Annual Report **2011**

AFRASIA
bank different

"AfrAsia Bank was among the first to recognize the growth potential of the African Lions to match the rise of the Asian Tiger economies."

(James Benoit)

"You can't cross the sea merely by standing and staring at the water."

(Rabindranath Tagore)

AfrAsia Bank Limited
Member of

GML
TOGETHER

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:

12,499
kg of landfill

2,366
kg of CO_2 of greenhouse gases

16,902
km travel in the average European car

274,201
litres of water

25,328
kWh of energy

20,311
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.

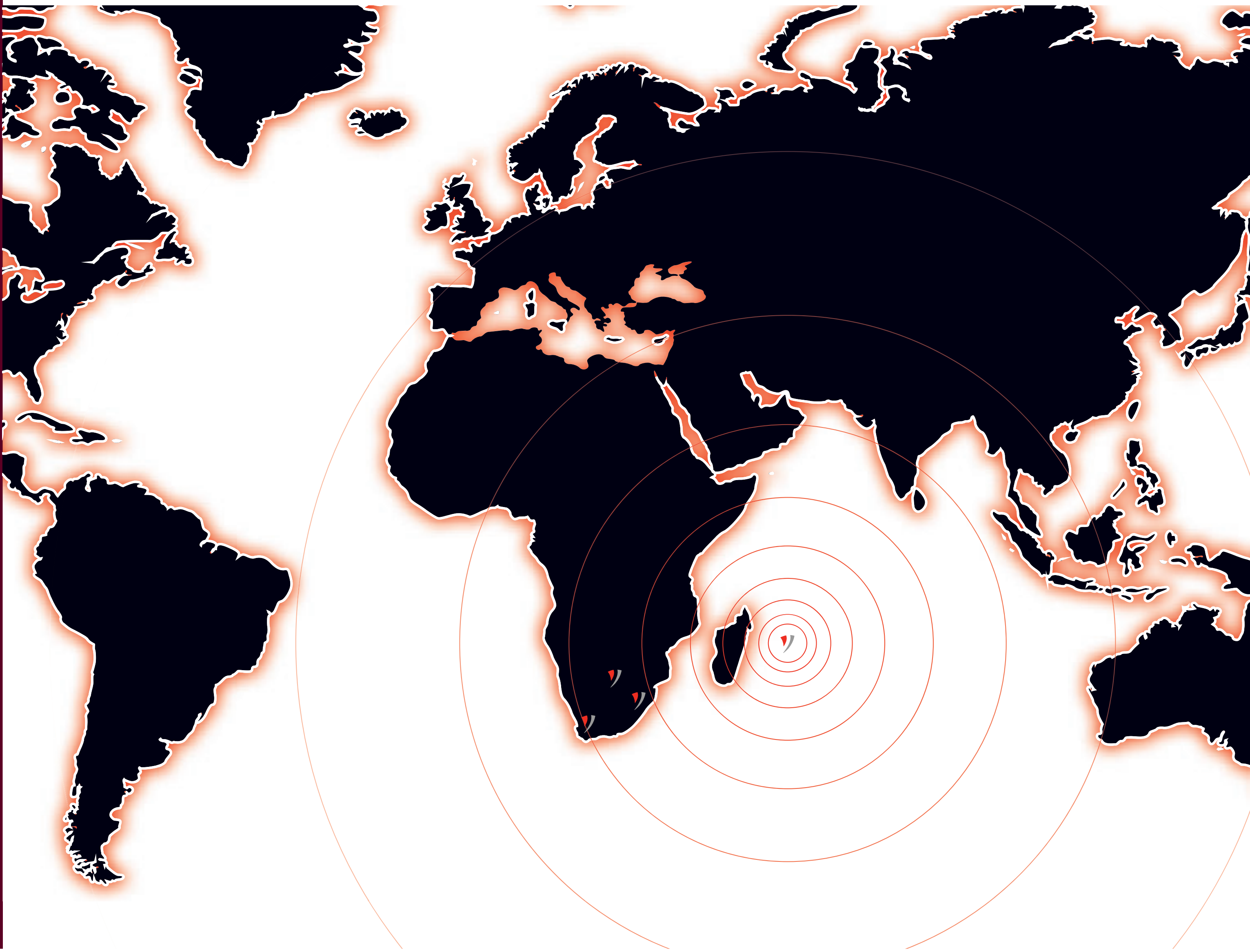
Contents

4 Vision and Values

The vision is in our name. AfrAsia Bank was created specifically for, and aims to be the reference point for, Corporate and Investment Banking, Private Banking and International Banking Solutions, linking Mauritius and the Africa-Asia trade corridor by being closer to those markets. We deliver on this mission with a hand-picked team that can live up to Our Key Values.

OUR KEY VALUES

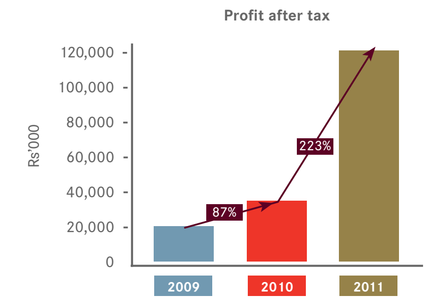
We aim to be **passionate partners** to our clients through building **privileged relationships** with **disruptive innovation**, **genuineness** and always adopting a **can-do attitude**.

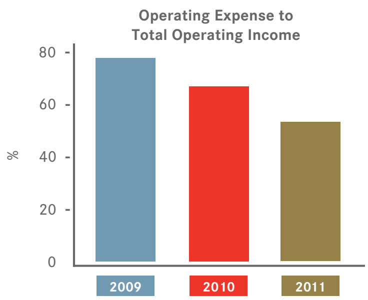


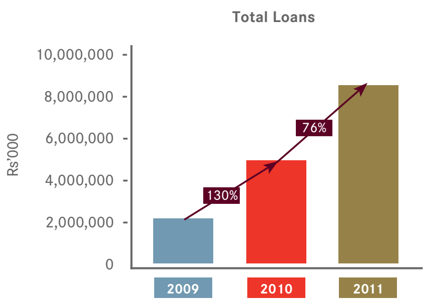
Key Financial Highlights

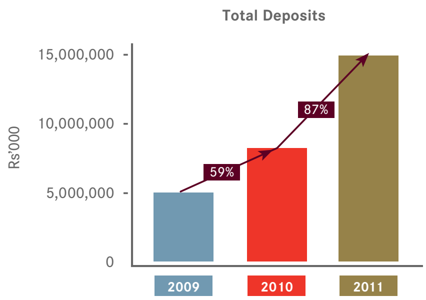
AFRASIA BANK LIMITED AND ITS GROUP ENTITIES

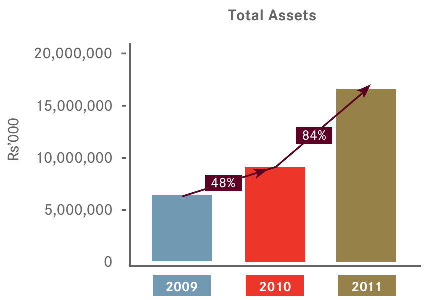
	Year Ended 30 June 2011	Year Ended 30 June 2010	Year Ended 30 June 2009
STATEMENT OF COMPREHENSIVE INCOME (Rs'000)			
Net Interest Income	218,760	107,527	61,088
Non Interest Income	151,055	123,736	100,268
Total Income	369,815	231,263	161,356
Operating Expenses	(201,942)	(151,324)	(125,867)
Profit after tax	124,387	38,470	20,552
STATEMENT OF FINANCIAL POSITION (Rs'000)			
Total Assets	16,866,735	9,147,529	6,195,666
Total Loans	8,549,379	4,851,153	2,106,644
Total Deposits	14,962,436	7,985,566	5,027,224
Shareholders' Funds	1,068,884	682,455	639,813
PERFORMANCE RATIOS (%)			
Return on Average Equity	13.3	5.6	4.7
Loans to Deposits Ratio	57.1	60.7	41.9
Operating Expense to Total Operating Income	54.6	65.4	78.0
CAPITAL ADEQUACY RATIO (%)			
Basel II	15.3	11.8	12.4

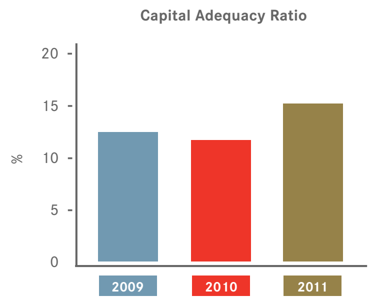




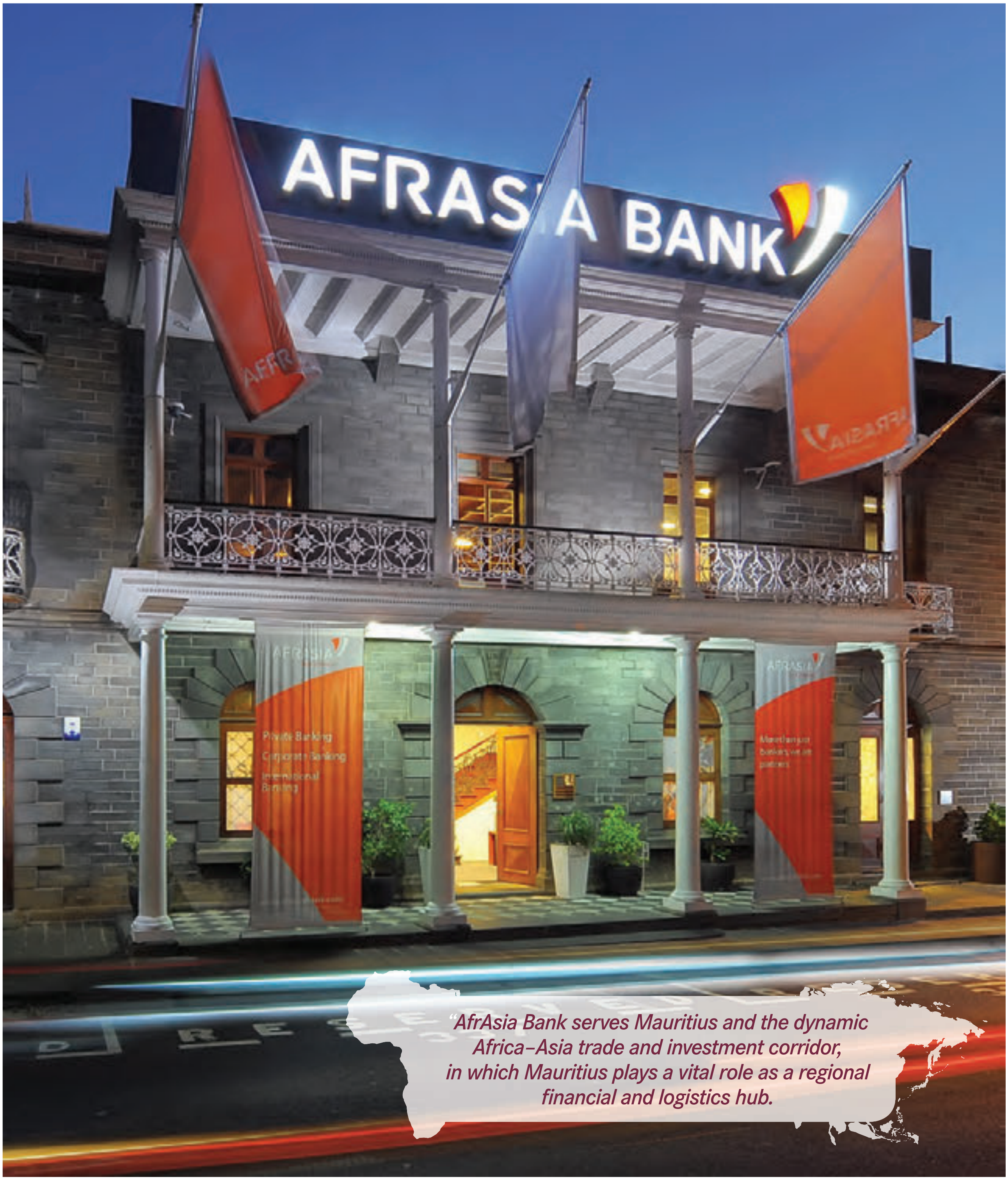








Corporate Profile



"AfrAsia Bank serves Mauritius and the dynamic Africa–Asia trade and investment corridor, in which Mauritius plays a vital role as a regional financial and logistics hub.

