd)



THIERRY LAGESSE

Non-Executive Director

Appointed on 12 January 2007

Thierry Lagesse, born in 1953, holds a “Maîtrise des Sciences de Gestion” from the University of Paris Dauphine. He is the founder and Executive Chairman of the Palmar group of companies, a textile and garment manufacturing group, and Parabole Réunion SA, a Direct to Home Satellite TV company in the media and communication fields across the islands of the Indian Ocean. Thierry Lagesse chairs the following listed companies: Phoenix Beverages Limited, Ireland Blyth Limited, The United Basalt Products Limited, Flacq United Estates Limited and Deep River Beau Champ Limited. He also chairs the holding companies of GML, GML Investissement Ltée and GML Ineo Ltée. Thierry is a member of the Mauritius Chamber of Agriculture and was, in 1995, Chairman of the Mauritius Export Processing Zone Association.

LIM SIT CHEN LAM PAK NG

Independent Non-Executive Director

Appointed on 12 February 2007

Lim Sit Chen (Maurice) Lam Pak Ng is a Mauritian and Canadian citizen, born in 1947. He holds an MBA degree from the Graduate School of Business of Columbia University, New York, N.Y, USA. Maurice is the founding partner of Stewardship Consulting, a strategy consulting firm with offices in Singapore and Paris. He serves as a member of the Presidential Investors’ Advisory Council of Burkina Faso, Chairman of AXYS Leasing Limited and an independent Non-Executive Director of Malaysian Smelting Corporation Berhad, a company listed on the Stock Exchange of Kuala Lumpur, Malaysia. Prior to Stewardship Consulting, Maurice was in investment banking, advising multinational companies, government agencies and fund management companies in financial strategy, investment management, treasury and risk management. He has worked in London, New York, Singapore and Tokyo.

NORMAN NOLAND

Non-Executive Director

Appointed on 19 January 2009

Norman Noland is an entrepreneur and businessman and holds directorships in listed entities in Mauritius and privately owned companies in South Africa. He has extensive experience in the internal financial services arena and the information technology, property, property development and leisure industry sectors. He is currently the Executive Chairman of the Private Equity Group, Dale Financial Group, listed on the Stock Exchange of Mauritius. Norman is a member of the Financial Planning Institute in South Africa (AFP) and also holds two post-graduate degrees.

KAMBEN PADAYACHY

Deputy CEO and Executive Director

Appointed on 14 February 2011

Kamben Padayachy (Ben) is one of the Founding Executives of AfrAsia Bank since its early inception in May 2007. He has 18 years’ experience in Banking, having successively worked with BNP Paribas (BNPI), Barclays Bank and Standard Bank. He has held senior management roles at both retail and corporate levels throughout his career and has originated investment Banking transactions from debt capital markets to structured trade finance. He holds a Masters degree in Monetary Economics from University of Paris Dauphine and a post-graduate degree in Banking and Finance. Ben is also a Director on the Board of Axys Capital Management, AfrAsia Special Opportunities Fund, ACF (Africa) Limited and AfrAsia Kingdom (Zimbabwe) Limited.

MICHAEL JOHN PIKE

Independent Non-Executive Director

Appointed on 19 January 2009

Michael John Pike, ACIB, born in 1949, joined the Hongkong and Shanghai Banking Corporation in 1968 in London. He worked for HSBC for 35 years in eight different countries in Europe, the Far East, the Middle East and South America and has a wide banking experience in Corporate, Retail and Operations. He was the Head of Group Risk for the Mauritius Commercial Bank Limited from 2005 to 2007.

GRAEME ROBERTSON

Non-Executive Director

Appointed on 16 August 2011

Graeme Robertson has spent much of his life in Asia and Africa engineering growth in developing nations. He has been responsible for pioneering and managing world-class and global mining, energy and infrastructure operations. A graduate of the University of New South Wales, Graeme has been the developer and President Director of PT Adaro Indonesia, the largest open cut coal mine in the Southern Hemisphere with a current market capitalisation of USD9.4bn and PT Indonesia Bulk Terminal, international bulk port operations in Indonesia. As a former Director of Australia’s fourth oldest public company Washington H. Soul Pattinson & Co., and Managing Director to 2005 of New Hope Corporation Limited (current market capitalisation of AUD4.5bn), he brings expertise in corporate governance and international vision. Graeme is currently Executive Chairman of Intrasia Capital Group in Singapore and Australia for financial services; Intra Energy Corporation for development of coal mining and electricity generation in Eastern Africa; and Vita Grain Group developing healthy rice for Mauritius. A humanitarian, Graeme is heavily involved in improving the livelihood of the poor.

2008

The First Titanium MasterCard® credit card in Mauritius

With positive growth in the emerging affluent segment and recognising their evolving lifestyle, the launch of the Titanium MasterCard represented a natural next step in AfrAsia Bank's evolutionary process. Accepted at over 25 million locations around the world, the launch of the first Titanium MasterCard in Mauritius delivered an innovative, tailored payment solution, offering premium cardholders a prestigious level of experiences and an exclusive set of superior benefits, designed to match their elegant style of living.

Awarded 'Most Innovative Bank in Mauritius' (World Finance)

In its first year of operation, AfrAsia Bank scooped the 'Most Innovative Bank in Mauritius' accolade awarded by World Finance (UK), a recognition of the Bank's well-established financial structure, good governance and innovative tailored products and services.

Chairman’s Review

To all,

I am pleased to present this Annual Report which marks the 5th financial year end reporting period for AfrAsia Bank Limited. The world has changed remarkably during that time but, with our clear vision and “bank different” strategy, we have thrived and are now positioning the Bank to take advantage of all the new opportunities arising. I would like to especially thank our customers for their trust, our shareholders for their belief and our regulators for their prudential monitoring. And of course to our staff and fellow directors I thank you for your tremendous effort and success.

Economic Overview

Within this report, more detailed statistics and how they affect our Bank and how we operate can be found. Two key issues remain fundamental. Mauritius remains linked to the fast growing economies of Africa and Asia and just the sheer size of those markets means that plenty of opportunities for growth can be found for a focused and specialized corporate and private bank such as ours. We expect GAAR to be amended just enough to ensure Mauritius’ historic role as financial gateway for India will remain. While our business is not nearly as linked to India as many others in the Global Business segment, a favourable GAAR outcome will continue to underpin employment growth, property prices and spin-off spending in the local economy.

Our Bank is diversified and half our income is now generated outside of Mauritius, but we remain a strong provider of credit to Mauritian companies and individuals. The continued global crisis and its effect on tourism, exports and our overall economy is severe and if this continues it could put much more strain on repayment capacity of our customers. We remain vigilant and are also working with policy makers and regulators who must act boldly with fiscal and monetary policies.

Strategy and Implementation

In spite of the economic crisis, instability of the market and the increasing concerns of the Eurozone, AfrAsia Bank has executed strongly this year, securing its business portfolio and its clients’ capital as well. The Bank’s dynamic and can-do attitude, even in an unsteady financial environment, has resolutely served us well.

Additionally, as a part of the GML Group, the Number One company in Mauritius, AfrAsia Bank offers stability in terms of investment and the added value of the synergy provided through a larger corporation.

AfrAsia remains dedicated to our core mission to be the reference corporate and private bank for trade and investment solutions in the Africa to Asia trade corridor. The Bank continues to win numerous awards for Private Banking from Euromoney and our top executives have been nominated for many professional awards and are sought after ‘thought leaders’ and speakers in these markets. We like to think we bring intellectual and financial capital together in a unique package and that is the heart of the strategy; to be the banking experts in this demanding and rewarding region.

The core financial results with a 55% increase in Bank’s net profit to Rs180m reflect this maturing of the business model. Deposits grew by 31% with AfrAsia now surpassing many long established banks in the market. Loans also grew satisfactorily by 50%, with good geographic diversification in the region now evident.

Earlier this year we completed the investment into Kingdom Financial Holdings Limited in Zimbabwe which is now rebranded as AfrAsia Kingdom Zimbabwe Limited. This is a significant investment of USD9.5m and with it we have several board seats on the banking group and have appointed key executives such as a DCEO and other technical consultants to its operations. Early results are promising, with several joint product launches made and customers’ deposits rapidly returning to the bank. This is indeed a key example of the investment we will continue to make in the region.

The AfrAsia Private Bank, which includes our association with AXYS Capital Management Limited, continues to thrive and in the next 12 months we have the option to further consolidate our investment in that company. We are also making several substantial private banking relationship appointments to be based in Mauritius, South Africa and covering the region.

AfrAsia Corporate Finance is also establishing its brand both in Mauritius and South Africa and working with investors around the globe raising capital for their expansion in Africa.

In Mauritius, the core domestic bank and the global business and treasury areas continue to serve all the top offshore management, domestic companies, SMEs and Mauritian investors and business people. In our niche segment, we are increasingly recognized as a primary bank for all their needs.

Corporate Governance

The Board has undergone some changes in the last year. Norman Noland of Dale Capital has stepped down due to personal commitments and we wish to place our appreciation on record for his services and guidance. Norman was one of our first international shareholders and without his support our representative offices and Corporate Finance team in South Africa would not have been possible. He was also instrumental in shaping our investment into Kingdom.

"Additionally as a part of GML, the number one company in Mauritius, AfrAsia Bank offers stability in terms of investment and the added value of the synergy provided through a larger corporation."

Our second largest shareholder, Intrasia Capital Limited, has nominated Graeme Robertson to join the board, which he has done effective 16 August 2011. Intrasia is a significant private investor from Singapore and Australia and is also assisting with opportunities in Africa in which it is expanding.

There are important changes to bank boards being proposed by Bank of Mauritius. AfrAsia Bank, being a new and niche player with strategic ownership that plays a key part in overall governance, is in discussion with Bank of Mauritius to ensure an orderly transition that does not jeopardize the terms on which existing investors have invested in AfrAsia. The need to continue to segregate bank and non-bank operations and the need for a holding company structure will also be the subject of a major strategic review exercise this year. This is to ensure the best structure and country of domicile for all of our operations as we are now a truly regional bank in operations and ownership.

The headcount has increased to support this growth from 87 FTE in June 2011 to 96 in June 2012 and we have invested substantially in IT, systems and facilities. We have also taken on further office space to support our growth. This year also saw the launch of a structured financial incentive scheme for all Bank staff to share in the Bank's financial success. We remain an employer of choice from a number of internal and external surveys and the number of employment applications we get from around the world each week.

Capital Structure

The Bank undertook both Tier 1 equity and Tier 2 capital raising activities during the year. Tier 1 equity increased from Rs1.1bn to Rs1.7bn with several important Mauritian institutions taking stakes in AfrAsia. A well subscribed Tier 2 issue was also conducted for Rs295m, of which Rs144m was recorded on the balance sheet at year end with the balance completing in the first quarter of the new financial year.

Our capital adequacy remains strong at 13.59% and the diverse Tier 1 and Tier 2 funding sources are very encouraging to note for future Bank growth. Indeed, the appetite for Africa risk is growing and our investors are keen to see us expanding in the region.

Given the strong financial performance, business model maturity and strong avenues for growth and capital raising in place, the Board has declared a substantial dividend increase this year to Rs1.25 per share.

I would like to conclude by conveying my appreciation to the management team and more particularly to the CEO – James Benoit and the other 3 key founders executives, to all the fantastic staff, to the Board and various committees for their support and willingness to always do better.

Arnaud Lagesse
Chairman

Chief Executive Officer's Message

> "Until the Lion has his own storyteller, the hunter will always have the best part of the story"
>
> *African Proverb*

We might well say that the mission of AfrAsia Bank is to be Africa's storyteller. As we said last year, we were among the first to observe and indeed our Bank was created to pursue the growth of the African lion economies. That strategy has been communicated fully in the Chairman's statement. An example of this is the strengthening of our brand position in South Africa and the investment into Zimbabwe. Like any serious safari though, this mission has many rewards, risks and logistics to manage. This report outlines how we identify, react to and anticipate those challenges. In some respects though, the Global Financial Crisis and the scandal-ridden developed market banking industry have been an even bigger challenge to manage and which challenge we have successfully navigated during our first five years of operations.

Domestic Banking

The Mauritius market remains vital for us. Our Bank group is headquartered here and Mauritius IFC continues to grow in the region and needs a bank precisely like ours. Our uniquely focused business model, along with GML, the single biggest business group in Mauritius, as our founding and largest shareholder, further gives us numerous competitive advantages. These help us mitigate the slowing economy and manage credit risk. As such, we continued to record strong domestic deposit growth of 37% and Rs3bn and loan growth of 23.4% and Rs1bn this past year. We believe our domestic operations can still double in size over the medium term as our total balance sheet capital grows and allows us to bank the biggest groups even more.

So, although we are already an international Bank with operations and customers on a global basis and with international shareholders now owning more than 30% of us, Mauritius remains our centre of excellence and all key strategies, policies and decision taking are based here. We have also recently promoted Rouben Chocalingum to General Manager and Head of Domestic Banking Relationships and Sales to ensure our local expertise is fully visible.

Furthermore, much of our Private Banking, Payments and Treasury business flows leverage from the scale and volume of business we have with domestic resident customers. We believe this makes us a true bank and jurisdiction of substance that our Global Business customers find compelling as they increasingly use Mauritius as a regional financial and logistics hub.

Private Banking – the AfrAsia Private Bank in association with AXYS Capital Management

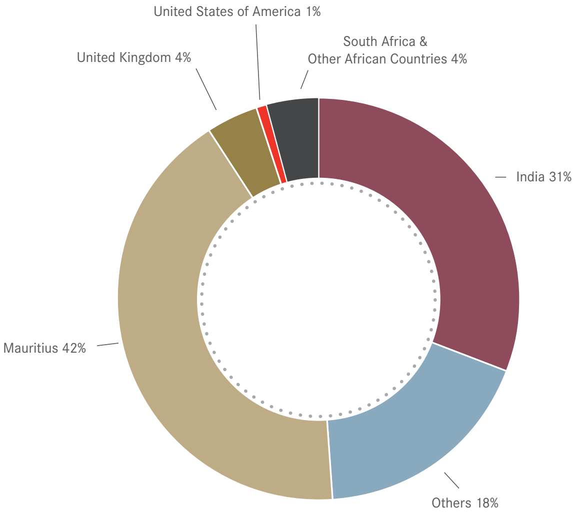
We provide a complete range, but very tailored, set of current accounts, savings and time deposits, credit cards, internet banking and investment products to resident and international customers. We have 25 relationship managers and executives including the AXYS Capital team, the South African based representative bankers (four of them in total now) and the domestic and global banking relationship managers. Private Banking is a unique financial and lifestyle service based relationship, not just a department or an account. We have continued to win Euromoney Awards in 2012 for this approach and increasingly our customers are from Africa, Europe and Asia. We have also launched a series of unique investment products for our clients in AfrAsia Kingdom Zimbabwe Limited and for our clients looking to invest in Zimbabwe. Total Funds under Management grew by 37%. Private client deposits grew by 40%. Our Titanium MasterCard credit card continues to be a leading lifestyle payment and reward card that can be used globally.

We continue to believe Mauritius will become the leading private banking, fund management and wealth management centre for Africa. Thierry Vallet has been promoted to General Manager and Executive Director AfrAsia Private Bank to drive this vision in all our operating entities that deliver these products and services.

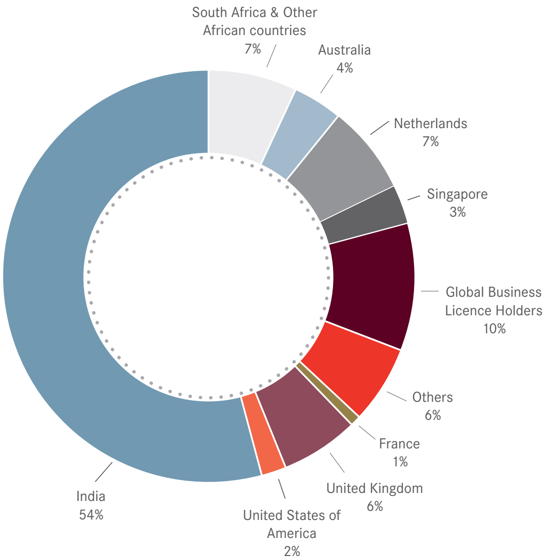
Global Banking, Treasury and Markets

Global Business is traditionally known as the DTAA business into India. This has widened now to include Africa and for AfrAsia this is expected to be the engine of growth over the next decade. Indeed, and perhaps more than most, our Global business has been firmly aligned to Africa and Asia for five years now. India will remain an essential focus for us and increasingly we expect outbound FDI from India to Africa to be significant business over the next few years. Accordingly, our total loan book is now well diversified across Mauritius, India and Africa. In terms of Segment B foreign currency lending to non-residents, the increase to Africa and a wide range of other borrowers is also diversifying us away from over concentration on India.

Segment A & B - Loan Book



Segment B - Loans and Advances by Country



We have built our capacity into Africa significantly this past year. Our new Johannesburg offices in Illovo host our Chief Country Representative, South Africa Banking along with 2 other staff including a talented new Private Banker. The offices in Cape Town report into the SA Chief Rep. A good volume of SA corporate and private clients has been obtained from this network.

We furthermore have strengthened our AfrAsia Corporate Finance (ACF) team with additional senior analyst and associate hires including one of these team members being based in the Johannesburg offices which are shared with the Bank Rep staff and ACF. A further senior ACF staff in Johannesburg is also to be hired this year. We have also appointed a senior, independent director to the board of ACF.

In order to derive the full value of these networks, we have set up African Executive Committee (AfrEXCO) which meets fortnightly to review and coordinate all African business activities that the few dozen staff in Africa and Mauritius are responsible for growing.

The efforts are also translating into much stronger treasury dealing volumes as Mauritius is seen as a growing treasury and cash management hub for the region. AfrAsia is a strong early mover in this. Loan fees and trade finance volumes are also ramping from that.

Lastly the investment into Kingdom Financial Holdings Limited was completed in January. We have now appointed myself and Ben Padayachy to its board and three new high profile local and international independent directors. By the time this report is printed, a Deputy CEO and further technical consultants will be in place in the new AfrAsia Kingdom Zimbabwe Limited bank group which now flies under the AfrAsia flag. In many ways, this is a prototype investment that we hope to replicate in other selected COMESA and SADC countries over the next few years.

To also reflect the increased challenges of managing these businesses, Ben Padayachy has been promoted to a formal Deputy CEO role to assist me in this crucial endeavour for AfrAsia Bank.

Structure and Systems

The investments above and the upgrading of the key business group heads along with AfrEXCO are essential business development and customer service moves. However, the need to enhance our credit, finance, audit, compliance and operations areas must necessarily follow. This is well underway.

We have installed a cutting edge document imaging, archiving and work flow software which will reduce paper storage, improve security and also allow more work processes to be automated and handled digitally. A new SWIFT payment system upgrade was also invested in which decentralizes the input of transactions and reduced bottlenecks. SWIFT advices are also now available via our internet banking platform and corporate and global business companies find this a highly effective cash management service which reduces time and paperwork needed to track payments.

CEO's Message (cont'd)

An automated Transaction Monitoring system is now also in place, which improves our early detection of higher risk transactions to guard against money laundering. A complete Compliance Review was done during the year with several new operations risk controls and compliance charts implemented. Recent international scandals have shown that we are right to be investment early and often in best practice in this area.

We have also spent many months launching the CRISIL credit rating system which is a Standard & Poors group system. It will standardize the credit origination process and grading process and well position us to meet the challenges of BASEL III.

Furthermore, we expect to have made significant executive staffing enhancements in our Finance and Operations and IT clusters by the time this report is released.

On a final note, I, and the three other founding executives, have now served five years with AfrAsia. I am pleased to note that the Board and ourselves have finalized renewed terms of service for a further five years during which period further grants of equity shares will be allocated. A variety of conditions apply to these shares, all of which serve to drive our performance to ensure medium term, high quality growth of the Bank. We have also implemented a Bank-wide, Return On Equity Reward Scheme (ROERS). This scheme links an expanded bonus pool to be shared with all staff once certain minimum return on equity targets, as agreed at Board level, are achieved. This has produced an excellent payout this past year to all levels of staff and which is fully reflected in the final Bank's NPAT of the year which was already 11% better than planned.

Brand and Reputation

At AfrAsia we continue to think long term as we build business platforms and relationships that will create options for growth in the years to come. Even though our objective is to optimise our global portfolio and implement international growth, we also aim at ensuring a global presence thus strengthening our ability to compete on both national and international levels. It is our philosophy to continuously maintain a strong presence on the markets we serve and creating relationships with others through our speaking events and roadshows. Bagging the prestigious Euromoney award "Best Private Bank in Mauritius 2011", followed by "Best Local Private Bank in Mauritius 2012" and "Best Private Bank for the Super Affluent in Mauritius 2012" further personify our unremitting commitment to clients.

"Africa's lions are roaring and AfrAsia Bank is responding to their call. With our representative offices and corporate house in South African as well as our strategic move to Zimbabwe, AfrAsia Bank is offering a strong regional economy looking for dynamic capital market and banking solutions to facilitate phenomenal expansion and participate in this African growth story."

Looking ahead

While we have recorded a robust performance for this financial year, we are further buttressing our strategy to enhance our profitability in all our core businesses lines. This year will bring its own mix of successes and challenges, but our direction is clear.

2012-2013 will be a year of major progress for AfrAsia Bank. I would like to thank our employees for the commitment they bring daily; our customers for their confidence in our ability to deliver for them; and our shareholders for continuing to invest in our journey. As always, I welcome your thoughts and feedback as we move forward together.

James Benoit
Chief Executive Officer

Directors' Report

The Directors have pleasure in submitting the Annual Report of AfrAsia Bank Limited together with the audited financial statements for the year ended 30 June 2012.

Statement of affairs and review of activities

The main activities of AfrAsia Bank Limited are that of lending and deposit taking for Corporate and Private Clients Treasury operations, Investment Banking and Wealth Management.

Dividends

Dividends of Rs34,560,878 have been declared and paid during the year under review.

Directors

The names of the Directors of the Bank and its subsidiaries for the year ended 30 June 2012 were as follows:

The Company
AfrAsia Bank Limited

Arnaud LAGESSE (Chairman)
Jean-Claude BEGA
James BENOIT
Brett CHILDS
Jean DE FONDAUMIERE
Catherine DVORAK
Thierry LAGESSE
Lim Sit Chen LAM PAK NG
Kamben PADAYACHY
Michael John PIKE
Graeme ROBERTSON
Norman NOLAND (resigned on 11 June 2012)
J. Cyril LAGESSE (resigned on 13 September 2011)

The Subsidiaries
AfrAsia Investments Limited
AfrAsia Holdings Limited

James BENOIT
Rouben CHOCALINGUM
Jennifer JEAN-LOUIS
Lim Sit Chen LAM PAK NG
Kamben PADAYACHY
Thierry VALLET

DIRECTORS' SHARE INTEREST

The interests of the Directors in the securities of the Group and the Bank as at 30 June 2012 were:

Directors	Year ended 30 June 2012 Ordinary shares held directly	Year ended 30 June 2012 % Shares held indirectly	Year ended 30 June 2011 Ordinary shares held directly	Year ended 30 June 2011 % Shares held indirectly	Year ended 30 June 2010 Ordinary shares held directly	Year ended 30 June 2010 % Shares held indirectly
Arnaud LAGESSE	-	3.34%	-	3.37%	-	4.06%
Jean-Claude BEGA	-	-	-	-	-	-
James BENOIT	1,063,820	-	1,035,420	-	642,066	-
Brett CHILDS	-	-	-	-	-	-
Jean DE FONDAUMIERE	-	-	-	-	-	-
Catherine DVORAK	-	-	-	-	-	-
Thierry LAGESSE	-	2.92%	-	3.37%	-	4.06%
Lim Sit Chen LAM PAK NG	-	-	-	-	-	-
Kamben PADAYACHY	648,320	-	648,320	-	-	-
Michael John PIKE	-	-	-	-	-	-
Graeme ROBERTSON	-	-	-	-	-	-

The Directors did not hold any shares in the subsidiaries of the Company whether directly or indirectly.

Directors' remuneration and benefits

Total remuneration and benefits received, or due and receivable, by the Directors from the Company and its subsidiaries for the year ended 30 June 2012 were as follows:

	Year ended 30 June 2012 Executive Directors Rs	Year ended 30 June 2012 Non- Executive Directors Rs	Year ended 30 June 2011 Executive Directors Rs	Year ended 30 June 2011 Non- Executive Directors Rs	Year ended 30 June 2010 Executive Directors Rs	Year ended 30 June 2010 Non- Executive Directors Rs
The Bank						
AfrAsia Bank Limited	28,926,872	1,948,631	21,211,093	1,900,616	13,960,385	1,838,904
The Subsidiaries						
AfrAsia Investments Limited	-	-	-	-	-	-
AfrAsia Holdings Limited	-	-	-	-	-	-

Directors' Report (cont'd)

DIRECTORS' SERVICE CONTRACTS

James BENOIT, Director of AfrAsia Investments Limited, has a service contract with the Bank for a period of five years expiring on 31 March 2017 and thereafter renewable if agreed by both parties. The notice period for termination of the contract is six months.

Rouben CHOCALINGUM, Director of AfrAsia Investments Limited, has a service contract with the Bank for a period of five years expiring on 1 May 2017 and thereafter renewable if agreed by both parties. The notice period for termination of the contract is six months.

Jennifer JEAN-LOUIS, Director of AfrAsia Investments Limited, has an unexpired service contract with the Bank.

Kamben PADAYACHY, Director of AfrAsia Investments Limited, has a service contract with the Bank for a period of five years expiring on 20 May 2017 and thereafter renewable if agreed by both parties. The notice period for termination of the contract is six months.

Thierry VALLET, Director of AfrAsia Investments Limited, has a service contract with the Bank for a period of five years expiring on 20 August 2017 and thereafter renewable if agreed by both parties. The notice period for termination of the contract is six months.

GIFTS AND DONATIONS

The Group and the Bank made Rs2,918,961 of gifts and donations during the year ended 30 June 2012 (2011: Rs748,073 / 2010: Rs402,060).

POLITICAL DONATIONS

The Group and the Bank did not make any political donations during the year ended 30 June 2012 (2011: Nil / 2010: Rs500,000).

AUDITORS' REMUNERATION

The fees paid to the auditors for audit and other services were:

	Year ended 30 June 2012		Year ended 30 June 2011		Year ended 30 June 2010	
	Audit	Others	Audit	Others	Audit	Others
	Rs	Rs	Rs	Rs	Rs	Rs
Ernst & Young						
The Bank						
AfrAsia Bank Limited	1,556,623	55,000	867,840	62,009	778,536	61,109
The Subsidiary						
AfrAsia Investments Limited	103,500	28,750	133,000	25,000	144,650	32,500

ACKNOWLEDGEMENTS

The Directors wish to place on record their sincere appreciation and gratitude to management and personnel for the work done during the year.

BY ORDER OF THE BOARD

Arnaud Lagesse
Chairman

James Benoit
Chief Executive Officer

Jean de Fondaumière
Director

19 September 2012

2009

The Global Business route to India

With the Asia strategy in the picture, AfrAsia Bank engaged in an investor centric approach to tap the Indian Market. The Bank was the first regional bank to obtain a FII license from the Securities and Exchange Board of India (SEBI). The licence allows AfrAsia Bank to introduce sub-accounts so that the Bank can act as a one-stop shop for investors established outside India who wish to invest in the Indian capital market.

Statement of Corporate Governance Practices

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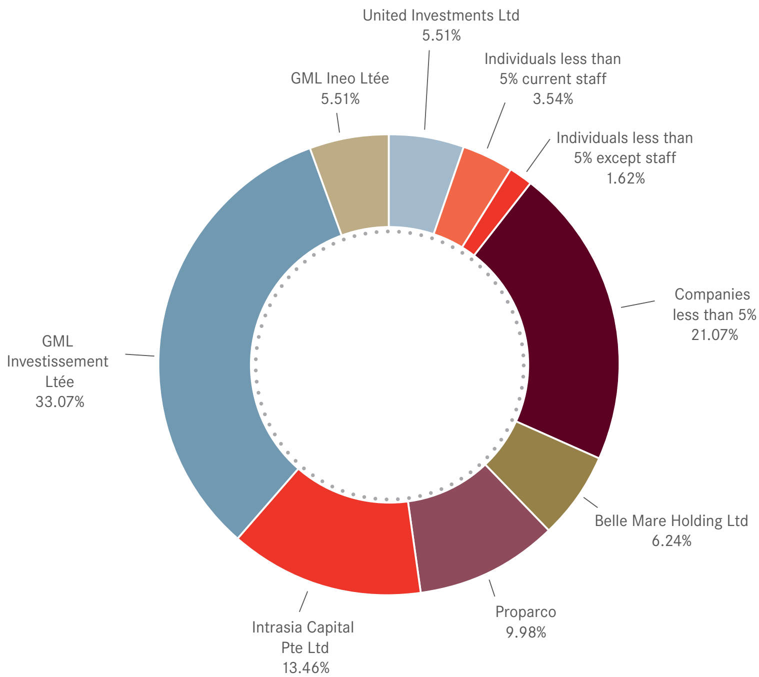
AfrAsia Bank Limited is a public company incorporated on 12 January 2007 and is regulated by the Bank of Mauritius.

Shareholding Structure

The Shareholding Structure as at 30 June 2012 was as follows:



In line with section 7.0 of the Guideline on Corporate Governance issued by the Bank of Mauritius, the Directors are pleased to present their Statement of Corporate Governance Practices.

Statement of Corporate Governance Practices (cont'd)

Board

The powers of Directors are set out in the Constitution of the Company. The Board is aware of its responsibility to ensure that the Company adheres to all relevant legislations such as the Banking Act 2004, the Financial Services Act 2007 and the Companies Act 2001. The Board also follows the principle of good corporate governance as recommended in the National Code on Corporate Governance where, for example, the Bank makes full disclosure of the compensation of its Inside Directors as below.

The Board of Directors of AfrAsia blends the experience of well-known Mauritian executives with high calibre international financiers from South Africa, Singapore, Canada and Australia. Of our eleven Directors during the year, 3 possess chartered accounting degrees, being the 3 on our Audit Committee.

The Board has the overall responsibility of ensuring that adequate structures, policies and procedures are in place for risk management and that these are properly implemented. The Board approves the risk management policies and also sets limits by assessing its risk appetite, skills available for managing risk and the risk bearing capacity.

Composition of the Board

The Bank has a unitary Board of eleven members (12 authorized) functioning independently of management, amongst which there are two Inside Directors and nine Outside Directors. On 13 September 2011 and 11 June 2012 respectively, Mr J. Cyril Lagesse and Mr Norman Noland resigned as Outside Directors. Mr Graeme Robertson and Mr Jean-Claude Béga were appointed as Outside Directors on 16 August 2011 and 28 October 2011 respectively.

A complete induction pack was submitted to the new Directors who were given various opportunities to discuss this with the Chief Executive Officer and Corporate Officers to better understand the business.

There is a clear separation of the roles of the Chairman and the Chief Executive Officer. The Chairman is elected by the Board and has no executive or management responsibilities.

During the period under review, the Board met on four occasions. Decisions were also taken by way of resolutions in writing, assented and signed by all the Directors.

Board Committees

The powers and duties necessary for managing, directing and supervising the management of the business and affairs of the Bank have been entrusted to the Board. The Board discharges the above responsibilities either directly or through the four Board Sub-Committees for more in-depth analysis and review of various issues. A report is then prepared by each Sub-Committee and presented to the Board after each meeting.

Audit Committee

At 30 June 2012, the committee comprised the following three independent Directors:

Mr Jean de Fondaumiµre, Chairman
Mr Brett Childs
Mrs Catherine Dvorak

During the period under review, the Audit Committee met four times.

Also attending this committee:

Mr James Benoit, Chief Executive Officer
Mr Loteswar Fangoo, Head of Compliance
Mr Deshmukh-Rao Dhondee, Head of Group Internal Audit

Head of Internal Auditor has direct reporting to the Audit Committee while Head of Compliance has dotted line reporting to it.

In line with the Banking Act 2004, the committee's principal responsibilities are to:

- review the audited financial statements of the Bank before they are approved by the Directors;
- require management of the Bank to implement and maintain appropriate accounting, internal control and financial disclosure procedures
- review such transactions as could adversely affect the sound financial condition of the Bank as the auditors or any officers of the Bank may bring to the attention of the committee or as may otherwise come to its attention.

Conduct Review Committee

The Conduct Review Committee met four times during the period under review. The three members are:

Mr Michael Pike, Chairman
Mr Jean de Fondaumiµre
Mrs Catherine Dvorak

Also attending this committee:

Mr James Benoit, Chief Executive Officer
Mrs Joelle Ng Foong Lee, Head of Credit and Risk
Mr Jean Paul de Chazal, Advisor

This committee:

- reviews the Bank's transactions with parties ensuring that the latter is in compliance with all reporting and/or approval procedures of the Bank of Mauritius;
- ensures that transactions which could materially affect the financial stability of the Bank are identified at source;
- reviews all related party transaction with any shareholder when said dealings are above 2% of Tier 1 capital.

Corporate Governance Committee

The Corporate Governance Committee met four times during the period under review. This committee is usually composed of three independent Directors. One of the Directors, Norman Noland, resigned on 11 June 2012 and the Bank has replaced him with Mr Lim Sit Chen Lam Pak Ng.

The current three members are:

Mr Arnaud Lagesse, Chairman
Mr Thierry Lagesse
Mr Lim Sit Chen Lam Pak Ng

Also attending this committee:

Mr James Benoit, Chief Executive Officer

This committee:

- approves the nomination and remuneration of the Directors and Senior Management of the Bank;
- reviews and advises on the general remuneration policy of the Bank, compliance with the Guidelines on Corporate Governance issued by the Bank of Mauritius;
- reviews the annual corporate social responsibility policies and related budgets;
- oversees Compensation, Human Resources and Corporate Social Responsibility issues;
- approves all senior office contracts when base salary will exceed Rs1.2M per annum;
- requests an annual headcount and budget plan but leaves management to execute and report thereon at regular intervals.

Risk Committee

The Risk Committee met four times during the period under review.

The four members are:

Mr Michael Pike, Chairman
Mr Lim Sit Chen Lam Pak Ng
Mrs Catherine Dvorak
Mr James Benoit, Chief Executive Officer

Also attending this committee:

Mr Kamben Padayachy, Deputy CEO, Head of Global Banking, Treasury and Markets
Mrs Jennifer Jean-Louis, Head of Finance and Treasury Back Office
Mrs Joelle Ng Foong Lee, Head of Credit and Risk

This committee:

- reviews and approves the strategy, policies and practices relating to the management of the Bank's liquidity;
- monitors the implementation thereof by putting in place appropriate reporting structures;
- approves the Credit and Risk Policy manual and updates which set out the credit granting process and limits for each of the Bank's core business lines;
- reviews recommendations from the Management Credit and Risk Committee for credit facilities above its delegated limits;
- approves all operational risk issues and policies of the Bank;
- monitors large and impaired credits as well as the overall level of provisioning, i.e. overseeing Credit and Risk exposures and approving amounts in excess of AfrAsia's management team delegated limits.

Statement of Corporate Governance Practices (cont'd)

Attendance Report

The attendance report of the Directors and Advisor at Board and Committee meetings for the year ended 30 June 2012, as well as their individual remuneration and benefits, are shown below:

	Board Meeting	Risk Committee	Corporate Governance Committee	Conduct Review Committee	Audit Committee	Remuneration and Benefits
Directors						**Rs**
Arnaud LAGESSE	4 out of 4		4 out of 4			-
Jean-Claude BEGA (appointed on 28 Oct 2011)	3 out of 4					125,000
James BENOIT	4 out of 4	4 out of 4				19,846,542
Brett CHILDS	3 out of 4				3 out of 4	175,000
Catherine DVORAK	4 out of 4	4 out of 4		4 out of 4	4 out of 4	325,000
Jean DE FONDAUMIERE	4 out of 4			4 out of 4	4 out of 4	300,000
Thierry LAGESSE	4 out of 4		4 out of 4			200,000
Lim Sit Chen LAM PAK NG	4 out of 4	4 out of 4				200,000
Normand NOLAND (resigned 11 June 2012)	2 out of 4		1 out of 4			144,795
Michael PIKE	3 out of 4	4 out of 4		4 out of 4		325,000
Kamben PADAYACHY	4 out of 4					9,080,330
Graeme ROBERTSON (appointed on 16 Aug 2011)	3 out of 4					118,699
J. Cyril LAGESSE (resigned 13 Sept 2011)	1 out of 4					35,137
Advisor						
Jean Paul DE CHAZAL				3 out of 4		50,000

Prior approval of the Board

As per the Companies Act 2001 and the Constitution of the Company, the decisions requiring prior approval of the Board are set out below:

a) Issue of other shares;
b) Consideration for issue of shares;
c) Shares not paid for in cash;
d) Authorisation of Distribution;
e) Shares in lieu of Dividend;
f) Shareholder discount;
g) Purchase of own shares;
h) Redemption at option of Company;
i) Restrictions on giving financial assistance;
j) Change of Registered Office;
k) Approval of Amalgamation proposal;
l) Short form Amalgamation.

Senior Management

KAMBEN PADAYACHY

Deputy CEO, Head of Global Banking, Treasury and Markets

Kamben (Ben) is one of the Founding Executives of AfrAsia Bank since its early inception in May 2007. He has 18 years' experience in Banking, having successively worked with BNP Paribas (BNPI), Barclays Bank and Standard Bank. He has held senior management roles at both retail and corporate levels throughout his career and has originated investment Banking transactions from debt capital markets to structured trade finance. He holds a Masters degree in Monetary Economics from University of Paris Dauphine and a Post-graduate degree in Banking and Finance. Ben is also a Director on the Board of Axys Capital Management, AfrAsia Special Opportunities Fund, ACF (Africa) Limited and AfrAsia Kingdom (Zimbabwe) Limited.

ROUBEN CHOCALINGUM

General Manager and Head of Domestic Banking Relationships and Sales

Rouben started his career with the State Bank of Mauritius in 1992 where he acquired extensive experience in credit and corporate Banking before moving to Standard Bank (Mauritius) in 2006 as Senior Relationship Manager. He joined AfrAsia Bank in 2007 and, with almost 20 years' experience plus his qualifications in Business Administration and Banking Studies, he continues to develop our domestic market as a member of the Executive Management team.

THIERRY VALLET

General Manager and Executive Director, AfrAsia Private Banking

Thierry started his career as an engineer and worked for companies such as LONRHO, ILLOVO and IBL. In 2000 he went to Paris to study for his MBA, specializing in International Finance. His financial career started in 2002 when he worked for Groupe Generali as an Insurance Inspector; in 2005 he returned to Mauritius to join MCB as Corporate Banker before joining AfrAsia Bank in 2007. Thierry is responsible for strategic development and currently heads AfrAsia Private Bank.

JENNIFER JEAN-LOUIS

Head of Finance and Treasury Back Office

Jennifer joined AfrAsia Bank in 2007 as Head of Finance and Treasury Back Office, to oversee the Bank's financial management frameworks incorporating finance, taxation and back office treasury. She has more than 20 years' experience gained locally and internationally in both the industry and public practice. She holds a Masters degree in Applied Finance and is a Chartered Accountant and a Fellow Member of the Taxation Institute of Australia.

Statement of Corporate Governance Practices (cont'd)

JOELLE NG FOONG LEE

Head of Credit and Risk

Joelle joined AfrAsia Bank in September 2007 to head the Credit & Risk Management; she is responsible for Credit Administration and the overall risk management for the Bank. She has more than 17 years of experience in Banking, 7 of which are at middle and senior management level. Joelle started her career in 1994 with HSBC in Personal Banking then worked in the Credit & Risk Management as Credit Recovery Manager and Credit Risk Manager. She also worked at the Mauritius Commercial Bank Limited as Special Assets Manager before joining AfrAsia Bank Limited. Joelle holds an International Certificate for Financial Advisors of the Chartered Insurance Institute (CII) and a certificate in Banking Studies from the University of Mauritius.

SOODESH BEEGUN

Head of Information Communication Technology (ICT) and Support Services

Soodesh holds an MBA (IS) from University of Technology Mauritius, a Certificate in Banking Studies from University of Mauritius, an Oracle DBA and WEB Programmer's Certificates from NIIT - Mauritius. He started his career at IOIB Limited in 1987 and has more than 20 years' experience in the Banking/IT sector. He moved to F.U.E.L from 1994 to 2000 as Assistant Planters' Advisor, before returning to the financial industry to join SBI Mauritius as Head of IT. In March 2009 Soodesh joined AfrAsia Bank as Head of IT and is currently responsible for the Bank's Operations and Support Services.

SUNEETA MOTALA

Head of Marketing and Public Relations

Holder of a Pre Associateship from the Chartered Institute of Bankers and an International Certificate for Financial Advisors from the Chartered Insurance Institute (CII), Suneeta has 18 years' experience in the Banking sector. She started her career at HSBC in 1994 and held several key responsibilities in the Credit Risk, Sales & Marketing departments. She also worked at MPCB as Head of Marketing before joining AfrAsia Bank in July 2007.

DESHMUKH-RAO DHONDEE

Head of Group Internal Audit

Deshmukh-Rao (Vinod) has more than 35 years of Banking experience in the Global Business and Domestic Banking environment, mostly acquired at middle and senior management level at HSBC where he initiated his career. Within this institution he occupied various managerial positions in the Personal Banking and Corporate divisions, Sub Custody business and in risk management functions such as Credit Risk and Recovery, Operational Risk, Compliance and Internal Control. He has also served as director for several HSBC Global business companies. He joined AfrAsia Bank in 2010 and he is currently Head of Group internal Audit.

DWEJENDRANATH RAMANAH

Money Market Executive

Dwejendranath's (Jen) banking career started when he joined the Bank of Mauritius in 1980, where he gained a wide ranging experience culminating as a Senior Dealer in the Financial Markets Department. Prior to joining AfrAsia Bank in September 2007, he worked for the Mauritius Commercial Bank as the Chief Money Market Trader. Jen holds a Bsc (Hons) Management and an MBA from the Edinburgh Business School.

LOTESWAR FANGOO

Head of Compliance

Loteswar (Anil) joined AfrAsia Bank in July 2009 as Head of Compliance. He started his career at Indian Ocean International Bank Limited (now SBI Mauritius) in 1990, when he joined the Legal Department before moving on to master both Retail and Corporate Banking. Prior to joining our team, he was heading the Legal and Compliance Department at SBI Mauritius. Anil has more than 20 years' experience in banking with Legal and Credit Recovery being his speciality. He is a member of the Mauritius Institute of Directors (M.MIoD).

MAUREEN TREANOR

Head of Human Resources and Change Management

Maureen started her career with Barclays Bank (UK); she came to Mauritius and was Head of Human Resources for Bramer Banking Corporation until she joined the AfrAsia team in June 2010. She has more than 20 years' banking experience gained from working in the UK and Africa and qualifications in Human Resources and Project Management.

YOGESH GOKOOL

Head of International Banking, Trusts and Custody

Yogesh joined AfrAsia in July 2008 as Head of International Banking, Trusts and Custody. He has more than 19 years' experience in financial management gained whilst working for International Financial Services Limited, a leading International Management Company in Mauritius & Deutsche Bank (Mauritius) where he headed the fiduciary services division. Yogesh is a member of the Society of Trust and Estate Practitioners (STEP), the Association of International Wealth Management (AIWM) and the Mauritius Institute of Directors (M.MIoD).

Statement of Corporate Governance Practices (cont'd)

COLIN GRIEVE

Chief Representative Officer – South Africa Representative Offices

Colin Grieve has over 25 years' experience with local and international banks and financial markets in various roles including, Head of Treasury, Head of Corporate Banking and General Manager of investments. During his career he has acted as mandated lead arranger in pan-African banking transactions, is the author of a book on investment strategy and is a Master of Commerce graduate from one of South Africa's leading universities.

AfrAsia Corporate Finance (Pty) Ltd

CHARLES PETTIT

Managing Director

Charles Pettit has extensive corporate finance experience in various SADC countries which includes acquisitions, disposals, IPO's, fundraisings, project financings and debt restructurings. Since founding AfrAsia Corporate Finance in June 2009, Charles has led the origination and execution activities of the team and also led the sale of 50 per cent of the business to AfrAsia Bank Limited. Charles graduated from the University of Cape Town with a First Class Honours degree in Finance. He subsequently qualified as a CFA charter holder while working in corporate finance for Close Brothers in London.

AXYS Capital Management Ltd

MICHEL GUY RIVALLAND

Chief Executive Officer for UIL Group

Michel Guy Rivalland is a graduate in economics, Bsc (Hons), from UK. He joined AXYS Group in 1999, became a shareholder and Director in 2002, and was appointed CEO of AXYS in July 2006. Since July 2010, he assumes the role of Group CEO for United Investments Limited (UIL), an investment holding company listed on the Mauritian DEM. Mr Rivalland is also a Director of Ireland Blyth Limited.

Board's Expectations of Management

The Board approves the strategic direction, financial plans and core policies for the Asset and Liability Committee (ALCO), Risk, Compliance and Operations as prepared and proposed by Management. Day-to-day running of the Bank is delegated to the CEO and his Management team to execute the strategies and achieve core targets.

The Board manages the performance of the Bank through the established committee structures of the Board which meet quarterly. The Board has approved an ambitious strategic plan for the Bank and has empowered the Management team to deliver this, respecting all laws and regulations and implementing global best practice corporate governance.

Incentive Structure of the Bank, Remuneration Policies and Executive Compensation

Over the last 12 months, the financial sector has settled down and there is less fluidity amongst the workforce. The labour market is flooded with newly-qualified candidates from local and international universities, colleges and further education providers. Many of the senior management team have been with the Bank from the inception and this has been key to our exceptional results and overall performance. The use of Performance Management throughout the business helps ensure our salaries and benefits reflect the overall performance of the individual.

Our approach to people management

Our strategy to offer remuneration and compensation packages that are competitive remains unchanged; we continue to develop our reward strategy and compensate our employees based on their individual performance as well as the Bank's overall performance, whilst taking the long terms goals of all stakeholders into consideration.

This year saw the introduction of the ROERs (Return on Equity Reward Scheme where employees benefit directly from the overall performance of the Bank based on the return on equity. Awards under this scheme are paid in two tranches (July & September each year), thus rewarding high performing individuals as well as helping to retain talent.

As rewards this year were substantial, the management decided not to increase basic salary costs, so generic salary increments were not granted. We will however award the governmental increment that is usually provided in January each year.

We continue to review company benefits to ensure they remain competitive and aligned to best practice in the industry. For example, some company cars that were previously owned have now been leased. Staff welfare remains high on the agenda, with activities such as health camps, flu vaccines, CSR and social events through our social committee, "the AfrAsians". Participation in such events tends to be high and they are well received by the employees.

Safety and Health

The Safety & Health Committee continued to meet bi-monthly and this year we recruited a part time Safety and Health Officer. His role is to help ensure that working conditions for all employees are safe and of a good standard in terms of health as well as conducting training and awareness programmes for all our employees. Training employees in fire fighting techniques, First Aid and office safety awareness sessions continue to take place.

Other employee activities

Overall well-being of employees forms part of our culture. We continued to develop initiatives that concentrate on improving the general well-being of our workforce. This year we maintained our quarterly "Health Camps" where medical professionals made presentations to encourage healthy living. We also offered flu vaccinations and our "Fruity Fridays" encourage our employees to lead healthier lifestyles.

Statement of Corporate Governance Practices (cont'd)

Sustainability Reporting

As a regional Bank, we have the potential and network to help tackle environmental and social challenges faced by society.

Corporate Social Responsibility & Environmental Initiatives

Our Corporate Social Responsibility programme concentrates on three main areas: children's education, children's welfare and environment protection.

We continue to support a small number of dedicated projects, and our approach is founded on a broad understanding of the concept of corporate citizenship. This year saw the setting up of the CSR Committee, which consists of three senior members of the management team.

The committee is responsible for:

- overseeing environmental initiatives throughout the organisation, and is open to suggestions from colleagues as to new and existing areas of intervention and projects;
- working in collaboration with the GML Group, the committee continues to discover ways to reduce our carbon footprint. Actions taken to date include a sensitisation campaign amongst employees to encourage them to recycle waste (such as paper, plastics, ink cartridges, mobile phones, batteries, cardboard,...) and manage the use of all electrical equipment (e.g. switch off items not in use).

As our Head Office in Port Louis is a national heritage site, we are limited as to the nature of changes we can make to the premises; we do however have several environmental programmes in place. We are currently replacing our office telephones with more energy efficient models; several paper based processes have been automated (e.g. electronic SWIFT confirmations available to customers) thus reducing the need for paper copies.