Headquartered in the Mauritius International Financial Centre, AfrAsia Bank Limited is a boutique financial services provider, with the ability to tailor innovative banking solutions for both the local and international markets.

Our partnership approach and our team of highly experienced professionals allow our clients to discover a different facet of banking with customized services focusing on:

- Corporate and Investment Banking
- Private Banking and Wealth Management
- International Banking Solutions

In addition to our anchor Mauritian shareholder, GML, the largest conglomerate in the country, other strong strategic partners now include PROPARCO (subsidiary of the Agence Française de Développement and other major financial institutions), Dale Capital Group (South Africa), Intrasia Capital (Singapore) and AXYS Group (Mauritius). With the establishment of banking representative offices in Cape Town, Durban and Johannesburg, the Bank has cross-border capabilities to deliver tailor-made solutions with tangible benefits in an environment of trust.

AFRASIA BANK – THE BRIDGE TO AFRICA AND ASIA

AfrAsia Bank serves Mauritius and the dynamic Africa–Asia trade and investment corridor, in which Mauritius plays a vital role as a regional financial and logistics hub.

The Bank is the ideal partner to help both private and corporate clients benefit from the strategic advantages of Mauritius with its network of Double Taxation Agreements (36 DTAs signed), membership of SADC and COMESA, greater confidentiality, absence of exchange control and protection against local political and financial instability. AfrAsia Bank provides an environment of trust, a sound legal framework and a global banking network delivered with boutique service and speed.

Our Bank delivers customized services focusing on global business transactions and structures via the Mauritius international financial centre which include:

- Investment Banking Solutions via AfrAsia Corporate Finance (Pty) Ltd, our associate company based in South Africa;
- Asset & Wealth Management via AXYS Capital Management Limited, our associate fund management company based in Mauritius;
- Global Custody Services via our AAA-rated partner, ABN AMRO Bank;
- Investment opportunities to Indian Equity/Debt Market as Foreign Institutional Investor (FII);
- Primary Dealings in Mauritius Government Securities as authorised by Bank of Mauritius;
- Dealings in currency and commodity derivatives through our membership and partnership with the Global Board of Trade (GBOT);
- A leading network of correspondent banks for international transfers.

Corporate Profile

STRATEGIC PARTNERS

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

GML

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.

Dale Capital Group (DCG)

Dale Capital Group (DCG) is a strategic partner of AfrAsia Bank and committed to assisting the Bank in pursuing its growth in the SADC region. It is a private equity investment holding company listed on the Stock Exchange of Mauritius (SEM) since December 2007, having been founded in 2000. DCG invests either in controlling interests or in influential, but non-controlling stakes, in both private businesses and publicly quoted companies. Investing in hotels and leisure, property, IT, fine food and beverages and financial services, its flagship investments include the Shelly Point, Hotel Spa and Country Club in South Africa, Bella Amigo Fish and Fine Food Group of companies, Dale International Trust Company Limited and Amara Group.

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 Dealer (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) Ltd	Financial Services Provider	Financial Services Board of South Africa

Bank of Maurtius 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.

AWARDS AND RECOGNITION

Winner of two prestigious awards, "Best Private Bank in Mauritius" 2011 (Euromoney) and "Most Innovative Bank in Mauritius" 2008 (World Finance), we deliver on our promise to exceed clients' and stakeholders' expectations by understanding their needs and crafting the relevant products and solutions for those needs. The Bank has also obtained the 2010 Quality Recognition (Citibank) for achieving high Straight Through Processing Rate for payments and transfers. Citibank is our major USD payments and clearing processor.

- **"Most Innovative Bank in Mauritius" 2008 - Awarded by World Finance**

- **"2010 Quality Recognition" - Awarded by Citibank for achieving high Straight Through Processing Rate for payments and transfers**

“Best Private Bank in Mauritius” 2011 - Awarded by Euromoney

“ ‘Best Private Bank in Mauritius’ 2011 reflects the can-do attitude of our team as well as the trust and support of our clients who believed in our vision right from the start. The award is another clear step in AfrAsia’s continuing commitment to exceed clients’ expectations.”

Thierry Vallet
Head of Private Banking and Strategic Development, AfrAsia Bank

12 Board 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 "Maîtrise 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 Naïade Resorts Ltd, 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 FONDAUMIÈRE

Independent Non-Executive Director

Appointed on 12 January 2007

Jean de Fondaumière 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.

J. CYRIL LAGESSE

Non-Executive Director

Appointed on 12 January 2007

J. Cyril Lagesse, a well known entrepreneur, born in 1932, took over his father's business in 1969 (Mon Loisir S.E.) and set up the "Compagnie d'Investissement et de Développement Ltée" (CIDL) (now called GML Investissement Ltée) in the early 1970's, to take advantage of the diverse investment opportunities that arose while Mauritius moved towards greater industrialization. Since then, GML has grown in size and is now the major shareholder of several other well-established firms. He also sits on the Boards of several of the country's most prestigious companies, many of which are listed on the Stock Exchange of Mauritius.

Board Directors

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 Ltd, 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 Ltd and an independent Non-Executive Director of Malaysian Smelting Corporation Berhad, a company listed on the Stock Exchance 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

Executive Director

Appointed on 14 February 2011

Kamben (Ben) Padayachy holds a Masters degree in Monetary Economics from the University of Paris Dauphine and a post-graduate degree in Banking and Finance. He has more than 17 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 level throughout his career and has originated investment banking transactions from debt capital markets to structured trade finance. Ben is the Head of Banking, Treasury and Markets of AfrAsia Bank. He is also a Director of AXYS Capital Management Ltd and AfrAsia Investments 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 Ltd from 2005 to 2007.

JEAN-CLAUDE BÉGA

Non-Executive Alternate Director

Appointed on 6 June 2007

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 Naïade Resorts Limited, Mauritius Stationery Manufacturers Ltd, Phoenix Beverages Limited and Sugar Insurance Fund Board.

Chairman's and Directors' Report

The Chairman and Directors have pleasure in submitting the Annual Report of the Group and of the Bank "AfrAsia Bank Limited" for the year ended 30 June 2011.

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.

AfrAsia Investments Limited ("the Subsidiary") holds an Investment Dealer Licence and, in conjunction with our 50% stake in leading local fund manager AXYS Capital Management Ltd, we have implemented and branded the "AfrAsia Private Bank" offering. The aim is to develop and market tailored financial products to a targeted client base consisting of High Net Worth Individuals ("HNWI").

Through our 37.5% investment in AfrAsia Corporate Finance (Pty) Ltd in South Africa, which is now integrated with our corporate bank teams, we have an increased corporate finance and investment banking capability having secured a wide range of international, regional and local mandates.

THE AFRICAN LIONS START TO ROAR AND THE FINANCIAL JUNGLE TAKES NOTICE

Despite widespread troubles which remain in the global economy and which have not spared the Mauritian economy, AfrAsia's "bank different" strategy continued to align us with the leading economic growth markets in the world. Five of the twelve best global growth economies and investment destinations are projected to be in Africa in 2011. We have seen this first-hand at AfrAsia as our South African representative offices and Global Business teams continue to book large deposits and treasury deals for clients in this region.

The traditional strength of Mauritius as the leading jurisdiction for investment into India remained and AfrAsia experienced especially strong deposit and loan growth related to Indian business. The very exciting news is that these markets are not exclusive and we have seen increased cross border business between India and Africa which AfrAsia is well placed to serve. India remains core business for Mauritius but Africa is anticipated to be our "call option" for future growth as a financial services jurisdiction.

As these two markets continue to surge, Mauritius' gateway role continues to attract investment flows from them and from China to continue to build our infrastructure to serve these markets. This has put a strong base of support under the Mauritian domestic economy as can be seen by the numerous residential, commercial and office real estate projects underway.

AfrAsia Bank has built a brand and business model to deliberately be at the centre of this growth and during the year we completed two capital raising events to ensure our ability to compete.

KEY OPERATING AND FINANCIAL PERFORMANCE

- AfrAsia generated a 211% increase in net profit after tax to reach Rs116.1m for the year and on a consolidated basis the AfrAsia Group recorded a result of Rs124.4m.
- Earnings per share increased from Rs0.78 to Rs2.13 this year.
- Return on Equity (ROE) for the Group improved from 5.6% to 13.3% in 2011.
- Customer loans grew substantially by 76% from Rs4.9bn to Rs8.5bn in one year. We remain committed to domestic corporates and private clients in addition to strong regional growth.
- Our paid up Tier 1 share capital increased from Rs654m to Rs922m and we added a new, strategic international shareholder from France (PROPARCO) during the year.
- A Tier 2 debt capital issue of Rs417m was also finalized from leading Mauritian institutional investors to further support the better than planned deposit and loan growth.

AfrAsia Bank continued to significantly upgrade its internet banking, SWIFT and core banking systems during the year and has a unique capability to customize these quickly to meet customer needs.

We also made full time senior level executive appointments in Human Resources and Audit to ensure our staff and systems keep pace with our customer and balance sheet growth. The Bank undertook a complete review of its core banking and linked systems to map the processes and leverage on technology to serve its customers in the best way possible.

A more detailed discussion of the results by business lines is contained in the Management Discussion and Analysis section.

> ***"AfrAsia's 'bank different' strategy continued to align us with the leading economic growth markets in the world. Five of the twelve best global growth economies and investment destinations are projected to be in Africa in 2011."***
>
> *Arnaud Lagesse*
> *Chairman AfrAsia Bank*

Chairman's and Directors' Report

CAPITAL STRUCTURE AND DIVIDENDS

The Bank's capital structure remains strong, with substantial Tier 1 capital which has increased from Rs250m at start of operations in October 2007 to Rs922m in June 2011. This includes accumulated net profits of Rs91.3m during that time. In addition, the Bank successfully raised unsecured subordinated bonds of Rs417m to bring its capital base to Rs1.5bn at end of June 2011.

The Directors have requested approval of a dividend payout of Rs0.60 per share totalling Rs35m from Bank of Mauritius.

PROSPECTS

Regional and international growth remain the essential pillars in AfrAsia Bank's growth strategies and our performance during the last few years, along with our increased and diversified capital base, is presenting many expansion opportunities.

With core Mauritian, South African and Indian business areas performing strongly for AfrAsia in its three customer segments, we will now start to review other African and South East Asia banking investments to better serve our customers. In Africa particularly, several catalysts we have anticipated for the past few years have now started to materialize.

AfrAsia therefore remains well positioned to grow profitably in our home market of Mauritius in our focused corporate and private client business. On the back of this, and the ever increasing attractiveness of Mauritius as an international financial jurisdiction, our international operations can be scaled up and expanded opportunistically.

We are likely to further increase our capital base significantly during this fiscal year and make further regional investments into banks and fund managers that will provide us scale and growth in corporate and private banking. In all likelihood, this would be our last major capital raise prior to an initial public offering which could occur as early as 2013.

"With core Mauritian, South African and Indian business areas performing strongly for AfrAsia in its three customer segments, we will now start to review other African and South East Asia banking investments to better serve our customers."

James Benoit
CEO AfrAsia Bank

DIVIDENDS

Dividends of Rs9,572,363 have been declared and paid during the year under review.

DIRECTORS

The names of the Directors of the Bank as at 30 June 2011 were noted on page 12 to page 15.

DIRECTORS OF SUBSIDIARY

The Subsidiary
AfrAsia Investments 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 2011 were:

	Year ended 30 June 2011		Year ended 30 June 2010		Year ended 30 June 2009	
Directors	**Ordinary Shares held directly**	**% Shares held indirectly**	Ordinary Shares held directly	% Shares held indirectly	Ordinary Shares held directly	% Shares held indirectly
Arnaud Lagesse	-	**3.37%**	-	4.06%	-	4.09%
James Benoit	**1,035,420**	-	642,066	-	467,889	-
Brett Childs	-	-	-	-	-	-
Catherine Dvorak	-	-	-	-	-	-
Jean de Fondaumière	-	-	-	-	-	-
J. Cyril Lagesse	**285,395**	-	-	-	-	-
Thierry Lagesse	-	**3.37%**	-	4.06%	-	4.09%
Lim Sit Chen Lam Pak Ng	-	-	-	-	-	-
Norman Noland	-	-	-	-	-	-
Kamben Padayachy	**648,320**	-	-	-	-	-
Michael Pike	-	-	-	-	-	-

DIRECTORS' REMUNERATION AND BENEFITS

Total remuneration and benefits received, or due and receivable, by the Directors from the Group and the Bank for the year ended 30 June 2011 were as follows:

	Year ended 30 June 2011		Year ended 30 June 2010		Year ended 30 June 2009	
	Executive Directors Rs	**Non-Executive Directors Rs**	Executive Directors Rs	Non-Executive Directors Rs	Executive Directors Rs	Non-Executive Directors Rs
The Bank						
AfrAsia Bank Limited	**21,211,093**	**1,900,616**	13,960,385	1,838,904	12,311,630	1,519,932
The Subsidiary						
AfrAsia Investments Limited	**-**	**-**	-	-	-	-

DIRECTORS' SERVICE CONTRACTS

James Benoit has a service contract with the Bank for a period of five years expiring on 31 March 2012 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 2012 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 has a service contract with the Bank for a period of five years expiring on 20 May 2012 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 2012 and thereafter renewable if agreed by both parties. The notice period for termination of the contract is six months.

CHARITABLE DONATIONS

The Group and the Bank made Rs748,073 of charitable donations during the year ended 30 June 2011 (2010: Rs402,060/ 2009: Rs1,674). More information regarding the utilisation of funds is available on page 34 and 35.

POLITICAL DONATIONS

The Group and the Bank did not make any political donations during the year ended 30 June 2011 (2010: Rs500,000/2009: Nil).

AUDITORS' REMUNERATION

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

	Year ended 30 June 2011		Year ended 30 June 2010		Year ended 30 June 2009	
	Audit	**Others**	Audit	Others	Audit	Others
	Rs	**Rs**	Rs	Rs	Rs	Rs
Ernst & Young						
The Bank						
AfrAsia Bank Limited	**867,840**	**62,009**	778,536	61,109	707,250	63,250
The Subsidiary						
AfrAsia Investments Limited	**133,000**	**25,000**	144,650	32,500	115,000	28,750

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

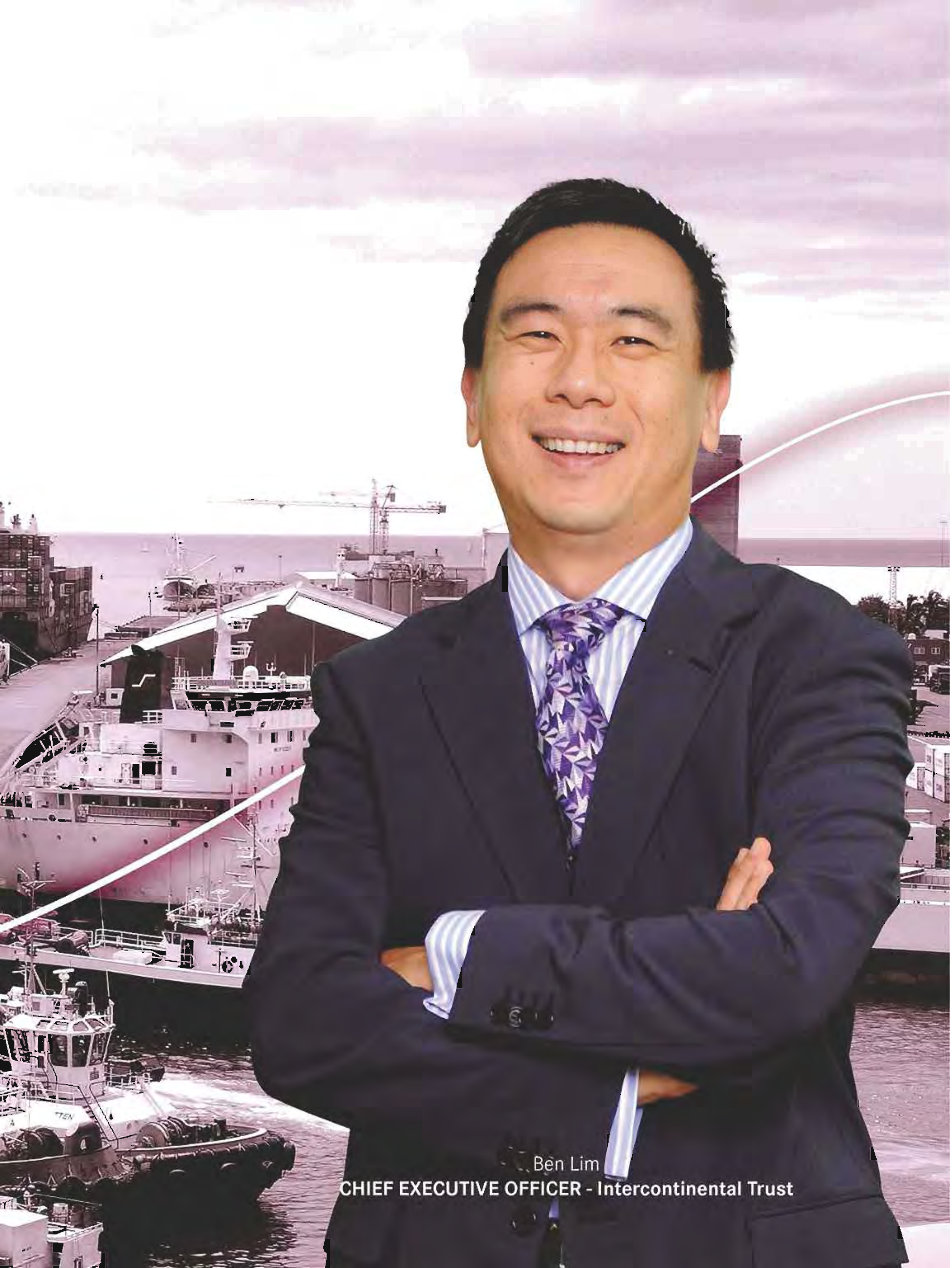
Arnaud Lagesse
Chairman

James Benoit
Chief Executive Officer

Jean de Fondaumière
Director

13 September 2011

"AfrAsia Bank has positioned itself as a regional player facilitating investment flows and trade traffic between Africa and Asia and globally. The Bank has cross-border capabilities to deliver tailor made solutions with tangible benefits. AfrAsia Bank has been by our side as we have grown over the years and we are impressed by the dynamism and passion of the team in offering a seamless service to international clients."