We encourage the use of certain electronic forms of communication such as Blackberry Messenger, which tends to be not only at lower cost but less harmful than some traditional methods. Workflows are being revised to both help improve productivity and energy efficiency. Later this year we plan to introduce electronic bank statements for customers and e-salary slips for our employees and we estimate that our recently implemented Document Management System will reduce the use of paper in our offices by at least 130,000 sheets of paper per year.

Protecting the Environment

As well as being part of our environmental programmes, all employees are encouraged to participate in CSR activities; some of them giving up their own time to take part in initiatives or make personal financial donations to the organisations we support. A large percentage of our CSR budget is channelled through the Fondation Joseph Lagesse (FJL); the funds are utilised to help sustain ongoing projects that are aligned to our corporate values. We recently embarked on a national environmental project in partnership with FJL and Mission Verte; we are proud to be associated with this unique venture which involves raising the awareness of school children concerning local environmental and ecological issues and making them part of the solution. The feedback to date has been very positive, with some schools initiating new Eco or Environmental projects as a result of their participation of the presentation. We are encouraging our employees to become more involved with this project through direct engagement with the schools and colleges. We have also supported a local school (based in Port Louis) in the reclamation of waste land for the development of a 'green space'; the area has been landscaped and the children will plant endemic plants and flowers and use the garden as a place to learn and discover their environment.

Children's Welfare

The day care centre at Bois Marchand, a suburb mostly inhabited by squatters living in extreme poverty, continues to thrive, with one additional classroom being added this year. As well as providing financial support, this year we were invited to join the end of year party and national day celebrations, and we provided each child with one pair of shoes (as well as giving clothes and toys). Without support from AfrAsia Bank and Fondation Joseph Lagesse, these young children (aged 2 – 4 years) would not have a constructive, safe learning environment to help prepare them for pre-primary school.

«La Ferme Intégrée» – Maison Familiale Rurale du Nord

Maison Familiale Rurale du Nord (MFR) continues to be an important beneficiary of our CSR funding. Last year, we rolled out a financial literacy project. This year we got 'hands on' and helped the students plant 100% bio vegetables, fruits and herbs for harvesting later this year. This small agricultural project in the north of Mauritius offers students skills that will increase their prospects for long term employment. The self-managed farm flourishes under the leadership of the educators and the students themselves.

Sport – Rugby Union Mauritius (RUM) and National Cricket Ground

We strongly believe sport can play an active role in assisting the development of social and other important skills that may be transferred to personal and academic lives.

Our financial support allows Rugby Union Mauritius to purchase kit and equipment for underprivileged children aged between 11 and 17 who wish to play rugby. We also made a generous contribution towards the construction of the National Cricket Ground (in Belle Vue Harel) where underprivileged children will be given the opportunity to make use of the facilities and be taught how to play cricket.

AfrAsia Bank has embarked on long-term financing for sustainable growth. We believe that education is an essential tool for achieving sustainability and the objectives of our initiatives remain to sensitise the community to environmental issues by acquainting them with the 5Rs (Recycle, Reduce, Rethink, Reuse and Recreate). This confirms that children's welfare and a healthy environment go hand in hand, which has always been in line with the Bank's CSR strategies.

Simon-Pierre REY
Company Secretary

19 September 2012

2010

The South Africa Expansion Drive

To mark the start of an African regional expansion drive, AfrAsia Bank opened representative offices in South Africa to offer a strong regional economy looking for dynamic capital market and banking solutions to facilitate phenomenal expansion. The leap into the regional market positions the bank as a conduit for banking services between the Indian Ocean area, Asia – particularly India and Africa, whereby reinforcement of its South African presence is of utmost importance, to participate in this African growth story.

New shareholders: Intrasia Capital (Singapore) & PROPARCO (France)

With Intrasia Capital as a shareholder, AfrAsia Bank confirms its position as an innovative financial services provider, bridging the gap between Africa and Australasia. The Bank benefits from Intrasia's strong links to Australia and Indonesia, supporting the strategic vision of expanding its regional activities. AfrAsia Bank added another world-class strategic partner to its shareholding structure, PROPARCO (mainly held by the Agence Francaise de Developpement) and this partnership will further contribute to the development of the Bank's regional corporate and private banking growth strategies.

Risk Management Report

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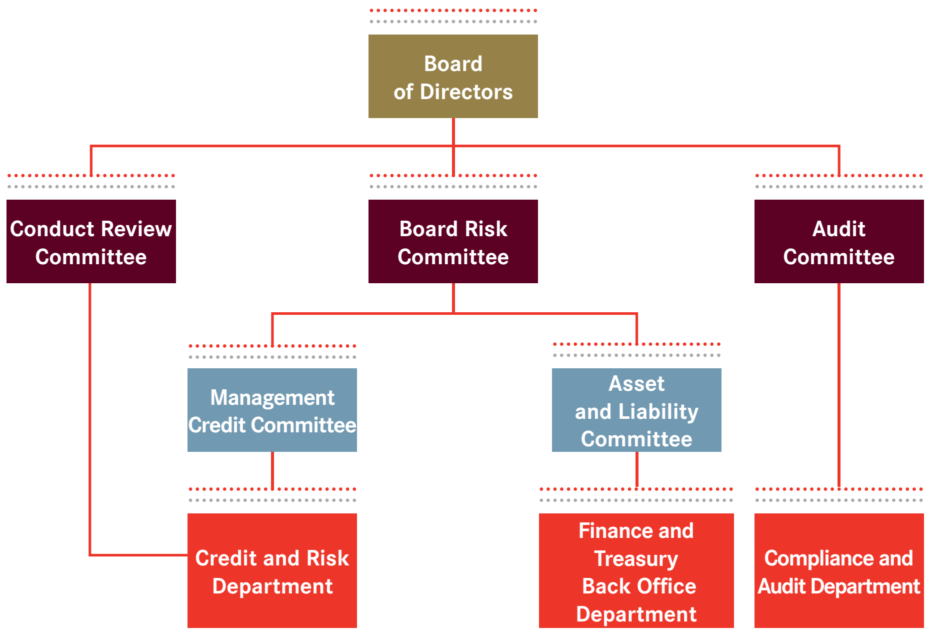
Fundamental Risk Management Policies and Structure

The Bank has implemented a comprehensive system to understand and manage the risks it faces in conducting its banking operations. Specifically, risks such as credit risk, market risk and operational risk are categorized; the Risk Department is designated as having principal responsibility for managing each type of risk in the course of operations. The Board sets limits for the amount of credit risk, market risk and operational risk, as well as for their total combined amount.

The Board of Directors, representing the interests of shareholders, has the ultimate responsibility for risk management process across the Bank and approves the risk strategy and policies. Various committees gauge, evaluate and monitor the occurrence and management of each type of risk and consider risk management policies and measures.

The Board delegates some of its functions to a number of committees and departments as follows:



Risk Management Report (cont'd)

Regular reporting enables the Board of Directors to monitor whether the overall risk policies and authorities are being complied with and whether they meet the Group's needs. In addition, the Board regularly reviews reports analysing the Bank's portfolio, including data on industry concentrations.

<table>
<tr><th colspan="2">RISK COMMITTEES ESTABLISHED BY THE BOARD OF DIRECTORS</th></tr>
<tr><td>Board Risk Committee (BRC)</td><td>The Board Risk Committee (BRC) is made up of three non-executive independent directors and the Chief Executive Officer. The independent directors are experienced risk professionals with extensive experience in emerging markets and Mauritius.

The BRC is a consultative as well as an approval panel for facilities exceeding the Management Credit Committee's lending authority as defined in the Credit Risk Policy. In this capacity, the BRC examines and approve large credit applications where global exposures exceed Rs50m.</td></tr>
<tr><td>Audit Committee</td><td>The Audit Committee is composed of three non-executive independent directors, which met four times during the year under review.

The Audit Committee principal responsibilities are to ensure that the Bank implements and maintains appropriate accounting, internal control and financial disclosure procedures, evaluating and approving the related procedures. It can also have consultations with both the Bank's internal and external auditors, as required.</td></tr>
<tr><td>Conduct Review Committee (CRC)</td><td>CRC reviews the Bank's transactions with parties ensuring that the latter is in compliance with all reporting and/or approval procedures of the Bank of Mauritius and all related party transactions with any shareholder when said dealings are above 2% of Tier 1 capital.

It also ensures that transactions which could materially affect the financial stability of the Bank are identified at source.</td></tr>
<tr><td>Management Credit Committee (MCC)</td><td>The Management Credit Committee (MCC) assists the Board to formulate, approve and implement loan policies, guidelines and credit practices of the Bank. It is also responsible for the implementation and maintenance of the Bank's credit risk management framework.

MCC reports to the BRC and comprises eight permanent members of which there are three voting members (The CEO, the Head of Finance & Treasury Back Office and the Head of Credit & Risk). The other five members are "in attendance" (The Deputy CEO, Head of Banking Treasury and Markets, the General Manager, Domestic Banking Relationships & Sales, the General Manager and Director AfrAsia Private Banking, the Head of Global Business & Structured Trade and the Credit Risk Manager).

Key objective of the MCC is to evaluate, review and sanction credit applications up to and including Rs50m and those referred by lower mandates or which cannot be sanctioned at lower levels.</td></tr>
<tr><td>Management Asset and Liability Committee</td><td>The Bank's Asset and Liability Committee's overall responsibility is to ensure that the Bank's overall asset and liability structure including its liquidity, currency and interest rate risks are managed within limits and targets set by the Board Risk Committee.

This committee, which comprises the CEO, the Deputy CEO, Head of Global Banking, Treasury and Markets, the General Manager, Domestic Banking Relationships & Sales, the General Manager and Director AfrAsia Private Banking, the Head of Finance & Treasury Back Office, the Head of Credit & Risk, the Money Market Executive, the Head of International Banking, Trusts and Custody and the Head of Global Business & Structured Trade) meets at least once a month.</td></tr>
</table>

Credit Risk

AfrAsia Bank offers loans, credits, guarantees and other products as part of its business model and thus undertakes credit risk. Credit risk is the risk of losses arising because debtors or counterparties fail to meet all or part of their payment obligations. Included in credit risk is country risk where an entire country may encounter financial difficulties leading to downgrades by rating agencies.

At the end of June 2012, 87% of the Bank's risk-weighted assets were allocated to credit risk. The total credit exposure amounted to Rs21.89bn (June 2011: Rs16.76bn), with Rs12.87bn coming from lending activities (end-2011: Rs8.61bn) and Rs2.98bn from placements (end-2011: Rs3.44bn)

The Credit Process

The credit process of the Bank is governed by the credit risk policy and is segregated in different steps with the intervention of separate functions at various stages of the process.

In designing credit policies and the credit process, due consideration is given to the Bank's commitment to:

- create, monitor and manage credit risk in a manner that complies with the Bank of Mauritius guidelines and AfrAsia Bank's credit risk policy;
- identify credit risk in each investment, loan or other activity of the Bank;
- utilize appropriate, accurate and timely tools to measure credit risk;
- set acceptable risk parameters.

A stepwise approach ensures segregation between client facing roles and approval roles.

The Bank is working to establish a more formal process for its risk appetite to supplement the current credit management process through the implementation of CRISIL Risk Solutions for assigning customer risk ratings (CRR) to each client. The Bank's central monitoring of credit exposures is managed with the Bank's credit system, which contains information on the creditworthiness, the size and utilisation of all facility types, and the estimated realisation value of collateral.

Credit Policies

The Board of Directors sets the overall credit policies for the Bank and these policies are reviewed on an annual basis. Credit facilities are generally granted on the basis of an understanding of customers' individual financial circumstances, cash flows assessments of market conditions and security procedures. The Bank's ongoing monitoring of developments in the customers' financial situation enables it to assess whether the basis for granting the credit facility has changed. This review is done on at least an annual basis. The facilities should match the customers' creditworthiness, capital position and assets to a reasonable degree, and customers should be able to substantiate their repayment ability. In order to reduce credit risk, the Bank generally requires collateral that corresponds to the risk for the product segment.

Credit Rating

As part of the credit process, the Bank classifies customers according to risk and updates the classification upon receipt of new information about them. The main objectives of risk classification are to rank the Bank's customer base according to risk and to estimate the probability of default (PD) of each customer. The risk classification process also ensures a shared understanding across the Bank of the credit risk that customers pose.

The Bank's overall classification scale consisted of a 7-tier Facility Grade System which is applied to each borrower and which determines the risk profile of its lending book, the level of account management and that pricing is commensurate with the risk. The assigning of facility grades remains an independent and objective exercise and also takes into account any negative aspects of the relationship including quantitative and qualitative factors, geographic differences, the customer type, seniority of the facility and level of collateralisation, as well as both explicit and implicit guarantees. Customer ratings are reassessed periodically. The ratings of large business and financial customers are reassessed more frequently than those of smaller customers. The reassessments are based on new information, including financial statements, budgets and other information that affects customers' creditworthiness.

Over the reporting financial period, the Bank has purchased an Internal credit rating and scoring system from CRISIL Risk Solutions, a leading provider of risk solutions for banks, financial institutions and corporates to improve its credit risk assessment process and implement solutions for automating the internal credit rating and scoring of retail and non-retail exposures, aligned to Basel II's two dimensional rating framework, which includes;

- computing borrower/obligor rating
- computing facility risk rating
- facilitating risk based pricing viz. RAROC
- facilitating estimate PD/LGD/EAD

The models will ensure that the Bank always has an updated credit score for each customer and classification scale.

As from next financial year to June 2013, internal risk rating would be reported on a 10-Tier grade rating.

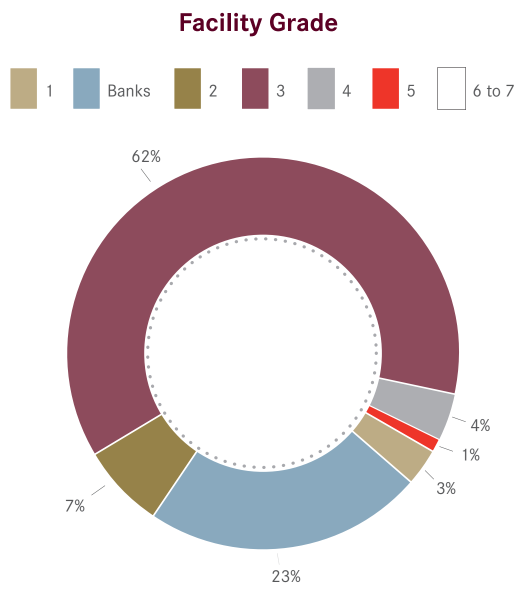
Credit Monitoring

The Bank monitors credit facilities centrally through its credit systems, at the customer level as well as the portfolio level. It registers the customers' classifications, data on the limits and utilization of all facility types, and information on the estimated realization value of collateral. The Bank sets limits for customers individually according to the customer classification and the collateral provided. At least once a year, it reviews all exposures above a certain amount and updates the files, usually with new financial information. Customers that exhibit a weak financial performance are transferred to a watch list so that the Bank can monitor them more closely and reduce the risk of losses. A watch list of large customers is reviewed regularly by the Board Risk Committee. When a large customer shows signs of financial difficulty, the Bank's workout functions takes over the credit process. The workout function prepares an action plan that must be carried out in order to address the challenges that the customer faces. Because of the financial crisis, the Bank has increased its monitoring of exposure to sovereign counterparties. The determination of limits for sovereigns is closely monitored by the Board Risk Committee.

Credit ¬ uality

In carrying out credit transactions, AfrAsia Bank strives not only to improve its volume growth, but also keeps in mind the quality of its loan portfolio.

Facility Grade (Internal Risk Rating)	Grading Definition	%
1	Superior	3.20%
Banks	Banks	23.29%
2	Good	6.57%
3	Acceptable	62.16%
4	Marginal/Watchlist	3.60%
5	Substandard/Doubtful	0.83%
6 to 7	Bad and Loss	0.34%
Total		**100%**



As at 30 June 2012, 3.2% of the Bank's asset book was fully cash secured while 23.3% represented advances granted to investment grade financial banks. This is reflective of AfrAsia Bank's endeavour to maintain a strong credit quality asset book.

In 2012, Non-Performing Loan "NPL" balances stood at Rs45.9m. The ratio of Non-Performing Loans to gross loans and advances was at 0.4% and remains low. The percentage of specific provision to Non-Performing Loans was at 24% and the uncovered portion is backed by adequate collateral as impairment testing is done on all classified/watch listed files.

Credit Exposure

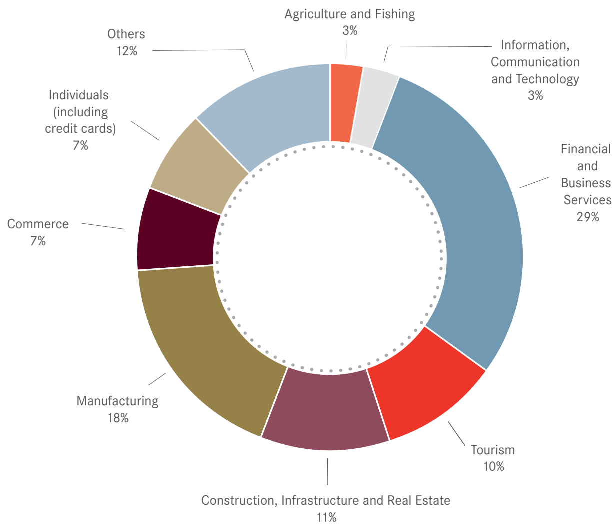
The Bank manages portfolios for individual industries by determining the credit appetite and limit for each industry on the basis of total exposure, credit quality and industry outlook. The portfolio monitoring and reporting system enables the Group to manage portfolios and to focus on specific industries and business units.

Exposure risk arises due to the over-dependency on a particular sector of the economy, geographical area, industry, currency and exposure for a single party or a group is managed through sector limits with monitoring and approval on a monthly basis to the MCC and BRC.

The Bank's key portfolio concentrations by industry are set our below:

Sector	Outstanding Balance	
	30 June 2012 (Rs 000's)	30 June 2011 (Rs 000's)
Financial and Business Services	3,769,631	3,005,758
Tourism	1,332,696	1,183,225
Construction, Infrastructure and Real Estate	1,453,060	1,037,516
Manufacturing	2,269,171	1,035,231
Commerce	877,038	769,864
Individuals (Including credit cards)	888,116	718,621
Others	1,487,275	520,853
Agriculture and Fishing	420,307	175,110
Information, Communication and Technology	372,889	164,075
Total Exposure	12,870,185	8,610,253

Total Exposure as at 30 June 2012



During financial year 2012, AfrAsia Bank succeeded in building a well-diversified loan book by economic sector, with exposures well spread across major economic sectors and no single sector exceeding 30% of the Bank's overall loan book. While loans and advances in the financial and business services segment constituted 29% of the loan book, these largely comprised advances to investment grade financial institutions, thus, carrying relatively lower level of risk.

Risk Management Report (cont'd)

Concentration of Risk

The Bank of Mauritius Guidelines on Credit Concentration (updated December 2011) restricts the granting of credit facilities to non-financial institutions and other related parties, to:

- a maximum exposure to any single customer of 25%
- related group of companies to 40% of the Bank's capital base
- in aggregate, any individual exposure of 15% above the Bank's capital base shall not exceed 800% of its capital base.

The Bank has always kept its large exposures within these limits. For example, our concentration ratio of large exposures above 15% was 260% as at 30 June 2012, well within the regulatory limit of 800%:

Capital Base as at 30 June 2012	Rs 000's
Tier 1 Capital	1,475,848
Tier 2 Capital	458,585
Capital Base	1,934,433
Total Large exposures (15% above)	5,031,652
% Large exposures v/s Capital base (limitation 800%)	260%

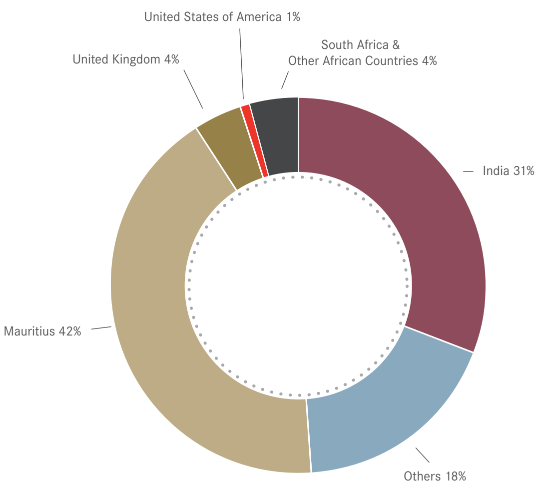
To manage industry risk, AfrAsia Bank also regularly prepares economic and industry reports, which are submitted to the Board Risk Committee, that highlight industry developments and risks to the Bank's credit portfolio. These reports are used to define strategies for both our industry portfolio and individual counterparties within the portfolio.

Country Risk and Currency Risk

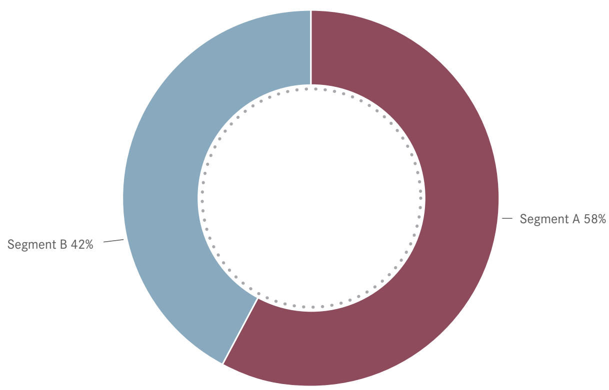
The Bank conducts regional banking in accordance with our Africa-Asia strategic mandate. Hence, managing country risk is another key component of the Bank's overall concentration risk management approach, especially as the Bank recorded a growth in its loan book with gross loans and advances closing at approximately USD 415.8m.

Growth came from both Segment A (resident) and Segment B (non resident), driven in line with our targeted expansion in these segments. Segment A exposure (including placements) constituted 42% while Segment B represented 58% of the Bank's overall exposure. Moreover, 42% of the Bank's deposits base emanated from Segment B entities.

Loans



Deposits



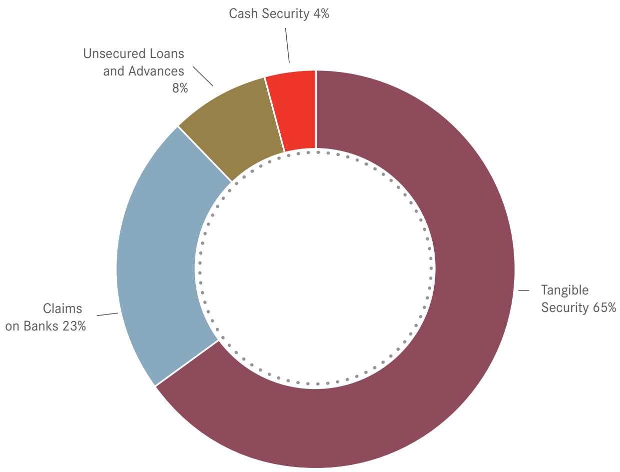
Other than Mauritius, exposure to India was at 31% of overall loan book, of which nearly 72% of this exposure is on banks (mainly of investment grade). The Bank maintains a deliberate policy target of 25% - 35% on Indian exposure.

The Bank regularly compares its internal risk ratings with the ratings of the major international rating agencies. Country risk limits are reviewed regularly, in conjunction with the review of country risk ratings. Country risk limits are set by the Board Risk Committee.

Credit Risk Mitigation

A key element in the Bank's credit policy is reducing risks in the loan portfolio by entering various risk-mitigating agreements. The most important means of mitigating risk that the Bank uses are pledges, mortgages, sureties and guarantees. The initial valuation of the collateral takes place during the credit approval process, when the Bank collects information that enables it to make a sound valuation. The Bank regularly reassesses the value of the collateral. The valuation is based on realization values which are subject to a haircut in line with Bank of Mauritius Guideline on Standardized Approach to Credit Risk.

Collateral Cover



Where a claim on counterparty is secured against eligible collateral, the secured portion of the claim is weighted according to the risk weight of the collateral and the unsecured portion against the risk weight of the counterparty.

As an indication, claims secured by cash were at 3% of the loan book, whilst 23% was for claims on banks.

The other risk factors for AfrAsia Bank are market risks, operational risks and business risks. They are discussed in the sections below.

Market Risk

Market risk refers to the risk of gain or loss resulting from movement in market prices, in market rates, in particular, changes in interest rates, foreign exchange rates and equity and commodity prices. Market risk also includes other risks such as liquidity and funding risk. On a monthly basis, Asset and Liability Committee (ALCO) reviews the risk ratios and limits for these areas wherein the Bank has exposure together with sensitivity analysis/stress tests done to monitor impact of potential changes in interest rates or currency movements.

Asset and Liability Committee

The objective of the Asset and Liability Committee is to ensure that the Bank's overall asset and liability structure and market risk including liquidity, currency and interest rate risks are managed within the prudential limits and targets delegated by its Board Risk Committee and in accordance with the Guidelines set by the Bank of Mauritius.

Risk Management Report (cont'd)

Asset and Liability Committee (cont'd)

The Bank's Board Risk Committee delegates the implementation and monitoring of the Bank's ALCO strategy, policies and procedures to Management ALCO, which is composed of some of the Executive Committee members. ALCO meets at least once monthly to review the ALCO risk ratios, financials and other relevant information.

A sub-committee of the ALCO is the Treasury Committee; the main purpose of which is to monitor on a weekly basis the Bank's liquidity position and decide on its investment in Government securities and bank placements.

Interest Rate Risk

Interest rate risk is the exposure of the Bank with respect to adverse movements in interest rates and/or maturity mismatches with respect to the re-pricing dates of its interest earning assets and interest paying liabilities according to the different time bands.

To manage its interest rate risk, AfrAsia Bank uses the Interest Rate Gap analysis which segregates its Risk Sensitive Assets (RSA) and Risk Sensitive Liabilities (RSL) and off-statement of financial position instruments according to re-pricing characteristics by time horizon across limits set. The Bank maintains its RSA as a proportion of its RSL within the 0.9 to 1.1 bracket, as it is not our strategy to take on large exposure to interest rate changes. We monitor the sensitivity of interest rate fluctuations on our Statements of Comprehensive Income as indicated in Note 36(d) (i) of the Notes to the Financial Statements and as per the Table below.

The table assesses the impact of interest rate fluctuations on AfrAsia Bank's financial statements over a 12-month period and this is done on a monthly basis and reviewed at ALCO level. A 50 basis points fluctuation up and down on interest earning assets and paying liabilities has been used for such an assessment, except for rupees, which is based on 100 basis points analysis. The table indicates that a 100 basis points negative move in rupees will have a negative impact of Rs14.2m on our Statement of Comprehensive Income and vice versa in case of a positive move.

Currency	Change in basis points	Sensitivity of profit or loss and equity
		Rs'000
AUD	+50	70
	-50	(70)
EUR	+50	(39)
	-50	39
GBP	+50	(133)
	-50	133
USD	+50	(4,903)
	-50	4,903
MUR	+100	14,151
	-100	(14,151)

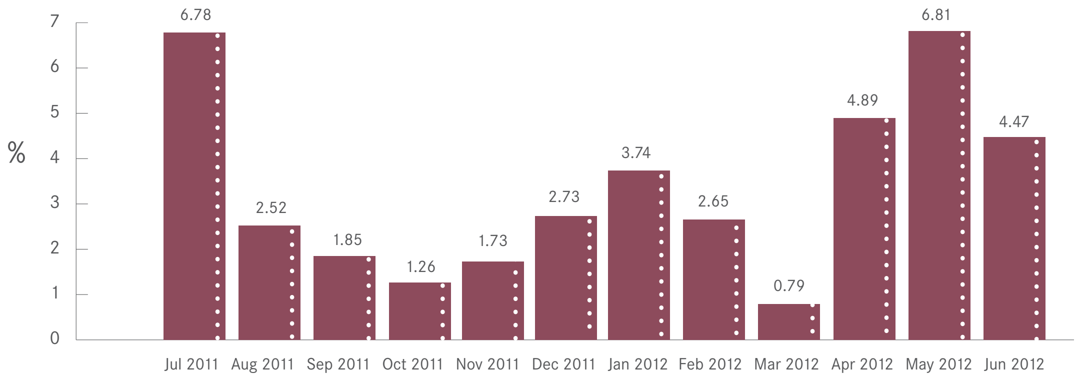
Whilst the interest rate gap analysis will measure re-pricing exposures, the Bank is also conscious that other components of interest rate risk including option risk, basis risk and yield curve basis are not explicitly captured in this analysis. The Bank has assessed its exposure to these risks as negligible and it will devise further monitoring tools as and when it becomes relevant.

Currency Risk

Currency risk or foreign exchange risk is defined as the risk that the value of the Bank's foreign currency positions may be adversely affected by movements in foreign exchange rates. The Bank does not actively take foreign exchange risk in its core deposit taking and lending operations.

Acting as a market maker and dealer for corporate and institutional clients however does require the management of "open positions" from foreign exchange transactions with these counterparties. They are monitored daily relative to prudential trading limits that have been delegated to dealers by Board Risk Management Committee on intra-day and overnight open exposures.

These limits must also be within Bank of Mauritius (BOM) requirements and this table shows compliance to BOM requirement to maintain our net open, either overbought/oversold, position against the Rupee to no more than 15% of Tier 1 Capital, throughout the financial year ending June 2012. As at 30 June 2012, overall foreign exchange exposure as a percentage of Tier 1 Capital was 4.47%.



Impacts of currency rate fluctuations per currency on the Bank's Statement of Comprehensive Income are also closely monitored within set limits by currency. The table below measures the level of exposure the Bank might have against a particular currency. A 5% movement has been used against each currency on currency sensitive on/off balance sheet assets and liabilities. An overall assessment as at end June 2012 shows that the currency with the most impact is the USD and will affect the Bank's Statement of Comprehensive Income to the tune of Rs3m - an amount considered as immaterial based on the Bank's overall turnover.

Currency Risk (cont'd)

Currency	% Change in Currency rate	Effect on profit of change in currency on		Sensitivity of profit or loss and equity
		Assets	Liabilities	
		Rs'000	Rs'000	Rs'000
AUD	+5%	12,400	(12,767)	(367)
	-5%	(12,400)	12,767	367
EUR	+5%	146,090	(146,152)	(62)
	-5%	(146,090)	146,152	62
GBP	+5%	103,594	(103,527)	66
	-5%	(103,594)	103,527	(66)
USD	+5%	514,627	(511,573)	3,053
	-5%	(514,627)	511,573	(3,053)

Liquidity Risk

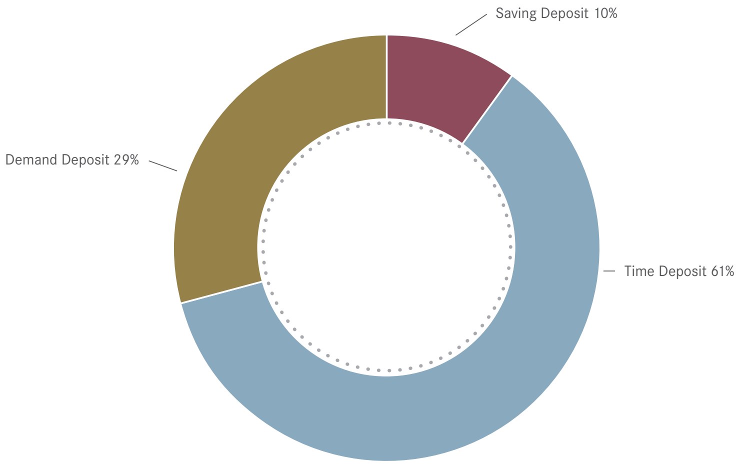
Liquidity risk is the risk that AfrAsia Bank is unable to meet its commitments and to fund its assets book and banking operations due to insufficient cash flow. These are managed on a daily basis by our Treasury Unit to ensure targets and prudential limits delegated by Board Risk Committee are not breached. Furthermore, liquidity risk assessment is also performed and monitored at monthly ALCO to ensure that funding and payment commitments can be met at all times under normal as well as stressed conditions.

Similarly, limits are set on the degree of concentration of sources of funding with respect to individual depositor's funds to prevent stress on the Bank's financial position in times of high market volatility.

The table below shows percentage of deposit per product type as at 30 June 2012 and versus industry figures. The Bank's time deposits percentage is higher than industry allocation whilst the savings and demand deposits are lower. This has a direct impact on our Net Interest Margin (NIM). Being lower as opposed to peers but having a larger percentage of funds in time deposits enables the Bank to manage liquidity successfully.

	Rs'000	June 2012	Industry allocation - March 2012®
Demand Deposit	5,597,652	29%	42%
Savings Deposit	1,992,786	10%	21%
Time Deposit	11,868,455	61%	36%
Total	19,458,893		

, *Source: Bank of Mauritius*



Liquidity Ratio

Liquidity ratios are monitored and reported at least monthly to the Board Risk Committee and to the Central Bank on a quarterly basis. In fact, ALCO measures and forecasts the Bank's Net Funding Requirements "NFR Gap" within defined buckets and across currencies by monitoring the cash flow projections of our existing current assets (loan, mainly) and liabilities (deposits, mainly) flows from future planned activities, mainly lending and deposits campaigns.

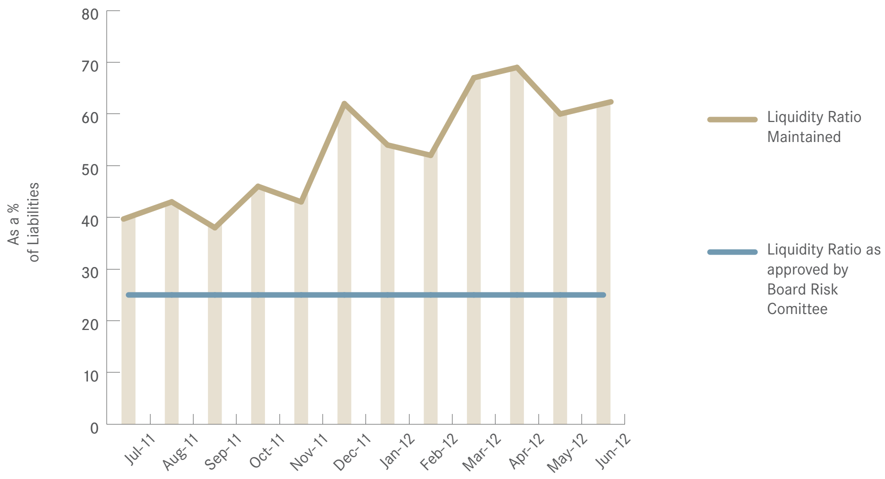
The Bank's NFR analysis requires the building of a maturity ladder to determine any fund excess or shortage at selected maturity dates on a day-to-day basis and on a much longer period. The Bank has, in this respect, prudently set its NFR Gap in line with the new guidelines on Liquidity Risk Management issued by the Bank of Mauritius "BOM". No excess is recorded as at 30 June 2012.

The table below shows the Bank's total assets and liabilities within each time band:

Per BOM Guide-line	1 day	2-7 days	8-14 days	15 days to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	¯3 years	Non Maturity Items	Total
	Rs'm	Rs'm	Rs'm	Rs'm	Rs'm	Rs'm	Rs'm	Rs'm	Rs'm	Rs'm	Rs'm
Total Assets	2,807	2,673	647	2,705	3,366	4,725	4,438	3,482	2,900	369	28,110
Total Liabilities	1,300	1,782	1,448	2,489	5,097	5,474	6,518	490	1,691	1,823	28,110
Interval NFR Gap	1,507	891	(801)	216	(1,731)	(748)	(2,080)	2,991	1,209	(1,454)	0

Risk Management Report (cont'd)

The liquidity ratio assesses the extent to which assets can be readily converted into cash or cash substitutes to meet financial obligations. AfrAsia Bank's liquidity ratio reflects a strong liquidity position, adequate to absorb the impact of a stressed liquidity and funding environment. The table below shows the month end liquidity ratio maintained during the financial year ending June 2012 against the limit approved by Board Risk Committee.



Operational Risks

Operational risks include risks of losses resulting from defects in IT systems, legal disputes, inadequate or erroneous procedures, and fraud. AfrAsia Bank limits its operational risks with business procedures and internal controls that are updated and adjusted to its current business conditions on an ongoing basis. ABL has been computing its operational risks capital computation in line with the Bank of Mauritius Guidelines under the Basel II Basic Indicator Approach where the capital charge for Operational Risk is taken at 15% of average gross income over the past 3 years.

The Bank's operational risk management process involves a structured and uniform approach across the Bank. It includes risk identification and assessments, the monitoring of risk indicators, controls and risk mitigation plans for key operational risks.

During this financial year, the Bank has undergone a complete review of all its processes and its procedures across all the areas of operation to mitigate the risk arising from the fast growing operations. Each subsidiary, business unit and resource area is now responsible for the day-to-day monitoring of its operational risks and for reducing and preventing losses caused by operational risks. To that end, all Heads of Departments have participated in this review and each department has nominated an Operational Risk Business Coordinator (ORBC) who worked closely with risk management. Procedures and processes have been updated accordingly and an action plan designed for each area.

The weaker area highlighted in the operational risk review was the Operations department and a thorough review of all processes is underway with the appointment of three independent consultants, being ex-senior bankers of international banks, to review and recommend procedures, processes and "best practices". A restructuring of the department is being carried out, to enable improvement of the operational risk tests results.

The risk identification and assessment processes are reviewed at least once a year. All the key risks are monitored and documented, including the most significant indicators for each of them. This framework will cover events like internal/external fraud, including bank robberies, card skimming and document falsification. Execution, delivery and process management includes losses because of erroneously processed transactions and losses related to routine manual input.

The Bank tracks internal loss and near misses data by business lines on an ongoing basis. This is reported to the risk management department via the ORBCs. The internal losses are compiled and reported to BOM on a quarterly basis. The 'near misses' and 'operational losses' are reviewed on a regular basis to ensure prompt actions are taken by the different business units.

Information Risk Management

AfrAsia Bank recognises the critical importance of information security and places same as one of the essential preconditions for doing business.

Various levels of information security have been addressed including:

- Physically, the IT Data Centre is housed in a separate concrete building with high-raised flooring, dual air-conditioning, Dual UPS and Automatic Power generator facilities and fire-fighting equipment. Access to Data Center is controlled via Access card;
- The local area network is protected by firewall and all accesses to the various servers and services are password protected with expiry lifetime set;
- Network is secured by firewall set at both hardware and software level with content filtering and network management tools to manage same;
- Access to the core banking and internet banking systems, SWIFT and other critical systems is managed by restricting access rights to given set of functionalities, thus limiting the range of operations for a given user as per requirement;
- Firewall and antivirus software are in place for securing the network;
- Email platform is secured through Symantec Technology support and detection of unsolicited email is in place;
- Use of secured Email with encryption to transmit data to customer who can get access via secured portal;
- Internet Banking Secured Site has VeriSign SSL Certification;
- Data Backup is taken on a daily basis and systems backups are done as per required frequency.

Business Continuity Management @BCM«

Business Continuity Management Policy has been put in place with appropriate plans to mitigate operational risks and as a commitment to continue business to our shareholders, customers and employees. The BCM framework has been implemented to provide for a Disaster Recovery site with data being updated as per preset recovery time objectives. This minimises operational, financial, legal, reputational and other material consequences arising from any disruption.

The BCM Framework in place has the following in-built principles:

- Responsibility rests on the Bank's Board of Directors and Senior Management;
- Explicitly consider and plan for major operational disruptions;
- Recovery objectives reflect the risk they represent to the operation of the banking system;
- In a "worse case scenario" the recovery time objective (RTO) is set as 24 hours to a maximum and certain functions may be recovered within the threshold of 4 hours after declaring a crisis. The recovery point objective is set to the state of business as of previous end of day. For the core banking system, the recovery point objective is set to 15 minutes as the data replication is scheduled every 15 minutes to the Disaster Recovery Site;
- Preparation for clear and regular communication during a major operational disruption;
- Highlights on cross-border communications during a major operational disruption, as the Bank has global reach;
- Ensuring that business continuity plans are effective and identify necessary modifications through periodic testing;
- Ensuring that appropriate implementing approaches to business continuity management that reflect the recovery objectives are adopted and reviewed periodically.

The Bank has put in place a BCM Steering Committee to review the processes after each testing exercise and reviews the policy every year in view to improve resilience as we move along. The ultimate objective is to cater for any eventual disruption of operations be restored in a minimum lapse of time and that the Bank will be back to normal operation within a reasonable time frame.

Over and above the monthly Disaster Recovery testing, the Bank has tested its Disaster Recovery (DR) and Work Area Recovery (WAR) site involving a minimum of 22% of its staff force. The tests done were conclusive and the Bank was able to test all its processes including end of day procedures to start a new day from the DR Site.

Internal Audit

The Bank has adopted a three-layer control system:

Line Management remains primarily responsible for establishing appropriate control over their operations, independent periodic assessment of the risks associated, the setting up of appropriate procedures and active walking-of-the job to identify lapses and bring in remedying measures. The Bank is committed to operate as per best industry practices so far as controls are concerned and to enforce day to day application. At the beginning of each financial year, all Executives and staff are assigned a number of appropriate control-related measurable performance indicators which have an equal weightage as normal commercial targets.

To safeguard the total independence of Internal Audit, the latter reports directly to the Audit Committee with a dotted line reporting to the CEO for day-to-day matters and the Bank has subscribed to the principle that Internal Audit has unfettered access to all the Bank's records and information.

Internal Audit implements an annual inventory of all lines of business and operations followed by a risk assessment and risk scoring of each of these entities. Based on this risk assessment, an annual audit plan is drawn up and submitted to the Audit Committee for approval. The calendar of execution of the audits is known only to the CEO and Audit Committee.

The coverage of the Bank's internal audit also includes the entities where the Bank has material shareholding interests.

The ultimate audit reports provide clearly identifiable examples in support of findings, highlight the risk associated with each finding, and provide concrete remedying recommendations, which are ultimately agreed with line management prior to the issue of the reports. Every finding is allocated a rating depending upon the level of the associated risk. It is to be noted that internal audit will systematically allocate a higher risk rating where findings may be contrary to law or relate to deficient observance of regulatory guidelines.

During the year, the function has been strengthened with an additional headcount, now occupying the position of Audit Manager. The job holder has over sixteen years of banking experience of which twelve years in Audit.

The Audit plan May 2011 to June 2012 has been satisfactorily executed with 26 reports having been issued. All the high, medium and two low risk areas have been covered and to date most of the recommendations have been implemented.

This year Internal Audit has aligned its annual plan with that of the Bank's financial year. The audit plan covering the period July 2012-June 2013 submitted to the Audit Committee is as ambitious as that of last year both in terms of coverage and depth. We are targeting to systematically conduct audits of entities at least per the following frequency:

Risk rating of entity	No of Audits annually
High	2
Medium	1
Low	once every two years

Head of Group Internal Audit will, as from this year, also closely monitor the risk profile of AfrAsia Kingdom Limited Group through a modus operandi currently being finalized.

Compliance

The Bank strongly recognises that, as part of its prime responsibilities to its customers and other stakeholders, it should ensure that it does not incur any financial and/or reputational loss through failure to comply with laws, regulations, contractual obligations etc.

The Bank complies with the letter and the spirit of all the laws and regulations wherever it operates or has interests. All employees of the Bank at the time of joining the organisation are required to sign the Bank's Code of Conduct. The Bank is also equally committed to treat all its customers and employees fairly and to conduct dealings with related parties at arm's length. The Bank also remains committed to the health and safety of all the employees, customers and relevant third parties and, in this respect, has instituted a special committee to mitigate and monitor related risks.

The Compliance function is mandated to independently mitigate compliance risks through pro-active monitoring of the Bank's activities and timely advice to line management. To enable complete independence from line Management, the Compliance function has a dotted line reporting to the Audit committee.

To empower line management to comprehensively assume its prime responsibility of ensuring strict compliance with relevant laws and regulations, the compliance function has this year constructed and distributed to each line of business and operation a Compliance chart grouping all the relevant laws and regulations pertaining to their individual area of responsibility.

Additionally, the Compliance function has conducted a full compliance risk analysis upon which a comprehensive Compliance plan covering period July 2012-June 2013 has been devised and submitted to the Audit committee for approval. The plan comprises a schedule of field reviews of all the areas of risk.

Over the year, a retrospective review of all Global Business accounts has been conducted to ensure up to date KYC. The Anti-Money Laundering (AML) Deterrence programme, which forms a major part of the Compliance plan, will continue to remain one of the priorities of Compliance. The Bank will continue to operate with a rigorous Customer Acceptance policy under which accounts are graded according to their risk profile with higher risk accounts being closely monitored and additionally vetted by the Compliance function. Specialist staff have been assigned to monitor transactions in detail on a daily basis.

The Compliance function through the Money Laundering Reporting Officer is empowered to report to the Financial Intelligence Unit (FIU) any suspicious transactions without prior referral to senior management or the Board. To enable staff to have hands-on skills in the detection of Money Laundering risks, the Bank has adopted an AML training programme for all the Bank's staff which includes immediate induction training for all new recruits. Over and above these, at least one annual refresher training is conducted for all staff.

On an ongoing basis, the Compliance function systematically reviews all advertising materials and any other publications distributed in any manner to the public. This year the Bank has also embarked on a complete review of KYC and account opening documentation to achieve an efficient balance between compliance with the prevailing legal framework and service efficiency.

The Bank recognises that to operate efficiently, the Compliance function requires to keep itself constantly abreast of the rapidly changing legal and regulatory environment. In this respect, the Head of Compliance has been delegated to represent the Bank at the Mauritius Bankers' Association Committee on compliance issues and at the Industry Compliance Committee regularly meeting the Bank of Mauritius.

Physical Security

AfrAsia Bank ensures the physical safety of its employees, customers and assets and reviews and addresses its controls and procedures on an on-going basis.

On a more practical level, this includes the following measures taken since the launch of the Bank:

- The Bank has engaged the services of the Mauritius Police Force to provide armed guards during the operational hours of the Bank;
- A specialized private security agency also ensures a round-the-clock service to the Bank's personnel, customers and its assets;
- A 24-hour alarm system is also in place;
- The risks of fire have been addressed by fitting the building with fire detection and alarm systems throughout with proper training to take the right measures in the event of a fire and fire drills;
- The vault room is entirely built with reinforced concrete using the latest standards. Access within the Bank, offices and operation centres is controlled using magnetic cards;
- The Bank is equipped with security cameras and each access to the building is monitored and registered on the system for future review.

Risk Management Report (cont'd)

Capital Structure and Adequacy

AfrAsia Bank closed its fifth financial year with a conservative statement of financial position reflecting a capital adequacy ratio of 13.59%, above the minimum recommended regulatory requirement of 10%.

The table hereunder provides a summary of our capital structure under Basel II as at 30 June 2012. Of note, Tier 1 Core Capital consists of paid-up capital, share premium, statutory reserve, and surplus arising from sale of fixed assets, general reserve, other disclosed free reserves and undistributed balance in profit and loss account attributable to previous years. Accumulated losses, current year's interim losses, goodwill and other intangible assets are deducted from Tier 1 Core Capital. Tier 1 Core Capital provides the most stable and readily available support to a bank against unforeseen losses.

Tier 2 Capital is less permanent in nature, consisting primarily of profit participation rights, long-term subordinated debt, unrealised gains on listed securities and other inherent loss allowances. The Bank consolidated its Tier 2 capital during the year to reach Rs565m by end of 2012.