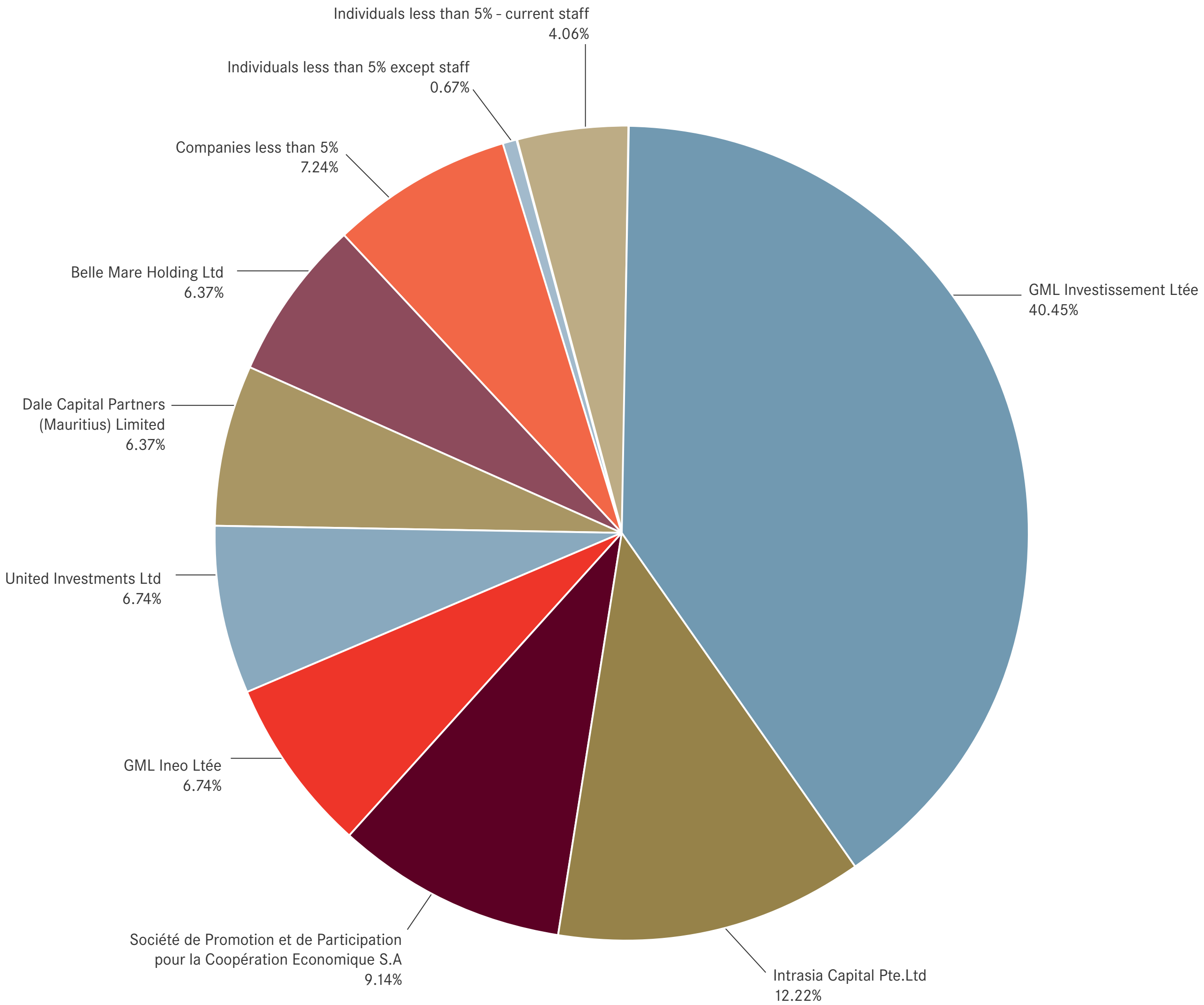
Ben Lim
CHIEF EXECUTIVE OFFICER - Intercontinental Trust

24 Statement of Corporate Governance Practices

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 2011 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.

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, during the year we added a second Executive Director to the Board and make full disclosure of their compensation on page 28.

The Board blends the experience of well-known Mauritian executives with high calibre international financiers from South Africa, Singapore, Canada and Australia. Of our eleven Directors, two possess chartered accounting degrees, including two of three Directors 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. In this context, the Board approved two major policies pertaining to a new foreign exchange and derivatives trading business including membership in the Global Board of Trade and reviewed two external, independent IT audit reports, an externally prepared Compensation Report, Anti-Money Laundering Policies and Procedures as well as Credit Risk and Conduct Review policies.

In August 2010, the Bank took part in an external remuneration survey (conducted by Hay Group) to ensure remuneration packages continue to be competitive. Survey results were shared in November 2010 and this data was used as a benchmark to help improve staff retention, motivation and incentives.

COMPOSITION OF THE BOARD

The Bank has a unitary Board of eleven members functioning independently of management, amongst which there are two Inside, Executive Directors and nine Outside Directors. On 1 March 2011, Stuart Kirkman resigned as Independent Outside Director and was replaced on 8 February 2011 by Catherine Dvorak, Independent Outside Director. Kamben Padayachy was appointed on 14 February 2011 as a second Executive Director in addition to the CEO.

A complete induction pack was submitted to new Directors who were given 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 its 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

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 and review, evaluate and approve such 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.

Statement of Corporate Governance Practices

At 30 June 2011, the committee comprised the following three Independent Directors:

- Jean de Fondaumière, Chairman
- Brett Childs
- Catherine Dvorak

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

Also attending this committee:

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

Head of Group Internal Audit has a direct reporting line to the Audit Committee while Head of Compliance has a dotted line reporting to it. During the year, the Audit Committee:

- examined the audited financial statements of the Bank for the year ended 30 June 2010;
- approved the audit plan from May 2010 to April 2011;
- examined the internal audit reports and miscellaneous ad hoc investigations submitted by the Internal Auditor;
- monitored progress on the implementation of recommendations relating to Central Bank management letter, internal audit reports and external audit management letter;
- examined management's strategy to improve the CAMEL ratings issued by the Central Bank and monitored progress at each meeting. The overall rating improved from 3+ (Fair) at September 2010 to 2+ (Satisfactory) at December 2010;
- approved various policies and procedures and exception reports submitted by Compliance.

Conduct Review Committee

The Conduct Review Committee met four times during the period under review.

The three members are:

- Michael Pike, Chairman
- Jean de Fondaumière
- Catherine Dvorak

Also attending this committee:

- James Benoit, Chief Executive Officer
- Joelle Ng Foong Lee, Head of Credit and Risk
- 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. The three members are:

- Arnaud Lagesse, Chairman
- Norman Noland
- Thierry Lagesse

Also attending this committee:

- 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 officer 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.

In July 2010, discussions commenced regarding the conversion of certain employee-held shares from non-voting to voting status. Meetings were arranged with shareholders to explain the benefits, rationale and mechanism of the conversion process. Questions from shareholders were addressed to the Company Secretary and approval sought from the Board with the conversion process completed in August 2010.

Risk Committee

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

The four members are:

- Michael Pike, Chairman
- Lim Sit Chen Lam Pak Ng
- Catherine Dvorak
- James Benoit

Also attending this committee:

- Kamben Padayachy, General Manager, Head of Global Banking, Treasury and Markets
- Jennifer Jean-Louis, Head of Finance and Treasury Back Office
- 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

ATTENDANCE REPORT

The attendance report of the Directors and Advisor at Board and Committee meetings for the year ended 30 June 2011, 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 Rs
Directors						
Arnaud Lagesse	4 out of 4	-	4 out of 4	-	-	-
J. Cyril Lagesse	4 out of 4	-	-	-	-	150,000
Thierry Lagesse	4 out of 4	-	4 out of 4	-	-	200,000
Jean de Fondaumière	3 out of 4	-	-	3 out of 4	4 out of 5	275,000
Lim Sit Chen Lam Pak Ng	3 out of 4	3 out of 4	-	-	-	175,000
Michael Pike	4 out of 4	4 out of 4	-	4 out of 4	-	350,000
Norman Noland	3 out of 4		3 out of 4	-	-	175,000
James Benoit	4 out of 4	4 out of 4	-	-	-	13,739,481
Brett Childs	4 out of 4	-	-	-	5 out of 5	200,000
Catherine Dvorak (appointed on 8 Feb 2011)	2 out of 2	2 out of 2	-	2 out of 2	2 out of 2	119,658
Kamben Padayachy (appointed on 14 Feb 2011)	2 out of 2	-	-	-	-	7,471,612*
Stuart Kirkman (resigned on 1 Mar 2011)	2 out of 2	-	-	2 out of 2	3 out of 3	171,301
Alternate Director						
Jean-Claude Béga	-	-	-	-	3 out of 3	34,658
Advisor						
Jean Paul de Chazal	-	-	-	3 out of 4	-	50,000

**Represents remuneration and benefits for the period 1 July 2010 to 30 June 2011*

PRIOR APPROVAL OF THE BOARD

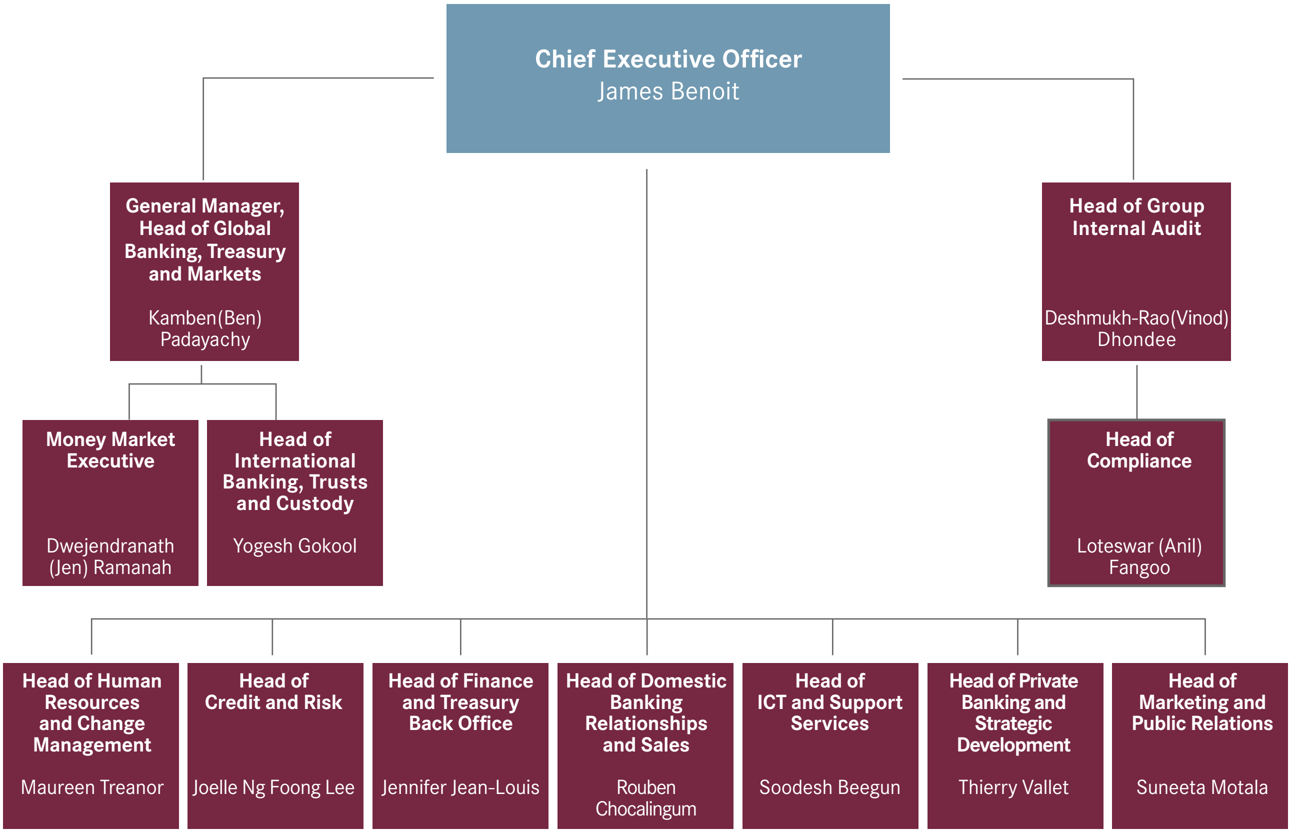
As per the Companies Act 2001 and the Constitution of the Company, the decisions requiring prior approval of the Board are set out below:

(i) Issue of other shares;
(ii) Consideration for issue of shares;
(iii) Shares not paid for in cash;
(iv) Authorisation of distribution;
(v) Shares in lieu of dividend;
(vi) Shareholder discount;
(vii) Purchase of own shares;
(viii) Redemption at option of Company;
(ix) Restrictions on giving financial assistance;
(x) Change of Registered Office;
(xi) Approval of amalgamation proposal;
(xii) Short form amalgamation.