AFRASIA BANK LIMITED BASEL II	2012	2011	2010
Tier I Capital	**Rs000**	**Rs000**	**Rs000**
Paid up or assigned capital	1,398,457	921,638	653,978
Statutory Reserve	47,075	20,035	2,613
General Reserve	36,745	26,452	9,805
Other disclosed free reserves	199,885	91,264	14,808
Current year's interim profits			
Deduct:			
Other intangible assets	(17,095)	(13,591)	(15,048)
Deferred Tax	(7,638)	(2,494)	(2,206)
Core Capital	**1,657,429**	**1,043,304**	**663,950**
Less:			
50% investment in unconsolidated banking and financial subsidiary companies	(31,781)	(12,500)	(12,500)
50% investment in capital of other banks and financial institutions	(149,800)	-	-
50% of significant minority investments in other financial entities	-	(2,511)	-
Net Core Capital	**1,475,848**	**1,028,293**	**651,450**
Tier II Capital			
Portfolio provisions	74,687	56,941	33,972
Term Subordinated debt (limited to a maximum of 50% of total core Capital)	565,480	421,574	-
Supplementary Capital	**640,167**	**478,515**	**33,972**
Less:			
50% investment in unconsolidated banking and financial subsidiary companies	(31,781)	(12,500)	(12,500)
50% investment in capital of other banks and financial institutions	(149,800)	-	-
50% of significant minority investments in other financial entities		(2,511)	
Net Supplementary Capital	**458,586**	**463,504**	**21,472**
Capital Base	**1,934,433**	**1,491,797**	**672,921**
Total Risk Weighted Assets	**14,230,547**	**9,515,827**	**5,131,790**
CAPITAL ADEQUACY RATIO (%)	**13.59**	**15.68**	**13.11**

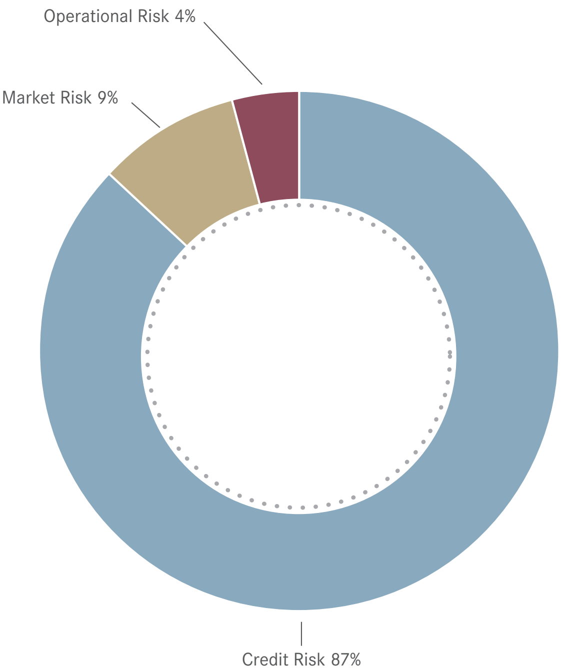
Risk Weighted Assets

Basel II – Total Risk Weighted Assets as at 30th June 2012 was at Rs14.23bn versus capital base of Rs1.93bn. Analysis by risk type:

- Credit Risk Rs12.44bn (87.4%) [3]
- Market Risk Rs1.24bn (8.7%)[3 3]
- Operational Risk Rs549.1m (3.9%)

, Includes counterparty credit risk, that is, placements at risk weights assigned under Basel II
, , Includes assets held in the Trading Book

% of Risk Weighted Assets



Supervisory Review Process and Stress Testing

In line with the BoM Guideline on Supervisory Review Process, stress tests are performed on AfrAsia Bank's risk portfolio at least annually in order to assess the impact of possible adverse events on key income statement and balance sheet ratios as well as on the Bank's ability to meet capital requirements at distinct stages of the economic cycle. The Supervisory Review Process recognises the responsibility of the Bank's management in developing a sound Internal Capital Adequacy Assessment Process (ICAAP) and setting up capital targets that are commensurate with the Bank's risk profile.

Stress testing is one of the main elements of the ICAAP and is performed on a monthly basis via ALCO to measure impact of changes on interest rate (negative and positive interest rate shocks of 100bps across all maturity buckets), foreign currency (5% variance in foreign currency exchange) and liquidity position. On at least an annual basis, stress tests are done on AfrAsia's portfolio to assess any impact on key performance indicators such as asset downgrade, decline in specific sectors, deposit withdrawal and defaulting counterparties as well as on AfrAsia's ability to meet capital requirements on the targeted plans. The ICAAP process is to ensure that the capital base reflects the risk and return profile of its business operations while adhering to all regulatory and statutory requirements and good corporate governance. ICAAP certificate for financial year 2011 has been prepared in line with the guidelines and shows that we have adequate capital to sustain targeted growth.

BASEL III

BASEL III is a new global regulatory standard on bank capital adequacy and liquidity agreed by the members of the Basel Committee on Banking Supervision in December 2010. Basel III strengthens bank capital requirements and introduces new regulatory requirements on bank liquidity and bank leverage. It proposes many newer capital, leverage and liquidity standards to strengthen the regulation, supervision and risk management of the banking sector. The capital standards and new capital buffers will require banks to hold more capital and higher quality of capital than under current Basel II rules. The new leverage and liquidity ratios introduce a non-risk based measure to supplement the risk-based minimum capital requirements and measures to ensure that adequate funding is maintained in case of crisis. As per the recommendations, banks are expected to be compliant by 1st January 2018. However this is still under review and being examined at various country levels.

2010

AfrAsia Bank & AXYS Capital Management: creating unique solutions

To further expand and diversify its Private Banking Business, AfrAsia Bank, through its subsidiary AfrAsia Investments Limited, acquired a 50% interest in AXYS Capital Management Limited, one of the leading asset management companies in Mauritius. This unique partnership buttresses the Bank's distribution power and long-term positioning as a leading supplier of private banking and wealth management products and services in its niche areas.

Acquisition of a corporate finance house in South Africa rebranded as AfrAsia Corporate Finance

AfrAsia Corporate Finance has provided AfrAsia Bank with strong links into Asia and SADC countries, taking a leading position in offering advice on cross-border transactions between South Africa and Mauritius. With future expansion and the super cycle growth opportunities in Africa and the region, the partnership also provides balance sheet capacity as we look to establish a comprehensive underwriting business focused on mid-tier SA corporates. ACF continues to grow its client base in South Africa and is looking to create a network with other corporate finance entities in the SADC-COMESA region to further expand its capabilities.

Aerial view of Cape Town Stadium and Table Mountain

Key Achievements:
The AfrAsia Difference in Action

Launch of Renminbi Yuan services

AfrAsia Bank launched Renminbi Yuan current accounts as a new product offering to its clients, providing the latter with the ability to freely conduct forex transactions involving Renminbi (RMB/CNY) and to make trade related payments directly to mainland China. Chinese companies are displaying an increasing interest in concluding their business transactions in Renminbi in order to mitigate currency risk and, with this new service, AfrAsia Bank aims to help its clients capitalize on new business opportunities in the Chinese market and the China-Africa trade corridor.

AfrAsia Bank at the China Overseas Investment Fair, Beijing

AfrAsia Bank and the Board of Investment (BOI) participated at the third edition of the China Overseas Investment Fair (COIFAIR) held at the China World Trade Centre, Beijing, PRC last November. The COIFAIR acts as a capital attraction door for foreign enterprises and government institutions who wish to bring in Chinese investment during which many Chinese state-owned enterprises, local enterprises, private enterprises and multinational corporations have the opportunity to enlarge and strengthen their contact with these core investors in breadth and depth.

Increase to 50% stake in AfrAsia Corporate Finance

AfrAsia Bank has increased its stake in South African associate company AfrAsia Corporate Finance (ACF) to 50%, with the option to purchase the remaining 50% over the next 4 years. This stake increase in ACF is our vote of confidence in the future expansion strategy in the African continent and the super cycle growth opportunities that exist. Furthermore, as we position Mauritius as the gateway for investments into Africa, this transaction will certainly enhance the credibility of the Mauritian jurisdiction as an international financial centre of substance.

Key Sponsor of AfrAsia Golf Masters 2011

Held at the Ernie Els designed golf course, Four Seasons Golf Club Mauritius at Anahita, the AfrAsia Golf Masters was the professional golf tournament organized by Canal+ Events which brought together the 20 best golf players of the Allianz Golf Tour and 10 specially invited guest players of the European Tour. It was not only a reward for an entire year of competition but also a golden opportunity for promising players to rub shoulders and exchange ideas with experienced professionals from the European Tour. The tournament, which appeared on the calendar of the Federation Française de Golf, was worth €100,000. Grégory Havret was the winner of the 2011 edition.

Awarded 'Best Local Private Bank in Mauritius 2012' and 'Best Private Bank for Super Affluent in Mauritius 2012'

The 2012 Euromoney Private Banking Survey has awarded AfrAsia Bank two awards for private banking services, the 'Best Local Private Bank in Mauritius' and 'Best Private Bank for the Super Affluent in Mauritius'. These awards represent local and international recognition for our continuous effort to always put our clients' interest first through an open architecture investment approach and providing best of breed products in private banking and asset management.

Acquisition of 35% of Kingdom Financial Holdings Limited (Zimbabwe), now rebranded as AfrAsia Kingdom Zimbabwe Limited

AfrAsia Bank has acquired an investment of USD 9.5m for a 35% stake in Kingdom Financial Holdings Limited (KFHL), an investment holding company domiciled in Zimbabwe with interests in the banking, stockbroking and asset management sectors in Zimbabwe and Malawi. KFHL is a profitable financial services group in the high growth southern African market. This investment will open new channels of much needed capital, lines of credit and deal flow for KFHL's client base. In tandem, investment in KFHL is the launchpad into the SADC region where it will be an opportunity for us to expand our franchise through an established local operation and with highly credible local partners.

AFRASIA Kingdom Zimbabwe Limited

Key Achievements (cont'd)

CEO James Benoit awarded 'HR Leadership Award' by World HRD Congress 2012

AfrAsia Bank CEO James Benoit has been honoured with the 'HR Leadership Award' at the 2012 Global HR Excellence Awards, hosted by the World HRD Congress in Mumbai. This award shows that we value team success and thrive on collaboration, which is the foundation of our achievement and culture at AfrAsia Bank. This award speaks further about our unflinching commitment to meeting the challenge of attracting, retaining and rewarding talent at the Bank.

Partnering with STEP to host the first STEP conference in South Africa

AfrAsia Bank has sponsored the very first STEP (Society of Trusts and Estate Practitioners) Conference in South Africa held on 28-29 May 2012 at the Sandton Convention Centre in Johannesburg. The theme for the conference, "Africa: The Continent of Opportunity", confirms the fact that the African continent is definitely at a turning point, where rapidly emerging markets in Asia and elsewhere present the potential for new partnerships. In light of these changes, business leaders face an unparalleled opportunity to contribute to this African growth story. The keynote speaker for the event was the Honourable Judge Zulman, Retired Judge, Supreme Court of Appeal, South Africa.

Newsroom

EUROMONEY YEARBOOK

THE STANDARD

AFRICAN BANKER

AFRICAN BUSINESS

CAPITAL

THE INDEPENDENT

Key Achievements (cont'd)

Brand Audit

To improve our brand equity, brand positioning and marketing effectiveness for the future, the Bank invested in an external Brand Audit research, by DCDM Research incorporating both qualitative and quantitative techniques.

Service Efficiency

Highlighted in green are means with significant differences

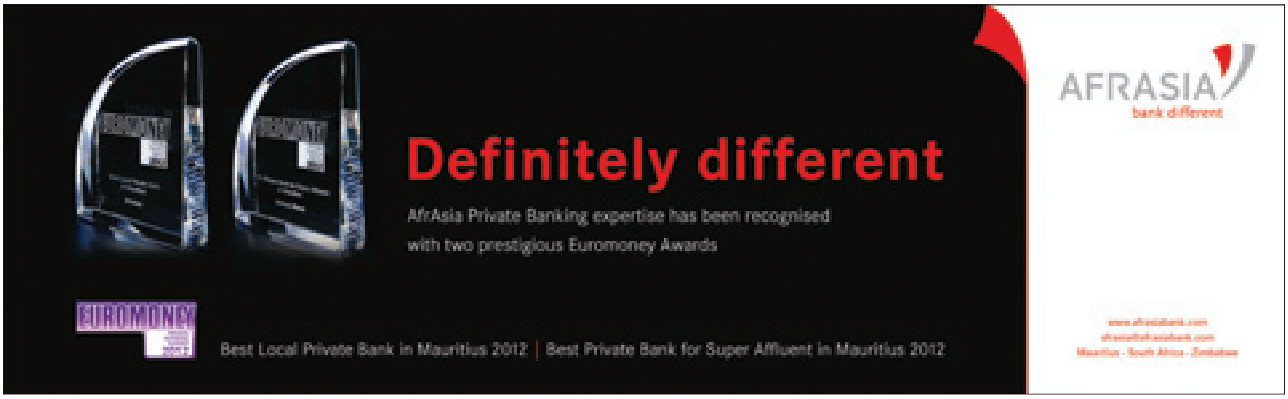
	Clients	Non-Clients
Staff availability	4.0	3.8
Staff's ability to advise on financial matters	3.7	3.6
Staff's ability to propose P&S suited to my needs	3.6	3.2

As revealed by our Brand Audit, a positive perception of AfrAsia among its clients based on staff availability, providing financial advice to clients and proposing P&S suited to clients' needs was noted during the research.

Brand Campaigns

Our corporate identity revolves around the silver grey and vermillion red colours. Most easily noticeable colours of the spectrum, we chose red to denote stability, reliability and heritage. The vermillion red colour characterises Asia. The colour of sophistication, of something tried-and-true that has withstood the test of time. The silver grey colour represents Africa.

Following our Brand Audit findings, we saw the importance of showcasing a revised look to our brand campaigns to ensure AfrAsia's imagery and messaging are contemporary in style. After 5 years of success story, black is becoming more prominent in our visual identity evoking strong emotions and symbolizing power.



2011

Awarded Best Private Bank in Mauritius 2011 (Euromoney)

The accolade ‘Best Private Bank in Mauritius 2011’ awarded by Euromoney stands testament to AfrAsia Bank’s unflinching commitment to the collaborative and privileged relationships we build with our clients to provide them with sound financial advice, innovative banking products and carefully considered wealth management solutions for every stage of their wealth development.

Tapping the Chinese Market

With the internationalisation of China’s Renminbi (RMB) being arguably the most momentous financial market development since the formation of the Euro, our new competence to settle cross-border transactions in RMB helps our clients capitalize on new business opportunities in the Chinese market and the China-Africa corridor. AfrAsia Bank’s presence, with the Board of Investment (BOI), at the China Overseas Investment Fair (COIFAIR) in Beijing confirmed our aims to further tap into China’s opportunities and keep pace with the world.

A junk sailing towards Hong Kong's harbour

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Economic Review

> "...four years after the beginning of the global financial crisis, the world economy seems to be still facing uncertainty and downside risks even though some minor signs of recovery have appeared."

Events occurring globally in 2011 and 2012 have been followed very closely in Mauritius, given the open nature of our economy and the reliance on Europe as a key trading partner. Mauritius also has close ties with India, China and the United States and has the ambition to become a major player in Africa in the next decade. A review of those markets, therefore, is essential for AfrAsia Bank Limited as it seeks to position itself as the partner of choice for investors in Africa, Asia and elsewhere.

The advanced economies: USA and Europe

The United States began the year 2011 on a relatively upbeat note after achieving an annualized growth rate of GDP of 3.2% in the final quarter of 2010, but then slowed down dramatically during the first two quarters of 2011. During the year, the debt-ceiling crisis led to a downgrade of its sovereign credit rating by Standard & Poor's. However, the US ended the year with relatively solid economic growth, albeit of a lesser degree as compared with end-2010, led by growth in consumption, investment and exports. Cautious optimism is now under way, although the impending fiscal cliff remains a critical issue as well as disagreement over a medium-term deficit plan amidst a fierce electoral campaign.

Four years after the beginning of the global financial crisis, the world economy seems to be still facing uncertainty and downside risks, even though some minor signs of recovery have appeared.

> "How the year will end in 2012 and what will be the state of the world economy in 2013 will be largely determined by events unfolding in Greece and in at least one other debt-distressed Eurozone economy."

At the same time, Europe, and more specifically the Eurozone area, has remained in the limelight for its debt crisis and failure to adopt sufficient policy actions in a timely manner. In early 2012, France lost its top AAA credit rating while eight other Eurozone governments were downgraded by Standard & Poor's.
Amidst the serious risk of a banking meltdown in Europe and global contagion in mid-2012, European policymakers agreed at their June Summit on bold measures to stimulate economic growth, bring back confidence in the economy, enhance financial supervision, speed up progress on banking and fiscal unions, and, most important of all, to address the impending sovereign debt crisis. A key agreement was on the use of the EU bailout facilities (the EFSF and the ESM) to help recapitalize ailing banks directly, without funnelling the rescue funds to national governments, thus mitigating the risks of sovereign defaults (since governments would not have to record the debts in their national accounts).

How the year will end in 2012 and what will be the state of the world economy in 2013 will be largely determined by events unfolding in Greece and in at least one other debt-distressed Eurozone economy.

Emerging economies

The sluggish recovery in the United States, coupled with financial market uncertainty and insufficient policy actions in Europe, did not augur well for growth rates in other parts of the world. Confidence of both investors and households are being undermined in the emerging economies. Whilst the contagion is not automatic, emerging and developing countries having their own sets of domestic problems, the World Bank, in its Global Economic Prospects of June 2012, highlights the fact that these countries, including China, do indeed remain vulnerable in varying degrees to tensions in high-income economies through various transmission channels.

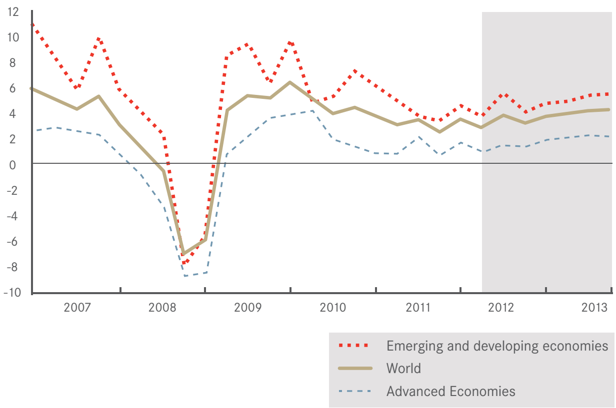


Figure 1 - Global GDP Growth: Emerging & developing economies set to continue to drive world economic growth

(Percent: quarter over quarter, annualised)

(Source: International Monetary Fund, World Economic Outlook Update, 16 July 2012)

In 2011, many of the emerging economies have recorded lower economic growth rates compared with 2010. In 2012, this is expected to be slightly lower, including for the BRICS countries (Figure 1).

"... emerging economies, including China, do indeed remain vulnerable in varying degrees to tensions in high-income economies through various transmission channels."

India

Whilst in 2010, the growth rate of real GDP of India (10.8%) exceeded that of China (10.4%), the context has changed dramatically in 2011, with India's rate falling to 7.1% but China to only 9.2%. The marked slowdown in investment continued in 2012 despite efforts by the Indian government to speed up the pace of implementation of the economic reform agenda. Figure 1 reveals that 2012 will record even lower growth rates but a slight improvement is expected in 2013, as cyclical factors begin to ease out, and structural reforms (including fiscal consolidation) start working out to encourage private investments.

The inflation rate remained high in India in 2011 and 2012, which prevented the Central Bank from easing monetary policy. Consumer-price inflation has remained close to, or above, the 10% mark for several years while the wholesale-price index remained above the tolerance level of 7.5%. In 2013, policymakers will continue to face the painful trade-off between accepting to lower inflation or maintain the growth momentum.

India has also been struggling to prevent the ongoing FDI outflows, which are being caused mostly by repatriation of investments by foreign companies. Even if policymakers accept that this is partly due to some of the policies recently adopted to hinder the flow of foreign money into the country, the FDI outflows have reached alarming levels, increasing significantly from USD3.1bn in 2009 to USD10.7bn in 2011, which represented about half the FDI inflows in 2011-12. The strength of the rupee would be at risk should this trend persist in 2012-2013 and beyond.

China and South East Asia

Even though the Chinese economy has been slowing since 2010, and is expected to start picking up only in 2013, it has remained a "bright spot in an unpredictable economy," as the IMF put it in its China Economic Report of February 2012. The economy has indeed shown resilience when the United States and Europe were battling to come out of recession.

However, any additional shock from Europe would have an adverse impact effect on economic growth in 2013 and beyond, mostly due to trade linkages and the interconnectedness of financial markets. This shows the vulnerability of China to outside shocks and the importance of rebalancing the structure of the economy so as to speed up its transformation. Rebalancing of China's economy remains high on the agenda of international institutions such as the IMF but the pace has been rather slow in recent years. Recent events have shown that financial and corporate sector reforms need to become priorities in 2013 so as to shift the current growth structure from exports and investments towards raising consumption and household income, with specific focus on household consumption, whose contribution to GDP has been decreasing relative to other contributors over the years.

"...any slowdown in Chinese economic growth could represent serious repercussions on a global scale since lower demand from China would negatively impact on neighbouring Asian economies, which supply industrial and other core components to its huge manufacturing industry, and create further tensions and uncertainties in global financial markets."

Africa: Outlook for Growth and FDI flows

We have been cautious in our analysis and discussion since Africa is not a country but a land representing 55 different countries, with 55 different decision-makers, whereas China and India are sovereign countries, each having one single leader/head of state. Our cross-country analysis also reflects this, especially when comparing with China and India, even though the three regions have about the same demographic characteristic of over 1bn people.

Increasing political and economic transformation

Developments on the African continent reveal the importance of the interconnection between democracy, economic growth and social development. In the 1980s, only four countries (Botswana, Gambia, Senegal and Mauritius) were full democracies with a fully open society on the African continent. At the dawn of 2012, 18 additional countries could pride themselves in complying with the requirements of a full electoral democracy. This is beginning to change perception of investors and Africa is now increasingly viewed as the land of opportunity and profitability for the next decade, especially by those already familiar with the continent.

Macroeconomic developments

Africa has remained relatively resilient during the crisis which has been disturbing financial markets and advanced economies globally. This is in part because debt levels are relatively low in Africa and other macroeconomic fundamentals are within reasonable limits. This is a sequel of the decision that was taken in June 2005 by the G8 Summit to write off USD40bn in debt owed by 18 of the world's poorest countries, most of them located in Sub-Saharan Africa (SSA).

A recent study has also shown that many of the 215 million international African migrants who are facing challenging employment prospects in some countries, particularly high-income Europe, did not restrict their cash support to families in their home countries as compared with migrants from Latin America and the Caribbean. Latest data reveal that during the crisis, remittances continued to provide a steady source of foreign currency to developing countries at a time when foreign aid remained stagnant and FDI declined markedly.

> "Africa has remained relatively resilient during the crisis ... in part because debt levels are relatively low in Africa and other macroeconomic fundamentals are within reasonable limits."

However, despite its short-term resilience and its relative attractiveness in terms of opportunities and profitability, Africa remains a continent which is lagging far behind insofar as adequacy of the level of infrastructure is concerned. The Africa Infrastructure Country Diagnostic has estimated that investments to the tune of USD90bn would be required annually in infrastructural developments for at least ten years to bridge the gap between levels of infrastructure in Africa and those in emerging markets. Priority sectors remain power generation, transport, ICT, and water supply and sanitation. The mobilization of funds of such magnitude is questionable given the fact that private sector investment is on the decline in most countries.

FDI flows to the Continent

UNCTAD's World Investment Report released in July 2012 confirms the positive trend in FDI and claims that "prospects in Africa are brightening" despite the fact that FDI inflows to the continent as a whole declined for three years in a row (reaching USD42.7bn in 2011, representing less than 5% of total FDI flows globally or, in terms of projects, around 5.5% of the total). However, whilst political upheavals in the North have inevitably led to massive divestments, inflows to SSA have reached USD37bn (up from USD29bn in 2010), close to their historic peak. This achievement is also reflected in the growth performance: during the first decade of the 21st century, SSA's economic growth performance has surpassed the global average, in both good times and bad. The main drivers of this remarkable performance are the new Oil & Gas producing countries, dominated by Angola and Nigeria in SSA.

> The continuing rise in commodity prices, a relatively positive economic outlook for SSA, and the emergence of a middle class will drive the growth of FDI in service-related sectors and continue to support the FDI turnaround.

Management Discussion and Analysis (cont'd)

The tables below, taken from the World Investment Report 2012, provide a bird's eye view of FDI-related activities between Africa (and selected African economies) and the rest of the world. Nigeria and South Africa remained, by far, the biggest recipients of FDI, whilst Ghana and Congo have shown clear signs that they will be in the race to increase their share of the cake in the next few years. Forecasts from various credible sources, however, show clearly that Nigeria will remain the largest recipient of FDI in the next five years. FDI capital value could exceed USD20bn annually in the next five years (as compared with slightly higher than USD100bn during the period 2003-2011), concentrated mostly in the Oil & Gas sector. The next largest recipient is expected to be South Africa with an estimated USD10bn of FDI annually until 2016. Angola, Egypt, Morocco, and Ghana are also expected to attract a fair share of FDI, approximating USD5bn annually each.

Distribution of FDI flows among economies, by range, [a] 2011		
Range	**Inflows**	**Outflows**
Above USD3.0bn	Nigeria, South Africa and Ghana	...
USD2.0 to USD 2.9bn	Congo, Algeria, Morocco, Mozambique, Zambia	...
USD1.0 to USD1.9bn	Sudan, Chad, Democratic Republic of the Congo, Guinea, Tunisia, United Republic of Tanzania, Niger	Angola, Zambia
USD0.5 to USD0.9bn	Madagascar, Namibia, Uganda, Equatorial Guinea, Gabon, Botswana, Liberia	Egypt, Algeria
USD0.1 to USD0.4bn	Zimbabwe, Cameroon, C¸te d'Ivoire, Kenya, Senegal, Mauritius, Ethiopia, Mali, Seychelles, Benin, Central African Republic, Rwanda, Somalia	Liberia, Morocco, Libya
below USD0.1bn	Swaziland, Cape Verde, Djibouti, Malawi, Togo, Lesotho, Sierra Leone, Mauritania, Gambia, Guinea-Bissau, Eritrea, Sao Tomé and Principe, Burkina Faso, Comoros, Burundi, Egypt, Angola	Democratic Republic of the Congo, Mauritius, Gabon, Sudan, Senegal, Niger, Tunisia, Togo, Zimbabwe, Kenya, C¸te d'Ivoire, Seychelles, Ghana, Guinea, Swaziland, Mauritania, Burkina Faso, Botswana, Benin, Mali, Guinea-Bissau, S¹ o Tomé and Principe, Cape Verde, Namibia, Mozambique, Cameroon, South Africa, Nigeria

[a] *Economies are listed according to the magnitude of their FDI flows*

Figure 2: Distribution of FDI flows among economies, by range, 2011

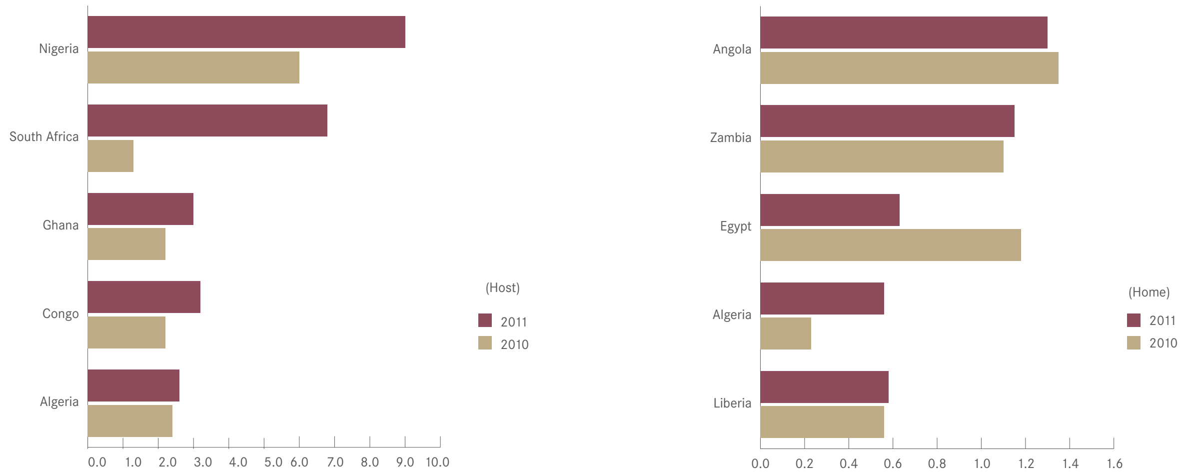


Figure 3: FDI flows, top 5 host and home economies, 2010-2011, (Bns of dollars)

Figure 4 - Cross-border M&As by industry, 2010-2011 (Millions of dollars)				
Sector/ industry	Sales		Purchases	
	2010	2011	2010	2011
Total	**8072**	**7205**	**3309**	**4812**
Primary	**2516**	**1664**	**-28**	**-22**
Mining, quarrying and petroleum	2516	1595	-28	-22
Manufacturing	**303**	**1922**	**404**	**4393**
Food, beverages and tobacco	263	1026	2	15
Chemicals and chemical products	5	155	-15	810
Metals and metal products	32	286	-	-
Electrical and electronic equipment	-9	470	-	-
Services	**5253**	**3619**	**2933**	**441**
Trade	84	2161	-49	-181
Transport, storage and communications	1912	489	-	-10
Finance	134	910	2547	674
Business services	2994	149	436	37

Figure 5 - Cross-border M&As by region/country, 2010-2011 (Millions of dollars)				
Region/country	Sales		Purchases	
	2010	2011	2010	2011
World	**8072**	**7205**	**3309**	**4812**
Developed economies	**6722**	**4308**	**1371**	**4265**
European Union	1838	2528	1240	1987
United States	1931	1408	45	41
Japan	3199	649	-	-
Other developed countries	-246	-278	86	2236
Developing economies	**1048**	**2865**	**1550**	**547**
Africa	365	408	365	408
East and South-East Asia	499	1679	257	-78
South Asia	10922	318	38	217
West Asia	-10653	464	965	-
Latin American and the Caribbean	-84	-5	-75	-
Transition economies	**51**	**-130**	**388**	-

Figures 4 to 5 - Regional Trends of FDI flows to Africa: Still insignificant but rising, with Nigeria, South Africa, and Ghana stealing the show in 2011
Source: UNCTAD, World Investment Report, July 2012

South Africa and the Crisis

A recent report by rating agency Fitch Ratings shows that South Africa's largest banks' earnings have remained relatively resilient during the financial crisis. Whilst the banking sector in many countries has been subject to severe stress, the five biggest banks of South Africa (Standard Bank, Nedbank, ABSA, FirstRand and Investec) has managed to reduce their non-performing loan (NPL) ratios over the year. Fitch expects these banks' NPL ratios to continue to improve "following an apparent stabilizing of asset quality in the sector."

Most analysts remain bullish about the prospects of South Africa in the medium term. By 2020, real GDP is expected to reach the USD2.5 trillion dollar mark, up from about USD1.5 trillion in 2011. A significant part of the growth is forecast to originate from South Africa's largest export market, namely China. South Africa is also ideally geographically located between the emerging economies of Latin America and East & South East Asia.

Evolution of the Economic Performance of Mauritius

Review of the state of the economy in 2011-2012

In terms of ranking by international organisations, in 2011 Mauritius has fared as well as in previous years: First in Sub-Saharan Africa in World Bank's Ease of Doing Business Index (for the fourth year in a row); second in Africa in terms of competitiveness (WEF); first in the Mo Ibrahim Index of African Governance 2010 (out of 53 Countries); first in Africa and eighth globally in The Wall Street Journal & The Heritage Foundation Index of Economic Freedom 2012 (out of 184 Countries); and the list goes on.

However, ranking alone does not necessarily portray the realities and challenges facing an economy, especially amidst global economic and financial turmoil. This is particularly true for Mauritius, an open economy which although it has showed marked resilience since the beginning of the financial crisis, is being increasingly exposed to downside risks.

Macroeconomic developments

A comprehensive review of the performance of the Mauritian economy in 2011 was provided by the IMF in its Article IV Consultation Report released in March 2012. The authors highlighted the prompt response of the authorities (both fiscal and monetary) to maintain the growth momentum in 2010 and 2011. However, due to heavy dependence on the global economy, especially Europe, growth rate has fallen a notch below the 4% mark in 2011 as predicted, and could undergo further stress in 2012 should the tensions and uncertainties continue to persist in Europe. For 2012, the growth forecast has already been reduced further to 3.5% by Statistics Mauritius (down from 3.6%).

"...due to heavy dependence on the global economy, especially Europe, growth rate has fallen a notch below the 4% mark in 2011 as predicted, and could undergo further stress in 2012 should the tensions and uncertainties continue to persist in Europe"

Inflation returned to moderate levels in Q3 of 2011 after picking up at the beginning and ended the year with a headline rate of 6.5%. Year-on-year inflation, however, fell to 4.8% in December 2011, down from 6.6% in June 2011. Expectations for 2013 are that import inflation could be back again due to increase in prices of commodities but the outlook for the medium term remains positive, with a forecast of around 5% for the next two years.

Budget deficit (3.8%) and public debt (54.1%) as a percentage of GDP are at tolerable levels despite the ongoing stimulus being provided to the private sector and are expected to remain so in the medium term. The year 2011 also ended with a Balance of Payments surplus of Rs3bn. GDP per capital (in US dollars) is expected to reach an all-time high of USD8,471 in 2012 (slightly higher than the 2011 figure). Net international reserves remained at a comfortable level (4.4 months of imports, f.o.b.) at end 2011 despite the large Current Account deficit and a slow-down in FDI.

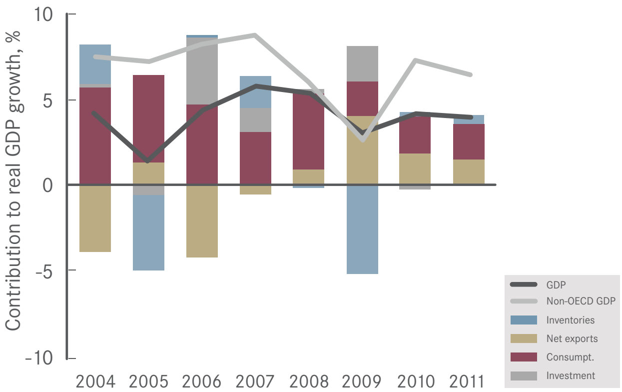


Figure 6 - Post crisis growth driven by consumption and next exports

Source: IMF, Article IV Consultations, March 2012

Amongst the fundamentals which have yet to be improved are the unemployment rate (still moderately high at close to 8%), private sector investments, but also the savings rate which has remained at persistently low levels over nearly a decade.

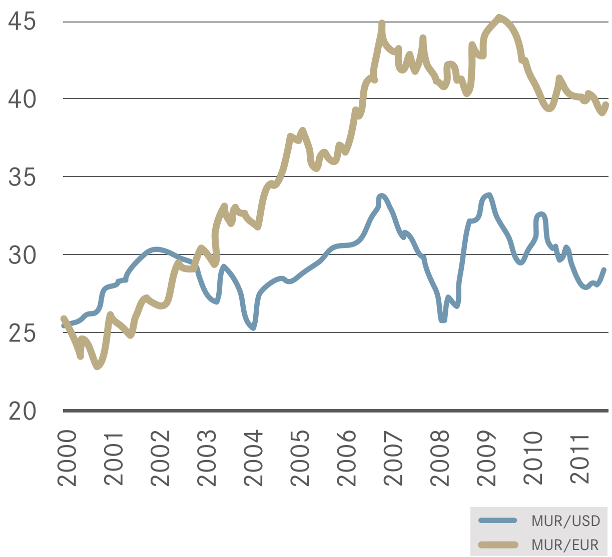
Other areas that require urgent attention, given their huge direct and indirect impact on the macroeconomy include: the performance, efficiency and governance of public sector enterprises; infrastructure bottlenecks; the costly but not necessarily effective social protection system; skills base of the labour force, especially for the less educated workers; women unemployment; and problems associated with the ageing population of Mauritius.

Exchange rate considerations

It has often been shown that part of the success of Mauritius over the years could be explained by the choice of its exchange rate system, which has now graduated to a floating regime. This has served the country well, and still is, and has allowed the exchange rate to act as a 'shock absorber,' as analysed by the IMF.

> "...part of the success of Mauritius over the years could be explained by the choice of its exchange rate system, which has now graduated to a floating regime."

It has also been observed that the real value of the rupee has taken the form of a U-shape over the past decade. It reached the trough sometime in 2006-07, when it began to pick up until mid-2012. As depicted in the exhibit below, the depreciation of the euro and the dollar during the 2008/09 crisis pushed up the real value of the rupee. However, as analysed by the IMF, the relative resilience of the Mauritian economy and its subsequent recovery led to an increase in FDI and other investment flows close to the pre-crisis levels, which translated into a slight real appreciation over the period (around 5%). If this is to recur, it will impact adversely on the export competitiveness of the country at a time when the tourism and textile sectors are increasingly being exposed to reduced demand from the EU.



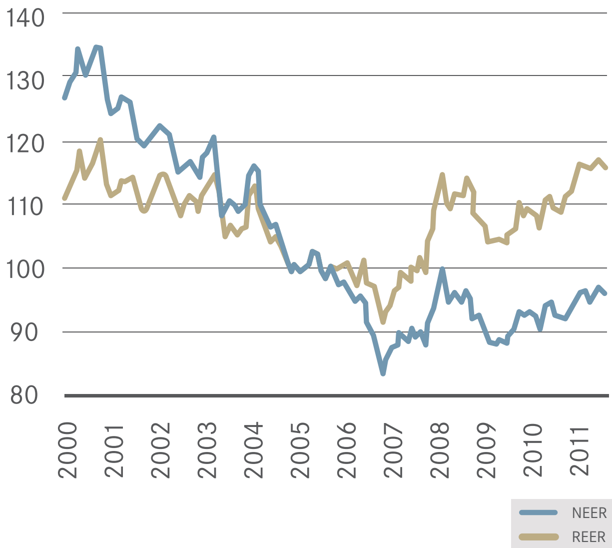


Figure 7 - Mauritius: Bilateral and Effective Exchange Rates, 2000–11, depicting a U-Curve phenomenon and an appreciation of the real value of the rupee since Q4 2010 through Q1 2012

Source: IMF, Article IV Consultations, March 2012

	Liabilities to	Claims on	Net Claims	%GDP
Africa	18.8	27.1	8.2	2.6
Asia	27.5	287.0	259.5	83.2
Australia	0.5	2.3	1.8	0.6
Europe	123.3	141.1	17.8	5.7
Mauritius	670.6	364.6	-306.0	-98.1
Middle East	1.7	11.7	9.9	3.2
US/Canada	13.4	14.1	0.7	0.2
Other	14.1	27.1	13.0	4.2

Figure 8 - Mauritius: Breakdown of Banks' Balance Sheet, June 2011 (in bn rupees). Insignificant exposure to Europe, which could explain the resilience of the banking sector during the crisis

Source: IMF, Article IV Consultations, March 2012

> "The banking system is liquid, well capitalized, and is not vulnerable to credit risk shocks. Most of the banks are moderately to highly profitable, face low NPL, and are well managed."

Review of key sectors

Financial Services

The Financial Intermediation sector (comprising banks, insurance, and the global business sector) has been one of the biggest contributors to GDP growth in 2011, thus demonstrating its resilience to external shocks relative to other economic sectors. Growth has been steady at 5.5%, up from 4.4% in 2010. All sub-sectors have performed well. The banking sector, in particular, has proved to be extremely resilient and would remain so even if the crisis deepens in the Eurozone area. The banking system is liquid, well capitalized, and is not vulnerable to credit risk shocks. Most of the banks are moderately to highly profitable, face low NPL, and are well managed.

The resilience to external shocks could be explained by the fact that the Mauritian banking system has a small net claim on Europe (Figure 8 below). As observed by the IMF, Mauritius is actually intermediating funds from the domestic economy largely into Asia. This in effect reflects intermediation of funds mostly to India. The cross-border international exposure analysis shows how the small claim on Europe works to help cushion the impact from the economic slowdown in Europe. The net exposure to Asia, on the other hand, is high at USD259.5bn.

Other sectors

The table below summarises the evolution of the growth rates of the main sectors contributing to the GDP of Mauritius.

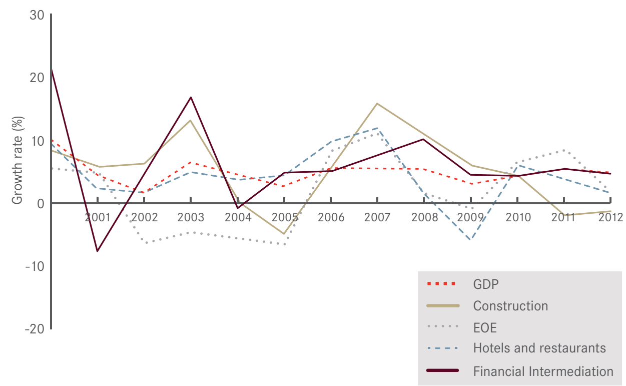


Figure 9 - Evolution of Growth Rate of Selected Sectors (%): The resilience of the Financial Intermediation sector is expected to continue in 2013, led by the banking sub-sector

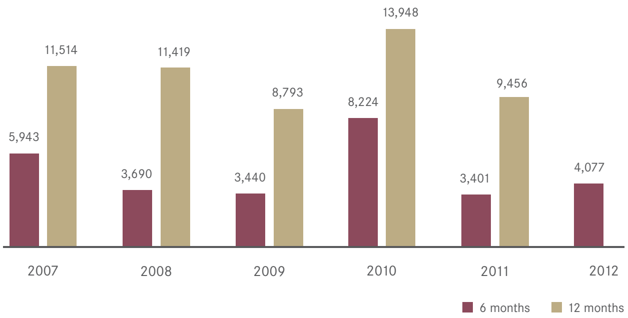
Source: National Accounts Estimates, Statistics Mauritius, June 2012 issue

In 2011, the Financial Services, ICT, Textile, and Real Estate sectors have contributed to most of the real GDP growth for the year. In the first half of 2012, the Tourism and Textile sectors have remained under intense pressure due to the stagnation prevailing in Europe. Both sectors represent an important channel via which the Mauritian economy is exposed to shocks and risks emanating from the EU. The textile industry is expected to stagnate in 2012 after a high growth rate of 8% in 2011.

FDI Inflows

During the first quarter of 2012, the biggest chunk of FDI went to the Real Estate sector (Rs745m) followed by Construction (Rs500m). The remaining Rs353m was split amongst 5 other sectors. Q1 results did not differ markedly from the previous five years except 2012, which recorded around three times more FDI.

FDI Inflow (Rs Million)



All in all, during the first semester of 2012 (Q1 and Q2), FDI inflows reached Rs4bn (around USD133 m).

Summary of Future Outlook

2012 is set to end just like the four preceding years. The backdrop of uncertainties and downside risks means signs of recovery are mixed. Events unfolding in Greece, and in at least one other debt-distressed Eurozone economy, could determine the path of recovery for 2013 and beyond. Any exit of a member country from the Eurozone could trigger another series of shocks to the region, to China, and the world economy as a whole in 2013 and 2014.

There is near unanimity, however, that prospects in Africa are brightening. The continent has indeed remained remarkably resilient against the global financial turmoil during the past four years. In addition, rising commodity prices, the emergence of a middle class, and a relatively positive outlook for SSA, especially on the democratic front, are expected to be the drivers FDI inflows to the continent. Whilst the FDI influx to a continent that represents 55 sovereign countries is still insignificant relative to flows elsewhere, an ongoing positive transformation of the African economy is forecast by most analysts, even though it is questionable whether the political masters will be able to mobilise funds to the tune of USD90bn per year for ten years in a row in order to bridge the gap between levels of infrastructure in Africa and those in emerging markets.

> "2012 is set to end just like the four preceding years, i.e., against the backdrop of uncertainties and downside risks, but the picture is less gloomy and signs of recovery have begun to appear."

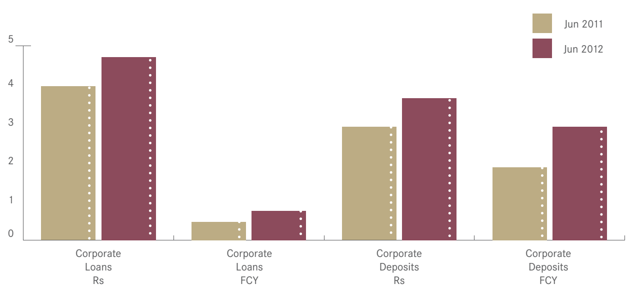
Mauritius is ready to be part of this change of focus worldwide towards a continent where opportunities abound and where there are still plenty of promises to be delivered. AfrAsia Bank Limited, since its humble beginnings in 2007, has never had any doubt on the potential of doing business in Africa, and has always remained determined to be part of the dance and to be the partner of choice for all those wishing to use Mauritius as the stepping stone to Africa. We shall consolidate our position along the same lines and enhance our product offer as early as 2013.

AfrAsia Business Segments Review

Corporate Banking

Notwithstanding still challenging market conditions, which have, among other things, translated into adverse pressures on earnings of operators and private investment levels, Corporate Banking consolidated its position as a steady and dependable financial partner to its stakeholders. By living the brand of "can-do-attitude" and "bank different", the corporate segment has ensured proximity and delivery of tailor made solutions to address financing needs of clients with acceptable risk framework. The resultant has been a double digit growth both in corporate advances and deposits.

Corporate Assets & Liabilites Growth



Advances in domestic currency have experienced a 6% increase from Rs3.96bn to Rs4.22bn in FY2011/12 and at the same time maintaining asset quality.

Regarding foreign currency lending, despite the shrinking credit spreads, a remarkable growth of 47.8% in advances was recorded in Financial Year 2011/12. Corporate Banking credit represents 45% of the bank asset book and with a well-diversified sector base in the Mauritian economy with major exposure in Financial and Business services standing at 27%.

Corporate segment growth has been fuelled through a combination of organic growth and acquisition strategy. During the Financial Year Ended 2011/12, Corporate segment has taken on board major names in the hospitality segment, construction sector, property development as well as expanded its niche market of RES project financing. The Corporate segment has among its clients most of the Top 100 companies in Mauritius.

Advances in domestic currency have experienced a 6% increase from Rs3.96bn to Rs4.22bn in FY2011/12 and at the same time maintaining asset quality.

In terms of income, focus has been on diversification of income. Corporate segment improved its non-interest to interest income ratio through focus on ancillary income by diversifying its product offerings for its clients.

Deposits in domestic currency have experienced a 23% increase from Rs2.92bn to Rs3.60bn in Financial Year 2011/12. Regarding foreign currency lending, a double digit growth of 37% in deposits was recorded in Financial Year 2011/12. Corporate Banking deposits represent 33% of the bank liability book.

Specifically, apart from the financing of several landmark projects in the hospitality industries in particular, Corporate Banking posted notable market development accomplishments through tailor-made financing for real estate projects.

Corporate Banking is well aware that navigating through an exigent climate deserves utmost vigilance. Bearing this in mind, the division is confident that it can leverage on its core competencies in order to withstand the difficult times and subsequently maintain its market and product development thrust, backed by a strong pledge to be consistent in its approach with its clients as well as an uncompromising emphasis on customer service and quality. Specifically, a key commitment of the division is continued reinforcement of its customer base by way of differentiated, comprehensive and customized financial solutions to existing and new customers.

Private Banking

The Private Banking Architecture

The high volatility prevailing in the market since the financial crisis encourages customers to be cautious. We note that our customers have a preference for investment products with a minimum level of risk and where there is transparency and the return is defined.

Investors are becoming increasingly sophisticated and demanding in terms of products they desire. They take time to understand and compare the products offered and the options available on the market. With this in mind, our Private Banking platform aims at offering a range of products meeting our customers' needs while respecting their preferences. Our strength is our proximity to our customers.

Being on the market frontline, we are constantly on the lookout for ways to improve our existing offering; from developing new products to fine tuning our delivery process. We ensure that our clients are regularly informed of any changes that we believe would be beneficial to their portfolio and so that this effectively translates into exclusive value to them.

Today, more and more customers rely on us for the advice and assistance that we provide as we allow them to obtain a better understanding of the complexity of the financial environment and seize some of the opportunities available to them through the different products available on the market.

Our Private Banking platform aims at offering a range of products meeting our customers' needs while respecting their preferences. Our strength is our proximity to our customers.

Working with you to achieve your wealth goals

Our investment arm, AXYS Capital Management Limited (ACM), is a team of professionals with an extended experience in asset, wealth and financial management. They provide an investment management service to both corporates and High Net Worth individuals.

They have built their reputation over the years by delivering performance to their clients throughout all major asset classes. ACM has over 2 decades of experience in the asset management industry in Mauritius. Through ACM, we have launched over 50 investments products – structured notes and open-ended funds combined.

We have the ability to offer several types of products such as fixed deposits in different currencies, bonds and structured products linked to a number of indices including commodities with regular coupon payments and capital protection.

Our structured products have 4 properties:

- Capital protection
- Minimum guaranteed return on some products
- Coupons paid either annually or semi-annually
- Exposure to a performing index and related market

Our latest product, the ACM High Yield Fund which is an open-ended fund, aims at generating regular income for investors, reasonable growth and a low risk exposure to a broad market base. The new fund allows investors to diversify their portfolios with access to higher-yielding alternatives available in today's investing environment. The Fund offers two types of investment options being either a lump sum Investment plan (with 'one-off' payment options), or a regular investment plan (with regular monthly payments).

Some of our most performing products were the Africa Note, the EM Note and US Equity product which offered our customers the possibility of investing in Zimbabwe, through the newly acquired AfrAsia Kingdom Zimbabwe Limited, at interesting rates.

Conclusion

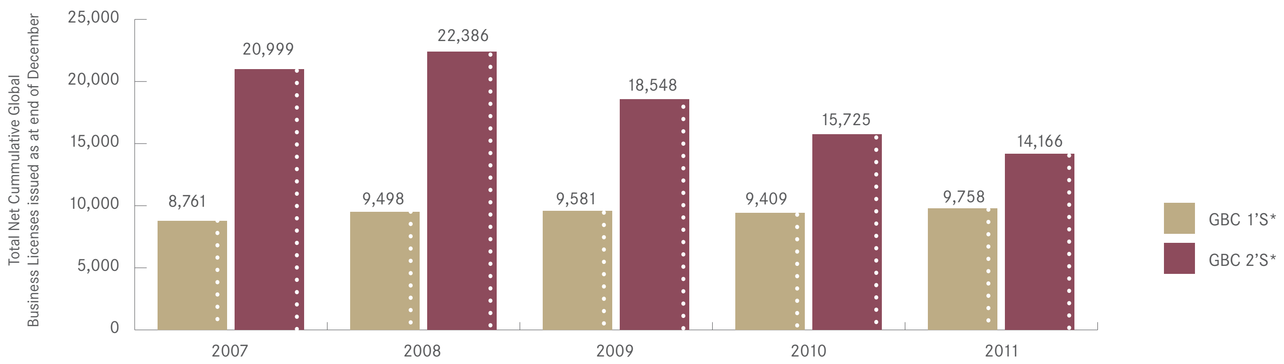
AfrAsia Private Bank offers a robust and scalable platform to investors through its wide array of banking and investment products. We benefit from a strong client loyalty and our clear growth in operations and strong financial position are evidence to this. Over the years, we have proven our ability to manage high net worth clients effectively through our strong service capability and highly motivated and experienced team. Going forward, we are confident that we will be able to maintain the momentum through our clear and effective strategy.

Global Banking

The Global Business Segment

Multinationals and foreign investors, including major investment funds, use Mauritius as a base for investing in other countries. This is primarily because the combination of Double Taxation Agreements (DTAs) between Mauritius and these countries, and the domestic low tax regime, makes fiscal planning advantageous to multinationals and PE/hedge funds. In addition, Mauritius has signed Investment Promotion and Protection Agreements (IPPAs) with 37 countries (including 19 African countries) which enables investors who register their companies in the country to protect themselves from political and economic instability, over-regulated fiscal regimes and exchange control constraints that are common in some African countries. Mauritius also guarantees tax-free repatriation of funds.

Cumulative number of Global Business Companies (2007-2011)



**Data exclude Struck off GBC'S (Source: RoC)* **Include Global Funds*

Global Business Data Sheet - Monthly Evolution - 2011 (Revised)				
	Category 1	Category 2	MCs	Global Funds
	GBCs 1	GBCs	(Cum)[2]	(Cum)[3]
Net Cumulative GBCs beginning Jan 2011[3]	9,409	15,725		
Newly Licensed GB-Month-2011				
January	73	104	148	741
February	63	104	148	747
March	109	122	147	759
April	72	104	147	755
May	108	99	148	779
June	104	82	148	774
July	92	121	149	788
August	93	98	152	795
September	88	94	153	806
October	94	99	154	811
November	88	105	154	820
December	117	99	154	829
Total Newly Licensed GBCs	1,101	1,231		
Total Net Cumulative GBCs end Dec 2011[3]	9,758	14,166		

Note:
, :Data exclude Struck off GBCs (Source: RoC)
[1] : Include Global Funds
[2] : MCs (Include Corporate Trustees as from May 2008)
[3] :Revised (Excluding funds in process of winding up or wound up)

The Global Business sector in Mauritius has fared well in 2011/2012 despite the uncertain global economic climate. As of June 2012, 1082 Global Business companies had been set up, bringing the total number of Global Business Companies on the register to 24,291, whilst the total number of global funds has grown from 760 in 2010 to 881 as at 30 June 2012. There has also been an increase in the number of fiduciary services providers (International Management Companies - IMCs) from 146 in 2010 to 159 as at end of June 2012.

Over the years, Mauritius has built its reputation as a safe, trusted and secure international financial centre. Today, the Mauritius financial platform is recognised by international institutions like the OECD, IAIS, IOSCO, FATF and the IFSB. We have more than 41 DTAs with strategic partner countries, the latest with Turkey in August 2011, Kenya in May 2012 and Nigeria in August 2012. Financial Services remains one of the most important contributors to the Mauritian economy, representing 13% of GDP and directly employing over 15,000 highly skilled professionals. Global Businesses specifically account for 22% of total direct tax proceeds of the country, contributing more than 4.5% to the GDP.

The sector comprises major local and international players in banking, insurance, capital markets, fund administration and management, international legal services and investment advisory, amongst others.

Over and above its strategic advantages offered to foreign companies, Mauritius is also emerging as a financial centre for Private Banking, with banking laws providing confidentiality and a legal framework that guarantees protection of assets.

Highlights of some of the recent significant developments in the sector include:

- **The first multi asset class exchange in the region** - An initiative of the Financial Technologies India group, the Global Board of Trade (GBOT) is the first multi asset class exchange that has been launched in this part of the world.

- **Setting up of International Law Firms** - International Law Firms are vital to the success of any international financial centre as they increase the confidence of global investors in the jurisdiction. We have seen the setting up of some prestigious international law firms including Conyers, Dill & Pearman, Appleby, Eversheds, and Bedell & Cristin, a testimony of the importance of the Mauritian financial services platform in the region.

- **Global Funds and Investment Holdings** - Mauritius is attracting an increasing number of investment holdings and funds mainly targeting Asian and African economies. Over the period January to December 2011, 1142 new global business Category 1 entities were licensed and 133 new Global Funds.

- **Enhancement of Legal Framework and improvement in legislation** - The Limited Partnership Act and the Private Foundations Act will go a long way to expand the scope and breadth of financial services in Mauritius. GBC1 companies may now also conduct business in Mauritius.

- **Amendment of Listing Rules** - Amendment of the listing rules to allow for the listing of Global Business companies. Listing on a regionally and internationally accredited stock exchange brings the comfort of adherence to international standards of transparency, disclosure and compliance, which fund professionals and investors are increasingly wary of. More importantly, it also demonstrates greater nexus and substance in the jurisdiction which will undoubtedly add weight to the commercial presence of funds for domiciliation purposes in Mauritius.

AfrAsia Bank's focus is on funds and corporates who require a boutique level of service, competitive rates and customized technology in terms of foreign currency credit cards, internet banking and flexible processing. It works closely with the IMCs in Mauritius and in other Financial Centres which provide the fund and company formations and which direct the business to banks. AfrAsia has an experienced team of 8 global bankers in Mauritius in this segment, all of whom have previously worked for global banks. Along with senior management connection, they have created the most credible alternative to the global banks to date.

This Global Business segment is already a key driver of foreign exchange deposit liquidity and asset growth and for the year ended June 2012 the sector grew strongly as AfrAsia gained increasing visibility and acceptance with the largest institutional investors and corporates that use Mauritius as a global banking platform.

AfrAsia Bank was the first domestic bank in Mauritius to obtain an FII licence from the Securities and Exchange Board of India in order to sponsor sub-account applications for Indian investments. During the year, the Bank opened a new global-custody account with BNP Paribas Securities Services, Singapore which enables it to provide global custody coverage to more than 50 countries (including 16 African countries). As at 30 June 2012, the total Assets Under Custody amounted to USD24,485,171 (Rs757,816,042.45).

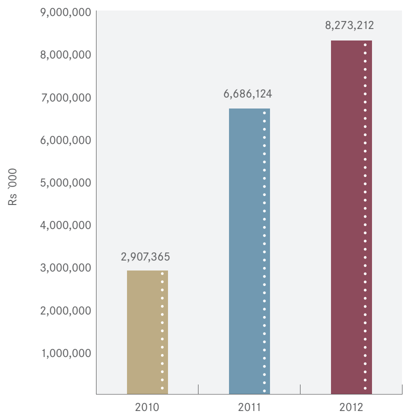
The Business Line is continuously expanding its sales capacity and multi-channel capabilities, as well as improving the service model and customer contact practices. The Bank is leveraging on the in-depth knowledge and expertise of its experienced and dedicated personnel in order to deliver unique financial solutions to its clients. New personnel having strong relationships with clients based in Mauritius and abroad is regularly recruited.

Additionally, AfrAsia Bank participated in numerous road shows across all continents, such as the China-SADC conference in

Johannesburg, the COIFAIR event in Beijing China, participation with the Board of Investment in Geneva, gold sponsorship of the STEP conference in Johannesburg and sponsorship of the major PE conference in Mauritius - to name a few.

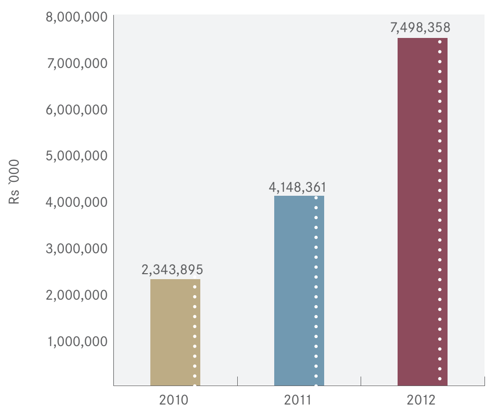
The Segment B business of AfrAsia Bank has grown significantly over the past financial year both in terms of deposits and advances (and ultimately profitability). For example, Segment B deposits increased by 130% during 2010-2011 and this year by 24%.

Deposits from Customers - Segment B



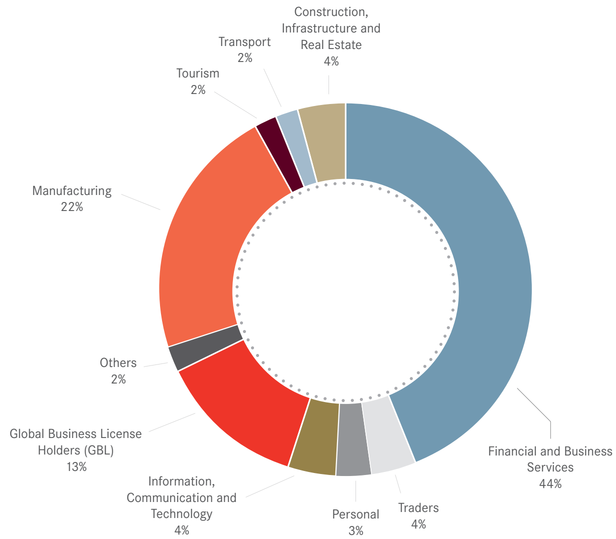
With regards to Segment B advances, the growth has been to the order of 77% during 2010-2011, equally realised on both short term working capital facilities (including trade finance) as well as term project financing for which an important portion is generated from participation in international syndications. For the year under review, Segment B advances grew by 81%.

Credit Concentration - Segment B

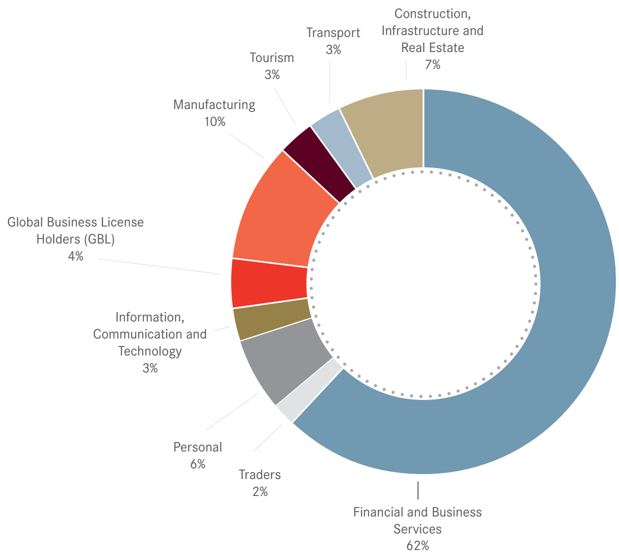


As highlighted in the following charts, advances to the Financial and Business services remained the main sector of exposure, though being reduced from 62% of total Segment B advances in 2011 to 44% in 2012. Exposure to this sector consisted mainly of short term trade finance related transactions. The two other main sectors having seen their share grow in the portfolio from 2011 to 2012 are manufacturing (from 10% to 22%) and Global Business License Holders (from 4% to 13%).

Segment B - Loans and Advances by Sector (2012)



Segment B - Loans and Advances by Sector (2011)

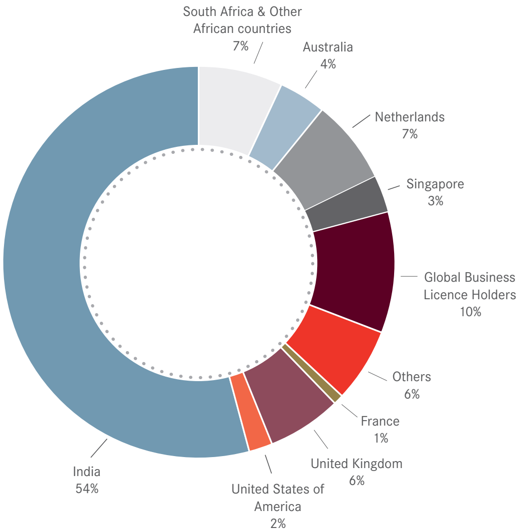


This Global Business segment is already a key driver of foreign exchange deposit liquidity and asset growth and for the year ended June 2012 the sector grew strongly as AfrAsia gained increasing visibility and acceptance with the largest institutional investors and corporates that use Mauritius as a global banking platform.

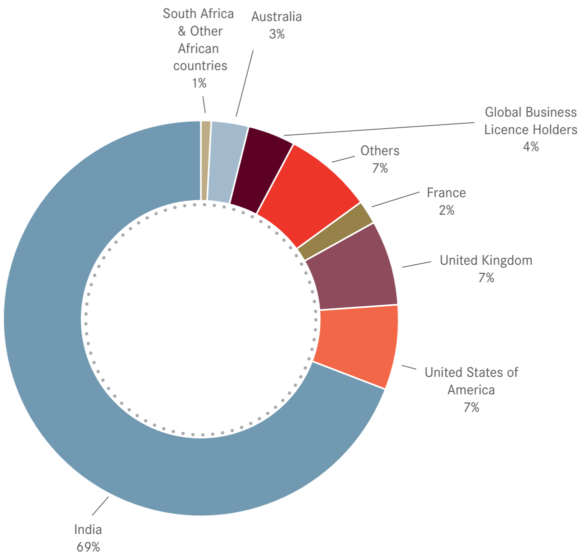
Management Discussion and Analysis (cont'd)

For our financial year ended 30 June 2012 we continued the geographic diversification of our loans and advances Segment B portfolio. Segment B loans and advances to India were reduced from 69% of total Segment B Loans and Advances in 2011 to 54%. Our loans and advances to India amounted to Rs4.0bn (2011: Rs2.9bn). As indicated below, the loans and advances to South Africa & Other African Countries increased from 1% to reach 7% of total Segment B Loans and Advances. Moreover, our exposure to GBL companies increased from 4% to 10% of the Segment B portfolio as at financial year end 30 June 2012.

Segment B - Loans and Advances by Country (2012)



Segment B - Loans and Advances by Country (2011)



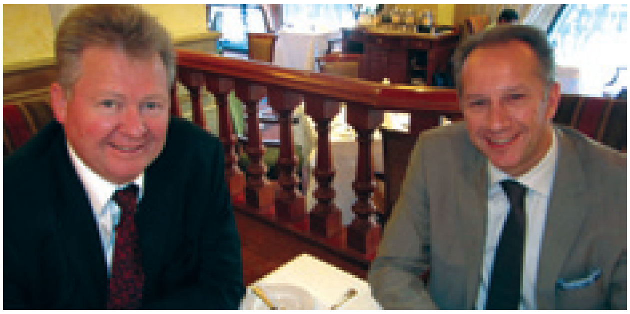
South Africa

Importantly, as part of the Group's thrust to establish itself as the regional platform, AfrAsia Bank has established a Representative Office in South Africa, with presence mainly in Johannesburg and Cape Town.

HNWIs in South Africa and other African countries have been using the traditional international financial centres for their private banking needs. Mauritius now has all the right ingredients to be the private banking platform par excellence for the growing wealth in the region. During the course of the financial year, the SA Representative Office hosted a series of presentations in Johannesburg, Cape Town and Durban, educating prospective clients about Mauritius and AfrAsia Bank's corporate and private banking services.

On the Corporate segment, South African companies have long been criticized for not fully exploiting the vast African markets. Apart from sectors such as telecommunications, it seems South Africans have not had a strong appetite to 'go north'. There are even examples of how the mining companies from other parts of the world have stolen a march in this Continent's resources sector – an area in which South Africa has traditionally been a dominant global force. Nevertheless, slow economic growth at home appears to have prompted several South African corporates into putting African markets onto their agendas. As Mauritius continues to offer the most favourable platform to do business into Africa, we expect positive spin-offs in corporate business originating from South Africa for the Bank.

In May 2012, AfrAsia signed a bilateral agreement with Rand Asia, one of South Africa's pre-eminent trade finance structuring houses, partly owned by China Construction Bank. Ever since the opening of the SA Representative Office back in 2009, the teams at AfrAsia and Rand Asia have forged excellent working relationships. This bilateral agreement will act as a catalyst to greater co-operation and provide an ongoing flow of profitable trade finance business in which AfrAsia Bank will take the lead financing role.



From left to right: Eric Finaughty (CEO of Rand Asia Trade Finance) and James Benoit (CEO of AfrAsia Bank)

Increased business flows gave rise to the need to employ additional staff and in August 2011 the Chief Representative Office moved into new premises in Illovo, Johannesburg. The Bank's new offices are shared with AfrAsia Corporate Finance and are already beginning to accommodate an expanded workforce in one of Johannesburg's leading legal and financial business districts.

SA Team - From left to right: Anne Ferreira, Colin Grieve, Julie Boel and Merle Botha

The Cape Town office has also continued to successfully expand into the international banking market in the Western Cape. With impetus provided by a South African new marketing campaign in the next financial year, the South African Representative Office is looking forward to expanding its contributions to the Bank's growth and bottom line.

AfrAsia Corporate Finance

AfrAsia Corporate Finance ("ACF") is a joint venture between AfrAsia Bank and the management team of ACF. ACF delivers investment banking advisory and lending solutions from its offices in Cape Town, Johannesburg and Port Louis. ACF operates across the SADC and COMESA regions and its clients include corporates, project sponsors, investment funds and financial institutions.

ACF Team - From left to right: £uana £agesse, Monica ¤amteni, £ise van Schoor, Erns £oubser, Charles Pettit, Patrick Birkett, £inda ¤euning, Peter van ¥yl and £yle Maasdorp

ACF's advisory solutions are grouped into the following core offerings: Merger & Acquisition Advisory, Project Finance Advisory, Restructuring Advice and Strategic Advice.

In the financial year ended 30 June 2012, the team successfully advised on a record number of transactions across SADC, including: a balance sheet restructuring for SA French Limited (South Africa); advice to the offeror in a successfully executed takeover of Convergenet Holdings Limited (South Africa); the listing of Mine Restoration Investments on the JSE (South Africa); the balance sheet restructuring of MSM Limited (Mauritius); an equity private placement and a subordinated bond issue for AfrAsia Bank Limited (Mauritius) and the recapitalization of Kingdom Bank Limited (Zimbabwe).

ACF's lending business is conducted via a managed third party collective investment scheme, namely the AfrAsia Special Opportunities Fund ("ASOF"). The Fund is open to third party investors, but also includes significant investment from AfrAsia Bank and the ACF management team. ASOF targets transactions in the USD1m - USD20m range, typically investing alongside partners at the upper end of this range. The types of transactions that ASOF participates in are: Acquisition and leveraged financing; black economic empowerment ("BEE") financing; bridge financing; turnarounds, restructurings and exit financing; and working capital financing.

In the past financial year ACF, via ASOF, has provided innovative financing to its clients across a range of different situations with some of the notable transactions including, amongst others: the provision of Pre-IPO working capital financing to the Ascendis Health Group; working capital contract financing to Flextech Manufacturing; working capital financing to Sizwe Africa IT Group; bridging finance to the private equity sponsor in the LBO of Avima; mezzanine funding in the LBO of Chempure; and acquisition financing in the takeover of Convergenet Holdings Limited. While all of these transactions were in South Africa, the ACF team is actively assessing opportunities in Zimbabwe and other markets and expects to execute non-SA transactions in the coming year.

In contrast to the majority of investment banking operations globally, ACF is currently investing further in the expansion of its business, with several new licenses and product offerings coming on stream in 2013, along with additional hiring of staff in all offices. Associate relationships are being pursued with boutique advisory operations in Zimbabwe, Kenya and Tanzania and a second round of fund raising is underway for ASOF. The financial performance of this unit was strong in the 2012 financial year and, despite the additional investment, it is expected to continue growing and to contribute further in the coming financial period.

Going Forward

As an internationally competitive financial centre of choice, it is important that the offerings of Mauritius are constantly innovated and enhanced. These include a broader network of Double Taxation Agreements with the relevant economic partners, new products being designed and new legislation being crafted.

Management Discussion and Analysis (cont'd)

This will no doubt further boost the position of Mauritius as the ideal investment platform bridging the world to Asia and Africa and position the country as the International Financial Center of reference for the African continent.

Amidst a difficult international context depicted by a slow and unstable global economic recovery, the Eurozone crisis, the uncertainty regarding the application of GAAR in India and renegotiation of the Mauritius-India treaty, the application of the FATCA rules and crackdown of the United States on offshore accounts, Mauritius as an IFC needs to adapt to the new dynamics of the global economy and the changes. AfrAsia Bank has adopted a new approach focused on the identification and nurturing of new verticals to sustain its growth and profitability. As goes the saying,

"Adapt or Perish, now as ever, is nature's inexorable imperative" (H.G. Wells)

Zimbabwe

AFRASIA Kingdom Zimbabwe Limited

In February 2012, AfrAsia Bank concluded the purchase of a stake of 35% in Kingdom Financial Holdings Limited ("KFHL"), an investment company domiciled in Zimbabwe, following which shareholders have agreed to rename the group AfrAsia Kingdom Zimbabwe Limited ("AKZL"). This transaction is a major step towards AfrAsia's expansion strategy on the African continent.

AKZL's flagship subsidiary is Kingdom Bank Limited, representing about 90% of the group's total assets. The other subsidiaries are MicroKing which is specialized in micro lending, Kingdom Asset Management and Kingdom Stockbrokers.

AfrAsia Bank's investment of USD9.5m was channeled via its 100% subsidiary, AfrAsia Holdings Limited. The investment into AKHL was further fully invested in Kingdom Bank Limited, thus ensuring that the latter now is fully compliant with capital regulatory requirements.

Our investment has been very well received by the market and has immediately resulted in a turn-around of the liquidity position of the Bank. Customer deposits have immediately increased from USD103m as at December 2011 to USD126m as at June 2012. Loans and Advances have seen a reduction from USD132m to USD125m as the Bank has rebalanced its portfolio to manage the risk profile.

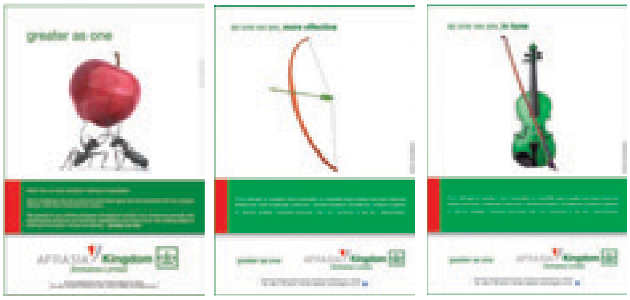
AKZL recorded for the 6-months to June 2012 a Net Profit after Tax of USD 1.3m.

The name change to AKZL has culminated in a rebranding exercise to reflect the co-existence of the AfrAsia and the Kingdom brand into the future.

Achievements:

Corporate Campaign

With the rebranding of the Group Holding Company to AfrAsia Kingdom Zimbabwe Limited, the group adopted a new pay offline: 'Greater As One', meaning that "we at AfrAsia Kingdom Zimbabwe respect that each individual is unique in creation and that each one of us has unique qualities and capabilities that when combined together bring greatness."



Performance against Objectives

OBJECTIVES FOR 2011/12	PERFORMANCE FOR 2011/12	OBJECTIVES FOR 2012/13
Statement of Comprehensive Income – Operating Income		
Operating income was expected to increase by Rs115m, equivalent to approximately 31%.	• Operating Income increased by 34% despite persistent volatile declining market conditions. • Major drivers are “Fees and Commission Income” which increased by 116%.	• Operating income is expected to increase by 46% to reach a target of Rs728m.
Statement of Comprehensive Income – Operating Expenses		
Expected to increase by 21%.	• Operating Expenses for the year ended 30 June 2012 stood at Rs272m.	• In line with the rapid growth, operating expenses are expected to increase by 35%.
Statement of Financial Position – Loans and Advances		
Increase in our loan book by more than Rs5bn across both business segments.	• A conservative lending strategy remains with loans and advances still growing strongly to hit Rs12.8bn in June 2012, a growth of 50% over last year. • Growth was noticeable across both Segment A (residents) and Segment B (non residents).	• Loan book is expected to increase by 21% across both business segments
Statement of Financial Position – Deposits Growth		
An increase of more than 30% was expected on deposits from customers.	• We finished the year with Rs19.6bn of customer, a 31% increase compared to last year.	• Increase of 24%.
Statement of Financial Position – Asset Quality		
Maintain our level of non-performing loans to below 1% of gross loans.	• Non-performing loans amounted to Rs45.9m at end of June 2012 – about 0.2% of the Bank’s gross loans.	• The Group will strive to maintain the level of non-performing loans to below 1% of gross loans.
Statement of Financial Position – Capital Management		
Maintain our capital adequacy ratio above the regulatory level of 10% - our target being usually above 11%.	• The Bank made satisfactory utilization of its capital resources finishing the year with a capital adequacy ratio of 13.5%.	• The regulatory level being set at 10%, our target for capital adequacy ratio is targeted to be 12%.
Performance Ratio – Return on Average Equity		
Achieve return on average equity of around 14%.	• The Group’s Return on Average Equity stood at 17.5% for the year under review.	• With the rapid expansion of the group, return on equity will be around 16%.
Performance Ratio – Cost to Income		
We expect the cost to income ratio to fall to 50%.	• The cost to income ratio was at 55% as we closed the year.	• With vigilant cost control, the cost to income ratio to fall to 51%.

CAMEL Ratings

The Bank of Mauritius assessed us on a number on criteria which are: Capital Adequacy; Asset Quality; Management Quality; Earnings and Liquidity. This is under the acronym of CAMEL ratings. The Bank of Mauritius publishes these CAMEL ratings on a bi-annual basis, in June and December of each year, on its website which is accessible to the public.

Internally, our Board of Directors conducts a detailed review to share and discuss these ratings. Our Bank's rating has remained at 2+ (Satisfactory) for both periods 30 June 2011 and 31 December 2011 respectively.

The table below shows the CAMEL Ratings for the quarter ended 31 December 2011 for all banks in the market.

BANK	Overall Rating®
ABC Banking Corporation Ltd	3+
AfrAsia Bank Limited	2+
Bank of Baroda	2+
Bank One Limited	2+
Banque des Mascareignes Ltée	3+
Barclays Bank PLC	2-
Bramer Banking Corporation Ltd	3+
Century Banking Corporation Ltd	3+
Deutsche Bank (Mauritius) Limited	2+
Habib Bank Limited	2-
HSBC Bank (Mauritius) Limited	2+
Investec Bank (Mauritius) Limited	2+
Mauritius Post and Cooperative Bank Ltd	3+
P.T Bank Internasional Indonesia	2-
SBI (Mauritius) Ltd	3+
Standard Bank (Mauritius) Limited	2+
Standard Chartered Bank (Mauritius) Limited	2+
State Bank of Mauritius Ltd	2+
The Hongkong and Shanghai Banking Corporation Limited	2+
The Mauritius Commercial Bank Limited	2+

, 1: Strong 2+ and 2- : Satisfactory 3+ and 3- : Fair 4: Marginal 5: Unsatisfactory

Financial Review

The Bank was delighted to record a satisfactory net profit after tax of Rs180m in its fifth financial year. The financial results for the year ended 30 June 2012 were achieved by the Bank consolidating its market share locally based on a product and market differentiation strategy. Regional expansion across its core business lines of Corporate Banking, Corporate Finance and Private Banking and Wealth Management has further enabled it to secure steady growth in operating revenue from interest and non-interest sources.

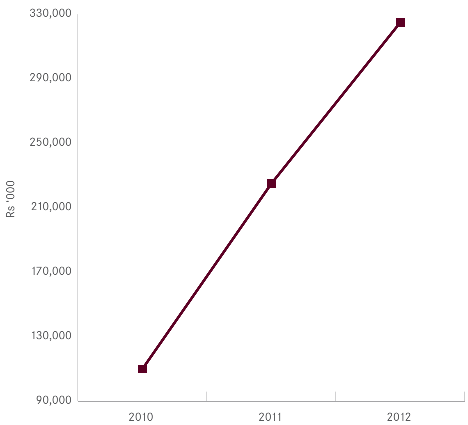
Revenue Growth

et nterest n ome

The Bank recorded a growth of 47% in its net interest income compared to last year; this growth, which is equivalent to an approximate Rs104m increase, can be explained mainly by an efficient management of liquidity and an increase, in the Bank's net interest income despite a persistent declining rate environment during the year. Overall, interest income of Rs829m and interest expense of Rs507m were recorded.

Concurrently, the Bank's loan book growth to Rs12.8bn contributed to an increase of 52% in the Bank's interest income to Rs829m in financial year 2011/2012 as a result of its strategic decision to increase its credit exposure into India, South Africa and the region to offset the slower demand locally.

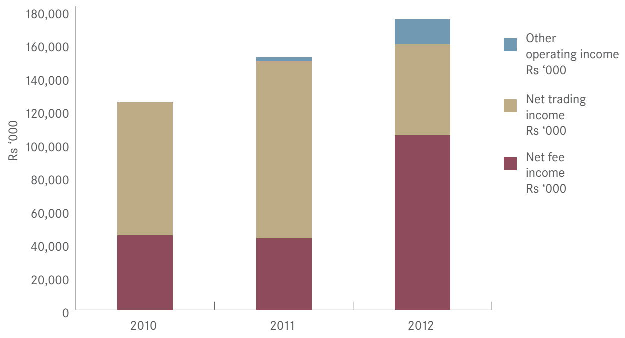
Net Interest Income



on nterest n ome

Non-interest income which comprises fee based income, commissions and exchange profits, amounted to Rs189m for the financial year 2012 (2011: Rs162m), the increase reflecting our strong corporate banking penetration to regional and local customers.

Non-Interest Income



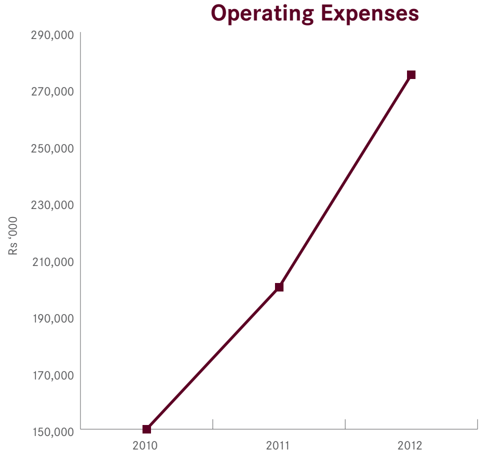
Cost Control

During the year, the Bank pursued its initiatives to build capacity and in preparedness for future growth. As such, there has been continued investment in human resources, technology, premises, customer service and branding. Personnel expenses stood at Rs173m or an increase of 36% compared to last year, including all bonuses and other performance incentives.

In light of gaining greater visibility on the market, the share of marketing and advertising expenses also increased compared to previous year. Operating expenses stood at Rs272m for year 2012.

Furthermore, to achieve higher levels of efficiency, the Bank opted to upgrade its working space by renting a new office.

Operating Expenses

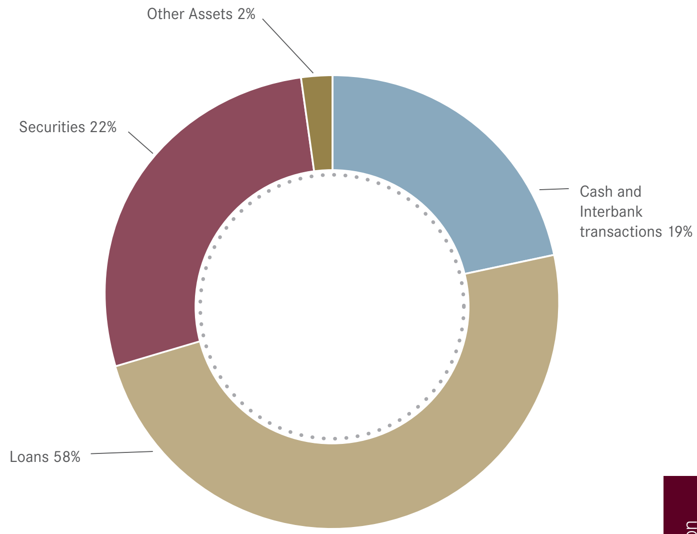


Assets mix

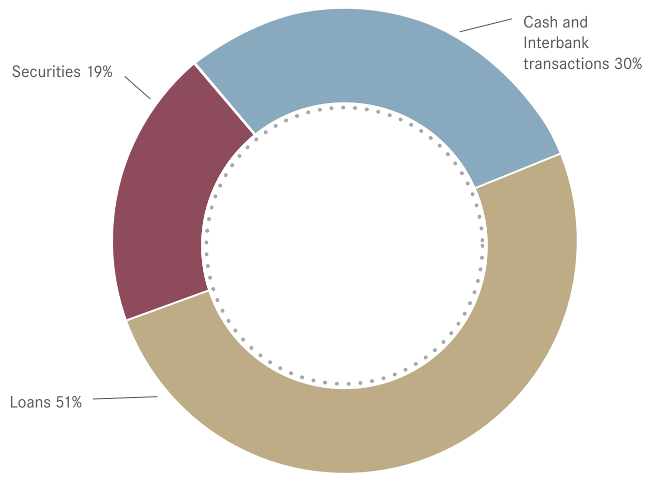
Total assets grew to Rs22bn representing an increase of 32% for the financial year 2012. This was achieved by the Bank carefully pursuing asset growth while ascertaining an acceptable risk return profile and focusing on the quality of the portfolio.

The following chart shows the Bank's asset mix, reflecting heavy effort to reduce risk through diversification.

Assets Mix 2012



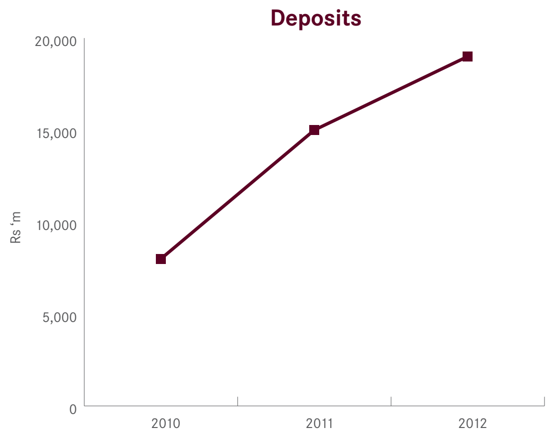
Assets Mix 2011



Management Discussion and Analysis (cont'd)

Deposits

Within a relatively challenging economic environment, the Bank increased its deposit base by 31% in this financial year along with a healthy split between 58% to segment A and 42% to segment B, in line with its deposits growth strategy. This steady growth between its core customers segments of corporate and private banking is noticeable both on local and foreign currency side. Deposits growth of 31% to Rs19.6bn reflected excellent progress locally with corporates and private banking customers.

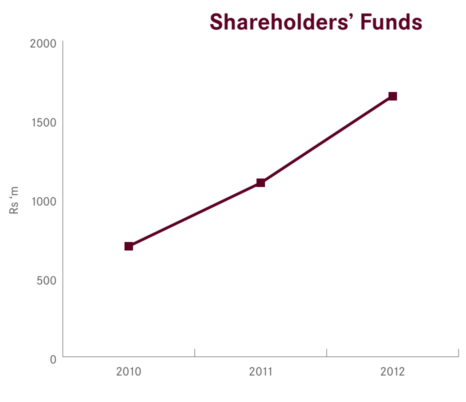


Capital Resources

The strong financial results during the last financial year contributed to an increase of 119% in retained earnings after accounting for dividend payment of approximately Rs35m.

Capitalisation remained solid, with the Bank closing the year with a share capital and reserves of Rs1.7bn. These results have been achieved through additional Rs477m Tier 1 capital and a further Rs145m Tier 2 capital during the year under review.

The Bank's risk weighted capital adequacy ratio stood at 13.5% as per Basel II definition.



Related Party Transactions, Policies and Practices

The Bank adheres to the Guideline on Related Party Transactions issued by the Bank of Mauritius in January 2009. In line with this Guideline, the Board of Directors appointed a Conduct Review Committee to review and approve all related party transactions. The Board has also adopted a policy which sets out the rules governing the identification of related parties, the terms and conditions applicable to transactions entered into with them, and reporting procedures to the Conduct Review Committee.

The Conduct Review Committee comprises three independent directors and one independent member who are not officers and employees of the Bank. This Committee is responsible for the approval of all Category 1 and Category 2 related party transactions, which are not exempted as per BOM guidelines (falling below 2% of Tier 1 capital).

All Non-Exempted Related Party transactions are reviewed at the level of the Conduct Review Committee, which ensures that market terms and conditions are applied to such transactions. All Related Party transactions are reviewed in the quarterly meetings. Furthermore, facilities granted to minority shareholders of AfrAsia Bank and exceeding 2% of Tier 1 capital, even not classified as Related Party as per BOM guidelines, are reviewed by CRC on a quarterly basis.

During the normal course of business in the year, the Bank entered into a number of banking transactions with its related parties. These include placements or loans to/from banks, deposits as well as other normal banking transactions. As at 30 June 2012, Related Party exposure was within regulatory guidelines at 57.7% and there was no specific charge for bad and doubtful debts which had to be made on these balances.

The Bank has complied in all respects to the Bank of Mauritius Guideline on Related Party Transactions. Related party reporting to the Bank of Mauritius is done on a quarterly basis. Moreover, all Related Party Transactions (including those transactions which are exempted as per the Guideline on Related Party Transactions) are monitored and reported to the Conduct Review Committee on a quarterly basis.

2012

Zimbabwe: A regional launch pad

With an investment of USD9.5M for a 35% stake in Kingdom Financial Holdings Limited (KFHL), AfrAsia Bank plans to use Zimbabwe as a launch pad into the region, giving us the opportunity to expand our franchise through an established local operation with highly credible local partners. KFHL has operations and investment in both Zimbabwe and Malawi, which in turn provides AfrAsia Bank with further SADC exposure, a core part of our regional expansion drive. The group has been named AfrAsia Kingdom Zimbabwe Limited, to reflect the co-existence of the AfrAsia and Kingdom brands.

Awarded 'Best Local Private Bank in Mauritius 2012' and 'Best Private Bank for Super Affluent in Mauritius 2012' (Euromoney)

Following the award of 'Best Private Bank in Mauritius 2011', these two additional awards represent local and international recognition for our unremitting effort to always put our clients' interests first - through an open architecture investment approach and best-in-class private banking and asset management products and services.

Statement of Management's Responsibility for Financial Reporting

The Group Financial Statements and the Financial Statements for the Bank's operations in Mauritius presented in this annual report have been prepared by management, which is responsible for their integrity, consistency, objectivity and reliability. International accounting standards of the International Accounting Standards Committee as well as the requirements of the Banking Act and the guidelines issued thereunder, have been applied for the year ended 30 June 2012 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 unauthorized use or disposal. These supporting procedures include careful selection and training of qualified staff, the implementation of organization and governance structures providing a well defined division of responsibilities, authorization 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 and Risk Policy Committee, which are comprised of independent directors who are not officers or employees of the Bank, 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 Head of Group Internal Audit, 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.

Pursuant to the provisions of the Banking Act, 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.

Arnaud Lagesse
Chairman

James Benoit
Chief Executive Officer

Jean de Fondaumière
Director

19 September 2012

Administrative Information

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Related Companies

AfrAsia Corporate Finance (Pty) Ltd

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FINANCIAL STATEMENTS 2012

AFRASIA
bank different

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Company Secretary's Certificate
Year Ended 30 June 2012

In terms of Section 166 (d) of the Companies Act 2001, I certify that to the best of my knowledge and belief, the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Companies Act.

Simon-Pierre REY
Company Secretary

19 September 2012

Independent Auditors' Report

To the Members of AfrAsia Bank Limited and its Group Entities

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of AfrAsia Bank Limited (the 'Bank') and its group entities (altogether the 'Group') on pages 110 to 196 which comprise the statements of financial position as at 30 June 2012, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001 and 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, 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 auditor's judgment, 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 control relevant to the group'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 group'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 110 to 196 give a true and fair view of the financial position of the Group and the Bank at 30 June 2012, of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with Companies Act 2001 and Financial Reporting Act 2004.

Other matter

This report, including the opinion, has been prepared for and only for the Bank's members, as a body, 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 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 or any of its subsidiaries other than in our capacities as auditors, tax advisors and dealings 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 it 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, the regulations and guidelines of the Bank of Mauritius. The explanations or information called for or given to us by the officers or agents of the Group and the Bank were satisfactory.

Financial Reporting Act 2004

The directors are responsible for preparing the corporate governance report and making the disclosures required by section 8.4 of the Code of Corporate Governance of Mauritius (the 'Code'). Our responsibility is to report on these disclosures. In our opinion, the disclosures in the Corporate Governance report are consistent with the requirements of the Code.

ERNST & YOUNG
Ebène, Mauritius

Patrick NG TSEUNG, A.C.A.
Licensed by FRC

19 September 2012

Statements of Comprehensive Income

For the Year Ended 30 June 2012

		THE GROUP			THE BANK		
		Year ended 30 June 2012	Year ended 30 June 2011	Year ended 30 June 2010	**Year ended 30 June 2012**	Year ended 30 June 2011	Year ended 30 June 2010
	Notes	**Rs**	Rs	Rs	**Rs**	Rs	Rs
Interest income	3	**829,224,426**	543,026,048	323,159,918	**829,230,689**	543,017,482	323,159,918
Interest expense	4	**(506,702,114)**	(324,266,104)	(215,633,180)	**(506,702,307)**	(324,271,915)	(215,650,919)
Net interest income		**322,522,312**	218,759,944	107,526,738	**322,528,382**	218,745,567	107,508,999
Fees and commission income	5	**116,006,675**	53,752,370	54,020,198	**116,006,675**	53,752,370	53,893,502
Fees and commission expense	5	**(14,620,861)**	(10,826,069)	(9,285,115)	**(14,576,701)**	(10,731,589)	(9,213,137)
Net fees and commission income	5	**101,385,814**	42,926,301	44,735,083	**101,429,974**	43,020,781	44,680,365
Net trading income	6	**62,062,243**	107,997,630	79,348,764	**62,056,737**	107,978,574	78,905,252
Other operating income		**1,608,361**	341,655	10,794	**11,210,410**	144,357	-
Total operating income		**487,578,730**	370,025,530	231,621,379	**497,225,503**	369,889,279	231,094,616
Net allowance for credit impairment	7	**(24,874,478)**	(25,299,641)	(31,963,872)	**(24,874,478)**	(25,299,641)	(31,963,872)
Net operating income		**462,704,252**	344,725,889	199,657,507	**472,351,025**	344,589,638	199,130,744
Personnel expenses	8	**(172,852,372)**	(126,720,957)	(90,316,955)	**(172,852,372)**	(126,720,957)	(90,316,955)
Depreciation of equipment	21	**(3,227,502)**	(3,058,647)	(2,804,560)	**(3,226,406)**	(3,046,724)	(2,792,710)
Amortisation of intangible assets	22	**(4,031,198)**	(3,812,237)	(4,233,538)	**(4,031,198)**	(3,812,237)	(4,233,538)
Other operating expenses	9	**(92,310,605)**	(68,561,015)	(54,327,744)	**(91,881,232)**	(68,297,982)	(53,647,698)
Total operating expenses		**(272,421,677)**	(202,152,856)	(151,682,797)	**(271,991,208)**	(201,877,900)	(150,990,901)
Operating profit		**190,282,575**	142,573,033	47,974,710	**200,359,817**	142,711,738	48,139,843
Share of profit of joint venture	19	**6,777,014**	5,703,724	1,263,493	**-**	-	-
Share of profit of associates	20	**93,403,802**	2,662,251	-	**-**	-	-
Profit before tax		**290,463,391**	150,939,008	49,238,203	**200,359,817**	142,711,738	48,139,843
Tax expense	10	**(20,086,630)**	(26,552,498)	(10,768,115)	**(20,092,051)**	(26,567,883)	(10,792,251)
Profit for the year		**270,376,761**	124,386,510	38,470,088	**180,267,766**	116,143,855	37,347,592
Other comprehensive income							
Exchange differences on translation of foreign operations		**17,414,350**	-	-	**-**	-	-
Hedge of a net investment in a foreign operation reserve		**(17,429,109)**	-	-	**-**	-	-
Other comprehensive income for the year, net of income tax		**(14,759)**	-	-	**-**	-	-
Total comprehensive income for the year		**270,362,002**	124,386,510	38,470,088	**180,267,766**	116,143,855	37,347,592

The notes on pages 114 to 196 form an integral part of these financial statements.

Auditors' report on page 109.

Statements of Financial Position

As at 30 June 2012

		THE GROUP			THE BANK		
		2012	2011	2010	**2012**	2011	2010
	Notes	**Rs**	Rs	Rs	**Rs**	Rs	Rs
ASSETS							
Cash and balances with the Central Bank	12	**676,371,624**	1,085,084,764	998,421,458	**676,371,624**	1,085,084,764	998,421,458
Due from banks	13	**3,527,186,481**	3,945,077,133	1,806,969,731	**3,527,119,302**	3,944,929,389	1,806,870,654
Derivative financial instruments	14	**190,544,328**	181,201,384	188,708,824	**123,782,046**	101,097,074	71,085,788
Other financial assets - held-for-trading	15	**1,162,543,500**	441,804,000	367,509,475	**1,162,543,500**	441,804,000	367,509,475
Loans and advances to customers	16	**12,784,321,295**	8,549,378,712	4,851,153,148	**12,784,435,754**	8,549,378,712	4,851,153,148
Financial investments – available-for-sale	17	**14,999,997**	-	-	**-**	-	-
Financial investments - held-to-maturity	17	**3,506,007,725**	2,560,492,783	846,580,424	**3,506,007,725**	2,560,492,783	846,580,424
Investment in subsidiaries	18	**-**	-	-	**363,163,638**	25,000,000	25,000,000
Investment in joint venture	19	**53,393,539**	46,616,525	40,912,801	**-**	-	-
Investment in associates	20	**408,444,360**	7,684,689	-	**-**	5,022,438	-
Equipment	21	**14,321,946**	13,364,250	13,408,600	**14,313,604**	13,354,813	13,387,240
Intangible assets	22	**17,094,812**	13,591,022	15,048,060	**17,094,812**	13,591,022	15,048,060
Deferred tax assets	10	**7,681,088**	2,532,127	2,228,541	**7,637,567**	2,494,027	2,205,826
Other assets	23	**29,440,868**	19,907,408	16,588,108	**29,365,439**	19,900,410	16,510,859
TOTAL ASSETS		**22,392,351,563**	16,866,734,797	9,147,529,170	**22,211,835,011**	16,762,149,432	9,013,772,932
LIABILITIES AND EQUITY							
Due to banks	24	**8,516,013**	28,483,333	96,186,070	**8,516,013**	28,483,333	96,186,070
Derivative financial instruments	14	**126,912,147**	125,325,638	208,988,419	**63,249,865**	48,321,328	94,465,383
Deposits from customers	25	**19,626,670,732**	14,962,435,979	7,985,565,513	**19,628,367,164**	14,962,538,164	7,985,730,346
Debts issued	26	**688,625,890**	547,090,779	115,251,460	**565,479,715**	421,574,481	-
Amount due to subsidiary	27	**-**	-	-	**123,146,176**	125,516,298	115,251,460
Current tax liabilities	10	**9,631,747**	18,385,558	9,324,978	**9,631,747**	18,385,558	9,324,978
Other liabilities	28	**150,243,695**	116,129,669	49,757,591	**131,281,959**	97,941,160	31,611,632
TOTAL LIABILITIES		**20,610,600,224**	15,797,850,956	8,465,074,031	**20,529,672,639**	15,702,760,322	8,332,569,869
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							
Issued capital	29	**1,398,457,492**	921,638,335	653,977,649	**1,398,457,492**	921,638,335	653,977,649
Retained earnings		**289,421,575**	100,758,107	16,059,240	**189,817,849**	91,263,376	14,807,164
Other reserves	30	**93,872,272**	46,487,399	12,418,250	**93,887,031**	46,487,399	12,418,250
TOTAL EQUITY		**1,781,751,339**	1,068,883,841	682,455,139	**1,682,162,372**	1,059,389,110	681,203,063
TOTAL LIABILITIES AND EQUITY		**22,392,351,563**	16,866,734,797	9,147,529,170	**22,211,835,011**	16,762,149,432	9,013,772,932

The financial statements have been approved for issue by the Board of Directors on 19 September 2012.