The Company adopted a new Constitution in October 2010.

SENIOR MANAGEMENT

The management structure and team members are set out below:



Management Team

KAMBEN PADAYACHY
General Manager, Head of Global Banking, Treasury and Markets

Kamben (Ben) has 17 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 Postgraduate degree in Banking and Finance. Ben is also a Director on the Board of AXYS Capital Management Ltd, AfrAsia Special Opportunities Fund and AfrAsia Investments Limited.

ROUBEN CHOCALINGUM
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
Head of Private Banking and Strategic Development

Thierry started his career as an engineer and worked for companies such as LONRHO, ILLOVO and IBL. In 2000 he went to Paris to undertake his MBA, where he specialized 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 the Mauritius Commercial Bank (MCB) as Corporate Banker before joining AfrAsia 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 framework, incorporating finance, taxation and treasury back office. She has 20 years' experience gained locally and internationally in both the finance industry and public practice. She holds a Masters degree in Applied Finance, as well as being a Chartered Accountant and a Fellow Member of the Taxation Institute of Australia.

JOELLE NG FOONG LEE
Head of Credit and Risk

Joelle joined AfrAsia Bank in September 2007, as Head of Credit & Risk and is responsible for Credit Administration and the overall risk management for the Bank. She has more than 17 years' experience in banking, 11 of which are at middle and senior management level. Joelle started her career in 1994 with HSBC in Personal Banking then moved into Credit & Risk Management as Credit Recovery Manager and Credit Risk Manager. She also worked at the Mauritius Commercial Bank Ltd as Special Assets Manager before joining AfrAsia Bank Limited. Joelle holds an International Certificate for Financial Advisers 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 the University of Technology Mauritius, a Certificate in Banking Studies from the University of Mauritius, an Oracle DBA and WEB programmer's Certificates from NIIT - Mauritius. He started his career at Indian Ocean International Bank (IOIB) Ltd in 1987 and has more than 20 years' experience in the Banking and IT sector. He moved to F.U.E.L from 1994 to 2000 as Assistant Planters' Adviser before returning to the financial industry to join State Bank of India (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 17 years' experience in the banking sector, including 10 years at management level. She started her career at HSBC in 1994 and held several key roles in departments such as Credit Risk, Operations, Sales and Marketing. Prior to joining AfrAsia Bank in July 2007, she worked for the Mauritius Post and Cooperative Bank as Head of Marketing.

DESHMUKH-RAO DHONDEE
Head of Group Internal Audit

Deshmukh-Rao (Vinod) started his career at HSBC and now has more than 33 years' banking experience. Whilst at HSBC, he served as director for several Global Business companies and occupied various middle and senior management positions including Personal Banking, Corporate Banking, Sub-Custody and Risk Management. He joined AfrAsia in 2010 and is currently Head of Group Internal Audit.

DWEJENDRANATH RAMANAH
Money Market Executive

Dwejendranath (Jen) started his banking career when he joined the Bank of Mauritius in 1980, where he gained a wide range of 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) in 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 Ltd (now SBI Mauritius) in 1990, where 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.

MAUREEN TREANOR
Head of Human Resources and Change Management

Maureen started her career with Barclays Bank (UK) in 1987. Some years later she moved 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 holds qualifications in Human Resources and Project Management.

YOGESH GOKOOL
Head of International Banking, Trusts and Custody

Yogesh joined AfrAsia Bank in July 2008 as Head of International Banking, Trusts and Custody, and has more than 18 years' experience in financial management. The majority of his experience was gained whilst working for International Financial Service Limited, a leading International Management Company in Mauritius and Deutsche Bank (Mauritius) where he headed the Fiduciary Services Division. Yogesh is a member of the Society of Trust and Estate Practitioners (STEP) and the Association of International Wealth Management (AIWM).

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.

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

In order to attract quality staff, we aim to be in the top quartile for employee remuneration and compensation. Over recent years, the financial sector has become more buoyant with the arrival of a considerable number of new financial institutions. The vast majority of our senior management team have remained with AfrAsia Bank since our start and we rely on experienced and talented people to drive our business forward, achieve excellent financial results and attain industrial recognition. Hence we will 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.

In our endeavour to remain competitive, we recently took part in an industry-based remuneration survey conducted by Hay Group. As a result of this, we reviewed the level of compensation for several employees; due care was taken to ensure salaries reflected the duties and responsibilities of the role holder. We continue to keep abreast of market trends by participating in local workshops and seminars.

Other employee benefits include the use of company cars, a company pension plan, a generous medical scheme and we plan to launch a new bonus scheme for employees later this year. In addition we also arrange staff welfare activities, social events through our staff club, "the AfrAsians" and various employee incentive schemes during the year.

Our executive salaries are dependent on the overall performance of the individual. Key Performance Indicators (KPI's) are agreed at the start of each financial year and rewards are granted based on the performance of the employee against their KPI's as well as the overall performance of the Bank. From time to time, we also provide additional incentives to employees for their achievements and commitment. In September 2010, a number of shares were granted to the Founding Executives as part of their annual remuneration. In addition to this, 130,633 shares were awarded to the CEO and several members of Senior Management in recognition of performance and in addition to cash performance bonus. In order to ensure visibility and fairness, the share value was determined by the Board.

Approximately 4.06% of AfrAsia Bank shares are held by current employees. The nature and extent of transactions with affiliates and related parties of the Bank, including shareholders, are set out in the audited financial statements.

SAFETY AND HEALTH

The Safety and Health Committee consists of both Management and employee representatives. Its core function is to help ensure that working conditions for all employees are safe and of a good standard in terms of health. During the bi-monthly meetings, as well as discussing matters regarding safety, health and welfare, proposals are made in relation to training, or 'awareness' programmes for employees. Having a safe working environment is important, which is why a number of staff recently underwent First Aid, fire marshal, and office safety training.

OTHER STAFF INITIATIVES AND "FEEL GOOD" FACTORS

This year we introduced a number of initiatives with regards to the general well-being of our employees. These included the setting up of a "Health Camp" where medical professionals came to the Bank and made a number of presentations to encourage healthy living. Employees also had the opportunity to undergo a free test for diabetes as well as having their Body Mass Index (BMI) and blood pressure checked. The Health Camp was followed some months later by "Health Talks" where general concerns from the previous event were discussed and employees could also opt to have a flu vaccination.

In keeping with the health theme, we now have "Fruity Fridays" where fresh fruit is delivered to the Bank each week; all these activities are designed to encourage our employees to lead healthy lifestyles.



CORPORATE SOCIAL RESPONSIBILITY (CSR)

We are passionate about our commitment to Corporate Social Responsibility and we concentrate on a small number of dedicated projects that are guided by our Key Values. Our approach is founded on a broad understanding of the concept of corporate citizenship and employee participation is always encouraged. Many of our staff give their own time and make personal donations to the organisations we are in partnership with. Since the launch of our CSR programme, we have been supporting a number of humanitarian and charitable organizations. Approximately 50% of our CSR budget is donated to the Fondation Joseph Lagesse (FJL). This money is utilised to support areas of interest to AfrAsia Bank which are mainly children's education and welfare, as well as environment protection.

As an organization, we are continually looking for ways to reduce our "carbon footprint" - our environmental charter encourages all employees to reduce, reuse, and recycle both in the office and at home. We are also embarking on a national environmental project in partnership with FJL and Mission Verte, which involves raising awareness of school children in relation to local environmental and ecological issues and making them part of the solution.

Many of our staff give their own time and make personal donations to the organisations we are in partnership with.

CHILDREN'S WELFARE

We continue our support to the day care centre for children set up by the Fondation Joseph Lagesse at Bois Marchand, a suburb mostly inhabited by squatters living in extreme poverty. Fondation Joseph Lagesse aims to provide these children, aged between 2 and 4, with a pedagogical learning environment that prepares them for pre-primary/primary school.

Our employees often volunteer their time to these children and frequently donate food, clothes, books, toys and games. Our continued support has created a bond and consolidated the relationship between our organisations.

"LA FERME INTEGRÉE" – MAISON FAMILIALE RURALE DU NORD

As an extension of our commitment to Maison Familiale Rurale du Nord (MFR), we rolled out a financial literacy project to teenagers. MFR is a unique agricultural project in Mauritius, encouraging entrepreneurship and offering the students skills that will increase their prospects for employment. The Bank played an important role in assisting in the setting up of their 'home farm' in October 2009. The self-managed farm continues to flourish under the leadership of the students and our financial literacy programme helped in providing the basic financial skills these young adults will need for the future.

SPORTS – RUGBY UNION MAURITIUS (RUM)

Earlier this year, we donated funds to Rugby Union Mauritius to purchase playing kit and equipment for underprivileged children aged between 11 and 17 who have a desire to learn and play rugby. We strongly believe sport can play an active role in assisting the development of social and other important skills which these children may transfer to their personal and academic lives. In line with all our CSR projects, we plan to have an ongoing relationship with RUM in the future.