Arnaud Lagesse
Chairman

James Benoit
Chief Executive Officer

Jean de Fondaumière
Director

The notes on pages 114 to 196 form an integral part of these financial statements.

Auditors' report on page 109.

Statements of Changes in Equity

For the Year Ended 30 June 2012

(a) THE GROUP	Notes	Issued capital	Retained earnings/ (revenue deficit)	Other reserves	Total
		Rs	Rs	Rs	Rs
At 1 July 2009		653,977,649	(19,797,819)	5,632,775	639,812,605
Profit for the year		-	38,470,088	-	38,470,088
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	38,470,088	-	38,470,088
Share-based payments	30	-	-	4,172,446	4,172,446
Appropriation of reserves	30	-	(2,613,029)	2,613,029	-
At 30 June 2010		653,977,649	16,059,240	12,418,250	682,455,139
At 1 July 2010		653,977,649	16,059,240	12,418,250	682,455,139
Issue of shares		267,660,686	-	-	267,660,686
Profit for the year		-	124,386,510	-	124,386,510
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	124,386,510	-	124,386,510
Share-based payments	30	-	-	3,953,869	3,953,869
Appropriation of reserves	30	-	(30,115,280)	30,115,280	-
Dividends	11	-	(9,572,363)	-	(9,572,363)
At 30 June 2011		921,638,335	100,758,107	46,487,399	1,068,883,841
At 1 July 2011		**921,638,335**	**100,758,107**	**46,487,399**	**1,068,883,841**
Issue of shares		**476,819,157**	**-**	**-**	**476,819,157**
Profit for the year		**-**	**270,376,761**	**-**	**270,376,761**
Other comprehensive income		**-**	**-**	**(14,759)**	**(14,759)**
Total comprehensive income for the year		**-**	**270,376,761**	**(14,759)**	**270,362,002**
Share-based payments	30	**-**	**-**	**247,217**	**247,217**
Appropriation of reserves	30	**-**	**(47,152,415)**	**47,152,415**	**-**
Dividends	11	**-**	**(34,560,878)**	**-**	**(34,560,878)**
At 30 June 2012		**1,398,457,492**	**289,421,575**	**93,872,272**	**1,781,751,339**

(b) THE BANK	Notes	Issued capital	Retained earnings/ (revenue deficit)	Other reserves	Total
		Rs	Rs	Rs	Rs
At 1 July 2009		653,977,649	(19,927,399)	5,632,775	639,683,025
Profit for the year		-	37,347,592	-	37,347,592
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	37,347,592	-	37,347,592
Share-based payments	30	-	-	4,172,446	4,172,446
Appropriation of reserves	30	-	(2,613,029)	2,613,029	-
At 30 June 2010		653,977,649	14,807,164	12,418,250	681,203,063
At 1 July 2010		653,977,649	14,807,164	12,418,250	681,203,063
Issue of shares		267,660,686	-	-	267,660,686
Profit for the year		-	116,143,855	-	116,143,855
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	116,143,855	-	116,143,855
Share-based payments	30	-	-	3,953,869	3,953,869
Appropriation of reserves	30	-	(30,115,280)	30,115,280	-
Dividends	11	-	(9,572,363)	-	(9,572,363)
At 30 June 2011		921,638,335	91,263,376	46,487,399	1,059,389,110
At 1 July 2011		**921,638,335**	**91,263,376**	**46,487,399**	**1,059,389,110**
Issue of shares		**476,819,157**	**-**	**-**	**476,819,157**
Profit for the year		**-**	**180,267,766**	**-**	**180,267,766**
Other comprehensive income		**-**	**-**	**-**	**-**
Total comprehensive income for the year		**-**	**180,267,766**	**-**	**180,267,766**
Share-based payments	30	**-**	**-**	**247,217**	**247,217**
Appropriation of reserves	30	**-**	**(47,152,415)**	**47,152,415**	**-**
Dividends	11	**-**	**(34,560,878)**	**-**	**(34,560,878)**
At 30 June 2012		**1,398,457,492**	**189,817,849**	**93,887,031**	**1,682,162,372**

The notes on pages 114 to 196 form an integral part of these financial statements.
Auditors' report on page 109.

Statements of Cash Flows

For the Year Ended 30 June 2012

		THE GROUP			THE BANK		
		2012	2011	2010	2012	2011	2010
	Notes	Rs	Rs	Rs	Rs	Rs	Rs
OPERATING ACTIVITIES							
Profit before tax		**290,463,391**	150,939,008	49,238,203	**200,359,817**	142,711,738	48,139,843
Adjustments for:							
Change in operating assets	32(b)	**(6,214,707,025)**	(6,053,310,449)	(3,116,288,894)	**(6,228,100,501)**	(6,090,899,426)	(3,091,446,940)
Change in operating liabilities	32(c)	**4,768,890,790**	7,267,644,294	2,878,496,415	**4,783,074,018**	7,305,057,822	2,892,151,100
Non-cash items included in profit before tax	32(d)	**(50,137,685)**	33,366,834	34,862,766	**41,198,670**	41,720,886	36,114,409
Tax paid		**(33,987,059)**	(17,795,504)	(419,918)	**(33,987,059)**	(17,795,504)	(400,607)
Net cash flows (used in)/from operating activities		**(1,239,477,588)**	1,380,844,183	(154,111,428)	**(1,237,455,055)**	1,380,795,516	(115,442,195)
INVESTING ACTIVITIES							
Purchase of equipment	21	**(4,306,677)**	(3,236,300)	(5,203,688)	**(4,306,677)**	(3,236,300)	(5,192,763)
Purchase of investment in associates		**(307,355,868)**	(5,022,438)	-	**(9,696,696)**	(5,022,438)	-
Purchase of intangible assets	22	**(7,534,988)**	(2,355,199)	(5,752,295)	**(7,534,988)**	(2,355,199)	(5,752,295)
Investment in joint venture		**-**	-	(21,700,000)	**-**	-	-
Investment in subsidiaries	18	**-**	-	-	**(338,163,638)**	-	(24,000,000)
Proceeds from sale of investment in associates		**-**	-	-	**23,562,500**	-	-
Purchase of available-for-sale financial investments		**(14,999,997)**	-	-	**-**	-	-
Net cash flows used in investing activities		**(334,197,530)**	(10,613,937)	(32,655,983)	**(336,139,499)**	(10,613,937)	(34,945,058)
FINANCING ACTIVITIES							
Issue of shares		**476,819,157**	267,660,686	201,988,789	**476,819,157**	267,660,686	201,988,789
Dividends paid	11	**(34,560,878)**	(9,572,363)	-	**(34,560,878)**	(9,572,363)	-
Net cash flows from financing activities		**442,258,279**	258,088,323	201,988,789	**442,258,279**	258,088,323	201,988,789
Net cash flows for the year		**(1,131,416,839)**	1,628,318,569	15,221,378	**(1,131,336,275)**	1,628,269,902	51,601,536
Movement in cash and cash equivalents							
Cash and cash equivalents at beginning of the year		**4,051,058,852**	2,422,740,283	2,407,518,905	**4,050,911,108**	2,422,641,206	2,371,039,670
Net (decrease)/increase in cash and cash equivalents		**(1,131,416,839)**	1,628,318,569	15,221,378	**(1,131,336,275)**	1,628,269,902	51,601,536
Cash and cash equivalents at 30 June	32(a)	**2,919,642,013**	4,051,058,852	2,422,740,283	**2,919,574,833**	4,050,911,108	2,422,641,206
Operational cash flows from interest							
Interest paid		**443,083,735**	492,295,573	192,963,939	**454,110,197**	268,155,028	192,963,939
Interest received		**651,789,243**	268,149,216	284,408,846	**780,458,900**	492,287,007	284,408,846

The notes on pages 114 to 196 form an integral part of these financial statements.

Auditors' report on page 109.

Notes to the Financial Statements
Year Ended 30 June 2012

1. CORPORATE INFORMATION

AfrAsia Bank Limited ('the Bank') is a public company incorporated and domiciled in the Republic of Mauritius. The principal activity of the Bank and those of its group entities ('the Group') is the provision of financial services in the Indian Ocean Region. Its registered office is at 10 Dr Ferrière Street, Port Louis, Mauritius.

The financial statements for the year ended 30 June 2012 were authorised for issue in accordance with a resolution of the Directors on 19 September 2012.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and the Bank have been prepared on a historical cost basis, except for financial assets held-for-trading and derivative financial instruments, that have been measured at fair value as disclosed in the accounting policies hereafter. The financial statements are presented in Mauritian Rupees ('Rs') and all values are rounded to the nearest rupee except when otherwise indicated.

Statement of compliance

The financial statements of the Group and the Bank have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

Presentation of financial statements

The Group and the Bank present their statements of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statements of financial position date (current) and more than 12 months after the statements of financial position date (non-current) is presented in Note 33.

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Income and expense will not be offset in the statements of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

Basis of consolidation

The consolidated financial statements comprise the financial statements of AfrAsia Bank Limited and its subsidiaries for the year ended 30 June 2012. The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses are eliminated in full.

The subsidiaries are fully consolidated from the date on which control is transferred to the Bank.

Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

2.2 Significant accounting judgements and estimates

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

(a) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

2. ACCOUNTING POLICIES (cont'd)

2.2 Significant accounting judgements and estimates (cont'd)

(a) Judgements (cont'd)

Going concern

Management has made an assessment of the Group's and the Bank's ability to continue as a going concern and is satisfied that the Group and the Bank have 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 Group's and the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

(b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statements 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 judgment is required in establishing fair values. The judgments 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 Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statements of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group makes judgments about the borrower's financial situation and the net realisable value of collateral. 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 and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio, concentrations of risks and economic data.

The impairment loss on loans and advances is disclosed in more details in Note 16.

2. ACCOUNTING POLICIES (cont'd)

2.2 Significant accounting judgements and estimates (cont'd)

(b) Estimates and assumptions (cont'd)

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

2.3 Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the following amended IFRS adopted in the year commencing 1 July 2011:

- IAS 24 Related Party Disclosures (amendment) effective 1 January 2011
- IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendment) - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements effective 1 July 2011
- IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment) effective 1 January 2011
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments effective 1 July 2010
- Improvements to IFRSs (May 2010) effective either 1 July 2010 or 1 January 2011

The adoption of the standards or interpretations is described below:

IAS 24 Related Party Transactions (Amendment)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect the related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group and the Bank.

IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendment)

The amendment allows for a first-time adopter of IFRS to utilise the transitional provisions of IFRS 7. The result is relief for the first time adopter when providing comparative information under IFRS 7 in the first year of adoption. The amendment has no effect on the financial position or performance of the Group and the Bank as the latter is not a first-time adopter of IFRS.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Group's and the Bank's financial position or performance.

2. ACCOUNTING POLICIES (cont'd)

2.3 Change in accounting policies (cont'd)

IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendment) - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

The amendment provides that, when an entity's date of transition to IFRS is on, or after, the date its functional currency ceases to be subject to hyperinflation, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date that were subject to severe hyperinflation, at fair value, on the date of transition to IFRS. This fair value may be deemed cost of those assets and liabilities in the opening IFRS statement of financial position. A further amendment to the Standard is the removal of the legacy fixed dates in IFRS 1 relating to derecognition and day one gain or loss transactions have also been removed. The standard now has these dates coinciding with the date of transition to IFRS. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment has no impact on the Group's and the Bank's financial position or performance.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as pension asset. The amendment has had no effect on the financial position or performance of the Group and the Bank.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

In November 2009, the IASB issued IFRIC 19 Extinguishing Financial Liabilities with Equity. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation has had no effect on the financial statements of the Group and the Bank.

Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

The adoption of the following amendments resulted in changes to presentation and disclosure and to accounting policies but no impact on the financial position or performance of the Group and the Bank.

IFRS 7 Financial Instruments – Disclosures:

The amendment was intended to simplify the disclosures provided, by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The Group and the Bank reflect the revised disclosure requirements in Note 36.

Other amendments resulting from Improvements to IFRSs to the following standards and interpretations did not have any impact on the accounting policies, financial position or performance of the Group and the Bank:

- IAS 1 Presentation of Financial Statements (Presentation of an analysis of each component of other comprehensive income)
- IFRS 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))
- IFRS 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment awards)
- IAS 27 Consolidated and Separate Financial Statements
- IAS 34 Interim Financial Statement
- IFRIC 13 Customer Loyalty Programmes (determining the fair value of award credits)

2. ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies

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

(a) Foreign currency translation

The financial statements are presented in Mauritian Rupees ('Rs'), which is the Group's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at 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' in the statements of comprehensive income.

Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All differences are accounted for in 'Net trading income' in the statements of comprehensive income.

(b) Financial instruments - initial recognition and subsequent measurement

(i) Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e. the date that the Group 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.

(ii) Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose and characteristics and management's intention in acquiring them. 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.

(iii) Derivatives recorded at fair value through profit or loss

Derivatives are 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 profit or loss.

(iv) Financial assets or financial liabilities held-for-trading

Financial assets or financial liabilities held-for-trading are recorded in the statements of financial position at fair value. Changes in fair value are recognised in 'Net trading income'. Interest and dividend income or expense is recorded in 'Net trading income' according to the terms of the contract, or when the right to the payment has been established.

Included in this classification are debt securities, equities and short positions and customer loans which have been acquired principally for the purpose of selling or repurchasing in the near term.

2. ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(b) Financial instruments - initial recognition and subsequent measurement (cont'd)

(v) 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 statements 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'. 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 'Other Operating Income' when the right to the payment has been established.

(vi) 'Day 1' profit or loss

When the transaction price is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Net trading income'. In the case 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 statements of comprehensive income when the inputs become observable, or when the instrument is derecognised.

(vii) Held-to-maturity financial investments

Held-to-maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the Group has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments 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 amortisation is included in 'Interest income' in the statements of comprehensive income. The losses arising from impairment of such assets are recognised in profit or loss.

If the Group were 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 Group would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

2. ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(b) Financial instruments - initial recognition and subsequent measurement (cont'd)

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

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

The Group 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 Group, 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).

(ix) Debts issued

Financial instruments or their components issued by the Group, which are not designated at fair value through profit or loss, are classified as liabilities under 'Debts issued' where the substance of the contractual arrangement results in the Group 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, debts issued and other borrowings are subsequently measured at amortised cost using the EIR 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 EIR. An analysis of the Group's issued debt is disclosed in Note 26 to the financial statements.

(x) Reclassification of financial assets

Effective from 1 July 2008, the Group may 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 Group 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 Group 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 Group 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.

2. ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(b) Financial instruments - initial recognition and subsequent measurement (cont'd)

(x) Reclassification of financial assets (cont'd)

For a financial asset reclassified out of the 'Available-for-sale' category, any previous gain or loss on that asset that has been recognised as 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 statements of comprehensive income.

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

(c) Derecognition of financial assets and financial liabilities

(i) 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 where:

- the rights to receive cash flows from the asset have expired; or
- the Group 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 Group has transferred substantially all the risks and rewards of the asset, or
    b. the Group has neither transferred nor retained substantially all the risks and rewards on the asset, but has transferred control of the asset.

When the Group 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 Group's continuing involvement in the asset. In that case, the Group 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 Group 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 Group could be required to repay.

(ii) 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 profit or loss.

(d) 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.

2. ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(d) Determination of fair value (cont'd)

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with 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 Group'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, credit and debit valuation adjustments, 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 31.

(e) Impairment of financial assets

The Group 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 has 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 Group and the Bank regarding the impairment of specific classes of assets:

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers as well as held-to-maturity investments), the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, 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 statements of comprehensive income in 'Net allowance for credit impairment'. Interest income continues to be accrued on the reduced carrying amount and is accrued 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 'Interest income'.

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 Group.

2. ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(e) Impairment of financial assets (cont'd)

(i) Financial assets carried at amortised cost (cont'd)

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 profit or loss.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Group has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new EIR 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 Group'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 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.

(ii) Renegotiated loans

Where possible, the Group 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 EIR.

(f) Hedge accounting

The Group makes use of non-derivative instruments to manage exposures to foreign currency risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risks, the Group applies hedge accounting for transactions which meet specified criteria.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on an ongoing basis.

2. ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(f) Hedge accounting (cont'd)

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognised in the statements of comprehensive income in 'Net trading income'. For situations where the hedged item is a forecast transaction, the Group also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Fair value hedges

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised in the statements of comprehensive income in 'Net trading income'. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the statements of financial position and is also recognised in the statements of comprehensive income in 'Net trading income'.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is discontinued prospectively. For hedged item recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the recalculated effective interest rate (EIR) method. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in profit or loss.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to profit or loss.

The Group uses a deposit as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries.

(g) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements 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, therefore, the related assets and liabilities are presented gross in the statements of financial position.

(h) Recognition of income and expenses

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

2. ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(h) Recognition of income and expenses (cont'd)

(i) Interest income and expenses

For all financial instruments measured at amortised cost, interest income or expense is recorded using the EIR. EIR 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 EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as other operating income for financial assets and other operating expense for financial liabilities.

However, for a reclassified financial asset for which the Group 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.

(ii) Fees and commission income

The Group earns fees and commission income from a diverse range of services it provides to its customers. Fee income can be categorized into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and raising fees.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(iii) Dividend income

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

(iv) 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 and dividends for financial assets and financial liabilities 'Held-for-trading'.

Notes to the Financial Statements

Year Ended 30 June 2012

2. ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(i) Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statements comprises cash on hand, non-restricted current accounts with the central bank and amounts due from banks on demand or with an original maturity of three months or less.

(j) Interest in joint venture

The Group has an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The Group recognises its interest in the joint venture using the equity account method.

Under the equity method, the interest in joint venture is carried on the statements of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statements of comprehensive income reflect the share of the results of operations of the joint venture. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The Group's share of profit of the joint venture is shown on the face of the statements of comprehensive income. This is the profit attributable to equity holders of the joint venture and therefore is profit after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's interest in joint venture. The Group determines at each reporting date whether there is any objective evidence that the interest in joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss.

Upon loss of joint control and provided the former joint control entity does not become a subsidiary or associate, the Group measures and recognises its remaining investment at its fair value. Any differences between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in the statements of comprehensive income. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

In the separate financial statements of the Bank, the interest in joint venture is accounted at cost (which includes transaction costs) less any allowance for impairment loss. The bank determines at each reporting date whether there is any objective evidence that the interest in joint venture is impaired. If this is the case the bank calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognises the amount in profit or loss.

2. ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(k) Investment in an associate

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the statements of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statements of comprehensive income reflect the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of the associate is shown on the face of the statements of comprehensive income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in the associate. The Group 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 Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in the statements of comprehensive income.

In the separate financial statements of the Bank, the investment in associated companies is accounted at cost (which includes transaction costs) less any allowance for impairment loss. The Bank determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Bank calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognises the amount in profit or loss.

(l) Investment in a subsidiary

Investment in a subsidiary is accounted at cost in the Bank's separate financial statements, less any accumulated impairment in value.

(m) Provisions

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

(n) Equipment

Equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value.

2. ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(n) Equipment (cont'd)

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
Improvement to building	10%
Furniture and fittings	10%
Office equipment	10-20%
Motor vehicle	20%
Computer equipment	33 1/3%

An item of equipment is derecognised on disposal or when no future economic benefits are expected from its use. 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 'Other operating income' in the statements of comprehensive income in the year the asset is derecognised.

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

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.

(o) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the statements of comprehensive income in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

	Rate
Computer software	33 1/3%
Banking software	14%
Other	33 1/3%

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2. ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(p) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

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 Group 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 profit or loss.

(q) Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, financial guarantees and acceptances. Financial guarantees are initially recognised in the financial statements, within 'Other liabilities' at fair value. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in profit or loss, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the statements of comprehensive income in 'Net allowance for credit impairment'. The premium received is recognised in the statements of comprehensive income in 'Fees and commission income' on a straight line basis over the life of the guarantee.

(r) Pension benefits

Defined contribution pension plan

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

(s) Equity reserves

The reserves recorded in equity (other comprehensive income) on the Group's statements of financial position include:

- 'other reserves' which relate to expenses arising from equity-settled share-based payment transactions;
- 'statutory reserve' which represents 15% of the net profit transferred in accordance with the Banking Act 2004; and
- 'general banking reserve' which comprises amounts set aside for general banking risks including country risk.

2. ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(t) Share-based payment transactions

Employees (including senior executives) of the Bank receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions').

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date on which they are granted. The fair value is determined using an appropriate valuation methodology including reference to recent transactions with third parties.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit for a period is recorded in 'Personnel expenses' and represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition (a condition linked to the price of the Bank's shares), which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other vesting conditions are satisfied.

Similarly, awards of equity instruments with non-vesting conditions are treated as vesting if all vesting conditions that are not market conditions are met, irrespective of whether the non-vesting conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognised in 'Personnel expenses' is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

(u) Taxes

(i) 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.

(ii) Value added tax

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

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

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

2. ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(u) Taxes (cont'd)

(iii) Deferred tax

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

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

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

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

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

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

Current tax and deferred tax relating to items recognised directly in equity or other comprehensive income are also recognised in equity or other comprehensive income and not in profit or loss.

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.

(iv) Corporate Social Responsibility

The 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 book profit relating to Segment A - residents of the preceding financial year to Government approved CSR projects.

The required CSR fund for the year is recognised in tax expense in the statements of comprehensive income.

The net amount of CSR fund payable to the taxation authority is included in current tax liabilities in the statements of financial position.

2. ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(v) Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment income, segment expenses and segment performance include transfers between business segments and between geographical segments.

The Bank has prepared its separate financial statements in line with the requirements of the Bank of Mauritius Guideline on 'Segmental Reporting under a Single Banking Licence Regime' 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 resident companies, institutions as well as individuals including stocks and debt instruments and claims on non-resident and/or entities holding Global Business Licence ('GBLs'). Segment B liabilities will normally arise from deposits, borrowings, funds deposited by non-residents and GBLs.

Segment A

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

(w) 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 Directors. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank.

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

2.5 Standards and interpretations not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's and the Bank's financial statements are listed below. The Group and the Bank intend to adopt applicable standards when they become effective.

IAS 1 Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income (OCI)

The amendments to IAS 1 change the grouping of items presented in 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 never be reclassified. The amendments affect presentation only and therefore have no impact on the Group's and the Bank's financial position or performance. The amendments become effective for annual periods beginning on or after 1 July 2012.

IAS 19 Employee Benefits (Amendments)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The amendments become effective for annual periods beginning on or after 1 January 2013.

2. ACCOUNTING POLICIES (cont'd)

2.5 Standards and interpretations not yet effective (cont'd)

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12. IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial asset. The completion of this project is expected over the course of 2012 or the first half of 2013. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's and the Bank's financial assets and financial liabilities. The Group and the Bank will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also replaces SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including 'special purpose entities'. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IAS 12 Deferred taxes: Recovery of underlying assets – amendment to IAS 12

The amendment introduces a rebuttable presumption that deferred tax on investment properties measured at fair value be recognised on a sale basis. This is not applicable to the Group and the Bank.

2. ACCOUNTING POLICIES (cont'd)

2.5 Standards and interpretations not yet effective (cont'd)

IAS 32 Offsetting Financial Assets and Financial Liabilities

The IASB issued an amendment to clarify the meaning of "currently has a legally enforceable right to set off the recognised amounts". This means that the right of set-off:

- must not be contingent on a future event; and
- must be legally enforceable in all of the following circumstances:

- the normal course of business;
- the event of default; and
- the event of insolvency or bankruptcy of the entity and all of the counterparties.

The amendment becomes effective for annual periods beginning on or after 1 January 2014.

IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

Amends the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 7 Financial Instruments – Mandatory effective date and transition disclosures (amendments to IFRS 9 and IFRS 7)

Mandatory effective date for IFRS 9 is 1 January 2015. The amendments to IFRS 7 depend on when IFRS 9 is adopted and affect the extent of comparative information required to be disclosed.

Except where explicitly stated, the Group and the Bank are currently assessing the impact of the above standards and amendments on the Group's and the Bank's financial position and performance.

3. INTEREST INCOME

	THE GROUP			THE BANK		
	Year ended 30 June 2012	Year ended 30 June 2011	Year ended 30 June 2010	**Year ended 30 June 2012**	Year ended 30 June 2011	Year ended 30 June 2010
	Rs	Rs	Rs	**Rs**	Rs	Rs
Interest income on:						
- Due from banks	**46,985,947**	42,139,706	22,807,887	**46,992,210**	42,131,140	22,807,887
- Loans and advances to customers	**639,853,147**	420,135,761	270,622,930	**639,853,147**	420,135,761	270,622,930
- Financial investments - held-to-maturity	**142,385,332**	80,750,581	29,729,101	**142,385,332**	80,750,581	29,729,101
	829,224,426	543,026,048	323,159,918	**829,230,689**	543,017,482	323,159,918

4. INTEREST EXPENSE

	THE GROUP			THE BANK		
	Year ended 30 June 2012	Year ended 30 June 2011	Year ended 30 June 2010	**Year ended 30 June 2012**	Year ended 30 June 2011	Year ended 30 June 2010
	Rs	Rs	Rs	**Rs**	Rs	Rs
Interest expense on:						
- Due to banks	**796,495**	781,015	1,577,355	**796,495**	786,826	1,577,355
- Deposits from customers	**451,731,987**	303,854,012	201,489,692	**451,732,180**	303,854,012	201,507,431
- Other	**54,173,632**	19,631,077	12,566,133	**54,173,632**	19,631,077	12,566,133
	506,702,114	324,266,104	215,633,180	**506,702,307**	324,271,915	215,650,919

5. NET FEES AND COMMISSION INCOME

	THE GROUP			THE BANK		
	Year ended 30 June 2012	Year ended 30 June 2011	Year ended 30 June 2010	**Year ended 30 June 2012**	Year ended 30 June 2011	Year ended 30 June 2010
	Rs	Rs	Rs	**Rs**	Rs	Rs
Fees and commission income						
Credit related fees and commission income	**104,071,363**	48,899,934	50,130,242	**104,071,363**	48,899,934	50,130,242
Other fees received	**11,935,312**	4,852,436	3,889,956	**11,935,312**	4,852,436	3,763,260
Total fees and commission income	**116,006,675**	53,752,370	54,020,198	**116,006,675**	53,752,370	53,893,502
Fees and commission expense						
Other fees	**(14,620,861)**	(10,826,069)	(9,285,115)	**(14,576,701)**	(10,731,589)	(9,213,137)
Total fees and commission expense	**(14,620,861)**	(10,826,069)	(9,285,115)	**(14,576,701)**	(10,731,589)	(9,213,137)
Net fees and commission income	**101,385,814**	42,926,301	44,735,083	**101,429,974**	43,020,781	44,680,365

6. NET TRADING INCOME

	THE GROUP			THE BANK		
	Year ended 30 June 2012	Year ended 30 June 2011	Year ended 30 June 2010	**Year ended 30 June 2012**	Year ended 30 June 2011	Year ended 30 June 2010
	Rs	Rs	Rs	**Rs**	Rs	Rs
Financial investments held-for-trading	**35,141,513**	12,418,225	8,640,203	**35,141,513**	12,418,225	8,640,203
Foreign exchange	**26,920,730**	95,579,405	70,708,561	**26,915,224**	95,560,349	70,265,049
	62,062,243	107,997,630	79,348,764	**62,056,737**	107,978,574	78,905,252

Foreign exchange income includes realised and unrealised gains and losses from spot and forward contracts and other currency derivatives.

7. NET ALLOWANCE FOR CREDIT IMPAIRMENT

	THE GROUP AND THE BANK		
	Year ended 30 June 2012	Year ended 30 June 2011	Year ended 30 June 2010
	Rs	Rs	Rs
Portfolio and specific provisions on loans and advances to customers			
- Retail and personal	**127,404**	1,003,390	2,863,261
- Business	**21,945,813**	6,075,621	5,895,635
- Entities outside Mauritius	**2,071,358**	12,948,030	21,326,286
- Credit cards	**729,903**	5,272,600	1,508,600
	24,874,478	25,299,641	31,593,782
Bad debts written-off	-	-	372,090
Recoveries	-	-	(2,000)
	24,874,478	25,299,641	31,963,872

8. PERSONNEL EXPENSES

	THE GROUP			THE BANK		
	Year ended 30 June 2012	Year ended 30 June 2011	Year ended 30 June 2010	**Year ended 30 June 2012**	Year ended 30 June 2011	Year ended 30 June 2010
	Rs	Rs	Rs	**Rs**	Rs	Rs
Salaries	**84,680,374**	71,140,327	55,534,323	**84,680,374**	71,140,327	55,534,323
Staff benefits	**84,350,943**	48,193,715	28,071,708	**84,350,943**	48,193,715	28,071,708
Pension cost-defined contribution scheme	**3,348,907**	2,919,068	2,345,295	**3,348,907**	2,919,068	2,345,295
Training expenses	**224,931**	513,978	193,183	**224,931**	513,978	193,183
Share-based payments (Note 30)	**247,217**	3,953,869	4,172,446	**247,217**	3,953,869	4,172,446
	172,852,372	126,720,957	90,316,955	**172,852,372**	126,720,957	90,316,955

Share-based payments of Rs247,217 (2011: Rs3,953,869 and 2010: Rs4,172,446) relate to the expense arising from transactions accounted for as equity-settled share-based payment transactions (see Note 30).

9. OTHER OPERATING EXPENSES

	THE GROUP			THE BANK		
	Year ended 30 June 2012	Year ended 30 June 2011	Year ended 30 June 2010	**Year ended 30 June 2012**	Year ended 30 June 2011	Year ended 30 June 2010
	Rs	Rs	Rs	**Rs**	Rs	Rs
Advertising and marketing expenses	**19,220,251**	12,464,281	9,898,545	**19,220,251**	12,464,281	9,898,545
Administrative expenses	**51,106,581**	43,880,649	33,399,938	**50,677,208**	43,617,616	32,719,892
Equipment written-off	**121,480**	222,003	298,100	**121,480**	222,003	298,100
Intangible assets written-off	-	-	51,436	-	-	51,436
Professional fees	**21,862,293**	11,994,082	10,679,725	**21,862,293**	11,994,082	10,679,725
	92,310,605	68,561,015	54,327,744	**91,881,232**	68,297,982	53,647,698

10. TAXATION

(a) Statements of financial position

	THE GROUP			THE BANK		
	Year ended 30 June 2012	Year ended 30 June 2011	Year ended 30 June 2010	**Year ended 30 June 2012**	Year ended 30 June 2011	Year ended 30 June 2010
	Rs	Rs	Rs	**Rs**	Rs	Rs
Corporate tax liability:						
Current year	**17,266,705**	19,409,107	6,106,509	**17,266,705**	19,409,107	6,106,509
Tax paid under advance payment scheme	**(13,985,888)**	(7,607,241)	-	**(13,985,888)**	(7,607,241)	-
	3,280,817	11,801,866	6,106,509	**3,280,817**	11,801,866	6,106,509
Corporate social responsibility fund	**-**	-	55,709	**-**	-	55,709
Special levy	**6,350,930**	6,583,692	3,162,760	**6,350,930**	6,583,692	3,162,760
Current tax liabilities	**9,631,747**	18,385,558	9,324,978	**9,631,747**	18,385,558	9,324,978

Corporate Social Responsibility fund

The 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 book profit Segment A ('Residents') of the preceding financial year to Government approved CSR projects.

Special levy

Special levy on banks was legislated by the Government of Mauritius in 2007, as amended by the Finance Act 2009. Every bank shall in every year be liable to pay the taxation authorities a special levy calculated at 3.4% of its book profit and 1% of its operating income derived during the previous year. Operating income means the sum of net interest income and other income before deducting non-interest expense.

(b) Statements of comprehensive income

	THE GROUP			THE BANK		
	Year ended 30 June 2012	Year ended 30 June 2011	Year ended 30 June 2010	**Year ended 30 June 2012**	Year ended 30 June 2011	Year ended 30 June 2010
	Rs	Rs	Rs	**Rs**	Rs	Rs
The components of income tax expense for the years ended 30 June 2012, 2011 and 2010 are as follows:						
Current tax						
- Current income tax	**17,266,705**	19,409,107	6,106,509	**17,266,705**	19,409,107	6,106,509
- Adjustment in respect of current income tax of prior period	**-**	115,211	(645)	**-**	115,211	-
Corporate social responsibility fund	**1,617,956**	748,074	457,595	**1,617,956**	748,074	456,316
Special levy	**6,350,930**	6,583,692	3,162,760	**6,350,930**	6,583,692	3,162,760
Deferred tax						
- Adjustment in respect of deferred tax of prior period	**-**	198,037	-	**-**	192,616	-
- Relating to origination and reversal of temporary differences	**(5,148,961)**	(501,623)	1,041,896	**(5,143,540)**	(480,817)	1,066,666
Tax expense reported in the statements of comprehensive income	**20,086,630**	26,552,498	10,768,115	**20,092,051**	26,567,883	10,792,251

Notes to the Financial Statements

Year Ended 30 June 2012

10. TAXATION (cont'd)

(c) Reconciliation of the total tax expense

A reconciliation between the tax expense and the accounting profit multiplied by the domestic tax rate for years ended 30 June 2012, 2011 and 2010 is as follows:

	THE GROUP			THE BANK		
	Year ended 30 June 2012	Year ended 30 June 2011	Year ended 30 June 2010	**Year ended 30 June 2012**	Year ended 30 June 2011	Year ended 30 June 2010
	Rs	Rs	Rs	**Rs**	Rs	Rs
Accounting profit before tax	**290,463,391**	150,939,008	49,238,203	**200,359,817**	142,711,738	48,139,843
At statutory income tax rate of 15%	**43,569,509**	22,640,851	7,385,730	**30,053,973**	21,406,761	7,220,976
Deemed credit on Segment B profits	**(14,780,924)**	(4,054,409)	(1,391,528)	**(14,780,924)**	(4,054,409)	(1,391,528)
(Over)/under provision of deferred tax asset in prior year	**(2,166,060)**	198,037	218,091	**(2,166,089)**	192,616	218,091
(Over)/under-provision in corporate tax in prior year	**-**	115,211	(645)	**-**	115,211	-
Non deductible expenses	**522,350**	184,738	1,036,746	**451,022**	184,738	1,036,746
Tax effect of joint venture and associates	**(15,027,137)**	(1,254,896)	(189,824)	**(1,434,824)**	-	(300)
Assets not eligible for capital allowance	**-**	23,130	89,190	**-**	23,130	89,190
Corporate social responsibility fund	**1,617,956**	2,116,144	457,595	**1,617,956**	2,116,144	456,316
Special levy	**6,350,936**	6,583,692	3,162,760	**6,350,936**	6,583,692	3,162,760
Tax expense reported in the statements of comprehensive income	**20,086,630**	26,552,498	10,768,115	**20,092,051**	26,567,883	10,792,251

(d) Deferred tax

THE GROUP	**Deferred tax assets 2012**	**Statement of comprehensive income 2012**	Deferred tax assets 2011	Statement of comprehensive income 2011	Deferred tax assets 2010	Statement of comprehensive income 2010
	Rs	**Rs**	Rs	Rs	Rs	Rs
Impairment allowances on loans and advances to customers	**(9,744,115)**	**(3,210,800)**	(6,533,315)	(1,855,897)	(4,677,419)	(2,121,982)
Accelerated capital allowances	**2,106,548**	**177,528**	1,929,020	5,222	1,705,264	516,812
Tax losses	**(43,521)**	**(4,006)**	(39,515)	(19,018)	-	1,903,452
Other temporary differences	**-**	**(2,111,683)**	2,111,683	1,368,070	743,614	743,614
	(7,681,088)	**(5,148,961)**	(2,532,127)	(501,623)	(2,228,541)	1,041,896

THE BANK	**Deferred tax assets 2012**	**Statement of comprehensive income 2012**	Deferred tax assets 2011	Statement of comprehensive income 2011	Deferred tax assets 2010	Statement of comprehensive income 2010
	Rs	**Rs**	Rs	Rs	Rs	Rs
Impairment allowances on loans and advances to customers	**(9,744,115)**	**(3,210,800)**	(6,533,315)	(1,855,897)	(4,677,419)	(2,121,982)
Accelerated capital allowances	**2,106,548**	**178,943**	1,927,605	7,010	1,727,979	541,582
Tax losses	**-**	**-**	-	-	-	1,903,452
Other temporary differences	**-**	**(2,111,683)**	2,111,683	1,368,070	743,614	743,614
	(7,637,567)	**(5,143,540)**	(2,494,027)	(480,817)	(2,205,826)	1,066,666

11. DIVIDENDS

	THE GROUP AND THE BANK		
	2012	2011	2010
	Rs	Rs	Rs
Dividends on ordinary shares:			
Final dividend for 2012: 60 cents per share (2011: 20 cents and 2010: nil)	**34,560,878**	9,572,363	-

12. CASH AND BALANCES WITH THE CENTRAL BANK

	THE GROUP AND THE BANK		
	2012	2011	2010
	Rs	Rs	Rs
Cash in hand (Note 32(a))	**10,209,993**	9,226,496	11,818,436
Unrestricted balances with the Central Bank (Note 32 (a))	**70,669,717**	461,193,071	588,303,959
Mandatory balances with the Central Bank	**595,491,914**	614,665,197	271,268,044
Placements with the Central Bank (Note 32 (a))	**-**	-	127,031,019
	676,371,624	1,085,084,764	998,421,458

13. DUE FROM BANKS

	THE GROUP			THE BANK		
	2012	2011	2010	**2012**	2011	2010
	Rs	Rs	Rs	**Rs**	Rs	Rs
Short term placements with other banks (Note 32(a))	**2,291,312,701**	3,076,525,650	1,278,455,705	**2,291,312,701**	3,076,525,650	1,278,455,705
Medium term placements with other banks	**688,424,178**	364,435,504	111,335,682	**688,424,178**	364,435,504	111,335,682
Current accounts with other banks (Note 32(a))	**546,146,846**	502,812,734	416,020,872	**546,079,667**	502,664,990	415,921,795
Other amounts due (Note 32(a))	**1,302,756**	1,303,245	1,157,472	**1,302,756**	1,303,245	1,157,472
	3,527,186,481	3,945,077,133	1,806,969,731	**3,527,119,302**	3,944,929,389	1,806,870,654

For the remaining term to maturity, refer to Note 36(c).

14. DERIVATIVE FINANCIAL INSTRUMENTS

The table shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amounts, disclosed 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.

14. DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

(a) THE GROUP

	Assets 2012	Liabilities 2012	Notional amount 2012	Assets 2011	Liabilities 2011	Notional amount 2011	Assets 2010	Liabilities 2010	Notional amount 2010
	Rs	**Rs**	**Rs**	Rs	Rs	Rs	Rs	Rs	Rs
Derivatives designated at fair value through profit or loss									
Fund Options Transactions	**31**	**(31)**	**117,610,000**	757,568	(757,568)	108,224,000	1,217,900	(1,217,900)	121,771,000
Equity Linked Notes	**61,572,917**	**(61,572,917)**	**67,968,167**	59,776,068	(59,776,068)	71,080,546	111,873,855	(111,873,855)	173,199,450
Index Linked Options	-	-	-	30,032,160	(30,032,160)	42,720,000	28,364,250	(28,364,250)	48,067,500
Index Linked Notes	**18,027,556**	**(18,027,556)**	**13,927,500**	31,773,000	(31,773,000)	55,536,000	29,421,900	(29,421,900)	62,487,750
Call Option	**3,100,000**	-	**3,100,000**	3,100,000	-	3,100,000	3,100,000	-	3,100,000
Derivatives held-for-trading									
Forward Foreign Exchange Contracts	**107,843,824**	**(47,311,643)**	**6,006,908,653**	55,762,588	(2,986,842)	3,161,303,478	14,730,919	(38,110,514)	2,447,624,107
	190,544,328	**(126,912,147)**	**6,209,514,320**	181,201,384	(125,325,638)	3,441,964,024	188,708,824	(208,988,419)	2,856,249,807

(b) THE BANK

	Assets 2012	Liabilities 2012	Notional amount 2012	Assets 2011	Liabilities 2011	Notional amount 2011	Assets 2010	Liabilities 2010	Notional amount 2010
	Rs	**Rs**	**Rs**	Rs	Rs	Rs	Rs	Rs	Rs
Derivatives designated at fair value through profit or loss									
Fund Options Transactions	**31**	**(31)**	**117,610,000**	757,568	(757,568)	108,224,000	1,217,900	(1,217,900)	121,771,000
Equity Linked Notes	**15,938,191**	**(15,938,191)**	**16,175,492**	14,544,758	(14,544,758)	15,369,800	26,772,719	(26,772,719)	27,743,750
Index Linked Options	-	-	-	30,032,160	(30,032,160)	42,720,000	28,364,250	(28,364,250)	48,067,500
Derivatives held-for-trading									
Forward Foreign Exchange Contracts	**107,843,824**	**(47,311,643)**	**6,006,908,653**	55,762,588	(2,986,842)	3,161,303,478	14,730,919	(38,110,514)	2,447,624,107
	123,782,046	**(63,249,865)**	**6,140,694,145**	101,097,074	(48,321,328)	3,327,617,278	71,085,788	(94,465,383)	2,645,206,357

As at 30 June 2012, the Group and the Bank have positions in the following types of derivatives:

Forwards contracts

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.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

15. OTHER FINANCIAL ASSETS HELD-FOR-TRADING

	THE GROUP AND THE BANK		
	2012	2011	2010
	Rs	Rs	Rs
Unquoted investments			
Government of Mauritius debt securities	**1,162,543,500**	441,804,000	367,509,475

16. LOANS AND ADVANCES TO CUSTOMERS

	THE GROUP			THE BANK		
	2012	2011	2010	**2012**	2011	2010
	Rs	Rs	Rs	**Rs**	Rs	Rs
Retail and personal	**810,048,341**	683,947,109	376,960,447	**810,048,341**	683,947,109	376,960,447
Business	**5,713,721,439**	4,141,362,818	2,217,148,239	**5,713,835,898**	4,141,362,818	2,217,148,239
Entities outside Mauritius	**6,268,232,677**	3,736,227,050	2,272,925,722	**6,268,232,677**	3,736,227,050	2,272,925,722
Credit cards	**78,067,940**	48,716,359	35,530,961	**78,067,940**	48,716,359	35,530,961
Gross core loans and advances to customers	**12,870,070,397**	8,610,253,336	4,902,565,369	**12,870,184,856**	8,610,253,336	4,902,565,369
Less: Allowance for impairment losses	**(85,749,102)**	(60,874,624)	(51,412,221)	**(85,749,102)**	(60,874,624)	(51,412,221)
	12,784,321,295	8,549,378,712	4,851,153,148	**12,784,435,754**	8,549,378,712	4,851,153,148

For the remaining term to maturity of gross core loans and advances to customers, refer to Note 36 (c).

Impairment allowance for loans and advances to customers

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

	Retail and Personal	Business	Entities outside Mauritius	Credit cards	Total
	Rs	Rs	Rs	Rs	Rs
At 1 July 2009	2,221,341	14,304,811	3,083,590	208,697	19,818,439
Charge for the year	2,863,261	5,895,635	21,326,286	1,508,600	31,593,782
At 30 June 2010	5,084,602	20,200,446	24,409,876	1,717,297	51,412,221
At 30 June 2010:					
Specific impairment	300,000	-	15,798,952	1,341,439	17,440,391
Collective impairment	4,784,602	20,200,446	8,610,924	375,858	33,971,830
	5,084,602	20,200,446	24,409,876	1,717,297	51,412,221
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	500,264	-	40,236,771	1,341,491	42,078,526
At 1 July 2010	5,084,602	20,200,446	24,409,876	1,717,297	51,412,221
Amount written-off against allowance	-	-	(15,837,238)	-	(15,837,238)
Charge for the year	1,003,390	6,075,621	12,948,030	5,272,600	25,299,641
At 30 June 2011	6,087,992	26,276,067	21,520,668	6,989,897	60,874,624
At 30 June 2011:					
Specific impairment	1,064,051	1,558,924	-	1,311,025	3,934,000
Collective impairment	5,023,941	24,717,143	21,520,668	5,678,872	56,940,624
	6,087,992	26,276,067	21,520,668	6,989,897	60,874,624
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	1,428,696	1,440,069	-	1,314,220	4,182,985
At 1 July 2011	**6,087,992**	**26,276,067**	**21,520,668**	**6,989,897**	**60,874,624**
Amount written-off against allowance	**-**	**-**	**-**	**-**	**-**
Charge for the year	**127,404**	**21,945,813**	**2,071,358**	**729,903**	**24,874,478**
At 30 June 2012	**6,215,396**	**48,221,880**	**23,592,026**	**7,719,800**	**85,749,102**
At 30 June 2012:					
Specific impairment	**1,877,619**	**6,877,894**	**-**	**2,306,557**	**11,062,070**
Collective impairment	**4,337,777**	**41,343,986**	**23,592,026**	**5,413,243**	**74,687,032**
	6,215,396	**48,221,880**	**23,592,026**	**7,719,800**	**85,749,102**
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	**84,463**	**40,223,378**	**-**	**5,672,478**	**45,980,319**

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Year Ended 30 June 2012

16. LOANS AND ADVANCES TO CUSTOMERS (cont'd)

Impairment allowance for loans and advances to customers (cont'd)

(b) The following is a reconciliation of the allowance for impairment losses for loans and advances:

	Specific impairment	Collective impairment	Total
	Rs	Rs	Rs
At 1 July 2009	300,000	19,518,439	19,818,439
Charge for the year	17,140,391	14,453,391	31,593,782
At 30 June 2010	17,440,391	33,971,830	51,412,221
At 1 July 2010	17,440,391	33,971,830	51,412,221
Amount written-off against allowance	(15,837,238)	-	(15,837,238)
Charge for the year	2,330,847	22,968,794	25,299,641
At 30 June 2011	3,934,000	56,940,624	60,874,624
At 1 July 2011	**3,934,000**	**56,940,624**	**60,874,624**
Charge for the year	**7,128,070**	**17,746,408**	**24,874,478**
At 30 June 2012	**11,062,070**	**74,687,032**	**85,749,102**

17. FINANCIAL INVESTMENTS

	THE GROUP		
	2012	2011	2010
AVAILABLE-FOR-SALE	**Rs**	Rs	Rs
Unquoted investments			
Units in an investment fund	**14,999,997**	-	-

	THE GROUP AND THE BANK		
HELD-TO-MATURITY	**2012**	2011	2010
Unquoted investments	**Rs**	Rs	Rs
Government of Mauritius debt securities	**3,506,007,725**	2,560,492,783	846,580,424

18. INVESTMENT IN SUBSIDIARIES

	THE BANK		
	2012	2011	2010
Cost	**Rs**	Rs	Rs
At start	**25,000,000**	25,000,000	1,000,000
Acquisition during the year	**338,163,638**	-	24,000,000
At 30 June	**363,163,638**	25,000,000	25,000,000

The details of the subsidiaries are as follows:

	Country of Incorporation	Class of Shares	% Holding
AfrAsia Investments Limited	Mauritius	Ordinary	100
AfrAsia Holdings Limited	Mauritius	Ordinary	100

The Bank acquired additional 3,856,250 ordinary shares at par value Rs10 in AfrAsia Investments Limited and 9,680,000 ordinary shares at par value USD 1 in AfrAsia Holdings Limited during the year ended 30 June 2012.

The Directors have reviewed the financial position and performance of the above subsidiaries and are of the opinion that the estimated recoverable amount of the investment is not less than its carrying value.

19. INVESTMENT IN JOINT VENTURE

The Group, through AfrAsia Investments Limited, has a 50% interest in AXYS Capital Management Ltd, a jointly controlled entity which is engaged in the business of fund management. It manages several funds and structured products from which it derives the bulk of its revenues.

The following table illustrates summarised financial information of the Group's investments in the joint venture:

	THE GROUP		
	2012	2011	2010
Share of the joint venture's statements of financial position:	**Rs**	Rs	Rs
Current assets	**46,374,390**	32,842,805	37,780,038
Non-current assets	**234,762,174**	26,759,282	13,277,209
Current liabilities	**(266,193,258)**	(51,568,331)	(48,557,893)
Non-current liabilities	**(15,753)**	(986)	(170,307)
Equity	**14,927,553**	8,032,770	2,329,047
Share of the joint venture's revenue and profit:			
Revenue	**22,922,052**	15,955,285	5,357,388
Administrative expenses	**(14,994,432)**	(11,098,452)	(4,226,872)
Other income	**19,352**	902,391	275,251
Net finance revenue/(cost)	**331,492**	(39,527)	82,728
Income tax expense	**(1,501,448)**	(15,973)	(225,002)
Profit after tax	**6,777,014**	5,703,724	1,263,493
Carrying amount of the investment	**53,393,539**	46,616,525	40,912,801

20. INVESTMENT IN ASSOCIATES

(a) THE GROUP

		THE GROUP		
		2012	2011	2010
The investment in associates are as follows:	Country of incorporation		**% Holding**	
AfrAsia Corporate Finance (Pty) Ltd	South Africa	**50.0%**	37.5%	-
AfrAsia Corporate Finance (Africa) Ltd	Mauritius	**50.0%**	-	-
AfrAsia Kingdom Holdings Limited	Mauritius	**52.0%**	-	-

AfrAsia Corporate Finance (Pty) Ltd and AfrAsia Corporate Finance (Africa) Ltd are independent corporate finance advisers based in South Africa and Mauritius respectively. Both are private entities and are not listed on any public exchange. Their advisory services include mergers and acquisitions, debt advisory, restructuring, equity advisory and Black Economic Empowerment ('BEE') advisory.

AfrAsia Bank Limited acquired an additional 12.5% shareholding in AfrAsia Corporate Finance (Pty) Ltd and 50% shareholding in AfrAsia Corporate Finance (Africa) Ltd through its subsidiary AfrAsia Investments Limited during the year. AfrAsia Bank Limited does not consider AfrAsia Corporate Finance (Pty) Ltd and AfrAsia Corporate Finance (Africa) Ltd as its subsidiaries as it does not have the power to govern the financial and operating policies of the companies pursuant to a shareholder agreement with the other investor. Accordingly, the financial statements of AfrAsia Corporate Finance (Pty) Ltd and AfrAsia Corporate Finance (Africa) Ltd have not been consolidated in the group financial statements.

AfrAsia Kingdom Holdings Limited is a private limited company incorporated in Mauritius and having registered office Bowen Square, 10 Dr Ferrière Street, Port Louis, Mauritius. Its principal activity is to act as an investment holding company.

AfrAsia Bank Limited, acquired 52% of AfrAsia Kingdom Holdings Limited through its subsidiary AfrAsia Holdings Limited during the year. AfrAsia Bank Limited does not consider AfrAsia Kingdom Holdings Limited as its subsidiary as it does not have the power to govern the financial and operating policies of the company pursuant to a shareholder agreement with the other investor. Accordingly, the financial statements of AfrAsia Kingdom Holdings Limited and its subsidiaries have not been consolidated in the group financial statements.

Notes to the Financial Statements

Year Ended 30 June 2012

20. INVESTMENT IN ASSOCIATES (cont'd)

	THE GROUP		
	2012	2011	2010
AfrAsia Corporate Finance (Pty) Ltd	**Rs**	Rs	Rs
Opening balance	**7,684,689**	-	-
Additions	**9,696,696**	5,022,438	
Share of profit after tax	**6,782,523**	2,662,251	-
Closing balance	**24,163,908**	7,684,689	-
AfrAsia Corporate Finance (Africa) Ltd			
Additions	**1,447**	-	-
Share of profit after tax	**7,452,876**	-	-
	7,454,323	-	-
AfrAsia Kingdom Holdings Limited			
Additions	**297,657,725**	-	-
Share of profit after tax	**79,168,404**	-	-
	376,826,129	-	-
Statements of financial position			
Investment in associates	**408,444,360**	7,684,689	-
Statements of comprehensive income			
Share of profit of associates	**93,403,802**	2,662,251	-

The following table illustrates summarised financial information of the Bank's investment in Associate:

	THE GROUP		
	2012	2011	2010
	Rs	Rs	Rs
Share of the associates' statements of financial position:			
Assets	**2,121,102,947**	8,187,040	-
Liabilities	**(1,727,002,968)**	(2,661,309)	-
Equity	**394,099,979**	5,525,731	-
Share of the associates' revenue and profit:			
Revenue	**259,283,396**	9,229,159	-
Profit after tax	**93,403,802**	2,662,251	-

The Directors have reviewed the financial position and performance of the above associates and are of the opinion that the estimated recoverable amount of the investment is not less than its carrying value.

(b) THE BANK

	THE BANK		
	2012	2011	2010
AfrAsia Corporate Finance (Pty) Ltd	**Rs**	Rs	Rs
Opening balance	**5,022,438**	-	-
Additions	**9,696,696**	5,022,438	-
Disposal	**(14,719,134)**	-	-
Closing balance	**-**	5,022,438	-

21. EQUIPMENT

(a) THE GROUP

	Improvement to building	Furniture and fittings	Office equipment	Motor vehicle	Computer equipment	Total
COST	Rs	Rs	Rs	Rs	Rs	Rs
At 1 July 2009	2,896,251	3,523,379	4,242,804	671,292	3,869,219	15,202,945
Additions	31,049	3,618,626	405,158	29,280	1,119,575	5,203,688
Assets written-off	(287,370)	(99,659)	(5,298)	-	(23,528)	(415,855)
At 30 June 2010	2,639,930	7,042,346	4,642,664	700,572	4,965,266	19,990,778
At 1 July 2010	2,639,930	7,042,346	4,642,664	700,572	4,965,266	19,990,778
Additions	16,000	301,094	346,753	-	2,572,453	3,236,300
Assets written-off	-	-	(214,636)	-	(79,030)	(293,666)
Transfer	1,264,230	(1,264,230)	-	-	-	-
At 30 June 2011	3,920,160	6,079,210	4,774,781	700,572	7,458,689	22,933,412
At 1 July 2011	**3,920,160**	**6,079,210**	**4,774,781**	**700,572**	**7,458,689**	**22,933,412**
Additions	**304,736**	**2,094,091**	**486,817**	**-**	**1,421,033**	**4,306,677**
Assets written-off	**-**	**(6,360)**	**(118,905)**	**-**	**(165,791)**	**(291,056)**
At 30 June 2012	**4,224,896**	**8,166,941**	**5,142,693**	**700,572**	**8,713,931**	**26,949,033**
DEPRECIATION						
At 1 July 2009	502,751	590,656	750,982	26,361	2,024,623	3,895,373
Charge for the year	298,472	373,086	532,459	137,531	1,463,012	2,804,560
Assets written-off	(76,527)	(26,540)	(1,006)	-	(13,682)	(117,755)
At 30 June 2010	724,696	937,202	1,282,435	163,892	3,473,953	6,582,178
At 1 July 2010	724,696	937,202	1,282,435	163,892	3,473,953	6,582,178
Charge for the year	391,454	598,418	598,991	140,114	1,329,669	3,058,647
Assets written-off	-	-	(36,735)	-	(34,928)	(71,663)
At 30 June 2011	1,116,150	1,535,620	1,844,691	304,006	4,768,694	9,569,162
At 1 July 2011	**1,116,150**	**1,535,620**	**1,844,691**	**304,006**	**4,768,694**	**9,569,162**
Charge for the year	**414,938**	**750,507**	**681,134**	**140,114**	**1,240,809**	**3,227,502**
Assets written-off	**-**	**(1,166)**	**(29,186)**	**-**	**(139,224)**	**(169,576)**
At 30 June 2012	**1,531,088**	**2,284,961**	**2,496,639**	**444,120**	**5,870,279**	**12,627,088**
NET BOOK VALUE						
At 30 June 2012	**2,693,808**	**5,881,980**	**2,646,054**	**256,452**	**2,843,652**	**14,321,945**
At 30 June 2011	2,804,010	4,543,590	2,930,090	396,566	2,689,995	13,364,250
At 30 June 2010	1,915,234	6,105,144	3,360,229	536,680	1,491,313	13,408,600

Notes to the Financial Statements
Year Ended 30 June 2012

21. EQUIPMENT (cont'd)

(b) THE BANK

	Improvement to building	Furniture and fittings	Office equipment	Motor vehicle	Computer equipment	Total
COST	Rs	Rs	Rs	Rs	Rs	Rs
At 1 July 2009	2,896,241	3,523,389	4,242,804	671,292	3,834,851	15,168,577
Additions	31,049	3,618,626	394,233	29,280	1,119,575	5,192,763
Assets written-off	(287,370)	(99,659)	(5,298)	-	(23,528)	(415,855)
At 30 June 2010	2,639,920	7,042,356	4,631,739	700,572	4,930,898	19,945,485
At 1 July 2010	2,639,920	7,042,356	4,631,739	700,572	4,930,898	19,945,485
Additions	16,000	301,094	346,753	-	2,572,453	3,236,300
Assets written-off	-	-	(214,636)	-	(79,030)	(293,666)
Transfer	1,264,230	(1,264,230)	-	-	-	-
At 30 June 2011	3,920,150	6,079,220	4,763,856	700,572	7,424,321	22,888,119
At 1 July 2011	**3,920,150**	**6,079,220**	**4,763,856**	**700,572**	**7,424,321**	**22,888,119**
Additions	**304,736**	**2,094,091**	**486,817**	**-**	**1,421,033**	**4,306,677**
Assets written-off	**-**	**(6,360)**	**(118,905)**	**-**	**(165,791)**	**(291,056)**
At 30 June 2012	**4,224,886**	**8,166,951**	**5,131,768**	**700,572**	**8,679,563**	**26,903,740**
DEPRECIATION						
At 1 July 2009	502,751	590,656	750,982	26,361	2,012,540	3,883,290
Charge for the year	298,472	373,086	532,459	137,531	1,451,162	2,792,710
Assets written-off	(76,527)	(26,540)	(1,006)	-	(13,682)	(117,755)
At 30 June 2010	724,696	937,202	1,282,435	163,892	3,450,020	6,558,245
At 1 July 2010	724,696	937,202	1,282,435	163,892	3,450,020	6,558,245
Charge for the year	391,455	598,418	597,898	140,114	1,318,839	3,046,724
Assets written-off	-	-	(36,735)	-	(34,928)	(71,663)
At 30 June 2011	1,116,151	1,535,620	1,843,598	304,006	4,733,931	9,533,306
At 1 July 2011	**1,116,151**	**1,535,620**	**1,843,598**	**304,006**	**4,733,931**	**9,533,306**
Charge for the year	**414,938**	**750,507**	**680,038**	**140,114**	**1,240,809**	**3,226,406**
Assets written-off	**-**	**(1,166)**	**(29,186)**	**-**	**(139,224)**	**(169,576)**
At 30 June 2012	**1,531,089**	**2,284,961**	**2,494,450**	**444,120**	**5,835,516**	**12,590,136**
NET BOOK VALUE						
At 30 June 2012	**2,693,797**	**5,881,990**	**2,637,318**	**256,452**	**2,844,047**	**14,313,604**
At 30 June 2011	2,803,999	4,543,600	2,920,258	396,566	2,690,390	13,354,813
At 30 June 2010	1,915,224	6,105,154	3,349,304	536,680	1,480,878	13,387,240

22. INTANGIBLE ASSETS

THE GROUP AND THE BANK

	Computer software	Banking software	Other	Total
COST	Rs	Rs	Rs	Rs
At 1 July 2009	729,882	14,598,738	4,245,605	19,574,225
Additions	1,904,841	2,099,793	1,747,661	5,752,295
Assets written-off	-	-	(337,118)	(337,118)
At 30 June 2010	2,634,723	16,698,531	5,656,148	24,989,402
At 1 July 2010	2,634,723	16,698,531	5,656,148	24,989,402
Additions	2,245,418	-	109,781	2,355,199
At 30 June 2011	4,880,141	16,698,531	5,765,929	27,344,601
At 1 July 2011	**4,880,141**	**16,698,531**	**5,765,929**	**27,344,601**
Additions	**7,114,364**	**420,624**	**-**	**7,534,988**
At 30 June 2012	**11,994,505**	**17,119,155**	**5,765,929**	**34,879,589**
AMORTISATION				
At 1 July 2009	334,470	3,480,960	2,178,056	5,993,486
Charge for the year	707,748	2,205,042	1,320,748	4,233,538
Assets written-off	-	-	(285,682)	(285,682)
At 30 June 2010	1,042,218	5,686,002	3,213,122	9,941,342
At 1 July 2010	1,042,218	5,686,002	3,213,122	9,941,342
Charge for the year	1,269,322	2,386,217	156,698	3,812,237
At 30 June 2011	2,311,540	8,072,219	3,369,820	13,753,579
At 1 July 2011	**2,311,540**	**8,072,219**	**3,369,820**	**13,753,579**
Charge for the year	**1,574,995**	**2,414,465**	**41,738**	**4,031,198**
At 30 June 2012	**3,886,535**	**10,486,684**	**3,411,558**	**17,784,777**
NET BOOK VALUE				
At 30 June 2012	**8,107,970**	**6,632,471**	**2,354,371**	**17,094,812**
At 30 June 2011	2,568,601	8,626,312	2,396,109	13,591,022
At 30 June 2010	1,592,505	11,012,529	2,443,026	15,048,060

Other intangible assets consist of corporate lifetime membership and credit card related assets.

Notes to the Financial Statements

Year Ended 30 June 2012

23. OTHER ASSETS

	THE GROUP			THE BANK		
	2012	2011	2010	**2012**	2011	2010
	Rs	Rs	Rs	**Rs**	Rs	Rs
Accrued income	**1,067,763**	241,700	2,120,913	**1,067,763**	241,700	2,120,913
Prepayments	**1,802,486**	6,863,199	2,098,375	**1,742,487**	6,863,199	2,098,375
Share application money	**2,524,869**	-	4,285,000	**2,524,869**	-	4,285,000
Other receivables	**24,045,750**	12,802,509	8,083,820	**24,030,320**	12,795,511	8,006,571
	29,440,868	19,907,408	16,588,108	**29,365,439**	19,900,410	16,510,859

24. DUE TO BANKS

	THE GROUP AND THE BANK		
	2012	2011	2010
	Rs	Rs	Rs
Bank overdrafts (Note 32 (a))	-	2,344	47,180
Borrowings from the Central Bank	-	28,480,989	96,138,890
Deposits with other banks	**8,516,013**	-	-
	8,516,013	28,483,333	96,186,070

25. DEPOSITS FROM CUSTOMERS

	THE GROUP			THE BANK		
	2012	2011	2010	**2012**	2011	2010
	Rs	Rs	Rs	**Rs**	Rs	Rs
Personal						
- Current accounts	**1,032,888,952**	691,199,323	374,913,107	**1,034,585,384**	691,199,323	374,913,107
- Savings accounts	**1,536,579,839**	1,288,344,897	718,302,531	**1,536,579,839**	1,288,344,897	718,302,531
- Term deposits	**4,022,613,523**	2,842,755,379	1,252,877,571	**4,022,613,523**	2,842,755,379	1,252,877,571
Business						
- Current accounts	**4,563,066,824**	3,039,648,323	2,454,139,581	**4,563,066,824**	3,039,750,508	2,454,304,414
- Savings accounts	**417,908,551**	379,669,928	192,266,765	**417,908,551**	379,669,928	192,266,765
- Term deposits	**8,015,315,508**	6,703,654,413	2,968,955,642	**8,015,315,508**	6,703,654,413	2,968,955,642
Government institutions						
- Savings accounts	**38,297,535**	17,163,716	4,020,809	**38,297,535**	17,163,716	4,020,809
- Term deposits	-	-	20,089,507	-	-	20,089,507
	19,626,670,732	14,962,435,979	7,985,565,513	**19,628,367,164**	14,962,538,164	7,985,730,346

Included in 'Deposits from customers' accounts are deposits of Rs553,511,408 (2011: Rs447,496,626 and 2010: Rs277,444,107) held as collateral against loans and advances to these customers.

26. DEBTS ISSUED

	THE GROUP			THE BANK		
	2012	2011	2010	**2012**	2011	2010
	Rs	Rs	Rs	**Rs**	Rs	Rs
(i) Notes	**123,146,175**	125,516,298	115,251,460	-	-	-
(ii) Unsecured subordinated bonds	**565,479,715**	421,574,481	-	**565,479,715**	421,574,481	-
	688,625,890	547,090,779	115,251,460	**565,479,715**	421,574,481	-

(i) The debts issued represent the discounted value of capital guaranteed to investors of the subsidiary on the structured products issued by the Group.

	2012	2011	2010
The notes are due as follows:	**Rs**	Rs	Rs
Within 1 year	-	-	-
After 1 year but before 2 years	**70,378,857**	-	-
After 2 years but before 5 years	**52,767,318**	125,516,298	115,251,460
	123,146,175	125,516,298	115,251,460

(ii) The debts issued are unsecured and subordinated to the claims of depositors and other creditors in the event of a winding up of the Bank.

	2012	2011	2010
The bonds are due as follows:	**Rs**	Rs	Rs
After 5 years	**565,479,715**	421,574,481	-

27. AMOUNT DUE TO SUBSIDIARY

	THE BANK		
	2012	2011	2010
	Rs	Rs	Rs
Funds due to subsidiary in respect of structured notes	**123,146,176**	125,516,298	115,251,460

28. OTHER LIABILITIES

	THE GROUP			THE BANK		
	2012	2011	2010	**2012**	2011	2010
	Rs	Rs	Rs	**Rs**	Rs	Rs
Accounts payable and sundry creditors	**150,243,695**	116,129,669	49,757,591	**131,281,959**	97,941,160	31,611,632

29. ISSUED CAPITAL

	THE GROUP AND THE BANK		
	2012	2011	2010
	Rs	Rs	Rs
Issued and fully paid	**1,398,457,492**	921,638,335	653,977,649

Analysed as follows:	THE GROUP AND THE BANK					
	2012		2011		2010	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
		Rs		Rs		Rs
Ordinary shares (Note 29 (a))	**70,454,417**	**1,398,457,492**	57,601,463	921,638,335	46,837,965	651,132,973
Founding executive shares (Note 29 (b))	-	-	-	-	783,796	-
Employee shares (Note 29 (c))	-	-	-	-	240,057	2,844,676
At 30 June	**70,454,417**	**1,398,457,492**	57,601,463	921,638,335	47,861,818	653,977,649
(a) Ordinary shares of no par value						
At 1 July	**57,601,463**	**921,638,335**	46,837,965	651,132,973	46,837,965	651,132,973
Issue of ordinary shares	**12,852,954**	**476,819,157**	9,739,645	267,660,686	-	-
Conversion of founding executive shares into ordinary shares	-	-	783,796	-	-	-
Conversion of employee shares into ordinary shares	-	-	240,057	2,844,676	-	-
At 30 June	**70,454,417**	**1,398,457,492**	57,601,463	921,638,335	46,837,965	651,132,973
(b) Founding executive shares (See Note 30 (a)(ii))						
At 1 July	-	-	783,796	-	391,898	-
Issue of founding executive shares at no par value	-	-	-	-	391,898	-
Conversion of founding executive shares into ordinary shares	-	-	(783,796)	-	-	-
At 30 June	-	-	-	-	783,796	-
(c) Employee shares (See Note 30 (b))						
At 1 July	-	-	240,057	2,844,676	240,057	2,844,676
Conversion of employee shares into ordinary shares	-	-	(240,057)	(2,844,676)	-	-
At 30 June	-	-	-	-	240,057	2,844,676

30. OTHER RESERVES

	THE GROUP					THE BANK			
	Equity-settled share-based payment reserve	Statutory reserve	General banking reserve	Foreign currency translation reserve	Total	Equity-settled share-based payment reserve	Statutory reserve	General banking reserve	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
At 1 July 2009	5,632,775	-	-	-	5,632,775	5,632,775	-	-	5,632,775
Appropriation from retained earnings	-	2,613,029	-	-	2,613,029	-	2,613,029	-	2,613,029
Expense arising from equity-settled share-based payment transactions (Note 8)	4,172,446	-	-	-	4,172,446	4,172,446	-	-	4,172,446
At 30 June 2010	9,805,221	2,613,029	-	-	12,418,250	9,805,221	2,613,029	-	12,418,250
At 1 July 2010	9,805,221	2,613,029	-	-	12,418,250	9,805,221	2,613,029	-	12,418,250
Appropriation from retained earnings	-	17,421,578	12,693,702	-	30,115,280	-	17,421,578	12,693,702	30,115,280
Expense arising from equity-settled share-based payment transactions (Note 8)	3,953,869	-	-	-	3,953,869	3,953,869	-	-	3,953,869
At 30 June 2011	13,759,090	20,034,607	12,693,702	-	46,487,399	13,759,090	20,034,607	12,693,702	46,487,399
At 1 July 2011	**13,759,090**	**20,034,607**	**12,693,702**	**-**	**46,487,399**	**13,759,090**	**20,034,607**	**12,693,702**	**46,487,399**
Appropriation from retained earnings	**-**	**27,040,165**	**20,112,250**	**-**	**47,152,415**	**-**	**27,040,165**	**20,112,250**	**47,152,415**
Expense arising from equity-settled share-based payment transactions (Note 8)	**247,217**	**-**	**-**	**-**	**247,217**	**247,217**	**-**	**-**	**247,217**
Foreign currency translation	-	-	-	(14,759)	(14,759)	-	-	-	-
At 30 June 2012	**14,006,307**	**47,074,772**	**32,805,952**	**(14,759)**	**93,872,272**	**14,006,307**	**47,074,772**	**32,805,952**	**93,887,031**

EQUITY-SETTLED SHARE-BASED PAYMENT RESERVE

Movement in equity-settled share-based payment reserve relate to expense recognised for employee services received during the year. The share-based payment plans are described below.

(a) Senior executives plan

(i) Ordinary shares of no par value
621,224 ordinary shares of no par value were granted to the founding executives of the Bank. The shares, fair valued at Rs17.36 per share based on a valuation performed by independent professional advisors, were issued for a consideration of Rs11.85 per share payable in 3 instalments at the following dates: 50% on 15 September 2008, 25% on 15 July 2009 and 25% on 15 December 2009. There is no vesting period.

(ii) Founding Executives shares
783,796 non-voting shares at a fair value of Rs7 per share were issued to founding executives. The vesting of the shares is subject to founding executives remaining in service for three years since date of employment failing which entitlement to the shares are forfeited. The shares carry equal rights to dividends and distribution and to surplus on winding up as the Bank's existing ordinary shares of no par value but do not have voting rights.

(b) General employees plan

Other employees were granted 240,057 Employee (non-voting) shares in February 2009. The shares, whose fair value was estimated at Rs17.36, were issued for a consideration of Rs 11.85 per share, half of which were paid on 6 February 2009 with the second half on 6 February 2010. The vesting of the shares is subject to the employee remaining in service for a period of two years from the date of grant. The shares carry equal rights to dividends and distribution and to surplus on winding up as the Bank's existing ordinary shares of no par value but do not have voting rights.

By way of a Board resolution dated 2 September 2010, 783,796 Founding Executives shares under the Senior Executives Plan and 240,057 Employee shares under the General Employees Plan have been converted to Ordinary shares of no par value, ranking equally to the existing ordinary shares in the distribution of profits and on voting.

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 bank's profit for the year net of opening revenue deficit is transferred each year until the balance is equal to the amount paid as stated capital.

GENERAL BANKING RESERVE

This reserve comprises amounts set aside for general banking risks, including future losses and other unforeseen risks. It also includes provision made to meet other regulatory provision requirements including country risk.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) 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 tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

THE GROUP	2012			2011			2010		
	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Financial assets									
Derivatives held-for-trading									
Forward foreign exchange contract	-	107,843,824	107,843,824	-	55,762,588	55,762,588	-	14,730,919	14,730,919
Other financial assets held-for-trading									
Government debts securities	-	1,162,543,500	1,162,543,500	441,804,000	-	441,804,000	367,509,475	-	367,509,475
Derivatives designated at fair value through profit and loss									
Fund Options Transactions	31	-	31	757,568	-	757,568	1,217,900	-	1,217,900
Equity Linked Notes	61,572,917	-	61,572,917	59,776,068	-	59,776,068	111,873,855	-	111,873,855
Index Linked Options	-	-	-	30,032,160	-	30,032,160	28,364,250	-	28,364,250
Index Linked Notes	18,027,556	-	18,027,556	31,773,000	-	31,773,000	29,421,900	-	29,421,900
Call Option	3,100,000	-	3,100,000	3,100,000	-	3,100,000	3,100,000	-	3,100,000
	82,700,504	-	82,700,504	125,438,796	-	125,438,796	173,977,905	-	173,977,905
	82,700,504	1,270,387,324	1,353,087,828	567,242,796	55,762,588	623,005,384	541,487,380	14,730,919	556,218,299
Financial liabilities									
Derivatives held-for-trading									
Forward foreign exchange contract	-	(47,311,643)	(47,311,643)	-	(2,986,842)	(2,986,842)	-	(38,110,514)	(38,110,514)
	-	(47,311,643)	(47,311,643)	-	(2,986,842)	(2,986,842)	-	(38,110,514)	(38,110,514)
Derivatives designated at fair value through profit and loss									
Fund Options Transactions	(31)	-	(31)	(757,568)	-	(757,568)	(1,217,900)	-	(1,217,900)
Equity Linked Notes	(61,572,917)	-	(61,572,917)	(59,776,068)	-	(59,776,068)	(111,873,855)	-	(111,873,855)
Index Linked Options	-	-	-	(30,032,160)	-	(30,032,160)	(28,364,250)	-	(28,364,250)
Index Linked Notes	(18,027,556)	-	(18,027,556)	(31,773,000)	-	(31,773,000)	(29,421,900)	-	(29,421,900)
	(79,600,504)	-	(79,600,504)	(122,338,796)	-	(122,338,796)	(170,877,905)	-	(170,877,905)
	(79,600,504)	(47,311,643)	(126,912,147)	(122,338,796)	(2,986,842)	(125,325,638)	(170,877,905)	(38,110,514)	(208,988,419)

Financial investments - Available-for-sale

The carrying amount of Rs14,999,997 for financial investments - available-for-sale, as at 30 June 2012, is classified under Level 3 of the fair value hierarchy and represents the only acquisition made during the financial year. There is no fair value movement for the year as the investment was acquired at year end.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

(a) Financial instruments recorded at fair value (cont'd)

THE BANK	2012			2011			2010		
	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Financial assets									
Derivatives held-for-trading									
Forward foreign exchange contract	-	107,843,824	107,843,824	-	55,762,588	55,762,588	-	14,730,919	14,730,919
Other financial assets held-for-trading									
Government debts securities	-	1,162,543,500	1,162,543,500	441,804,000	-	441,804,000	367,509,475	-	367,509,475
Derivatives designated at fair value through profit and loss									
Fund Options Transactions	31	-	31	757,568	-	757,568	1,217,900	-	1,217,900
Equity Linked Notes	15,938,191	-	15,938,191	14,544,758	-	14,544,758	26,772,719	-	26,772,719
Index Linked Options	-	-	-	30,032,160	-	30,032,160	28,364,250	-	28,364,250
	15,938,222	-	15,938,222	45,334,486	-	45,334,486	56,354,869	-	56,354,869
	15,938,222	1,270,387,324	1,286,325,546	487,138,486	55,762,588	542,901,074	423,864,344	14,730,919	438,595,263
Financial liabilities									
Derivatives held-for-trading									
Forward foreign exchange contract	-	(47,311,643)	(47,311,643)	-	(2,986,842)	(2,986,842)	-	(38,110,514)	(38,110,514)
	-	(47,311,643)	(47,311,643)	-	(2,986,842)	(2,986,842)	-	(38,110,514)	(38,110,514)
Derivatives designated at fair value through profit and loss									
Fund Options Transactions	(31)	-	(31)	(757,568)	-	(757,568)	(1,217,900)	-	(1,217,900)
Equity Linked Notes	(15,938,191)	-	(15,938,191)	(14,544,758)	-	(14,544,758)	(26,772,719)	-	(26,772,719)
Index Linked Options	-	-	-	(30,032,160)	-	(30,032,160)	(28,364,250)	-	(28,364,250)
	(15,938,222)	-	(15,938,222)	(45,334,486)	-	(45,334,486)	(56,354,869)	-	(56,354,869)
	(15,938,222)	(47,311,643)	(63,249,865)	(45,334,486)	(2,986,842)	(48,321,328)	(56,354,869)	(38,110,514)	(94,465,383)

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Derivatives

Derivative products valued using a valuation technique with market observable inputs are mainly 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 the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

During the year ended 30 June 2012, there were no transfers between Level 1 and Level 2 fair value measurements.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

(b) Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than three months), it is assumed that the carrying amount approximates their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

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 are 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. For quoted debts issued, the fair values are determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining terms to maturity and credit spreads.

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

THE GROUP	30 June 2012		30 June 2011		30 June 2010	
	Carrying amount	**Total fair value**	Carrying amount	Total fair value	Carrying amount	Total fair value
	Rs	**Rs**	Rs	Rs	Rs	Rs
Financial assets						
Cash and balances with the Central Bank	**676,371,624**	**676,371,624**	1,085,084,764	1,085,084,764	998,421,458	998,421,458
Due from banks	**3,527,186,481**	**3,527,186,481**	3,945,077,133	3,945,077,133	1,806,969,731	1,806,969,731
Loans and advances to customers	**12,784,321,295**	**12,938,732,689**	8,549,378,712	8,553,502,101	4,851,153,148	4,848,115,341
Financial investments held-to-maturity	**3,506,007,725**	**3,543,758,127**	2,560,492,783	2,568,483,197	846,580,424	863,535,543
Other assets (excluding prepayments)	**27,638,382**	**27,638,382**	13,044,209	13,044,209	14,489,733	14,489,733
	20,521,525,507	**20,713,687,303**	16,153,077,601	16,165,191,404	8,517,614,494	8,531,531,806
	Rs	**Rs**	Rs	Rs	Rs	Rs
Financial liabilities						
Due to banks	**(8,516,013)**	**(8,516,673)**	(28,483,333)	(28,483,333)	(96,186,070)	(96,186,070)
Deposits from customers	**(19,626,670,732)**	**(19,468,503,141)**	(14,962,435,979)	(14,958,760,791)	(7,985,565,513)	(7,976,151,520)
Debts issued	**(688,625,890)**	**(752,045,526)**	(547,090,779)	(555,349,532)	(115,251,460)	(120,144,939)
Current tax liabilities	**(9,631,747)**	**(9,631,747)**	(18,385,558)	(18,385,558)	(9,324,978)	(9,324,978)
Other liabilities	**(150,243,695)**	**(150,243,695)**	(116,129,669)	(116,129,669)	(49,757,591)	(49,757,591)
	(20,483,688,077)	**(20,388,940,782)**	(15,672,525,318)	(15,677,108,883)	(8,256,085,612)	(8,251,565,098)

31. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

(b) Fair value of financial assets and liabilities not carried at fair value (cont'd)

THE BANK	30 June 2012		30 June 2011		30 June 2010	
	Carrying amount	Total fair value	Carrying amount	Total fair value	Carrying amount	Total fair value
	Rs	Rs	Rs	Rs	Rs	Rs
Financial assets						
Cash and balances with the Central Bank	**676,371,624**	**676,371,624**	1,085,084,764	1,085,084,764	998,421,458	998,421,458
Due from banks	**3,527,119,302**	**3,527,119,302**	3,944,929,389	3,944,929,389	1,806,870,654	1,806,870,654
Loans and advances to customers	**12,784,435,754**	**12,938,847,148**	8,549,378,712	8,553,502,101	4,851,153,148	4,848,117,341
Financial investments held-to-maturity	**3,506,007,725**	**3,543,758,127**	2,560,492,783	2,568,483,197	846,580,424	863,535,543
Other assets (excluding prepayments)	**27,622,952**	**27,622,952**	13,037,211	13,037,211	14,412,484	14,412,484
	20,521,557,357	**20,713,719,153**	16,152,922,859	16,165,036,662	8,517,438,168	8,531,357,480

	30 June 2012		30 June 2011		30 June 2010	
	Carrying amount	Total fair value	Carrying amount	Total fair value	Carrying amount	Total fair value
Financial liabilities	Rs	Rs	Rs	Rs	Rs	Rs
Due to banks	**(8,516,013)**	**(8,516,673)**	(28,483,333)	(28,483,333)	(96,186,070)	(96,186,070)
Deposits from customers	**(19,628,367,164)**	**(19,470,199,573)**	(14,962,538,164)	(14,958,862,976)	(7,985,730,346)	(7,976,316,353)
Amount due to subsidiary	**(123,146,176)**	**(102,434,976)**	(125,516,298)	(133,775,051)	(115,251,460)	(120,144,939)
Debts issued	**(565,479,715)**	**(628,899,351)**	(421,574,481)	(421,574,481)	-	-
Current tax liabilities	**(9,631,747)**	**(9,631,747)**	(18,385,558)	(18,385,558)	(9,324,978)	(9,324,978)
Other liabilities	**(131,281,959)**	**(131,281,959)**	(97,941,160)	(97,941,160)	(31,611,632)	(31,611,632)
	(20,466,422,774)	**(20,350,964,279)**	(15,654,438,994)	(15,659,022,559)	(8,238,104,486)	(8,233,583,972)

32. ADDITIONAL CASH FLOW INFORMATION

	THE GROUP			THE BANK		
	2012	2011	2010	**2012**	2011	2010
	Rs	Rs	Rs	**Rs**	Rs	Rs
(a) Cash and cash equivalents						
Cash in hand (Note 12)	**10,209,993**	9,226,496	11,818,436	**10,209,993**	9,226,496	11,818,436
Unrestricted balances with the Central Bank (Note 12)	**70,669,717**	461,193,071	588,303,959	**70,669,717**	461,193,071	588,303,959
Placements with the Central Bank (Note 12)	**-**	-	127,031,019	**-**	-	127,031,019
Short term placements with other banks (Note 13)	**2,291,312,701**	3,076,525,650	1,278,455,705	**2,291,312,701**	3,076,525,650	1,278,455,705
Current accounts with other banks (Note 13)	**546,146,846**	502,812,734	416,020,872	**546,079,667**	502,664,990	415,921,795
Other amounts due (Note 13)	**1,302,756**	1,303,245	1,157,472	**1,302,756**	1,303,245	1,157,472
Bank overdrafts (Note 24)	**-**	(2,344)	(47,180)	**-**	(2,344)	(47,180)
	2,919,642,013	4,051,058,852	2,422,740,283	**2,919,574,834**	4,050,911,108	2,422,641,206
(b) Change in operating assets						
Net change in mandatory balances with the Central Bank (Note 12)	**19,173,283**	(343,397,153)	(104,789,898)	**19,173,283**	(343,397,153)	(104,789,898)
Net change in medium term placements with other banks (Note 13)	**(323,988,674)**	(253,099,822)	269,041,339	**(323,988,674)**	(253,099,822)	269,041,339
Net change in derivative financial instruments	**(9,342,944)**	7,507,440	(39,626,458)	**(22,684,972)**	(30,011,286)	(19,431,286)
Net change in loans and advances to customers	**(4,224,766,209)**	(3,695,080,680)	(2,761,183,771)	**(4,224,880,668)**	(3,695,080,680)	(2,761,183,771)
Net change in financial investments - held-to-maturity	**(945,514,942)**	(1,691,626,409)	(207,317,227)	**(945,514,942)**	(1,691,626,409)	(207,317,227)
Net change in other financial assets held-for-trading	**(720,739,500)**	(74,294,525)	(264,337,755)	**(720,739,500)**	(74,294,525)	(264,337,755)
Net change in other assets	**(9,528,039)**	(3,319,300)	(8,075,124)	**(9,465,028)**	(3,389,551)	(3,428,342)
	(6,214,707,025)	(6,053,310,449)	(3,116,288,894)	**(6,228,100,501)**	(6,090,899,426)	(3,091,446,940)
(c) Change in operating liabilities						
Net change in due to banks	**(19,967,320)**	(67,657,901)	(41,404,705)	**(19,967,320)**	(67,657,901)	(41,404,705)
Net change in derivative financial instruments	**1,586,509**	(83,662,781)	61,276,564	**14,928,537**	(46,144,055)	44,181,392
Net change in amount due to subsidiary	**-**	-	-	**(2,370,122)**	10,264,838	(35,983,867)
Net change in debts issued	**141,042,774**	422,819,367	(35,983,868)	**143,412,897**	412,554,529	-
Net change in deposits from customers	**4,612,114,801**	6,929,773,531	2,949,798,191	**4,613,729,227**	6,929,710,883	2,917,645,036
Net change in other liabilities	**34,114,026**	66,372,078	(55,189,767)	**33,340,799**	66,329,528	7,713,244
	4,768,890,790	7,267,644,294	2,878,496,415	**4,783,074,018**	7,305,057,822	2,892,151,100
(d) Non-cash items included in profit before tax						
Depreciation of equipment	**3,227,502**	3,058,647	2,804,560	**3,226,407**	3,046,724	2,792,710
Amortisation of intangible assets	**4,031,198**	3,812,237	4,233,538	**4,031,198**	3,812,237	4,233,538
Equipment written-off	**121,480**	222,003	298,100	**121,480**	222,003	298,100
Intangible assets written-off	**-**	-	51,436	**-**	-	51,436
Bad debts written-off	**-**	-	372,090	**-**	-	372,090
Profit on disposal of investment in associate	**-**	-	-	**(9,565,493)**	-	-
Net interest (receivable)/ payable	**17,541,257**	5,386,412	(7,399,693)	**18,263,383**	5,386,412	(7,399,693)
Employee shares scheme	**247,217**	3,953,869	4,172,446	**247,217**	3,953,869	4,172,446
Share of net profit in joint venture	**(6,777,014)**	(5,703,724)	(1,263,493)	**-**	-	-
Share of net profit in associate	**(93,403,802)**	(2,662,251)	-	**-**	-	-
Net allowance for credit impairment	**24,874,478**	25,299,641	31,593,782	**24,874,478**	25,299,641	31,593,782
	(50,137,685)	33,366,834	34,862,766	**41,198,670**	41,720,886	36,114,409

33. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The Group and the Bank classify an asset or liability as current when:

- they expect to realise the asset/settle the liability within 12 months after the reporting period;
- they expect to settle the liability in its normal operating cycle;
- they hold the asset or liability primarily for the purpose of trading;
- they expect to realise the asset, or intend to sell or consume it in its normal operating cycle;
- the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period; or
- they do not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group and the Bank classify all other assets and liabilities as non-current.

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

(a) THE GROUP	2012			2011			2010		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
ASSETS									
Cash and balances with the Central Bank	595,820,273	80,551,351	676,371,624	1,032,691,975	52,392,789	1,085,084,764	998,421,458	-	998,421,458
Due from banks	3,527,186,481	-	3,527,186,481	3,945,077,133	-	3,945,077,133	1,806,969,731	-	1,806,969,731
Derivative financial instruments	169,416,572	21,127,756	190,544,328	55,762,588	125,438,796	181,201,384	14,730,919	173,977,905	188,708,824
Other financial assets held-for-trading	1,162,543,500	-	1,162,543,500	441,804,000	-	441,804,000	367,509,475	-	367,509,475
Loans and advances to customers	8,032,672,507	4,837,397,890	12,870,070,397	5,754,915,389	2,855,337,947	8,610,253,336	3,484,889,420	1,366,263,728	4,851,153,148
Financial investments – available-for-sale	-	14,999,997	14,999,997	-	-	-	-	-	-
Investment in joint venture	-	53,393,539	53,393,539	-	46,616,525	46,616,525	-	40,912,801	40,912,801
Investment in associate	-	408,444,360	408,444,360	-	7,684,689	7,684,689	-	-	-
Financial investments held-to-maturity	2,042,893,857	1,463,113,868	3,506,007,725	1,155,506,505	1,404,986,278	2,560,492,783	451,364,532	395,215,892	846,580,424
Equipment	-	14,321,946	14,321,946	-	13,364,250	13,364,250	-	13,408,600	13,408,600
Intangible assets	-	17,094,812	17,094,812	-	13,591,022	13,591,022	-	15,048,060	15,048,060
Deferred tax assets	-	7,681,088	7,681,088	-	2,532,127	2,532,127	-	2,228,541	2,228,541
Other assets	29,440,868	-	29,440,868	19,907,408	-	19,907,408	16,588,108	-	16,588,108
TOTAL ASSETS	15,559,974,058	6,918,126,607	22,478,100,665	12,405,664,998	4,521,944,423	16,927,609,421	7,140,473,643	2,007,055,527	9,147,529,170
LIABILITIES									
Due to banks	8,516,013	-	8,516,013	28,483,333	-	28,483,333	96,186,070	-	96,186,070
Derivative financial instruments	108,884,391	18,027,756	126,912,147	2,986,842	122,338,796	125,325,638	38,110,514	170,877,905	208,988,419
Deposits from customers	18,011,078,593	1,615,592,139	19,626,670,732	14,198,236,563	764,199,416	14,962,435,979	7,603,366,353	382,199,160	7,985,565,513
Debts issued	70,378,857	618,247,033	688,625,890	-	547,090,779	547,090,779	-	115,251,460	115,251,460
Current tax liabilities	9,631,747	-	9,631,747	18,385,558	-	18,385,558	9,324,978	-	9,324,978
Other liabilities	100,645,115	49,598,580	150,243,695	109,929,669	6,200,000	116,129,669	38,008,282	11,749,309	49,757,591
TOTAL LIABILITIES	18,309,134,716	2,301,465,508	20,610,600,224	14,358,021,965	1,439,828,991	15,797,850,956	7,784,996,197	680,077,834	8,465,074,031

33. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (cont'd)

(b) THE BANK

	2012			2011			2010		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
ASSETS									
Cash and balances with Central Bank	595,820,273	80,551,351	676,371,624	1,032,691,975	52,392,789	1,085,084,764	998,421,458	-	998,421,458
Due from banks	3,527,119,302	-	3,527,119,302	3,944,929,389	-	3,944,929,389	1,806,870,654	-	1,806,870,654
Derivative financial instruments	123,782,046	-	123,782,046	55,762,588	45,334,486	101,097,074	14,730,919	56,354,869	71,085,788
Other financial assets held-for-trading	1,162,543,500	-	1,162,543,500	441,804,000	-	441,804,000	367,509,475	-	367,509,475
Loans and advances to customers	8,032,786,966	4,837,397,890	12,870,184,856	5,694,040,765	2,855,337,947	8,549,378,712	3,484,889,420	1,366,263,728	4,851,153,148
Financial investments held-to-maturity	2,042,893,857	1,463,113,868	3,506,007,725	1,155,506,505	1,404,986,278	2,560,492,783	451,364,532	395,215,892	846,580,424
Investment in subsidiary	-	363,163,638	363,163,638	-	25,000,000	25,000,000	-	25,000,000	25,000,000
Investment in associate	-	-	-	-	5,022,438	5,022,438	-	-	-
Equipment	-	14,313,604	14,313,604	-	13,354,813	13,354,813	-	13,387,240	13,387,240
Intangible assets	-	17,094,812	17,094,812	-	13,591,022	13,591,022	-	15,048,060	15,048,060
Deferred tax assets	-	7,637,567	7,637,567	-	2,494,027	2,494,027	-	2,205,826	2,205,826
Other assets	29,365,439	-	29,365,439	19,900,410	-	19,900,410	16,510,859	-	16,510,859
TOTAL ASSETS	15,514,311,383	6,783,272,730	22,297,584,113	12,344,635,632	4,417,513,800	16,762,149,432	7,140,297,317	1,873,475,615	9,013,772,932
LIABILITIES									
Due to banks	8,516,013	-	8,516,013	28,483,333	-	28,483,333	96,186,070	-	96,186,070
Derivative financial instruments	63,249,865	-	63,249,865	2,986,842	45,334,486	48,321,328	38,110,514	56,354,869	94,465,383
Deposits from customers	18,012,775,025	1,615,592,139	19,628,367,164	14,198,338,748	764,199,416	14,962,538,164	7,603,531,186	382,199,160	7,985,730,346
Debts issued	-	565,479,715	565,479,715	-	421,574,481	421,574,481	-	-	-
Amount due to subsidiary	70,378,857	52,767,319	123,146,176	-	125,516,298	125,516,298	-	115,251,460	115,251,460
Current tax liabilities	9,631,747	-	9,631,747	18,385,558	-	18,385,558	9,324,978	-	9,324,978
Other liabilities	131,281,959	-	131,281,959	97,941,160	-	97,941,160	31,611,632	-	31,611,632
TOTAL LIABILITIES	18,295,833,466	2,233,839,173	20,529,672,639	14,346,135,641	1,356,624,681	15,702,760,322	7,778,764,380	553,805,489	8,332,569,869

34. CONTINGENT LIABILITIES AND COMMITMENTS

To meet the financial needs of customers, the Group and the Bank enter into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Even though the obligations may not be recognised on the statements of financial position they do contain credit risk and are therefore part of the overall risk of the Group and the Bank.

	THE GROUP AND THE BANK		
	2012	**2011**	**2010**
Contingent liabilities	**Rs**	**Rs**	**Rs**
Financial guarantees	**770,993,082**	585,949,832	600,291,212
Letters of credit	**497,770,493**	91,723,131	55,379,486
	1,268,763,575	677,672,963	655,670,698
Commitments			
Undrawn commitments to lend	**1,537,283,398**	2,341,851,276	1,217,896,110
Total	**2,806,046,973**	3,019,524,239	1,873,566,808

Contingent liabilities

Letters of credit and guarantees (including standby letters of credit) commit the Group and the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods.

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 Group and the Bank monitor the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Operating lease

The Group and the Bank have entered into commercial leases on premises and equipment. These leases have an average life of between three and five years with no renewal option included in the contract. There are no restrictions placed upon the lessee by entering the leases.

Future minimum lease payments under the non-cancellable operating leases at 30 June are as follows:

	THE GROUP			THE BANK		
	2012	2011	2010	**2012**	2011	2010
	Rs	Rs	Rs	**Rs**	Rs	Rs
Within one year	**14,104,939**	10,163,572	9,946,602	**14,104,939**	10,163,572	9,946,602
After one year but not more than five years	**58,627,410**	636,372	9,029,953	**58,627,410**	636,372	9,029,953
	72,732,349	10,799,944	18,976,555	**72,732,349**	10,799,944	18,976,555

Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Group and the Bank have formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Group and the Bank make adjustments to account for any adverse effects which the claims may have on its financial standing.

35. RELATED PARTY DISCLOSURES

	THE GROUP			THE BANK		
	2012	2011	2010	**2012**	2011	2010
	Rs	Rs	Rs	**Rs**	Rs	Rs
Compensation of key management personnel of the Group and the Bank						
Short-term employee benefits	**56,505,783**	50,208,102	26,510,503	**56,505,783**	50,208,102	26,510,503
Share-based payments	**2,255,912**	3,953,869	3,810,494	**2,255,912**	3,953,869	3,810,494
	58,761,695	54,161,971	30,320,997	**58,761,695**	54,161,971	30,320,997

Transactions with Directors and key management personnel of the Group and the Bank

The following table provides the total amount of transactions, which has been entered into with key management personnel for the relevant financial year:

THE GROUP AND THE BANK	2012		2011		2010	
	Balances as at 30 June 2012	**Income from/ (expense) to**	Balances as at 30 June 2011	Income from/ (expense) to	Balances as at 30 June 2010	Income from/ (expense) to
	Rs	**Rs**	Rs	Rs	Rs	Rs
Directors of the Bank:						
Loans and advances	**4,653,512**	**443,244**	9,695,265	476,597	9,639,096	840,319
Deposits from customers:						
- Term deposits	**12,697,956**	**(90,749)**	13,790,846	(4,419)	15,344,063	(178,425)
- Savings and current accounts	**20,516,625**	**(183,263)**	10,029,140	-	7,118,523	(195,788)
	33,214,581	**(274,012)**	23,819,986	(4,419)	22,462,586	(374,213)
Directors' fees	**-**	**(1,948,631)**	-	(1,950,616)	-	(1,838,904)
	33,214,581	**(2,222,643)**	23,819,986	(1,955,035)	22,462,586	(2,213,117)

THE GROUP AND THE BANK	2012		2011		2010	
	Balances as at 30 June 2012	**Income from/ (expense) to**	Balances as at 30 June 2011	Income from/ (expense) to	Balances as at 30 June 2010	Income from/ (expense) to
	Rs	**Rs**	Rs	Rs	Rs	Rs
Key management personnel of the Bank:						
Loans and advances	**20,201,009**	**626,899**	5,734,117	143,187	1,788,344	60,140
Deposits from customers:						
- Term deposits	**6,439,855**	**(61,448)**	1,104,429	(27,404)	1,304,754	(32,984)
- Savings and current accounts	**9,498,913**	**(208,668)**	4,126,866	-	4,335,612	(254,190)
	15,938,768	**(270,116)**	5,231,295	(27,404)	5,640,366	(287,174)

Transactions with other related parties

In addition to transactions with key management personnel, the Group and the Bank enter into transactions with entities with significant influence over the Group and the Bank. The following table shows the outstanding balance and the corresponding interest during the year.