Simon-Pierre Rey
Company Secretary
13 September 2011

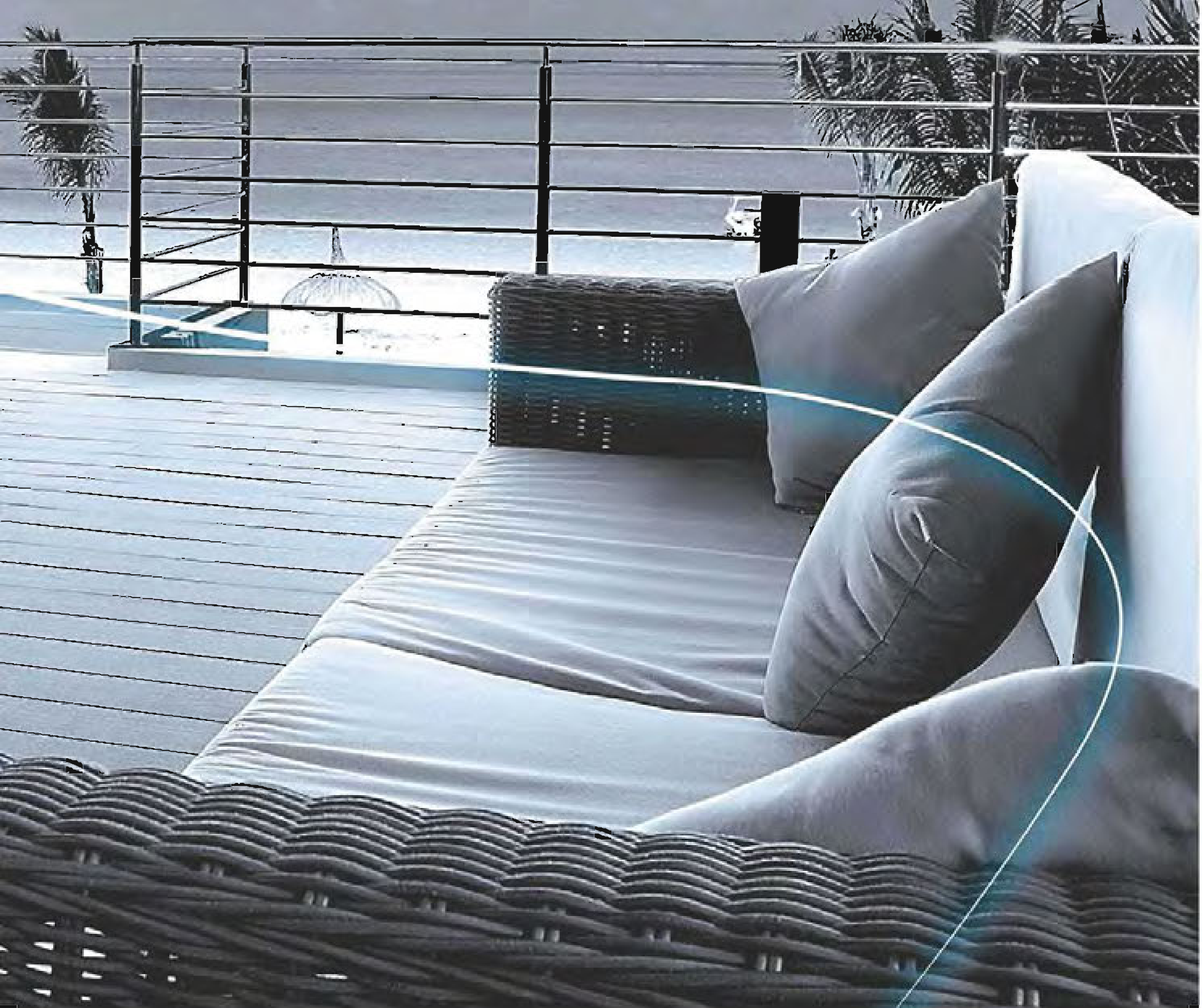
Our continued support has created a bond and consolidated the relationship between our organisations.

Chrystell de Bricourt
DIRECTOR - Oazure Ltd

« Je suis très satisfaite de notre collaboration avec AfrAsia. La grande disponibilité de nos chargés de compte, leur qualité d'écoute, leur réactivité, et leur sérieux sont toujours au rendez vous et rendent les opérations fluides et rapides.

Les services de la banque aussi, sont particulièrement qualitatifs et nous permettent d'évoluer rapidement en toute confiance. Une mention particulière pour le Homebanking qui correspond à ce qu'un client "d'aujourd'hui" peut en attendre : gagner du temps.

Pour toutes ces raisons, je ne peux qu'encourager mon entourage à tenter l'expérience AfrAsia pour mesurer la différence ! »



Risk Management Report

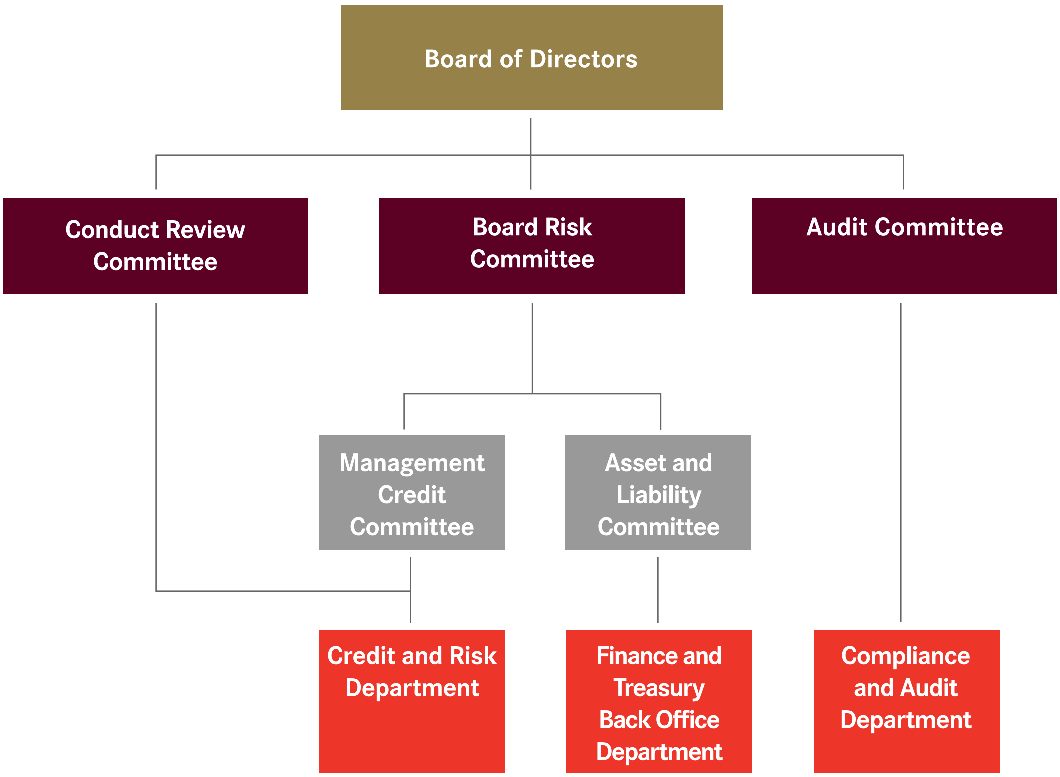
RISK MANAGEMENT POLICIES AND CONTROL

Risks are those factors which could influence the achievement of business objectives either positively or negatively. For AfrAsia Bank, these are generally identified as the combination of credit risk, interest rate risk or asset/liability management, market risk, and operational risk. The financial market crisis has made this more complex, with much greater volatility in commercial counterparty and sovereign government risk complicating traditional ways to mitigate the above risks.

The Bank's approach to risk management is based on well established governance processes, diversification and reliance on both individual responsibility and collective oversight, supported by comprehensive reporting. Various committees allow executive management and the Board to evaluate the risks faced by the Bank, as well as its effectiveness for the management of these risks. These committees are integral to the Bank's risk management structure.

RISK MANAGEMENT STRUCTURE

The Board of Directors is ultimately responsible for the risk management process across the Bank and approves the risk strategy and policies. The Board has delegated some of its functions to a number of committees and departments, as follows:



A. CREDIT RISK

The Board Risk Committee (BRC) is made up of three Independent Non-Executive Directors and the Chief Executive Officer. These Independent Directors are experienced risk professionals with extensive knowledge in emerging markets and Mauritius. The BRC is a consultative as well as an approval panel for facilities exceeding the Management Credit Committee's (MCC) lending authority as defined in the Credit Risk Policy. In this capacity, the BRC examines and approves large credit applications where global exposures exceed Rs50m. This limit was increased from Rs25m during the year.

The Management Credit Committee 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 seven permanent members within which there are three voting members (the CEO, the Head of Finance and Treasury Back Office and the Head of Credit and Risk). The other four members are in attendance (The General Manager, Head of Global Banking, Treasury and Markets; the Head of Domestic Banking Relationships and Sales; the Head of Private Banking and Strategic Development; and the Credit Risk Manager).

The monitoring of large credits, impaired credits and the overall level of provisioning is done on a regular basis based on recommendations made from the Credit and Risk Department. The information is circulated on a monthly basis via the monthly credit activities, excesses/arrears and facilities roll-over reports.

Board Risk Committee
Monitors the quality of assets and risk portfolio of the Bank.

Chair: Michael Pike, Independent Non-Executive Director

Members: 2 Independent Non-Executive Directors and the Chief Executive Officer (CEO)

Management Credit Committee
Reviews recommendations from Credit & Risk to sanction or decline credit applications.

Chair: Chief Executive Officer (CEO)

Voting Members: CEO, the Head of Finance and Treasury Back Office and the Head of Credit and Risk

Non-Voting Members: The General Manager, Head of Global Banking, Treasury and Markets; the Head of Domestic Banking Relationships and Sales; the Head of Private Banking and Strategic Development and the Credit Risk Manager

Credit and Risk Department
Responsible for all risk disciplines: Corporate & Retail Credit Risk Management, recovery and handling of problematic relationships; designing and maintaining an effective market and operational risk control.

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 Bank of Mauritius guidelines and AfrAsia Bank's credit risk policy;
- identify credit risk in each investment, loan or other activity of the Bank;
- utilise 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 as detailed in the following process chart.

Client Approval Process

Sales → **Credit and Risk** → **Approval Process** → **Processing**

Front Office	Credit Origination	Credit and Risk	MCC/BRC	Credit Administration	Credit Administration
Credit-specific customer service; complete facility application	Collect and review data; credit analysis and submission of credit proposal	Collateral and risk assessment; detailed credit analysis	Approval by Management Credit Committee or Board Risk Committee	Implementation of the credit decision; preparation of offers	Facility disbursement and disbursement review
• Establish contact • Evaluate first customer info • Customer meeting • Debrief	• Request documents • Facility structuring • Obtain information • Completeness and plausibility review • Credit Analysis and proposal submission	• Review documents and facility structure • Inspect object • Assess credit - related factors linked to lending • Assess Loan to Value • Evaluate exposure • Formulate recom-mendations	• Approval by decision-makers depending on authority	• Handover file • Check compliance with authority structure • Prepare letter of offers and security documentation • Vetting of documentation • Submit all documentation for signature	• Ensure perfection of all security and signatures on all documents • Check compliance with approval conditions • Disbursement • Disbursement review

Credit Rating

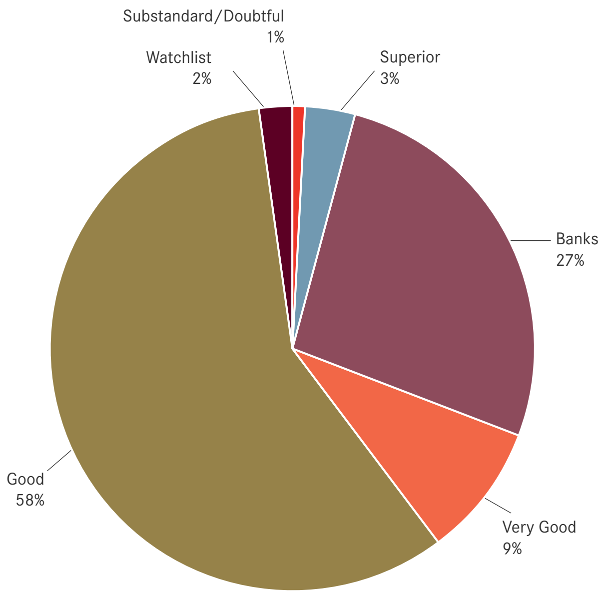
A key element of the credit approval process is the detailed risk assessment of each counterparty. AfrAsia Bank operates a 7-tier Facility Grade System applied to each borrower which determines the risk profile of its lending book, the level of account management and that pricing is commensurate with 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.

The Bank will acquire and implement a new international credit system for more robust computation of the risk rating of the borrowers by 31 December 2011. This will allow automation of an internal rating solution which is aligned to Basel II two dimensional rating framework. This is deemed our highest priority IT investment in the coming year as our loan book is scaling up quickly.

Credit Quality

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)



As at 30 June 2011, 3% of the Bank's asset book was fully cash secured while 27% represented advances granted to investment grade financial institutions/banks. This is reflective of AfrAsia Bank's endeavour to maintain a strong credit quality asset book.

In 2011, Non Performing Loan "NPL" balances reduced from Rs42.1m to Rs11.03m as at 30 June 2011. This was largely due to part repayment on one Segment B account put into liquidation and which was fully provided for in 2010 financial accounts. Furthermore, some new accounts were classified during the year totalling Rs8.4m. The ratio of NPL to gross loans and advances was at 0.13% and is believed to be much better than market peers. The percentage of specific provision to NPL was at 36% and the uncovered portion is backed by adequate collateral.

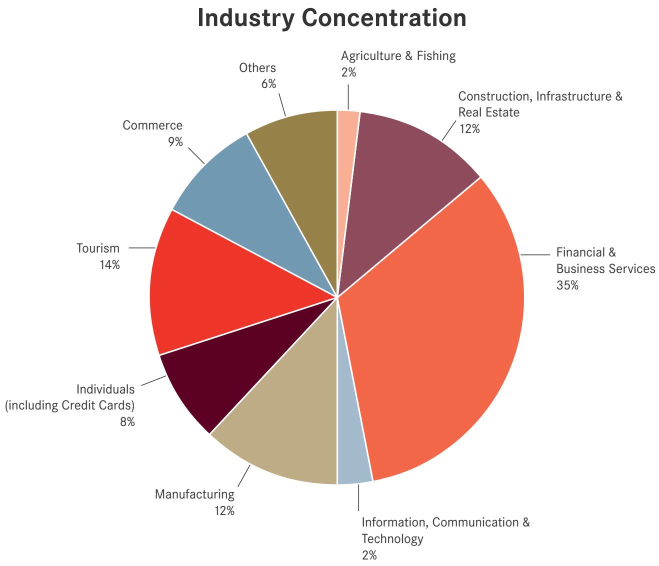
Overall, Portfolio provisioning is maintained at above regulatory 1%, of which 82% of total provision raised is passed directly to the Statement of Comprehensive Income and the difference in Statement of Financial Position reserves.

Credit Exposure

Industry Concentration

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 out below for fund based facilities. For strategic reasons, we do not disclose the limits but are operating within them.

SECTOR	30 June 2011 Outstanding Balance Rs'000	30 June 2010 Outstanding Balance Rs'000
Financial and Business Services	**3,005,758**	1,776,340
Tourism	**1,183,225**	545,884
Construction, Infrastructure and Real Estate	**1,037,516**	469,884
Manufacturing	**1,035,231**	589,466
Commerce	**769,864**	461,940
Individuals (including Credit Cards)	**718,621**	401,725
Others	**520,853**	160,270
Agriculture and Fishing	**175,110**	170,293
Information, Communication and Technology	**164,075**	326,763
Total Exposure	**8,610,253**	**4,902,565**



During financial year 2011, 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 35% of the Bank's overall loan book. While loans and advances in the financial and business services segment constituted 34.9% of the loan book, these comprised largely of advances to investment grade financial institutions/banks, thus carrying relatively lower level of risk.

To manage industry risk, AfrAsia Bank also regularly prepares economic and industry reports 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.

Concentration of Risk/Large Exposures

The Bank of Mauritius Guidelines on Credit Concentration (effective January 2009) restricts the granting of credit facilities to non-financial institutions and other related parties to:

- a maximum exposure to any single customer of 25%;
- to 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 218% as at 30 June 2011, well within the regulatory limit of 800%:

Capital Base as at 30 June 2011	Rs'000
Tier 1 Capital	1,028,293
Tier 2 Capital	463,504
Capital Base	1,491,797
Total large exposures (15% above)	3,255,847
% Large exposure v/s Capital Base (limitation 800%)	218%

Risk Management Report

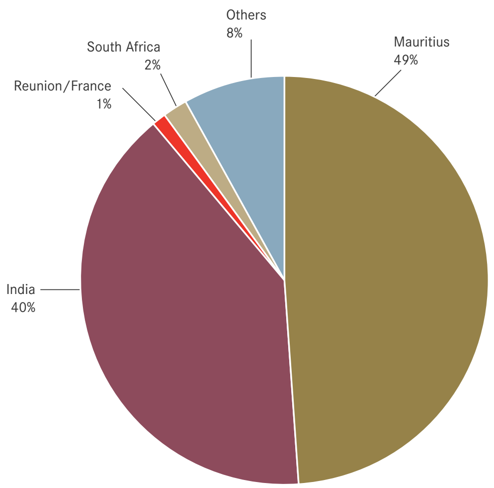
Country Risk and Currency Risk

The Bank conducts regional banking in accordance with our Africa-Asia strategic mandate. 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.

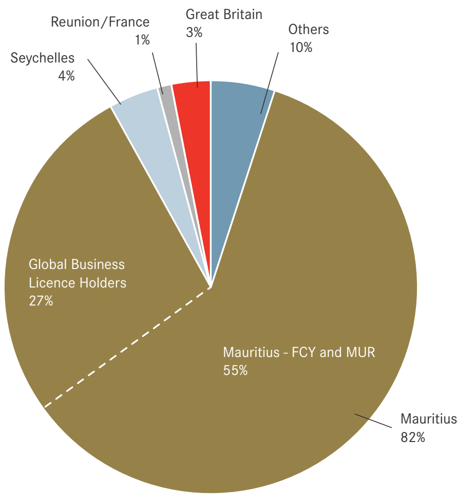
The Bank recorded strong growth in its loan book with gross loans and advances closing at Rs8.6bn (USD306m). Growth came from both Segment A (resident) and Segment B (non-resident) activities, driven in line with our targeted expansion in these segments.

Segment A exposure (including bank placements) constituted 49% while Segment B represented 51% of the Bank's overall asset book. Moreover, 45% of the Bank's deposit base emanated from Segment B entities and 55% from Segment A entities. We do not take on currency/liquidity risk mismatches in the asset book. All Segment A and B loans are funded with their respective deposit bases. The 82% deposit held in Mauritius includes deposits of Global Business Licence Holders which represented 27% of the Bank's total deposit base. We have strict loan to deposit ratios and funding policies are outlined in the ALCO Report.

Loans by Country



Deposits by Country



The Bank's largest country exposure for its asset book is towards India with 40% of Segment B exposure, of which above 80% of the exposure to India is on banks and mainly investment grade. To account for country risk, the Bank has raised additional provision of Rs7.5m representing 0.2% of the total exposure to entities outside Mauritius.

Credit Risk Mitigation

AfrAsia Bank also uses credit risk mitigation techniques to reduce credit exposure and reduce potential credit losses. Taking into consideration the Bank of Mauritius guidelines on Standardised Approach to Credit Risk, the credit exposures have been set off or adjusted with eligible collateral for the computation of risk weighted assets.

Where a claim on a 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 which have been net off against exposure is 3.3% of the asset book.

B. MARKET RISK - LIQUIDITY, CURRENCY AND INTEREST RATE RISK

Asset and Liability Committee "ALCO"

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

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 Bank's executive team who meet 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.

The structure is shown in the Table below:

Board Risk Committee
Monitors the quality of the assets and risk portfolio of the Bank.

Asset and Liability Committee
Ensures that the Bank's overall asset and liability structure and market risk including liquidity, currency and interest rate risks are managed within limits and targets.

Treasury Committee
Monitors on a weekly basis the Bank's liquidity position and decides, inter alia, on investment in Government securities and bank placements.

Treasury Department
Responsible for managing Assets and Liabilities of the Bank and overviews the following desks: Fixed Income or Money Market; Foreign Exchange, Capital Market, Derivative Market and Proprietary Trading.

Treasury Back Office Department
Responsible for Accounting, Valuations, Processing, Setting, Confirming and Reconciling the transactions completed in Treasury Department.

Market Risk

Market risk refers to the risk resulting from movement in market prices, in particular, changes in interest rates, foreign exchange rates and equity and commodity prices. On a monthly basis, 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.

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 repricing 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 37(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 Rs4.5m on our Statement of Comprehensive Income and vice versa in case of a positive move.

CURRENCY	Change in basis points	Net effect on income and equity Rs'000
AUD	+50	26
	-50	(26)
EUR	+50	(3,901)
	-50	3,901
GBP	+50	709
	-50	(709)
USD	+50	(3,437)
	-50	3,437
MUR	+100	4,477
	-100	(4,477)

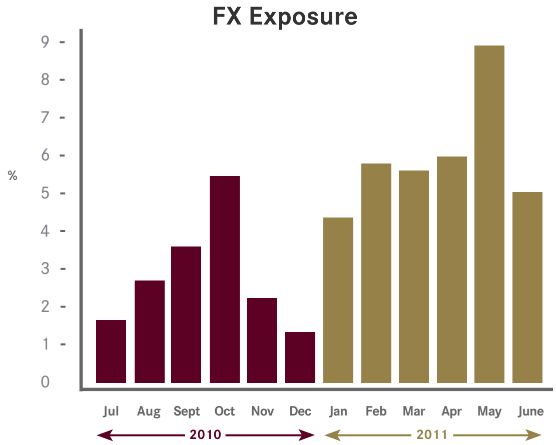
Whilst the interest rate gap analysis will measure re-pricing exposures, the Bank is also conscious that other components of interest rate risk including options risk, basis risk and yield curve basis are not explicitly captured in this analysis. The Bank has assessed its exposure to these risks as negligible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

Foreign Exchange Risk

Foreign exchange risk is defined as the risk that the Bank's foreign currency positions may be adversely affected during a period by movements in exchange rates. The Bank does not actively take foreign exchange risk in our 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 the 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 end June 2011. As at 30 June 2011, overall foreign exchange exposure as a percentage of Tier 1 Capital was 5.08%.



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 2011 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 Rs1.6m – an amount considered as immaterial based on the Bank's overall turnover.