(a) THE GROUP	Fees/expenses to related parties	Interest from related parties	Interest to related parties	Amount owed by related parties	Amount owed to related parties
	Rs	Rs	Rs	Rs	Rs
2012					
Entities with significant influence over the Group	**25,091,034**	**10,638,684**	**10,155,002**	**172,174,885**	**295,107,251**
Associates	**-**	**72,048**	**20**	**3,711,056**	**1,840,151**
Joint venture	**-**	**-**	**13,828,649**	**-**	**310,442,665**
	25,091,034	**10,710,732**	**23,983,671**	**175,885,941**	**607,390,067**

The Group and the Bank enter into transactions, arrangements and agreements involving Directors, Senior Management and their related concerns in the ordinary course of business at commercial interest and commission rates.

35. RELATED PARTY DISCLOSURES (cont'd)

Transactions with other related parties (cont'd)

(a) THE GROUP (cont'd)	Fees to related parties	Interest from related parties	Interest to related parties	Amount owed by related parties	Amount owed to related parties
	Rs	Rs	Rs	Rs	Rs
2011					
Entities with significant influence over the Group	7,997,612	3,045,514	47,014	250,779,668	340,275,005
Associates	-	-	7,123,358	-	125,618,482
Joint venture	-	-	-	-	-
	7,997,612	3,045,514	7,170,372	250,779,668	465,893,487
2010					
Holding company	51,213	-	-	-	43,192
Entities with significant influence over the Bank	22,744,418	5,981,705	2,452,988	127,124,456	72,590,852
Joint venture	-	-	-	-	48,014,464
	22,795,631	5,981,705	2,452,988	127,124,456	120,648,508

(b) THE BANK	**Fees to related parties**	**Interest from related parties**	**Interest to related parties**	**Amount owed by related parties**	**Amount owed to related parties**
2012					
Entities with significant influence over the Bank	**25,091,034**	**10,638,684**	**10,155,002**	**172,174,885**	**295,107,251**
Subsidiary companies	**9,108**	**9,108**	**242**	**274,551**	**1,856,482**
Associates	**-**	**72,048**	**20**	**3,711,056**	**1,840,151**
Joint venture	**-**	**-**	**13,828,649**	**-**	**310,442,665**
	25,100,142	**10,719,840**	**23,983,913**	**176,160,492**	**609,246,549**
2011					
Entities with significant influence over the Bank	7,997,612	3,045,514	47,014	250,779,668	340,275,005
Subsidiary company	-	-	7,123,358	-	125,618,482
Associates	-	-	-	-	-
Joint venture	-	-	4,964,877	-	96,733,312
	7,997,612	3,045,514	12,135,249	250,779,668	562,626,799
2010					
Holding company	51,213	-	-	-	43,192
Entities with significant influence over the Bank	22,744,418	5,981,705	2,452,988	127,124,456	72,590,852
Subsidiary company	-	-	155,398	-	115,507,358
Joint venture	-	-	496,742	-	48,014,464
	22,795,631	5,981,705	3,105,128	127,124,456	236,155,866

Terms and conditions of transactions with related parties

The above mentioned outstanding balances arose from the ordinary course of business. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2012, the Group and the Bank have not made any provision for doubtful debts relating to amounts owed by related parties (2011 and 2010: nil). At 30 June 2012, none of the facilities granted to related parties was non-performing (2011 and 2010: nil).

The total on and off statement of financial position exposure to the related parties amounted to Rs417, 049,235 (2011: Rs365,158,218 and 2010: Rs221,671,716) representing 2% (2011: 2% and 2010: 2%) of the Group's total exposure.

The credit exposure to the six related parties with the highest exposure amounted to Rs389,784,631 (2011: Rs324,216,961 and 2010: Rs221,671,716) representing 26% (2011: 32% and 2010: 37%) of the Tier 1 capital and all the related party transactions were within the regulatory limit as recommended in the Bank of Mauritius Guideline on Related Party Transactions issued in January 2009.

36. RISK MANAGEMENT

Introduction

Risk is inherent in the Group's and the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's and the Bank's continuing profitability and each individual within the Group and the Bank is accountable for the risk exposures relating to his or her responsibilities. The Group and the Bank are exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operation risks.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors as well as the Group's and the Bank's Senior Management is responsible for understanding both the nature and level of risks taken by the institution and how the risk relates to adequate capital levels. The Board is also responsible for the overall risk management approach and for approving the risk strategies and principles.

Risk Committee

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk Committee is responsible for managing risk decisions and monitoring risk levels.

Bank Treasury

Bank Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

Internal Audit

The Bank's policy is that risk management processes throughout the Bank are audited annually by the Internal Audit Function, which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

(a) Risk measurement and reporting systems

The Group's and the Bank's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group and the Bank also run worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Group and the Bank. These limits reflect the business strategy and market environment of the Group and the Bank as well as the level of risk that the Group and the Bank are willing to accept, with additional emphasis on selected industries. In addition, the Group's and the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the business is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors, the Risk Committee and the Head of each business division. The report includes aggregate credit exposure, hold limit exceptions, liquidity ratios and risk profile changes. On a monthly basis, detailed reporting of industry, customer and geographic risks take place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis.

As part of its overall risk management, the Group and the Bank use derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

The Group and the Bank actively use collaterals to reduce its credit risks.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's and the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's and the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

36. RISK MANAGEMENT (cont'd)

(b) Credit risk

Credit risk is the risk that the Group and the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group and the Bank manage and control credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Group and the Bank have established a credit quality review process to provide early identification of possible changes in the credit worthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Group and the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statements of financial position.

Credit-related commitments risks

The Group and the Bank make available to its customers guarantees which may require that the Group and the Bank make payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Group and the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Group and the Bank to similar risks to loans and are mitigated by the same control processess and policies.

Country risk

Credit 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 accordance with the Bank of Mauritius guideline on country risk management, the Bank has provided an amount of Rs10,066,719 in respect of country risk as at 30 June 2012. This is included in Tier 2 capital as part of 'general banking reserves and portfolio provisions'.

Risk concentrations: Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The Group's and the Bank's concentrations of risk are managed by client/counterparty (excluding government), by geographical region and by industry sector. The maximum credit exposure to any client or counterparty as of 30 June 2012 was Rs858,880,093 (2011: Rs1,004,192,985 and 2010: Rs959,065,000) before taking account of collateral or other credit enhancements.

36. RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

Risk concentrations: Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The following table shows the maximum exposure to credit risk for the components of the statements of financial position, including derivatives, by geography and by industry before the effect of mitigation through the use of master netting and collateral agreements. Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

	THE GROUP			THE BANK		
	2012	2011	2010	**2012**	2011	2010
	Rs	Rs	Rs	**Rs**	Rs	Rs
Financial assets						
Cash and balances with the Central Bank	**676,371,624**	1,085,084,764	998,421,458	**676,371,624**	1,085,084,764	998,421,458
Due from banks						
Placement with other banks	**2,979,736,879**	3,440,961,154	1,389,791,387	**2,979,736,879**	3,440,961,154	1,389,791,387
Current accounts	**546,146,846**	502,812,734	416,020,872	**546,079,667**	502,664,990	415,921,795
Other amounts due	**1,302,756**	1,303,245	1,157,472	**1,302,756**	1,303,245	1,157,472
	3,527,186,481	3,945,077,133	1,806,969,731	**3,527,119,302**	3,944,929,389	1,806,870,654
Derivative financial instruments	**190,544,328**	181,201,384	188,708,824	**123,782,046**	101,097,074	71,085,788
Other financial assets-held-for-trading	**1,162,543,500**	441,804,000	367,509,475	**1,162,543,500**	441,804,000	367,509,475
Loans and advances to customers						
Retail and personal	**810,048,341**	683,947,109	376,960,447	**810,048,341**	683,947,109	376,960,447
Business	**5,713,721,439**	4,141,362,818	2,217,148,239	**5,713,835,898**	4,141,362,818	2,217,148,239
Entities outside Mauritius	**6,268,232,677**	3,736,227,050	2,272,925,722	**6,268,232,677**	3,736,227,050	2,272,925,722
Credit cards	**78,067,940**	48,716,359	35,530,961	**78,067,940**	48,716,359	35,530,961
	12,870,070,397	8,610,253,336	4,902,565,369	**12,870,184,856**	8,610,253,336	4,902,565,369
Financial investments-held-to-maturity	**3,506,007,725**	2,560,492,783	846,580,424	**3,506,007,725**	2,560,492,783	846,580,424
Other assets (excluding prepayments)	**27,638,382**	13,044,209	14,489,733	**27,622,952**	13,037,211	14,412,484
	21,960,362,437	16,836,957,609	9,125,245,014	**21,893,632,005**	16,756,698,557	9,007,445,652

The Group's and the Bank's financial assets before taking into account any collateral held or other credit enhancements, can be analysed as follows by the following geographical regions:

GROSS MAXIMUM EXPOSURE

	THE GROUP			THE BANK		
	2012	2011	2010	**2012**	2011	2010
	Rs	Rs	Rs	**Rs**	Rs	Rs
Mauritius	**12,907,568,042**	9,973,675,334	6,037,779,413	**12,907,599,892**	10,023,534,666	6,034,503,087
France	**42,921,169**	98,848,110	67,015,024	**42,921,169**	98,848,110	67,015,024
United Kingdom	**1,007,466,082**	689,688,880	761,893,347	**1,007,466,082**	657,915,880	647,370,311
United States of America	**306,700,614**	601,092,335	328,367,036	**306,700,614**	601,092,335	328,367,036
India	**4,376,515,583**	4,853,932,786	1,518,621,622	**4,376,515,583**	4,853,932,786	1,518,621,622
Other	**3,319,190,947**	619,720,164	411,568,572	**3,252,428,665**	521,374,780	411,568,572
	21,960,362,437	16,836,957,609	9,125,245,014	**21,893,632,005**	16,756,698,557	9,007,445,652

36. RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

An industry sector analysis of the Group's and the Bank's financial assets, without taking account of any collateral held or other credit enhancements, is as follows:

	GROSS MAXIMUM EXPOSURE					
	THE GROUP			THE BANK		
	2012	2011	2010	2012	2011	2010
	Rs	Rs	Rs	Rs	Rs	Rs
Agriculture	**420,306,775**	175,109,662	172,525,776	**420,306,775**	175,109,662	170,293,235
Construction, infrastructure and real estate	**1,453,060,431**	1,037,516,198	469,884,476	**1,453,060,431**	1,037,516,198	469,884,476
Financial and business services	**12,834,700,893**	7,325,909,084	5,985,576,099	**12,767,980,469**	11,333,031,579	5,878,410,132
Government	**103,538,187**	4,190,916,906	108,975,178	**103,538,187**	103,535,359	108,975,178
Information, communication and technology	**372,889,283**	164,075,217	326,817,530	**372,889,283**	164,075,217	326,817,530
Manufacturing	**2,269,121,826**	1,035,231,439	590,226,084	**2,269,121,826**	1,035,231,439	589,465,880
Personal	**888,116,282**	732,663,468	401,865,343	**888,116,282**	732,663,468	401,862,510
Tourism	**1,332,745,608**	1,183,225,392	552,251,491	**1,332,745,608**	1,183,225,392	545,884,221
Traders	**877,038,164**	769,863,681	463,077,136	**877,038,164**	769,863,681	462,037,074
Others	**1,408,844,988**	222,446,562	54,045,901	**1,408,834,980**	222,446,562	53,815,416
	21,960,362,437	16,836,957,609	9,125,245,014	**21,893,632,005**	16,756,698,557	9,007,445,652

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are as follows:

- Floating charges for commercial lending;
- Fixed charges for retail lending and for commercial lending;
- Cash deposits held under lien;
- Pledge of quoted shares.

The Group and the Bank also request for personal guarantees from promoters, directors, shareholders and also corporate and cross guarantees from parent and sister companies.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreements, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

36. RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

Credit quality per class of financial assets

The table below shows the credit quality by class of asset for loan-related statement of financial position lines, based on the Group's credit rating system. The amounts presented are gross of impairment allowances.

THE GROUP	Neither past due nor impaired				
	High Grade (1-3)	Standard Grade (4-5)	Past due but not impaired	Individually impaired	Total
	Rs	Rs	Rs	Rs	Rs
30 June 2012					
Cash and balances with the Central Bank	**676,371,624**	**-**	**-**	**-**	**676,371,624**
Due from banks	**3,527,186,481**	**-**	**-**	**-**	**3,527,186,481**
Derivative financial instruments	**190,544,328**	**-**	**-**	**-**	**190,544,328**
Other financial assets held-for-trading	**1,162,543,500**	**-**	**-**	**-**	**1,162,543,500**
Loans and advances to customers	**12,052,914,020**	**397,831,934**	**373,344,124**	**45,980,319**	**12,870,070,397**
- Corporate lending	**9,594,540,746**	**229,370,342**	**246,635,848**	**84,463**	**10,070,631,399**
- Business banking	**1,630,822,827**	**134,086,445**	**100,476,117**	**40,223,378**	**1,905,608,767**
- Private/personal	**827,550,447**	**34,375,147**	**26,232,159**	**5,672,478**	**893,830,231**
Financial investments held-to-maturity	**3,506,007,725**	**-**	**-**	**-**	**3,506,007,725**
Other assets (excluding prepayments)	**27,638,382**	**-**	**-**	**-**	**27,638,382**
	21,143,206,060	**397,831,934**	**373,344,124**	**45,980,319**	**21,960,362,437**
30 June 2011	Rs	Rs	Rs	Rs	Rs
Cash and balances with the Central Bank	1,085,084,764	-	-	-	1,085,084,764
Due from banks	3,945,077,133	-	-	-	3,945,077,133
Derivative financial instruments	181,201,384	-	-	-	181,201,384
Other financial assets held-for-trading	441,804,000	-	-	-	441,804,000
Loans and advances to customers	8,269,796,836	237,250,198	92,172,362	11,033,940	8,610,253,336
- Corporate lending	6,830,697,543	139,830,053	29,805,044	177,880	7,000,510,520
- Business banking	729,359,315	94,828,689	44,778,247	8,113,332	877,079,583
- Private/personal	709,739,978	2,591,456	17,589,071	2,742,728	732,663,233
Financial investments held-to-maturity	2,560,492,783	-	-	-	2,560,492,783
Other assets (excluding prepayments)	13,044,209	-	-	-	13,044,209
	16,496,501,109	237,250,198	92,172,362	11,033,940	16,836,957,609
30 June 2010	Rs	Rs	Rs	Rs	Rs
Cash and balances with the Central Bank	998,421,458	-	-	-	998,421,458
Due from banks	1,806,969,731	-	-	-	1,806,969,731
Derivative financial instruments	188,708,824	-	-	-	188,708,824
Other financial assets held-for-trading	367,509,475	-	-	-	367,509,475
Loans and advances to customers	4,827,553,487	4,111,007	28,822,349	42,078,526	4,902,565,369
- Corporate lending	3,707,004,224	-	6,017,496	40,236,772	3,753,258,492
- Business banking	716,308,757	4,111,007	16,395,705	-	736,815,469
- Private/personal	404,240,506	-	6,409,148	1,841,754	412,491,408
Financial investments held-to-maturity	846,580,424	-	-	-	846,580,424
Other assets (excluding prepayments)	14,489,733	-	-	-	14,489,733
	9,050,233,132	4,111,007	28,822,349	42,078,526	9,125,245,014

36. RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

Credit quality per class of financial assets

The table below shows the credit quality by class of asset for loan-related statement of financial position lines, based on the Bank's credit rating system:

THE BANK	Neither past due nor impaired				
	High Grade (1-3)	Standard Grade (4-5)	Past due but not impaired	Individually impaired	Total
	Rs	Rs	Rs	Rs	Rs
30 June 2012					
Cash and balances with the Central Bank	**676,371,624**	**-**	**-**	**-**	**676,371,624**
Due from banks	**3,527,119,302**	**-**	**-**	**-**	**3,527,119,302**
Derivative financial instruments	**123,782,046**	**-**	**-**	**-**	**123,782,046**
Other financial assets held-for-trading	**1,162,543,500**	**-**	**-**	**-**	**1,162,543,500**
Loans and advances to customers	**12,053,028,479**	**397,831,934**	**373,344,124**	**45,980,319**	**12,870,184,856**
- Corporate lending	**9,594,540,746**	**229,370,342**	**246,635,848**	**84,463**	**10,070,631,399**
- Business banking	**1,630,937,286**	**134,086,445**	**100,476,117**	**40,223,378**	**1,905,723,226**
- Private/personal	**827,550,447**	**34,375,147**	**26,232,159**	**5,672,478**	**893,830,231**
Financial investments held-to-maturity	**3,506,007,725**	**-**	**-**	**-**	**3,506,007,725**
Other assets (excluding prepayments)	**27,622,952**	**-**	**-**	**-**	**27,622,952**
	21,076,475,628	**397,831,934**	**373,344,124**	**45,980,319**	**21,893,632,005**
30 June 2011	Rs	Rs	Rs	Rs	Rs
Cash and balances with the Central Bank	1,085,084,764	-	-	-	1,085,084,764
Due from banks	3,944,929,389	-	-	-	3,944,929,389
Derivative financial instruments	101,097,074	-	-	-	101,097,074
Other financial assets held-for-trading	441,804,000	-	-	-	441,804,000
Loans and advances to customers	8,269,796,836	237,250,198	92,172,362	11,033,940	8,610,253,336
- Corporate lending	6,830,697,543	139,830,053	29,805,044	177,880	7,000,510,520
- Business banking	729,359,315	94,828,689	44,778,247	8,113,332	877,079,583
- Private/personal	709,739,978	2,591,456	17,589,071	2,742,728	732,663,233
Financial investments held-to-maturity	2,560,492,783	-	-	-	2,560,492,783
Other assets (excluding prepayments)	13,037,211	-	-	-	13,037,211
	16,416,242,057	237,250,198	92,172,362	11,033,940	16,756,698,557
30 June 2010	Rs	Rs	Rs	Rs	Rs
Cash and balances with the Central Bank	998,421,458	-	-	-	998,421,458
Due from banks	1,806,870,654	-	-	-	1,806,870,654
Derivative financial instruments	71,085,788	-	-	-	71,085,788
Other financial assets held-for-trading	367,509,475	-	-	-	367,509,475
Loans and advances to customers	4,827,553,487	4,111,007	28,822,349	42,078,526	4,902,565,369
- Corporate lending	3,707,004,224	-	6,394,470	40,236,772	3,753,635,466
- Business banking	716,308,757	4,111,007	16,018,731	-	736,438,495
- Private/personal	404,240,506	-	6,409,148	1,841,754	412,491,408
Financial investments held-to-maturity	846,580,424	-	-	-	846,580,424
Other assets (excluding prepayments)	14,412,484	-	-	-	14,412,484
	8,932,433,770	4,111,007	28,822,349	42,078,526	9,007,445,652

It is the Group's and the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All risk ratings are tailored to the various categories and are derived in accordance with the Group's and the Bank's rating policy. The attributable risk ratings are assessed and updated regularly.

36. RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

Ageing analysis of past due but not impaired loans by class of financial assets

THE GROUP AND THE BANK	Amount in arrears				
	More than 91 days	61 to 90 days	31 to 60 days	Less than 30 days	Total
	Rs	Rs	Rs	Rs	Rs
30 June 2012					
Loans and advances to customers					
- Corporate lending	**86,667,683**	**78,138,312**	**25,842,060**	**55,987,793**	**246,635,848**
- Business banking	**17,993,071**	**705,256**	**1,011,365**	**80,766,425**	**100,476,117**
- Private and personal	**16,304,692**	**1,741,529**	**3,590,711**	**4,595,227**	**26,232,159**
	120,965,446	**80,585,097**	**30,444,136**	**141,349,445**	**373,344,124**
30 June 2011	Rs	Rs	Rs	Rs	Rs
Loans and advances to customers					
- Corporate lending	2,966,862	121,559	11,727,685	14,988,938	29,805,044
- Business banking	38,208,204	73,240	3,181,610	3,315,193	44,778,247
- Private and personal	9,422,264	1,032,648	2,487,497	4,646,662	17,589,071
	50,597,330	1,227,447	17,396,792	22,950,793	92,172,362
30 June 2010	Rs	Rs	Rs	Rs	Rs
Loans and advances to customers					
- Corporate lending	4,326,613	467,546	461,321	1,138,990	6,394,470
- Business banking	7,644,582	727,785	433,458	7,212,906	16,018,731
- Private and personal	5,378,933	551,227	121,342	357,646	6,409,148
	17,350,128	1,746,558	1,016,121	8,709,542	28,822,349

See Note 7 for more detailed information with respect to the allowance for impairment losses on loans and advances to customers.

The fair value of the collaterals that the Group and the Bank hold relating to loans that were past due but not impaired and loans individually determined to be impaired at 30 June 2012 amount to Rs1,662,517,608 (2011: Rs1,078,671,252 and 2010: Rs383,345,500) and Rs35,900,000 (2011: Rs7,030,462 and 2010: Rs24,378,567) respectively .

Collateral repossessed

During the year, the Group and the Bank did not take possession of any collateral (2011: Nil and 2010: Nil).

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue or there are any known difficulties in the cash flows of counterparties, credit rating downgrades or infringement of the original terms of the contract. The Group and the Bank address impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Group and the Bank determine the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, 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.

36. RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances that are not individually significant and for individually significant loans and advances where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective impairment allowances are estimated by taking into consideration trends in the delinquency and loan loss history. Collective impairment are conducted in accordance with the Bank of Mauritius Guideline on 'Credit Impairment Measurement and Income Recognition'.

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

Commitments and guarantees

To meet the financial needs of customers, the Group and the Bank enter into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statements of financial position, they do contain credit risk and are therefore part of the overall risk of the Group and the Bank.

The table below shows the Group's and the Bank's maximum credit risk exposure for commitments and guarantees.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Group and the Bank could have to pay if the guarantee is called on. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the statements of financial position.

	2012	2011	2010
	Rs	Rs	Rs
Financial guarantees	**770,993,082**	585,949,832	600,291,212
Letters of credit	**497,770,493**	91,723,131	55,379,486
Other undrawn commitments to lend	**1,537,283,398**	2,341,851,276	1,217,896,110
	2,806,046,973	3,019,524,239	1,873,566,808

(c) Liquidity risk and funding management

Liquidity risk is the risk that the Group and the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

Sources of liquidity risk include unforseen withdrawal of demand deposit, restricted access to new funding with appropriate maturity and interest rate characteristics, inability to liquidate a marketable asset timeously with minimum risk of capital loss, unpredicted non payment of a loan obligation and a sudden increased demand for loans.

The Group and the Bank maintain a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Group and the Bank also have committed lines of credit that they can access to meet liquidity needs. In addition, the Group and the Bank maintain a statutory deposit with the Bank of Mauritius. 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 Group and the Bank.

Analysis of financial assets and liabilities by remaining contractual maturities

The table on next page summarises the maturity profile of the Group's and the Bank's financial assets and liabilities based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group and the Bank expect that many customers will not request repayment on the earliest date the Group and the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Group's and the Bank's deposit retention history.

36. RISK MANAGEMENT (cont'd)

(c) Liquidity risk and funding management (cont'd)

Analysis of financial assets and liabilities by remaining contractual maturities (cont'd)

THE GROUP	30 June 2012								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Assets									
Cash and balances with the Central Bank	88,580,497	217,818,735	116,479,332	172,941,709	595,820,273	80,551,351	-	80,551,351	676,371,624
Due from banks	1,775,147,048	1,063,615,255	688,424,178	-	3,527,186,481	-	-	-	3,527,186,481
Derivative financial instruments	-	20,176,675	68,540,450	80,699,447	169,416,572	21,127,756	-	21,127,756	190,544,328
Other financial assets held-for-trading	-	572,426,250	395,167,250	194,950,000	1,162,543,500	-	-	-	1,162,543,500
Loans and advances to customers	855,852,527	4,247,761,724	2,090,185,639	838,872,617	8,032,672,507	4,830,862,970	6,534,920	4,837,397,890	12,870,070,397
Financial investments - available-for-sale	-	-	-	-	-	14,999,997	-	14,999,997	14,999,997
Financial investments held-to-maturity	-	370,344,723	440,405,365	1,232,143,769	2,042,893,857	1,216,411,129	246,702,739	1,463,113,868	3,506,007,725
Other assets (excluding prepayments)	11,064,096	-	13,103,745	-	24,167,841	3,470,541	-	3,470,541	27,638,382
Total	2,730,644,168	6,492,143,362	3,812,305,959	2,519,607,542	15,554,701,031	6,167,423,744	253,237,659	6,420,661,403	21,975,362,435
Liabilities									
Due to banks	-	3,380,887	4,278,628	856,498	8,516,013	-	-	-	8,516,013
Derivative financial instruments	-	18,375,572	44,863,457	45,645,362	108,884,391	18,027,756	-	18,027,756	126,912,147
Deposits from customers:									
- Current account	390,139,144	3,656,214,975	1,382,784,077	166,817,580	5,595,955,776	-	-	-	5,595,955,776
- Savings account	99,639,296	1,195,671,555	398,557,185	298,917,889	1,992,785,925	-	-	-	1,992,785,925
- Time deposits	-	4,300,132,870	2,214,527,459	3,907,676,563	10,422,336,892	1,337,846,256	277,745,883	1,615,592,139	12,037,929,031
	489,778,440	9,152,019,400	3,995,868,721	4,373,412,032	18,011,078,593	1,337,846,256	277,745,883	1,615,592,139	19,626,670,732
Debts issued	-	-	-	70,378,857	70,378,857	52,767,318	565,479,715	618,247,034	688,625,890
Current tax liabilities	-	-	9,631,747	-	9,631,747	-	-	-	9,631,747
Other liabilities	-	8,902,577	72,259,323	19,483,215	100,645,115	49,598,580	-	49,598,580	150,243,695
Total	489,778,440	9,182,678,436	4,126,901,876	4,509,775,964	18,309,134,716	1,458,239,910	843,225,598	2,301,465,509	20,610,600,224
Net liquidity gap	2,240,865,728	(2,690,535,074)	(314,595,917)	(1,990,168,422)	(2,754,433,684)	4,709,183,835	(589,987,939)	4,119,195,894	1,364,762,211

36. RISK MANAGEMENT (cont'd)

(c) Liquidity risk and funding management (cont'd)

Analysis of financial assets and liabilities by remaining contractual maturities (cont'd)

THE BANK	30 June 2012								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Assets									
Cash and balances with the Central Bank	88,580,497	217,818,735	116,479,332	172,941,709	595,820,273	80,551,351	-	80,551,351	676,371,624
Due from banks	1,775,079,869	1,063,615,255	688,424,178	-	3,527,119,302	-	-	-	3,527,119,302
Derivative financial instruments	-	20,176,675	68,540,450	35,064,921	123,782,046	-	-	-	123,782,046
Other financial assets held-for-trading	-	572,426,250	395,167,250	194,950,000	1,162,543,500	-	-	-	1,162,543,500
Loans and advances to customers	855,852,527	4,247,761,724	2,090,300,098	838,872,617	8,032,786,966	4,830,862,970	6,534,920	4,837,397,890	12,870,184,856
Financial investments held-to-maturity	-	370,344,723	440,405,365	1,232,143,769	2,042,893,857	1,216,411,129	246,702,739	1,463,113,868	3,506,007,725
Other assets (excluding prepayments)	11,064,096	-	13,088,315	-	24,152,411	3,470,541	-	3,470,541	27,622,952
Total	2,730,576,989	6,492,143,362	3,812,404,988	2,473,973,016	15,509,098,355	6,131,295,991	253,237,659	6,384,533,650	21,893,632,005
Liabilities									
Due to banks	-	3,380,887	4,278,628	856,498	8,516,013	-	-	-	8,516,013
Derivative financial instruments	-	18,375,572	44,863,457	10,836	63,249,865	-	-	-	63,249,865
Deposits from customers:									
- Current account	391,835,575	3,656,214,975	1,382,784,078	166,817,580	5,597,652,208	-	-	-	5,597,652,208
- Savings account	99,639,296	1,195,671,555	398,557,185	298,917,889	1,992,785,925	-	-	-	1,992,785,925
- Time deposits	-	4,300,132,870	2,214,527,459	3,907,676,563	10,422,336,892	1,337,846,256	277,745,883	1,615,592,139	12,037,929,031
	491,474,871	9,152,019,400	3,995,868,722	4,373,412,032	18,012,775,025	1,337,846,256	277,745,883	1,615,592,139	19,628,367,164
Debts issued	-	-	-	-	-	-	565,479,715	565,479,715	565,479,715
Amount due to subsidiary	-	-	-	70,378,857	70,378,857	52,767,319	-	52,767,319	123,146,176
Current tax liabilities	-	-	9,631,747	-	9,631,747	-	-	-	9,631,747
Other liabilities	-	8,902,577	72,259,323	521,479	81,683,379	49,598,580	-	49,598,580	131,281,959
Total	491,474,871	9,182,678,436	4,126,901,877	4,445,179,702	18,246,234,886	1,440,212,155	843,225,598	2,283,437,753	20,529,672,639
Net liquidity gap	2,239,102,118	(2,690,535,074)	(314,496,889)	(1,971,206,686)	(2,737,136,530)	4,691,083,836	(589,987,939)	4,101,095,897	1,363,959,366

36. RISK MANAGEMENT (cont'd)

(c) Liquidity risk and funding management (cont'd)

Analysis of financial assets and liabilities by remaining contractual maturities (cont'd)

THE GROUP

	30 June 2011								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Assets									
Cash and balances with the Central Bank	481,075,835	232,470,072	144,965,669	174,180,399	1,032,691,975	52,392,789	-	52,392,789	1,085,084,764
Due from banks	502,812,734	3,077,828,895	364,435,504	-	3,945,077,133	-	-	-	3,945,077,133
Derivative financial instruments	-	10,129,282	4,336,976	41,296,330	55,762,588	125,438,796	-	125,438,796	181,201,384
Other financial assets held-for-trading	-	441,804,000	-	-	441,804,000	-	-	-	441,804,000
Loans and advances to customers	-	4,275,322,022	997,006,370	482,586,997	5,754,915,389	1,835,993,458	1,019,344,489	2,855,337,947	8,610,253,336
Financial investments - available-for-sale	-	-	-	-	-	-	-	-	-
Financial investments held-to-maturity	-	179,084,420	196,468,067	779,954,018	1,155,506,505	1,381,706,681	23,279,597	1,404,986,278	2,560,492,783
Other assets (excluding prepayments)	-	2,286,321	3,097,808	7,660,080	13,044,209	-	-	-	13,044,209
Total	983,888,569	8,218,925,012	1,710,310,394	1,485,677,824	12,398,801,799	3,395,531,724	1,042,624,086	4,438,155,810	16,836,957,609
Liabilities									
Due to banks	2,344	28,480,989	-	-	28,483,333	-	-	-	28,483,333
Derivative financial instruments	-	2,986,842	-	-	2,986,842	122,338,796	-	122,338,796	125,325,638
Deposits from customers:									
- Current account	261,095,510	2,611,976,936	857,775,200	-	3,730,847,646	-	-	-	3,730,847,646
- Savings account	84,258,927	1,011,107,124	337,035,708	252,776,781	1,685,178,540	-	-	-	1,685,178,540
- Time deposits	-	4,189,993,691	1,885,009,057	2,707,207,629	8,782,210,377	764,199,416	-	764,199,416	9,546,409,793
	345,354,437	7,813,077,751	3,079,819,965	2,959,984,410	14,198,236,563	764,199,416	-	764,199,416	14,962,435,979
Debts issued	-	-	-	-	-	125,516,298	421,574,481	547,090,779	547,090,779
Current tax liabilities	-	-	-	18,385,558	18,385,558	-	-	-	18,385,558
Other liabilities	-	17,474,676	10,024,758	82,430,235	109,929,669	6,200,000	-	6,200,000	116,129,669
Total	345,356,781	7,862,020,258	3,089,844,723	3,060,800,203	14,358,021,965	1,018,254,510	421,574,481	1,439,828,991	15,797,850,956
Net liquidity gap	638,531,788	356,904,754	(1,379,534,329)	(1,575,122,379)	(1,959,220,166)	2,377,277,214	621,049,605	2,998,326,819	1,039,106,653

36. RISK MANAGEMENT (cont'd)

(c) Liquidity risk and funding management (cont'd)

Analysis of financial assets and liabilities by remaining contractual maturities (cont'd)

THE BANK

	30 June 2011								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Assets									
Cash and balances with the Central Bank	481,075,835	232,470,072	144,965,669	174,180,399	1,032,691,975	52,392,789	-	52,392,789	1,085,084,764
Due from banks	502,664,990	3,077,828,895	364,435,504	-	3,944,929,389	-	-	-	3,944,929,389
Derivative financial instruments	-	10,129,282	4,336,976	41,296,330	55,762,588	45,334,486	-	45,334,486	101,097,074
Other financial assets held-for-trading	-	441,804,000	-	-	441,804,000	-	-	-	441,804,000
Loans and advances to customers	-	4,275,322,022	997,006,370	482,586,997	5,754,915,389	1,835,993,458	1,019,344,489	2,855,337,947	8,610,253,336
Financial investments held-to-maturity	-	179,084,420	196,468,067	779,954,018	1,155,506,505	1,381,706,681	23,279,597	1,404,986,278	2,560,492,783
Other assets (excluding prepayments)	-	2,279,323	3,097,808	7,660,080	13,037,211	-	-	-	13,037,211
Total	983,740,825	8,218,918,014	1,710,310,394	1,485,677,824	12,398,647,057	3,315,427,414	1,042,624,086	4,358,051,500	16,756,698,557
Liabilities									
Due to banks	2,344	28,480,989	-	-	28,483,333	-	-	-	28,483,333
Derivative financial instruments	-	2,986,842	-	-	2,986,842	45,334,486	-	45,334,486	48,321,328
Deposits from customers:									
- Current account	261,197,695	2,611,976,936	857,775,200	-	3,730,949,831	-	-	-	3,730,949,831
- Savings account	84,258,927	1,011,107,124	337,035,708	252,776,781	1,685,178,540	-	-	-	1,685,178,540
- Time deposits	-	4,189,993,691	1,885,009,057	2,707,207,629	8,782,210,377	764,199,416		764,199,416	9,546,409,793
	345,456,622	7,813,077,751	3,079,819,965	2,959,984,410	14,198,338,748	764,199,416	-	764,199,416	14,962,538,164
Debts issued	-	-	-	-	-	-	421,574,481	421,574,481	421,574,481
Amount due to subsidiary	-	-	-	-	-	125,516,298	-	125,516,298	125,516,298
Current tax liabilities	-	-	-	18,385,558	18,385,558	-	-	-	18,385,558
Other liabilities	-	5,486,167	10,024,758	82,430,235	97,941,160	-	-	-	97,941,160
Total	345,458,966	7,850,031,749	3,089,844,723	3,060,800,203	14,346,135,641	935,050,200	421,574,481	1,356,624,681	15,702,760,322
Net liquidity gap	638,281,859	368,886,265	(1,379,534,329)	(1,575,122,379)	(1,947,488,584)	2,380,377,214	621,049,605	3,001,426,819	1,053,938,235

36. RISK MANAGEMENT (cont'd)

(c) Liquidity risk and funding management (cont'd)

Analysis of financial assets and liabilities by remaining contractual maturities (cont'd)

THE GROUP

	30 June 2010								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Assets									
Cash and balances with the Central Bank	871,390,439	127,031,019	-	-	998,421,458	-	-	-	998,421,458
Due from banks	416,020,872	1,279,613,177	111,335,682	-	1,806,969,731	-	-	-	1,806,969,731
Derivative financial instruments	-	12,710,687	1,572,280	447,952	14,730,919	173,977,905	-	173,977,905	188,708,824
Other financial assets held-for-trading	-	120,198,234	170,991,720	76,319,521	367,509,475	-	-	-	367,509,475
Loans and advances to customers	409,472,098	1,786,913,646	664,039,201	675,876,696	3,536,301,641	1,172,183,946	194,079,782	1,366,263,728	4,902,565,369
Financial investments - available-for-sale	-	-	-	-	-	-	-	-	-
Financial investments held-to-maturity	-	289,526,534	49,276,030	112,561,968	451,364,532	372,278,421	22,937,471	395,215,892	846,580,424
Other assets (excluding prepayments)	-	4,362,249	8,006,571	2,120,913	14,489,733	-	-	-	14,489,733
Total	1,696,883,409	3,620,355,546	1,005,221,484	867,327,050	7,189,787,489	1,718,440,272	217,017,253	1,935,457,525	9,125,245,014
Liabilities									
Due to banks	47,180	96,138,890	-	-	96,186,070	-	-	-	96,186,070
Derivative financial instruments	-	19,320,950	8,391,469	10,398,095	38,110,514	170,877,905	-	170,877,905	208,988,419
Deposits from customers:									
-Current account	2,829,052,687	-	-	-	2,829,052,687			-	2,829,052,687
-Savings account	914,590,106	-	-	-	914,590,106			-	914,590,106
-Time deposits	-	1,493,872,504	1,144,702,555	1,221,148,501	3,859,723,560	381,193,966	1,005,194	382,199,160	4,241,922,720
	3,743,642,793	1,493,872,504	1,144,702,555	1,221,148,501	7,603,366,353	381,193,966	1,005,194	382,199,160	7,985,565,513
Debts issued	-	-	-	-	-	115,251,460	-	115,251,460	115,251,460
Current tax liabilities	-	-	-	9,324,978	9,324,978	-	-	-	9,324,978
Other liabilities	-	11,930,663	19,168,587	5,258,341	36,357,591	13,400,000	-	13,400,000	49,757,591
Total	3,743,689,973	1,621,263,007	1,172,262,611	1,246,129,915	7,783,345,506	680,723,331	1,005,194	681,728,525	8,465,074,031
Net liquidity gap	(2,046,806,564)	1,999,092,539	(167,041,127)	(378,802,865)	(593,558,017)	1,037,716,941	216,012,059	1,253,729,000	660,170,983

36. RISK MANAGEMENT (cont'd)

(c) Liquidity risk and funding management (cont'd)

Analysis of financial assets and liabilities by remaining contractual maturities (cont'd)

THE BANK	30 June 2010								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Assets									
Cash and balances with the Central Bank	871,390,439	127,031,019	-	-	998,421,458	-	-	-	998,421,458
Due from banks	415,921,795	1,279,613,177	111,335,682	-	1,806,870,654	-	-	-	1,806,870,654
Derivative financial instruments	-	12,710,687	1,572,280	447,952	14,730,919	56,354,869	-	56,354,869	71,085,788
Other financial assets held-for-trading	-	120,198,234	170,991,720	76,319,521	367,509,475	-	-	-	367,509,475
Loans and advances to customers	409,472,098	1,786,913,646	664,039,201	675,876,696	3,536,301,641	1,172,183,946	194,079,782	1,366,263,728	4,902,565,369
Financial investments held-to-maturity	-	289,526,534	49,276,030	112,561,968	451,364,532	372,278,421	22,937,471	395,215,892	846,580,424
Other assets (excluding prepayments)	-	4,285,000	8,006,571	2,120,913	14,412,484	-	-	-	14,412,484
Total	1,696,784,332	3,620,278,297	1,005,221,484	867,327,050	7,189,611,163	1,600,817,236	217,017,253	1,817,834,489	9,007,445,652
Liabilities									
Due to banks	47,180	96,138,890	-	-	96,186,070	-	-	-	96,186,070
Derivative financial instruments	-	19,320,950	8,391,469	10,398,095	38,110,514	56,354,869	-	56,354,869	94,465,383
Deposits from customers:									
-Current account	2,829,217,520	-	-	-	2,829,217,520	-	-	-	2,829,217,520
-Savings account	914,590,106	-	-	-	914,590,106	-	-	-	914,590,106
-Time deposits	-	1,493,872,504	1,144,702,555	1,221,148,501	3,859,723,560	381,193,966	1,005,194	382,199,160	4,241,922,720
	3,743,807,626	1,493,872,504	1,144,702,555	1,221,148,501	7,603,531,186	381,193,966	1,005,194	382,199,160	7,985,730,346
Amount due to subsidiary	-	-	-	-	-	115,251,460	-	115,251,460	115,251,460
Current tax liabilities	-	-	-	9,324,978	9,324,978	-	-	-	9,324,978
Other liabilities	-	11,734,013	14,619,278	5,258,341	31,611,632	-	-	-	31,611,632
Total	3,743,854,806	1,621,066,357	1,167,713,302	1,246,129,915	7,778,764,380	552,800,295	1,005,194	553,805,489	8,332,569,869
Net liquidity gap	(2,047,070,474)	1,999,211,940	(162,491,818)	(378,802,865)	(589,153,217)	1,048,016,941	216,012,059	1,264,029,000	674,875,783

36. RISK MANAGEMENT (cont'd)

(c) Liquidity risk and funding management (cont'd)

The table below shows the contractual expiry by maturity of the Group's and the Bank's commitments.

THE GROUP AND THE BANK

	Less than 3 months	3 to 12 months	1 to 5 years	Total
	Rs	Rs	Rs	Rs
30 June 2012				
Contingent liabilities	855,238,615	336,050,060	77,474,900	1,268,763,575
Commitments	489,061,913	1,048,221,485	-	1,537,283,398
Total	1,344,300,528	1,384,271,545	77,474,900	2,806,046,973
30 June 2011	Rs	Rs	Rs	Rs
Contingent liabilities	349,916,339	318,560,267	9,196,357	677,672,963
Commitments	797,966,533	1,543,884,743	-	2,341,851,276
Total	1,147,882,872	1,862,445,010	9,196,357	3,019,524,239
30 June 2010	Rs	Rs	Rs	Rs
Contingent liabilities	34,350,607	20,153,589	601,166,502	655,670,698
Commitments	414,988,068	802,908,042	-	1,217,896,110
Total	449,338,675	823,061,631	601,166,502	1,873,566,808

The Group and the Bank expect that not all the contingent liabilities or commitments will be drawn before expiry of commitments.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Group and the Bank classify exposures to market risk into either trading or non trading portfolios and manage these portfolios separately. Except for the concentrations within foreign currency, the Group and the Bank have no significant concentration of market risk.

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Management has established limits on the interest rate gaps for stipulated periods. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

36. RISK MANAGEMENT (cont'd)

(d) Market risk (cont'd)

(i) Interest rate risk (cont'd)

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's and the Bank's statements of comprehensive income and equity.

The sensitivity of the statements of comprehensive income is the effect of the assumed changes in interest rates on the profit or loss for the year, based on the financial assets and financial liabilities held at 30 June, including the effect of hedging instruments. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

THE GROUP		2012	2011	2010
Currency	Change in basis points	Sensitivity of profit or loss and equity	Sensitivity of profit or loss and equity	Sensitivity of profit or loss and equity
		Rs	Rs	Rs
AUD	+50	70,275	25,719	18,091
	- 50	(70,275)	(25,719)	(18,091)
EUR	+50	(39,408)	(3,901,478)	(1,191,838)
	- 50	39,408	3,901,478	1,191,838
GBP	+50	(133,259)	708,603	372,056
	- 50	133,259	(708,603)	(372,056)
MUR	+100	14,151,360	4,477,005	748,727
	-100	(14,151,360)	(4,477,005)	(748,727)
USD	+50	(4,903,497)	(3,436,621)	(3,087,501)
	- 50	4,903,497	3,436,621	3,087,501

THE BANK		2012	2011	2010
Currency	Change in basis points	Sensitivity of profit or loss and equity	Sensitivity of profit or loss and equity	Sensitivity of profit or loss and equity
		Rs	Rs	Rs
AUD	+50	70,275	25,719	18,091
	- 50	(70,275)	(25,719)	(18,091)
EUR	+50	(39,408)	(3,901,478)	(1,191,838)
	- 50	39,408	3,901,478	1,191,838
GBP	+50	(133,259)	708,603	372,056
	- 50	133,259	(708,603)	(372,056)
MUR	+100	14,151,360	4,477,005	748,727
	-100	(14,151,360)	(4,477,005)	(748,727)
USD	+50	(4,903,497)	(3,436,621)	(3,087,501)
	- 50	4,903,497	3,436,621	3,087,501

36. RISK MANAGEMENT (cont'd)

(d) Market risk (cont'd)

(i) Interest rate risk (cont'd)

The table below analyses the Group's and the Bank's interest rate risk exposure on financial assets and liabilities. The Group's and the Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or maturity dates.

THE GROUP

	2012							
	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Assets								
Cash and balances with the Central Bank	676,371,624	-	-	-	-	-	-	676,371,624
Due from banks	3,522,709,724	547,382,424	2,289,132,000	686,195,300	-	-	-	-
Other financial assets held-for-trading	1,141,717,500	-	365,827,250	582,642,750	193,247,500	-	-	-
Loans and advances to customers	12,784,021,904	832,509,414	10,485,917,811	1,453,816,254	1,841,510	9,936,915	-	-
Financial investments held-to-maturity	3,459,476,254	-	366,056,550	433,219,344	1,209,868,110	1,203,737,250	246,595,000	-
Total assets	21,584,297,006	1,379,891,838	13,506,933,611	3,155,873,648	1,404,957,120	1,213,674,165	246,595,000	676,371,624
Liabilities								
Due to banks	8,427,786	-	3,374,150	4,206,119	847,517	-	-	-
Deposits from customers	19,458,892,063	5,597,651,550	8,451,094,833	1,989,909,382	2,762,616,203	657,620,095	-	-
Debts issued	667,916,652	-	-	-	-	111,914,456	556,002,197	-
Total liabilities	20,135,236,501	5,597,651,550	8,454,468,983	1,994,115,501	2,763,463,720	769,534,551	556,002,197	-
Total interest sensitivity gap	1,449,060,505	(4,217,759,712)	5,052,464,628	1,161,758,147	(1,358,506,600)	444,139,614	(309,407,197)	676,371,624

36. RISK MANAGEMENT (cont'd)

(d) Market risk (cont'd)

(i) Interest rate risk (cont'd)

The table below analyses the Group's and the Bank's interest rate risk exposure on financial assets and liabilities. The Group's and the Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or maturity dates.

THE GROUP

	2011							
	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Assets								
Cash and balances with the Central Bank	1,085,084,764	-	-	-	-	-	-	1,085,084,764
Due from banks	3,923,953,392	504,115,879	3,056,155,513	363,682,000	-	-	-	-
Other financial assets held-for-trading	435,191,300	-	204,153,600	-	231,037,700	-	-	-
Loans and advances to customers	8,559,141,660	771,693,118	6,707,686,330	965,015,816	1,684,713	113,061,683	-	-
Financial investments held-to-maturity	2,527,738,237	-	178,720,610	195,948,737	772,721,780	1,357,743,860	22,603,250	-
Total assets	16,531,109,353	1,275,808,997	10,146,716,053	1,524,646,553	1,005,444,193	1,470,805,543	22,603,250	1,085,084,764
Liabilities								
Due to banks	28,482,344	2,344	28,480,000	-	-	-	-	-
Deposits from customers	14,845,061,309	5,416,026,186	6,043,645,610	1,590,110,004	1,585,666,219	209,613,290	-	-
Debts issued	527,553,325	-	-	-	-	114,998,796	412,554,529	-
Total liabilities	15,401,096,978	5,416,028,530	6,072,125,610	1,590,110,004	1,585,666,219	324,612,086	412,554,529	-
Total interest sensitivity gap	1,130,012,375	(4,140,219,533)	4,074,590,443	(65,463,451)	(580,222,026)	1,146,193,457	(389,951,279)	1,085,084,764

36. RISK MANAGEMENT (cont'd)

(d) Market risk (cont'd)

(i) Interest rate risk (cont'd)

THE GROUP

	2010							
	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Assets								
Cash and balances with the Central Bank	998,421,458	-	-	-	-	-	-	998,421,458
Due from banks	1,806,969,731	853,902,817	966,710,157	110,394,881	-	-	-	-
Other financial assets held-for-trading	367,509,475	-	118,481,000	169,221,432	74,078,000	-	-	-
Loans and advances to customers	4,851,153,148	1,268,259,217	2,680,815,830	569,668,561	177,235,262	180,651,961	3,267,388	-
Financial investments held-to-maturity	846,580,424	-	287,812,305	48,962,500	112,375,176	363,968,389	22,937,471	-
Total assets	8,870,634,236	2,122,162,034	4,053,819,292	898,247,374	363,688,438	544,620,350	26,204,859	998,421,458
Liabilities								
Due to banks	96,186,070	-	96,135,000	-	-	-	-	-
Deposits from customers	7,985,565,513	3,743,642,793	2,642,991,490	895,194,191	550,631,959	82,827,344	-	-
Debts issued	105,810,854	-	-	-	-	105,810,854	-	-
Total liabilities	8,187,562,437	3,743,642,793	2,739,126,490	895,194,191	550,631,959	188,638,198	-	-
Total interest sensitivity gap	683,071,799	(1,621,480,759)	1,314,692,802	3,053,183	(186,943,521)	355,982,152	26,204,859	998,421,458

36. RISK MANAGEMENT (cont'd)

(d) Market risk (cont'd)

(i) Interest rate risk (cont'd)

THE BANK

	2012							
	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Assets								
Cash and balances with the Central Bank	676,371,624	-	-	-	-	-	-	676,371,624
Due from banks	3,522,709,724	547,382,424	2,289,132,000	686,195,300	-	-	-	-
Other financial assets held-for-trading	1,141,717,500	-	365,827,250	582,642,750	193,247,500	-	-	-
Loans and advances to customers	12,784,021,904	832,509,414	10,485,917,811	1,453,816,254	1,841,510	9,936,915	-	-
Financial investments held-to-maturity	3,459,476,254	-	366,056,550	433,219,344	1,209,868,110	1,203,737,250	246,595,000	-
Total assets	21,584,297,006	1,379,891,838	13,506,933,611	3,155,873,648	1,404,957,120	1,213,674,165	246,595,000	676,371,624
Liabilities								
Due to banks	8,427,786	-	3,374,150	4,206,119	847,517	-	-	-
Deposits from customers	19,458,892,063	5,597,651,550	8,451,094,833	1,989,909,382	2,762,616,203	657,620,095	-	-
Amount due to subsidiary	123,146,175	-	-	-	-	123,146,175	-	-
Debts issued	556,002,197	-	-	-	-	-	556,002,197	-
Total liabilities	20,146,468,221	5,597,651,550	8,454,468,983	1,994,115,501	2,763,463,720	780,766,270	556,002,197	-
Total interest sensitivity gap	1,437,828,785	(4,217,759,712)	5,052,464,628	1,161,758,147	(1,358,506,600)	432,907,895	(309,407,197)	676,371,624

36. RISK MANAGEMENT (cont'd)

(d) Market risk (cont'd)

(i) Interest rate risk (cont'd)

THE BANK

	2011							
	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Assets								
Cash and balances with the Central Bank	1,085,084,764	-	-	-	-	-	-	1,085,084,764
Due from banks	3,923,805,748	503,968,235	3,056,155,513	363,682,000	-	-	-	-
Other financial assets held-for-trading	435,191,300	-	204,153,600	-	231,037,700	-	-	-
Loans and advances to customers	8,559,141,660	771,693,118	6,707,686,330	965,015,816	1,684,713	113,061,683	-	-
Financial investments held-to-maturity	2,527,738,237	-	178,720,610	195,948,737	772,721,780	1,357,743,860	22,603,250	-
Total assets	16,530,961,709	1,275,661,353	10,146,716,053	1,524,646,553	1,005,444,193	1,470,805,543	22,603,250	1,085,084,764
Liabilities								
Due to banks	28,482,344	2,344	28,480,000	-	-	-	-	-
Deposits from customers	14,845,163,494	5,416,128,371	6,043,645,610	1,590,110,004	1,585,666,219	209,613,290	-	-
Amount due to subsidiary	125,516,297	-	-	-	-	125,516,297	-	-
Debts issued	412,554,529	-	-	-	-	-	412,554,529	-
Total liabilities	15,411,716,664	5,416,130,715	6,072,125,610	1,590,110,004	1,585,666,219	335,129,587	412,554,529	-
Total interest sensitivity gap	1,119,245,045	(4,140,469,362)	4,074,590,443	(65,463,451)	(580,222,026)	1,135,675,956	(389,951,279)	1,085,084,764

36. RISK MANAGEMENT (cont'd)

(d) Market risk (cont'd)

(i) Interest rate risk (cont'd)

THE BANK

	2010							
	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Assets								
Cash and balances with the Central Bank	998,421,458	-	-	-	-	-	-	998,421,458
Due from banks	1,806,870,654	853,803,740	839,910,157	110,394,881	-	-	-	-
Other financial assets held-for-trading	367,509,475	-	118,481,000	169,221,432	74,078,000	-	-	-
Loans and advances to customers	4,851,153,148	1,268,259,217	2,680,815,830	569,668,561	177,235,262	180,651,961	3,267,388	-
Financial investments held-to-maturity	846,580,424	-	287,812,305	48,962,500	112,375,176	363,968,389	22,937,471	-
Total assets	8,870,535,159	2,122,062,957	3,927,019,292	898,247,374	363,688,438	544,620,350	26,204,859	998,421,458
Liabilities								
Due to banks	96,186,070	-	96,135,000	-	-	-	-	-
Deposits from customers	7,985,730,346	3,743,807,626	2,642,991,490	895,194,191	550,631,959	82,827,344	-	-
Amount due to subsidiary	115,251,460	-	-	-	-	97,990,297	-	-
Debts issued	-	-	-	-	-	-	-	-
Total liabilities	8,197,167,876	3,743,807,626	2,739,126,490	895,194,191	550,631,959	180,817,641	-	-
Total interest sensitivity gap	673,367,283	(1,621,744,669)	1,187,892,802	3,053,183	(186,943,521)	363,802,709	26,204,859	998,421,458

36. RISK MANAGEMENT (cont'd)

(d) Market risk (cont'd)

(ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

The table below indicates the currencies to which the Group and the Bank had significant exposure at 30 June 2012 on all its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Rs, with all other variables held constant on the statements of comprehensive income (due to the fair value of currency sensitive non trading monetary assets and liabilities). A negative amount in the table reflects a potential net reduction in statements of comprehensive income, while a positive amount reflects a net potential increase. An equivalent decrease in each of the below currencies against the Rs would have resulted in an equivalent but opposite impact.

THE GROUP

	2012				2011			
		Effect on profit of change in currency on				Effect on profit of change in currency on		
Currency	% Change in Currency rate	Assets	Liabilities	Sensitivity of profit or loss and equity	% Change in Currency rate	Assets	Liabilities	Sensitivity of profit or loss and equity
		Rs	Rs	Rs		Rs	Rs	Rs
AUD	+5%	12,400,005	(12,767,166)	(367,161)	+5%	11,058,158	(10,885,197)	172,961
	-5%	(12,400,005)	12,767,166	367,161	-5%	(11,058,158)	10,885,197	(172,961)
EUR	+5%	146,089,991	(146,152,007)	(62,016)	+5%	92,993,143	(92,485,496)	507,647
	-5%	(146,089,991)	146,152,007	62,016	-5%	(92,993,143)	92,485,496	(507,647)
GBP	+5%	103,593,542	(103,527,068)	66,474	+5%	54,296,911	(54,266,197)	30,714
	-5%	(103,593,542)	103,527,068	(66,474)	-5%	(54,296,911)	54,266,197	(30,714)
USD	+5%	514,626,763	(511,573,360)	3,053,403	+5%	390,751,260	(392,201,424)	(1,450,164)
	-5%	(514,626,763)	511,573,360	(3,053,403)	-5%	(390,751,260)	392,201,424	1,450,164

	2010			
		Effect on profit of change in currency on		
Currency	% Change in Currency rate	Assets	Liabilities	Sensitivity of profit or loss and equity
		Rs	Rs	Rs
AUD	+5%	2,446,152	(2,416,784)	29,368
	-5%	(2,446,152)	2,416,784	(29,368)
EUR	+5%	99,163,261	(99,226,486)	(63,225)
	-5%	(99,163,261)	99,226,486	63,225
GBP	+5%	27,660,793	(27,634,385)	26,408
	-5%	(27,660,793)	27,634,385	(26,408)
USD	+5%	162,367,446	(161,359,781)	1,007,665
	-5%	(162,367,446)	161,359,781	(1,007,665)

36. RISK MANAGEMENT (cont'd)

(d) Market risk (cont'd)

(ii) Currency risk (cont'd)

THE BANK

Currency	% Change in Currency rate	2012 Effect on profit of change in currency on: Assets	2012 Liabilities	2012 Sensitivity of profit or loss and equity	% Change in Currency rate	2011 Effect on profit of change in currency on: Assets	2011 Liabilities	2011 Sensitivity of profit or loss and equity
		Rs	Rs	Rs		Rs	Rs	Rs
AUD	+5%	12,389,793	(12,767,166)	(377,373)	+5%	6,133,722	(5,967,928)	165,794
	-5%	(12,389,793)	12,767,166	377,373	-5%	(6,133,722)	5,967,928	(165,794)
EUR	+5%	146,089,991	(146,152,007)	(62,016)	+5%	92,993,143	(92,485,496)	507,647
	-5%	(146,089,991)	146,152,007	62,016	-5%	(92,993,143)	92,485,496	(507,647)
GBP	+5%	103,593,542	(103,527,068)	66,474	+5%	54,296,911	(54,266,197)	30,714
	-5%	(103,593,542)	103,527,068	(66,474)	-5%	(54,296,911)	54,266,197	(30,714)
USD	+5%	514,625,771	(511,573,360)	3,052,411	+5%	384,320,445	(385,925,609)	(1,605,164)
	-5%	(514,625,771)	511,573,360	(3,052,411)	-5%	(384,320,445)	385,925,609	1,605,164

Currency	% Change in Currency rate	2010 Effect on profit of change in currency on: Assets	2010 Liabilities	2010 Sensitivity of profit or loss and equity
		Rs	Rs	Rs
AUD	+5%	2,431,978	(2,416,784)	15,194
	-5%	(2,431,978)	2,416,784	(15,194)
EUR	+5%	99,163,261	(99,226,486)	(63,225)
	-5%	(99,163,261)	99,226,486	63,225
GBP	+5%	27,660,793	(27,634,385)	26,408
	-5%	(27,660,793)	27,634,385	(26,408)
USD	+5%	162,366,400	(161,359,781)	1,006,619
	-5%	(162,366,400)	161,359,781	(1,006,619)

(e) Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group and the Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group and the Bank are able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

(f) Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices. The non-trading equity price risk exposure arises from units held in an investment fund classified as available-for-sale. A 10 percent increase in the value of the Group's available for sale equities as at 30 June 2012 would have increased equity by Rs1,500,000. An equivalent decrease would have resulted in an equivalent but opposite impact. The Group and the Bank did not have any equity price risk exposure for the financial years ended 30 June 2011 and 30 June 2010.

37. CAPITAL

The Group and the Bank maintain an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's and the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Bank of Mauritius in supervising the Group and the Bank. During the past year, the Group and the Bank have complied in full with all its externally imposed capital requirements.

Capital management

The primary objectives of the Group's and the Bank's capital management are to ensure that the Group and the Bank comply with externally imposed capital requirements and that the Group and the Bank maintain strong credit ratings and healthy capital ratios in order to support the business and to maximise shareholders' value.

The Group and the Bank manage their capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group and the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

Eligible risk-weighted capital

(a)

	THE GROUP			THE BANK		
	Basel II 2012	Basel II 2011	Basel II 2010	**Basel II 2012**	Basel II 2011	Basel II 2010
	Rs	Rs	Rs	**Rs**	Rs	Rs
Tier 1 capital	**1,526,056,489**	1,025,610,085	606,883,796	**1,475,848,174**	1,028,292,842	651,449,177
Tier 2 capital	**409,247,798**	443,897,732	14,147,176	**458,584,928**	463,503,886	21,471,830
Total capital	**1,935,304,287**	1,469,507,817	621,030,972	**1,934,433,102**	1,491,796,728	672,921,007
Risk-weighted assets	**14,322,800,625**	9,597,083,852	5,253,792,852	**14,230,547,482**	9,515,826,760	5,131,790,234
	%	%	%	**%**	%	%
Capital adequacy ratio	**13.51**	15.31	11.82	**13.59**	15.68	13.11

Regulatory capital consists of Tier 1 capital, which comprises share capital, revenue deficit, foreign currency translation and other reserves. Certain adjustments are made to IFRS-based results and reserves, as prescribed by the Central Bank of Mauritius. The other component of regulatory capital is Tier 2 capital, which includes subordinated long term debt - preference shares and revaluation reserves.

38. EVENTS AFTER REPORTING DATE

There have been no material events after the reporting date which would require disclosure or adjustment to the financial statements for the year ended 30 June 2012.

39. HEDGE ACCOUNTING

(a) THE GROUP

Hedge of net investment in foreign operations

The Group hedges part of the currency risk of its net investment in foreign operations using a portfolio of identified deposits from customers and debts issued.

Included in 'deposit from customers' and 'debts issued' at 30 June 2012 was an amount of Rs300 million, which has been designated as a hedge of the Bank's net investment in its subsidiary, that is AfrAsia Holdings Limited, and is being used to hedge the Group's exposure to foreign exchange risk on this investment. Gains or losses on the retranslation of the identified portion of the deposit from customers and debts issued due to exchange rate risk, are transferred to equity to offset any gains or losses on translation of the net investment in the subsidiary.

No ineffectiveness from hedges of net investments in foreign operations was recognised in profit or loss during the year ended 30 June 2012 (2011 & 2010: Nil).

(b) THE BANK

Fair value hedges

Fair value hedges are used by the Bank to protect it against changes in the fair value of financial assets and financial liabilities due to movements in exchange rates. The assets and liabilities hedged for exchange rate risk include investment in subsidiary, deposit from customers and debts issued. The Bank's fair value hedge relationship principally is the retranslation difference of the portfolio of identified deposit from customers and debt to acquire the investment, used to hedge the foreign currency risk of the investment in subsidiary.

Gains or losses due to changes on fair value hedges for the year:

	THE BANK		
	2012	2011	2010
	Rs	Rs	Rs
Gains/(losses) on:			
Hedged instruments	**(17,429,109)**	-	-
Hedged items attributable to the hedged risk	**17,429,109**	-	-
Hedge ineffectiveness recognised immediately in profit or loss	**-**	-	-

40. SEGMENTAL REPORTING

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

	Notes	Year ended 30 June 2012			Year ended 30 June 2011			Year ended 30 June 2010		
		Segment A	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
		Rs	**Rs**	**Rs**	Rs	Rs	Rs	Rs	Rs	Rs
Interest income	I	**579,935,254**	**249,295,435**	**829,230,689**	419,610,599	123,406,883	543,017,482	272,265,185	50,894,733	323,159,918
Interest expense	II	**(408,222,855)**	**(98,479,452)**	**(506,702,307)**	(269,833,433)	(54,438,482)	(324,271,915)	(190,685,549)	(24,965,370)	(215,650,919)
Net interest income		**171,712,399**	**150,815,983**	**322,528,382**	149,777,166	68,968,401	218,745,567	81,579,636	25,929,363	107,508,999
Fees and commission income	III	**38,065,682**	**77,940,993**	**116,006,675**	25,909,332	27,843,038	53,752,370	20,677,315	33,216,187	53,893,502
Fees and commission expense	III	**(10,469,358)**	**(4,107,343)**	**(14,576,701)**	(6,852,831)	(3,878,758)	(10,731,589)	(6,022,554)	(3,190,583)	(9,213,137)
Net fees and commission income	III	**27,596,324**	**73,833,650**	**101,429,974**	19,056,501	23,964,280	43,020,781	14,654,761	30,025,604	44,680,365
Net trading income	IV	**47,497,524**	**14,559,213**	**62,056,737**	72,322,935	35,655,639	107,978,574	66,588,821	12,316,431	78,905,252
Other operating income		**425,394**	**10,785,016**	**11,210,410**	67,703	76,654	144,357	-	-	-
Total operating income		**247,231,641**	**249,993,862**	**497,225,503**	241,224,305	128,664,974	369,889,279	162,823,218	68,271,398	231,094,616
Net allowance for credit impairment	V	**(20,133,577)**	**(4,740,901)**	**(24,874,478)**	(13,100,205)	(12,199,436)	(25,299,641)	(10,154,826)	(21,809,046)	(31,963,872)
Net operating income		**227,098,064**	**245,252,961**	**472,351,025**	228,124,100	116,465,538	344,589,638	152,668,392	46,462,352	199,130,744
Personnel expenses		**(111,479,258)**	**(61,373,114)**	**(172,852,372)**	(76,952,236)	(49,768,721)	(126,720,957)	(69,253,396)	(21,063,559)	(90,316,955)
Depreciation of equipment		**(1,512,627)**	**(1,713,779)**	**(3,226,406)**	(1,850,145)	(1,196,579)	(3,046,724)	(2,141,399)	(651,311)	(2,792,710)
Amortisation of intangible assets		**(1,889,935)**	**(2,141,263)**	**(4,031,198)**	(2,397,884)	(1,414,353)	(3,812,237)	(3,329,850)	(903,688)	(4,233,538)
Other operating expenses		**(40,529,134)**	**(51,352,098)**	**(91,881,232)**	(41,474,453)	(26,823,529)	(68,297,982)	(41,136,078)	(12,511,620)	(53,647,698)
Total operating expenses		**(155,410,954)**	**(116,580,254)**	**(271,991,208)**	(122,674,718)	(79,203,182)	(201,877,900)	(115,860,723)	(35,130,178)	(150,990,901)
Profit before tax		**71,687,110**	**128,672,707**	**200,359,817**	105,449,382	37,262,356	142,711,738	36,807,669	11,332,174	48,139,843
Tax expense		**(15,123,126)**	**(4,968,925)**	**(20,092,051)**	(24,454,712)	(2,113,171)	(26,567,883)	(10,527,105)	(265,146)	(10,792,251)
Profit for the year		**56,563,983**	**123,703,782**	**180,267,766**	80,994,670	35,149,185	116,143,855	26,280,564	11,067,028	37,347,592

40. SEGMENTAL REPORTING (cont'd)

	Notes	2012 Segment A Rs	2012 Segment B Rs	2012 Total Rs	2011 Segment A Rs	2011 Segment B Rs	2011 Total Rs	2010 Segment A Rs	2010 Segment B Rs	2010 Total Rs
ASSETS										
Cash and balances with Central Bank	VI	**674,374,483**	**1,997,141**	**676,371,624**	1,081,082,718	4,002,046	1,085,084,764	992,939,450	5,482,008	998,421,458
Due from banks	VII	**2,057,378,886**	**1,469,740,416**	**3,527,119,302**	1,212,739,461	2,732,189,928	3,944,929,389	1,126,492,560	680,378,094	1,806,870,654
Derivative financial instruments	VIII	**105,848,216**	**17,933,830**	**123,782,046**	55,541,755	45,555,319	101,097,074	14,504,477	56,581,311	71,085,788
Other financial assets held-for-trading	IX	**1,162,543,500**	**-**	**1,162,543,500**	441,804,000	-	441,804,000	367,509,475	-	367,509,475
Loans and advances to customers	X	**5,310,745,941**	**7,473,689,813**	**12,784,435,754**	4,422,666,831	4,126,711,881	8,549,378,712	2,490,809,320	2,360,343,828	4,851,153,148
Investment in subsidiaries	XI	**63,562,500**	**299,601,138**	**363,163,638**	25,000,000	-	25,000,000	25,000,000	-	25,000,000
Investment in associates	XII	**-**	**-**	**-**	-	5,022,438	5,022,438	-	-	-
Financial investments - held-to-maturity	XIII	**3,506,007,725**	**-**	**3,506,007,725**	2,560,492,783	-	2,560,492,783	846,580,424	-	846,580,424
Equipment	XIV	**14,313,604**	**-**	**14,313,604**	13,354,813	-	13,354,813	13,387,240	-	13,387,240
Intangible assets	XV	**17,094,812**	**-**	**17,094,812**	13,591,022	-	13,591,022	15,048,060	-	15,048,060
Deferred tax assets		**6,880,427**	**757,140**	**7,637,567**	1,846,056	647,971	2,494,027	2,205,826	-	2,205,826
Other assets	XVI	**27,533,074**	**1,832,365**	**29,365,439**	19,900,410	-	19,900,410	9,933,971	6,576,888	16,510,859
TOTAL ASSETS		**12,946,283,168**	**9,265,551,843**	**22,211,835,011**	9,848,019,849	6,914,129,583	16,762,149,432	5,904,410,803	3,109,362,129	9,013,772,932
LIABILITIES AND EQUITY										
Due to banks	XVII	**8,516,013**	**-**	**8,516,013**	28,483,333	-	28,483,333	96,138,890	47,180	96,186,070
Derivative financial instruments	VIII	**46,205,612**	**17,044,253**	**63,249,865**	871,036	47,450,292	48,321,328	34,089,890	60,375,493	94,465,383
Deposits from customers	XVIII	**11,355,154,779**	**8,273,212,385**	**19,628,367,164**	8,276,413,855	6,686,124,309	14,962,538,164	5,078,364,866	2,907,365,480	7,985,730,346
Debts issued	XIX	**565,479,715**	**-**	**565,479,715**	421,574,481	-	421,574,481	-	-	-
Amount due to subsidiary	XX	**123,146,176**	**-**	**123,146,176**	125,516,298	-	125,516,298	115,251,460	-	115,251,460
Current tax liabilities		**7,249,739**	**2,382,008**	**9,631,747**	16,370,374	2,015,184	18,385,558	9,324,978		9,324,978
Other liabilities	XXI	**83,722,660**	**47,559,299**	**131,281,959**	82,201,083	15,740,077	97,941,160	25,200,308	6,411,324	31,611,632
TOTAL LIABILITIES		**12,189,474,694**	**8,340,197,945**	**20,529,672,639**	8,951,430,460	6,751,329,862	15,702,760,322	5,358,370,392	2,974,199,477	8,332,569,869
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT										
Issued capital				**1,398,457,492**			921,638,335			653,977,649
Retained earnings				**189,817,849**			91,263,376			14,807,164
Other reserves				**93,887,031**			46,487,399			12,418,250
TOTAL EQUITY				**1,682,162,372**			1,059,389,110			681,203,063
TOTAL LIABILITIES AND EQUITY				**22,211,835,011**			16,762,149,432			9,013,772,932

40. SEGMENTAL REPORTING (cont'd)

		2012			2011			2010		
		Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
I	**INTEREST INCOME**	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
	Due from banks	16,044,347	30,947,863	46,992,210	13,059,439	29,071,701	42,131,140	7,629,031	15,178,856	22,807,887
	Loans and advances to customers	421,505,575	218,347,572	639,853,147	325,800,578	94,335,182	420,135,760	234,907,053	35,715,877	270,622,930
	Financial investments held-to-maturity	142,385,332	-	142,385,332	80,750,582	-	80,750,582	29,729,101	-	29,729,101
		579,935,254	249,295,435	829,230,689	419,610,599	123,406,883	543,017,482	272,265,185	50,894,733	323,159,918
II	**INTEREST EXPENSE**	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
	Due to banks	796,495	-	796,495	786,826	-	786,826	1,571,559	5,796	1,577,355
	Deposits from customers	353,252,728	98,479,452	451,732,180	249,415,529	54,438,482	303,854,011	176,547,857	24,959,574	201,507,431
	Other	54,173,632	-	54,173,632	19,631,078	-	19,631,078	12,566,133	-	12,566,133
		408,222,855	98,479,452	506,702,307	269,833,433	54,438,482	324,271,915	190,685,549	24,965,370	215,650,919
III	**NET FEES AND COMMISSION INCOME**	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
	Fees and commission income									
	Credit related fees and commission income	34,704,331	69,367,032	104,071,363	24,534,390	24,365,544	48,899,934	17,133,035	32,997,207	50,130,242
	Other fees received	3,361,351	8,573,961	11,935,312	1,374,942	3,477,494	4,852,436	3,544,280	218,980	3,763,260
	Total fees and commission income	38,065,682	77,940,993	116,006,675	25,909,332	27,843,038	53,752,370	20,677,315	33,216,187	53,893,502
	Fees and commission expense									
	Other fees	(10,469,358)	(4,107,343)	(14,576,701)	(6,852,831)	(3,878,758)	(10,731,589)	(6,022,554)	(3,190,583)	(9,213,137)
	Total fees and commission expense	(10,469,358)	(4,107,343)	(14,576,701)	(6,852,831)	(3,878,758)	(10,731,589)	(6,022,554)	(3,190,583)	(9,213,137)
	Net fees and commission income	27,596,324	73,833,650	101,429,974	19,056,501	23,964,280	43,020,781	14,654,761	30,025,604	44,680,365
IV	**NET TRADING INCOME**	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
	Financial investments held-for-trading	35,141,513	-	35,141,513	12,418,225	-	12,418,225	8,640,203	-	8,640,203
	Foreign exchange	12,356,011	14,559,213	26,915,224	59,904,710	35,655,639	95,560,349	57,948,618	12,316,431	70,265,049
		47,497,524	14,559,213	62,056,737	72,322,935	35,655,639	107,978,574	66,588,821	12,316,431	78,905,252
V	**NET ALLOWANCE FOR CREDIT IMPAIRMENT**	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
	Portfolio and specific provisions on loans and advances to customers	20,133,577	4,740,901	24,874,478	13,100,205	12,199,436	25,299,641	9,784,736	21,809,046	31,593,782
	Bad debts written-off	-	-	-	-	-	-	372,090	-	372,090
	Recoveries	-	-	-	-	-	-	(2,000)	-	(2,000)
		20,133,577	4,740,901	24,874,478	13,100,205	12,199,436	25,299,641	10,154,826	21,809,046	31,963,872
VI	**CASH AND BALANCES WITH THE CENTRAL BANK**	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
	Cash in hand	8,212,852	1,997,141	10,209,993	5,224,450	4,002,046	9,226,496	6,336,428	5,482,008	11,818,436
	Current account with the Central Bank	666,161,631	-	666,161,631	1,075,858,268	-	1,075,858,268	986,603,022	-	986,603,022
		674,374,483	1,997,141	676,371,624	1,081,082,718	4,002,046	1,085,084,764	992,939,450	5,482,008	998,421,458

40. SEGMENTAL REPORTING (cont'd)

VII DUE FROM BANKS	2012 Segment A	2012 Segment B	2012 Total	2011 Segment A	2011 Segment B	2011 Total	2010 Segment A	2010 Segment B	2010 Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Placements with other banks	2,055,246,615	924,490,264	2,979,736,879	1,208,257,560	2,232,703,594	3,440,961,154	1,113,500,559	276,290,828	1,389,791,387
Current accounts with other banks	2,051,234	544,028,433	546,079,667	4,417,782	498,247,208	502,664,990	11,866,574	404,055,221	415,921,795
Other amounts due	81,037	1,221,719	1,302,756	64,119	1,239,126	1,303,245	1,125,427	32,045	1,157,472
	2,057,378,886	1,469,740,416	3,527,119,302	1,212,739,461	2,732,189,928	3,944,929,389	1,126,492,560	680,378,094	1,806,870,654

VIII DERIVATIVE FINANCIAL INSTRUMENTS	2012 Segment A	2012 Segment B	2012 Total	2012 Notional Amount	2011 Segment A	2011 Segment B	2011 Total	2011 Notional Amount	2010 Segment A	2010 Segment B	2010 Total	2010 Notional Amount
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
ASSETS												
Derivatives designated at fair value through profit or loss												
Fund Options Transactions	-	31	31	117,610,000	-	757,568	757,568	108,224,000	-	1,217,900	1,217,900	121,771,000
Equity Linked Notes	-	15,938,191	15,938,191	16,175,492	-	14,544,758	14,544,758	15,369,800	-	26,772,719	26,772,719	27,743,750
Index Linked Options	-	-	-	-	-	30,032,160	30,032,160	42,720,000	-	28,364,250	28,364,250	48,067,500
	-	15,938,222	15,938,222	133,785,492	-	45,334,486	45,334,486	166,313,800	-	56,354,869	56,354,869	197,582,250
Derivatives held-for-trading												
Forward Foreign Exchange Contracts	105,848,216	1,995,608	107,843,824	3,917,526,296	55,541,755	220,833	55,762,588	2,752,357,185	14,504,477	226,442	14,730,919	1,171,567,146
	105,848,216	1,995,608	107,843,824	3,917,526,296	55,541,755	220,833	55,762,588	2,752,357,185	14,504,477	226,442	14,730,919	1,171,567,146
	105,848,216	17,933,830	123,782,046	4,051,311,788	55,541,755	45,555,319	101,097,074	2,918,670,985	14,504,477	56,581,311	71,085,788	1,369,149,396
LIABILITIES												
Derivatives designated at fair value through profit or loss												
Fund Options Transactions	-	(31)	(31)	117,610,000	-	(757,568)	(757,568)	108,224,000	-	(1,217,900)	(1,217,900)	121,771,000
Equity Linked Notes	-	(15,938,191)	(15,938,191)	16,175,492	-	(14,544,758)	(14,544,758)	15,369,800	-	(26,772,719)	(26,772,719)	27,743,750
Index Linked Options	-	-	-	-	-	(30,032,160)	(30,032,160)	42,720,000	-	(28,364,250)	(28,364,250)	48,067,500
	-	(15,938,222)	(15,938,222)	133,785,492	-	(45,334,486)	(45,334,486)	166,313,800	-	(56,354,869)	(56,354,869)	197,582,250
Derivatives held-for-trading												
Forward Foreign Exchange Contracts	(46,205,612)	(1,106,031)	(47,311,643)	2,089,382,357	(871,036)	(2,115,806)	(2,986,842)	408,946,293	(34,089,890)	(4,020,624)	(38,110,514)	1,276,056,961
	(46,205,612)	(1,106,031)	(47,311,643)	2,089,382,357	(871,036)	(2,115,806)	(2,986,842)	408,946,293	(34,089,890)	(4,020,624)	(38,110,514)	1,276,056,961
	(46,205,612)	(17,044,253)	(63,249,865)	2,223,167,849	(871,036)	(47,450,292)	(48,321,328)	575,260,093	(34,089,890)	(60,375,493)	(94,465,383)	1,473,639,211

40. SEGMENTAL REPORTING (cont'd)

	2012			2011			2010		
	Segment A	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
	Rs	**Rs**	**Rs**	Rs	Rs	Rs	Rs	Rs	Rs
IX OTHER FINANCIAL ASSETS HELD-FOR-TRADING									
Government of Mauritius debt securities	**1,162,543,500**	**-**	**1,162,543,500**	441,804,000	-	441,804,000	367,509,475	-	367,509,475
X LOANS AND ADVANCES TO CUSTOMERS	**Rs**	**Rs**	**Rs**	Rs	Rs	Rs	Rs	Rs	Rs
(a) Remaining term to maturity									
Within 3 months	**3,215,725,202**	**1,887,889,049**	**5,103,614,251**	2,707,753,194	1,461,837,171	4,169,590,365	1,367,944,452	828,441,293	2,196,385,745
Over 3 to 6 months	**446,230,543**	**1,644,069,555**	**2,090,300,098**	111,113,569	889,846,934	1,000,960,503	86,448,304	577,590,898	664,039,202
Over 6 to 12 months	**414,461,162**	**424,411,455**	**838,872,617**	354,419,141	238,584,075	593,003,216	292,340,820	383,535,875	675,876,695
Over 1 to 5 years	**1,295,410,082**	**3,541,987,808**	**4,837,397,890**	1,005,352,635	810,700,017	1,816,052,652	654,747,825	517,436,120	1,172,183,945
Over 5 years	**-**	**-**	**-**	283,253,932	747,392,668	1,030,646,600	157,189,319	36,890,463	194,079,782
	5,371,826,989	**7,498,357,867**	**12,870,184,856**	4,461,892,471	4,148,360,865	8,610,253,336	2,558,670,720	2,343,894,649	4,902,565,369
(b) Credit concentration of risk by industry sectors									
Agriculture and Fishing	**420,306,775**	**-**	**420,306,775**	175,109,662	-	175,109,662	170,293,235	-	170,293,235
Manufacturing	**646,575,385**	**1,622,546,441**	**2,269,121,826**	635,194,940	400,036,499	1,035,231,439	274,963,096	314,502,784	589,465,880
Tourism	**1,213,232,551**	**119,513,057**	**1,332,745,608**	1,051,015,913	132,209,479	1,183,225,392	377,876,289	168,007,932	545,884,221
Transport	**605,969**	**158,937,687**	**159,543,656**	-	141,472,513	141,472,513	4,120	-	4,120
Construction, infrastructure and real estate	**1,143,149,366**	**309,911,065**	**1,453,060,431**	752,329,065	285,187,132	1,037,516,197	469,884,476	-	469,884,476
Financial and business services	**467,635,898**	**3,301,995,506**	**3,769,631,404**	423,274,961	2,582,482,712	3,005,757,673	325,045,734	1,451,294,761	1,776,340,495
Traders	**583,766,760**	**293,271,404**	**877,038,164**	707,821,394	62,042,290	769,863,684	422,639,787	39,300,363	461,940,150
Personal	**638,181,192**	**249,935,089**	**888,116,281**	487,953,085	230,668,302	718,621,387	290,518,918	111,205,592	401,724,510
Professional	**5,994,810**	**-**	**5,994,810**	14,042,080	-	14,042,080	10,767,151	107	10,767,258
Global Business License Holders (GBL)	**-**	**980,190,101**	**980,190,101**	-	181,465,514	181,465,514	-	2,907,824	2,907,824
Information, communication and technology	**40,353,058**	**332,536,225**	**372,889,283**	34,910,898	129,164,319	164,075,217	70,087,353	256,675,286	326,762,639
Government	**103,538,187**	**-**	**103,538,187**	103,535,359	-	103,535,359	103,546,522	-	103,546,522
Other entities	**108,487,038**	**129,521,292**	**238,008,330**	76,705,114	3,632,105	80,337,219	43,044,039	-	43,044,039
	5,371,826,989	**7,498,357,867**	**12,870,184,856**	4,461,892,471	4,148,360,865	8,610,253,336	2,558,670,720	2,343,894,649	4,902,565,369

40. SEGMENTAL REPORTING (cont'd)

X LOANS AND ADVANCES TO CUSTOMERS (cont'd)

(c) Allowance for credit losses

	2012			2011			2010		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
At beginning of year	39,225,640	21,648,984	60,874,624	26,125,435	25,286,786	51,412,221	16,340,699	3,477,740	19,818,439
Amount written-off against allowance	-	-	-	-	(15,837,238)	(15,837,238)	-	-	-
Charge for the year	21,855,408	3,019,070	24,874,478	13,100,205	12,199,436	25,299,641	9,784,736	21,809,046	31,593,782
At end of year	61,081,048	24,668,054	85,749,102	39,225,640	21,648,984	60,874,624	26,125,435	25,286,786	51,412,221

(d) Allowance for credit losses by sector

	2012					Total	
	Gross amount of loans	Non performing loans	Specific provision	Portfolio provision	2012	2011	2010
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Agriculture and fishing	420,306,775	-	-	3,300,312	3,300,312	1,139,608	1,692,548
Manufacturing	2,269,121,826	-	-	16,531,082	16,531,082	6,316,992	6,027,769
Tourism	1,332,745,608	12,212,110	-	10,077,638	10,077,638	7,561,500	5,718,357
Transport	159,543,656	-	-	1,126,919	1,126,919	772,074	43
Construction, infrastructure and real estate	1,453,060,431	14,437,741	589,139	10,688,042	11,277,181	6,452,518	4,407,485
Financial and business services	3,769,631,404	2,124,440	82,686	5,530,054	5,612,740	16,848,333	3,121,953
Traders	877,038,164	10,283,707	5,331,599	6,162,936	11,494,535	5,926,679	4,592,722
Personal	888,116,281	5,672,477	4,184,175	9,751,020	13,935,195	11,882,326	6,696,128
Professional	5,994,810	-	-	46,865	46,865	91,385	105,776
Information, communication and technology	372,889,283	699,994	577,315	2,720,751	3,298,066	1,758,287	18,657,822
Government	103,538,187	-	-	-	-	932,102	117
Global Business License Holders (GBL)	980,190,101	-	-	7,154,963	7,154,963	673,805	28,588
Other entities	238,008,330	549,607	297,156	1,596,450	1,893,606	519,015	362,913
	12,870,184,856	45,980,076	11,062,070	74,687,032	85,749,102	60,874,624	51,412,221

40. SEGMENTAL REPORTING (cont'd)

X LOANS AND ADVANCES TO CUSTOMERS (cont'd)

(d) Allowance for credit losses by sector (cont'd)

	2012					Total	
Analysed by Segments:	Gross amount of loans	Non performing loans	Specific provision	Portfolio provision	2012	2011	2010
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Segment A							
Agriculture and fishing	420,306,775	-	-	3,300,312	3,300,312	1,139,608	1,692,548
Manufacturing	646,575,385	-	-	4,809,889	4,809,889	4,133,828	2,884,967
Tourism	1,213,232,551	12,212,353	-	9,210,604	9,210,604	6,839,978	3,824,922
Transport	605,969	-	-	3,909	3,909	-	43
Construction, infrastructure and real estate	1,143,149,366	14,437,741	589,139	8,442,022	9,031,161	4,896,134	4,407,485
Financial and business services	467,635,898	2,124,440	82,686	3,330,078	3,412,764	2,754,660	2,532,390
Traders	583,766,760	10,283,707	5,331,599	4,040,408	9,372,007	5,588,088	4,199,789
Personal	638,181,192	5,390,214	3,931,887	8,927,280	12,859,167	10,623,474	6,090,568
Professional	5,994,810	-	-	46,865	46,865	91,385	105,774
Information, communication and technology	40,353,058	699,994	577,315	309,419	886,734	1,758,287	295,270
Government	103,538,187	-	-	-	-	227,199	117
Global Business License Holders (GBL)	-	-	-	-	-	673,805	-
Other entities	108,487,038	549,607	297,156	695,517	992,673	499,194	362,913
	5,371,826,989	45,698,056	10,809,782	43,116,303	53,926,085	39,225,640	26,396,786
Segment B							
Agriculture and fishing	-	-	-	-	-	-	-
Manufacturing	1,622,546,441	-	-	11,721,193	11,721,193	2,183,164	3,142,802
Tourism	119,513,057	-	-	867,034	867,034	721,522	1,893,435
Transport	158,937,687	-	-	1,123,010	1,123,010	722,074	-
Construction, infrastructure and real estate	309,911,065	-	-	2,246,020	2,246,020	1,556,384	-
Financial and business services	3,301,995,506	-	-	2,199,976	2,199,976	14,093,673	589,563
Traders	293,271,404	-	-	2,122,528	2,122,528	388,591	392,933
Personal	249,935,089	282,263	252,288	823,740	1,076,028	1,258,852	605,560
Professional	-	-	-	-	-	-	2
Information, communication and technology	332,536,225	-	-	2,411,332	2,411,332	-	18,362,552
Government	-	-	-	-	-	704,903	-
Global Business License Holders (GBL)	980,190,101	-	-	7,154,963	7,154,963	-	28,588
Other entities	129,521,292	-	-	900,933	900,933	19,821	-
	7,498,357,867	282,263	252,288	31,570,729	31,823,017	21,648,984	25,015,435

40. SEGMENTAL REPORTING (cont'd)

	2012			2011			2010		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
XI INVESTMENT IN SUBSIDIARIES									
Cost									
At 30 June	63,562,500	299,601,138	363,163,638	25,000,000	-	25,000,000	25,000,000	-	25,000,000
XII INVESTMENT IN ASSOCIATES	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Cost									
At 30 June	-	-	-	-	5,022,438	5,022,438	-	-	-
XIII FINANCIAL INVESTMENTS-HELD-TO-MATURITY	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Unquoted investments									
Government of Mauritius debt securities	3,506,007,725	-	3,506,007,725	2,560,492,783	-	2,560,492,783	846,580,424	-	846,580,424

Notes to the Financial Statements

Year Ended 30 June 2012

40. SEGMENTAL REPORTING (cont'd)

XIV EQUIPMENT

Segment A	Improvement to building	Furniture and fittings	Office equipment	Motor vehicle	Computer equipment	Total
	Rs	Rs	Rs	Rs	Rs	Rs
COST						
At 1 July 2009	2,896,241	3,523,389	4,242,804	671,292	3,834,851	15,168,577
Additions	31,049	3,618,626	394,233	29,280	1,119,575	5,192,763
Assets written-off	(287,370)	(99,659)	(5,298)	-	(23,528)	(415,855)
At 30 June 2010	2,639,920	7,042,356	4,631,739	700,572	4,930,898	19,945,485
At 1 July 2010	2,639,920	7,042,356	4,631,739	700,572	4,930,898	19,945,485
Additions	16,000	301,094	346,753	-	2,572,453	3,236,300
Assets written-off	-	-	(214,636)	-	(79,030)	(293,666)
Transfer	1,264,230	(1,264,230)	-	-	-	-
At 30 June 2011	3,920,150	6,079,220	4,763,856	700,572	7,424,321	22,888,119
At 1 July 2011	**3,920,150**	**6,079,220**	**4,763,856**	**700,572**	**7,424,321**	**22,888,119**
Additions	**304,736**	**2,094,091**	**486,817**	**-**	**1,421,033**	**4,306,677**
Assets written-off	**-**	**(6,360)**	**(118,905)**	**-**	**(165,791)**	**(291,056)**
At 30 June 2012	**4,224,886**	**8,166,951**	**5,131,768**	**700,572**	**8,679,563**	**26,903,740**
DEPRECIATION						
At 1 July 2009	502,751	590,656	750,982	26,361	2,012,540	3,883,290
Charge for the year	298,472	373,086	532,459	137,531	1,451,162	2,792,710
Assets written-off	(76,527)	(26,540)	(1,006)	-	(13,682)	(117,755)
At 30 June 2010	724,696	937,202	1,282,435	163,892	3,450,020	6,558,245
At 1 July 2010	724,696	937,202	1,282,435	163,892	3,450,020	6,558,245
Charge for the year	391,455	598,418	597,898	140,114	1,318,839	3,046,724
Assets written-off	-	-	(36,735)	-	(34,928)	(71,663)
At 30 June 2011	1,116,151	1,535,620	1,843,598	304,006	4,733,931	9,533,306
At 1 July 2011	**1,116,151**	**1,535,620**	**1,843,598**	**304,006**	**4,733,931**	**9,533,306**
Charge for the year	**414,938**	**750,507**	**680,038**	**140,114**	**1,240,809**	**3,226,406**
Assets written-off	**-**	**(1,166)**	**(29,186)**	**-**	**(139,224)**	**(169,576)**
At 30 June 2012	**1,531,089**	**2,284,961**	**2,494,450**	**444,120**	**5,835,516**	**12,590,136**
NET BOOK VALUE						
At 30 June 2012	**2,693,797**	**5,881,990**	**2,637,318**	**256,452**	**2,844,047**	**14,313,604**
At 30 June 2011	2,803,999	4,543,600	2,920,258	396,566	2,690,390	13,354,813
At 30 June 2010	1,915,224	6,105,154	3,349,304	536,680	1,480,878	13,387,240

40. SEGMENTAL REPORTING (cont'd)

XV INTANGIBLE ASSETS
Segment A

	Computer software	Banking software	Other	Total
	Rs	Rs	Rs	Rs
COST				
At 1 July 2009	729,882	14,598,738	4,245,605	19,574,225
Additions	1,904,841	2,099,793	1,747,661	5,752,295
Assets written-off	-	-	(337,118)	(337,118)
At 30 June 2010	2,634,723	16,698,531	5,656,148	24,989,402
At 1 July 2010	2,634,723	16,698,531	5,656,148	24,989,402
Additions	2,245,418	-	109,781	2,355,199
At 30 June 2011	4,880,141	16,698,531	5,765,929	27,344,601
At 1 July 2012	**4,880,141**	**16,698,531**	**5,765,929**	**27,344,601**
Additions	**7,114,364**	**420,624**	**-**	**7,534,988**
At 30 June 2012	**11,994,505**	**17,119,155**	**5,765,929**	**34,879,589**
AMORTISATION				
At 1 July 2009	334,470	3,480,960	2,178,056	5,993,486
Charge for the year	707,748	2,205,042	1,320,748	4,233,538
Assets written-off	-	-	(285,682)	(285,682)
At 30 June 2010	1,042,218	5,686,002	3,213,122	9,941,342
At 1 July 2010	1,042,218	5,686,002	3,213,122	9,941,342
Charge for the year	1,269,322	2,386,217	156,698	3,812,237
At 30 June 2011	2,311,540	8,072,219	3,369,820	13,753,579
At 1 July 2011	**2,311,540**	**8,072,219**	**3,369,820**	**13,753,579**
Charge for the year	**1,574,995**	**2,414,465**	**41,738**	**4,031,198**
At 30 June 2012	**3,886,535**	**10,486,684**	**3,411,558**	**17,784,777**
NET BOOK VALUE				
At 30 June 2012	**8,107,970**	**6,632,471**	**2,354,371**	**17,094,812**
At 30 June 2011	2,568,601	8,626,312	2,396,109	13,591,022
At 30 June 2010	1,592,505	11,012,529	2,443,026	15,048,060

40. SEGMENTAL REPORTING (cont'd)

	2012			2011			2010		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
XVI OTHER ASSETS									
Accrued income	1,067,763	-	1,067,763	241,700	-	241,700	411,654	1,709,259	2,120,913
Prepayments	1,483,167	259,320	1,742,487	6,863,199	-	6,863,199	1,608,991	489,384	2,098,375
Share capital money	2,524,869	-	2,524,869	-	-	-	-	4,285,000	4,285,000
Other receivables	22,457,275	1,573,045	24,030,320	12,795,511	-	12,795,511	7,913,326	93,245	8,006,571
	27,533,074	1,832,365	29,365,439	19,900,410	-	19,900,410	9,933,971	6,576,888	16,510,859
XVII DUE TO BANKS	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Deposits with other banks	8,516,013	-	8,516,013	28,480,989	-	28,480,989	96,138,890	-	96,138,890
Bank overdrafts	-	-	-	2,344	-	2,344	-	47,180	47,180
	8,516,013	-	8,516,013	28,483,333	-	28,483,333	96,138,890	47,180	96,186,070
XVIII DEPOSITS FROM CUSTOMERS	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Personal									
- Current and savings accounts	1,694,808,147	876,357,076	2,571,165,223	1,282,699,413	696,844,807	1,979,544,220	618,673,724	474,541,914	1,093,215,638
- Term deposits	3,079,023,709	943,589,814	4,022,613,523	2,114,410,866	728,344,513	2,842,755,379	934,188,434	318,689,137	1,252,877,571
Business									
- Current and savings accounts	2,032,763,960	2,948,211,415	4,980,975,375	1,576,940,496	1,842,479,940	3,419,420,436	1,175,613,520	1,470,957,659	2,646,571,179
- Term deposits	4,510,261,428	3,505,054,080	8,015,315,508	3,285,199,364	3,418,455,049	6,703,654,413	2,325,778,872	643,176,770	2,968,955,642
Government institutions									
- Current and savings accounts	38,297,535	-	38,297,535	17,163,716	-	17,163,716	4,020,809	-	4,020,809
- Term deposits	-	-	-	-	-	-	20,089,507	-	20,089,507
	11,355,154,779	8,273,212,385	19,628,367,164	8,276,413,855	6,686,124,309	14,962,538,164	5,078,364,866	2,907,365,480	7,985,730,346
XIX DEBTS ISSUED	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Unsecured subordinated bonds	565,479,715	-	565,479,715	421,574,481	-	421,574,481	-	-	-
XX AMOUNT DUE TO SUBSIDIARY	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Funds due to subsidiary in respect of structured notes	123,146,176	-	123,146,176	125,516,298	-	125,516,298	115,251,460	-	115,251,460
XXI OTHER LIABILITIES	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Accounts payable and sundry creditors	83,722,660	47,559,299	131,281,959	82,201,083	15,740,077	97,941,160	25,200,308	6,411,324	31,611,632

Notes

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