CURRENCY	% change in currency rate	Effect on profit of change in currency on		Sensitivity of net income and equity
		Assets	Liabilities	
		Rs'000	Rs'000	Rs'000
AUD	+5%	6,134	(5,968)	166
	-5%	(6,134)	5,968	(166)
EUR	+5%	92,993	(92,486)	508
	-5%	(92,993)	92,486	(508)
GBP	+5%	54,297	(54,266)	31
	-5%	(54,297)	54,266	(31)
USD	+5%	384,321	(385,926)	(1,605)
	-5%	(384,321)	385,926	1,605

Liquidity Risk

Liquidity risk is the risk that AfrAsia Bank is unable to meet its commitments and to fund its asset book and banking operations due to insufficient cash flow. Foreign currencies also have different risks than our core Mauritian rupee business. These are managed on a daily basis by our Treasury Unit to ensure targets and limits delegated by Board Risk Committee are not breached. Furthermore, liquidity risk assessment is also performed and monitored at monthly ALCO.

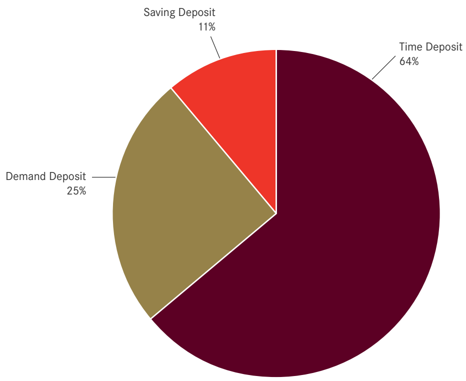
Similarly, limits are set on the degree of concentration of sources of funding with respect to individual depositors' funds to prevent stress on the Bank's financial position in times of high market volatility.

The Table below shows percentage of deposit per product type as at 30 June 2011 and versus industry figures. The Bank's time deposits percentage are 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.

Customer Deposits

As at 30 June 2011, total deposits amounted to Rs14.96bn as follows:

	Rs'000	30 June 2011	Industry allocation December 2010*
Demand Deposit	3,730,950	25%	35%
Savings Deposit	1,685,178	11%	20%
Time Deposit	9,546,410	64%	45%
TOTAL	14,962,538		



***Source: Bank of Mauritius**

Liquidity ratios are monitored and reported at least monthly to the Board Risk Committee and to the Central Bank on a quarterly basis. In effect, 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 (loans, mainly) and liabilities (deposits, mainly) flows from future planned activities, mainly lending and deposit 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. No excess is recorded as at 30 June 2011.

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

	Day 1 Rs	Days 2-7 Rs	Days 8-14 Rs	15 Days to 1 Month Rs	1-3 Months Rs	3-6 Months Rs	6-12 Months Rs	1-3 Years Rs	>3 Years Rs	Non Maturity Items Rs	Total Rs
Total Assets	1,930,904	1,634,781	494,634	1,874,037	5,027,204	2,003,434	2,602,805	2,252,374	2,031,632	135,840	19,987,645
Total Liabilities	915,015	1,474,583	1,130,323	2,133,734	4,355,736	3,380,382	4,127,588	526,749	659,025	1,050,765	19,753,900
NFR Gap	1,015,889	160,198	(635,689)	(259,697)	671,468	(1,376,948)	(1,524,783)	1,725,625	1,372,607	(914,925)	233,745

C. OPERATIONAL RISKS

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from an external event. AfrAsia Bank has been computing its operational risks capital computation in line with the Bank of Mauritius Guidelines under the Basel 2 Basic Indicator Approach where the capital charge for Operational Risk is taken at 15% of average gross income over the past 3 years.

During the year, the Bank has undergone a complete review of all its processes and procedures across all areas of operations to mitigate the risk arising from the fast growing operations. All Heads of Department have participated in this review and each department has nominated an Operational Risk Business Coordinator (ORBC) who works closely with risk management. Following this review, the Operational Risk Framework has been finalised and a Self Assessment tool was used by AfrAsia Bank for identifying and assessing all operational risks in each area.

Policies, procedures and processes have been updated accordingly and an action plan designed for each area. In addition, to encourage better controls, segregation of duties is in place between initiation, approval and effecting of transactions and the appropriate level of delegated authority is given to staff based on capability, position and experience.

AfrAsia Bank tracks internal loss data by business lines on an ongoing basis. This is reported to the Credit and Risk Department via the ORBCs and then compiled and reported to the Bank of Mauritius on a quarterly basis.

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, UPS and generator facilities and fire-fighting equipment;
- 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 Techonology support and detection of unsolicited email is in place;
- 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 to improve resilience as we move forward. The ultimate objective is to cater for any eventual disruption of operations to be restored in a minimum lapse of time and that the Bank 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 identify lapses and bring in remedying measures. The CEO has set a number of clear measurable performance indicators for all Executives and staff;
- Internal Audit;
- External Audit.

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 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.

The audit plan for May 2010 to April 2011 provided for the audit of all the lines of business and operations in both the Bank and its subsidiary. This plan has been fully executed, except for one audit which required supplementary logistics for its execution and which, with the approval of the Audit Committee, has been postponed to the beginning of the next cycle of audit.

The audit plan covering the period May 2011 to April 2012 submitted to the Audit Committee is more ambitious, both in terms of coverage and depth, than that of the prior year. Entities with a higher generic risk profile, and those entities having disclosed higher risks findings during past internal and regulatory audits, will attract focused attention this year. The coverage of the Bank's internal audit will also be extended to entities where the Bank has material shareholding interests.

To support these expanded imperatives, additional resources are planned to be recruited and the internal audit function has been restructured to accommodate a Head of Group Internal Audit to lead this function, who will have the same direct reporting line to the Audit Committee.

Compliance

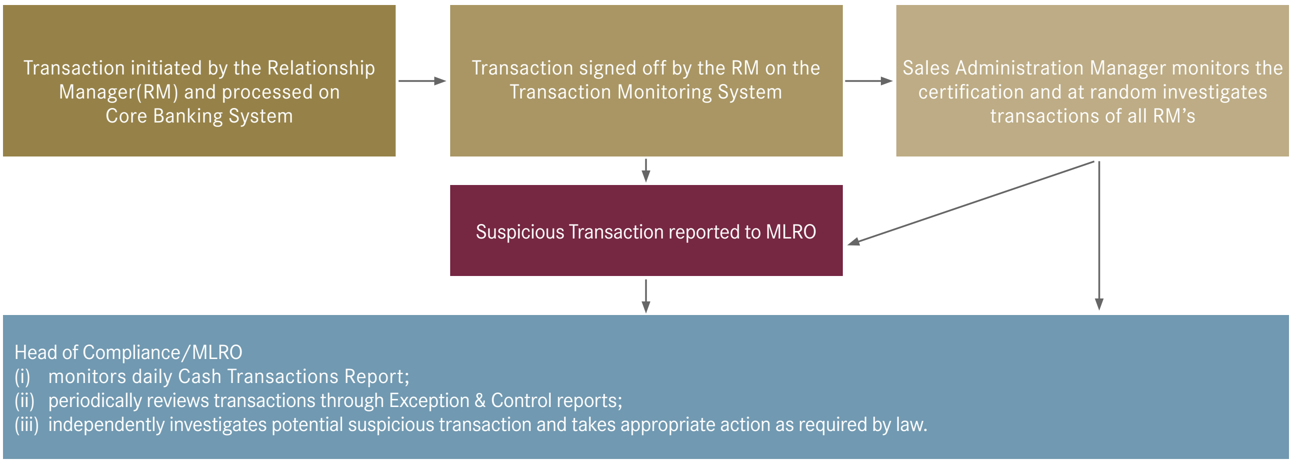
The Bank strongly recognises that, as part of its prime responsibilities to its customers and other stakeholders, it should ensure that it does not incur any financial and/or reputational loss through failure to comply with laws, regulations, contractual obligations etc.

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.

The Anti-Money Laundering (AML) Deterrence programme has remained one of the priorities of Compliance. The Bank has a rigorous Customer Acceptance policy; with accounts graded according to their risk profile with higher risk accounts being closely monitored and additionally vetted by the Compliance function. Over the year, a retrospective review of a number of accounts has been carried out to ensure updated KYC. The transaction monitoring system has been automated to allow detailed inquiry and specialist staff has recently been recruited to specifically monitor transactions in detail.

Transaction Monitoring



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 has been 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's Terms and Conditions have been subject to a thorough review to ensure that the Bank remains up to date with changing industry conditions. The Bank has also embarked on a complete review of internal 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.

D. CAPITAL STRUCTURE AND ADEQUACY

AfrAsia Bank closed its third financial year with a conservative statement of financial position reflecting a capital adequacy ratio of 15.7%, 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 2011. 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 has raised Tier 2 capital during the last financial year.

AFRASIA BANK LIMITED - BASEL II

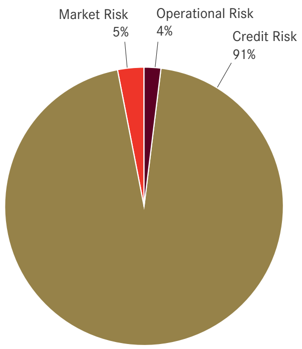
	2011 Rs'000	2010 Rs'000	2009 Rs'000
Tier I Capital			
Paid up or assigned capital	921,638	653,978	451,989
Statutory Reserve	32,728	2,613	-
General Reserve	13,759	9,805	5,633
Other disclosed free reserves	14,808	(19,927)	-
Current year's interim profits	76,456	34,735	(19,927)
Deduct:			
Other intangible assets	(13,591)	(15,048)	(13,581)
Deferred Tax	(2,494)	(2,206)	(3,271)
Core Capital	1,043,304	663,950	420,843
Less:			
50% investment in unconsolidated banking and financial subsidiary companies	(12,500)	(12,500)	(500)
50% of significant minority investments in other financial entities	(2,511)	-	-
Net Core Capital	1,028,293	651,450	420,343
Tier II Capital			
Portfolio provisions	56,941	33,972	19,818
Term subordinated debt (limited to a maximum of 50% of total core capital)	421,574	-	-
Supplementary Capital		33,972	19,818
Less:			
50% investment in unconsolidated banking and financial subsidiary companies	(12,500)	(12,500)	(500)
50% of significant minority investments in other financial entities	(2,511)	-	-
Net Supplementary Capital	463,504	21,472	19,318
Capital Base	1,491,797	672,922	439,661
Total Risk Weighted Assets	9,515,827	5,131,790	3,428,557
CAPITAL ADEQUACY RATIO (%)	15.68	13.11	12.82

Risk Weighted Assets (Indicative)

Basel II – Overall Risk Weighted Assets as at 30 June 2011 was at Rs9.5bn versus capital base of Rs1.49bn. Analysis by risk type:

- Credit Risk Rs8.6bn (91%) **
- Market Risk Rs482.8m (5%)
- Operational Risk Rs381.1m (4%)

** Includes counterparty credit risk, that is, placements at risk weights assigned under Basel II.



Supervisory Review Process and Stress Testing

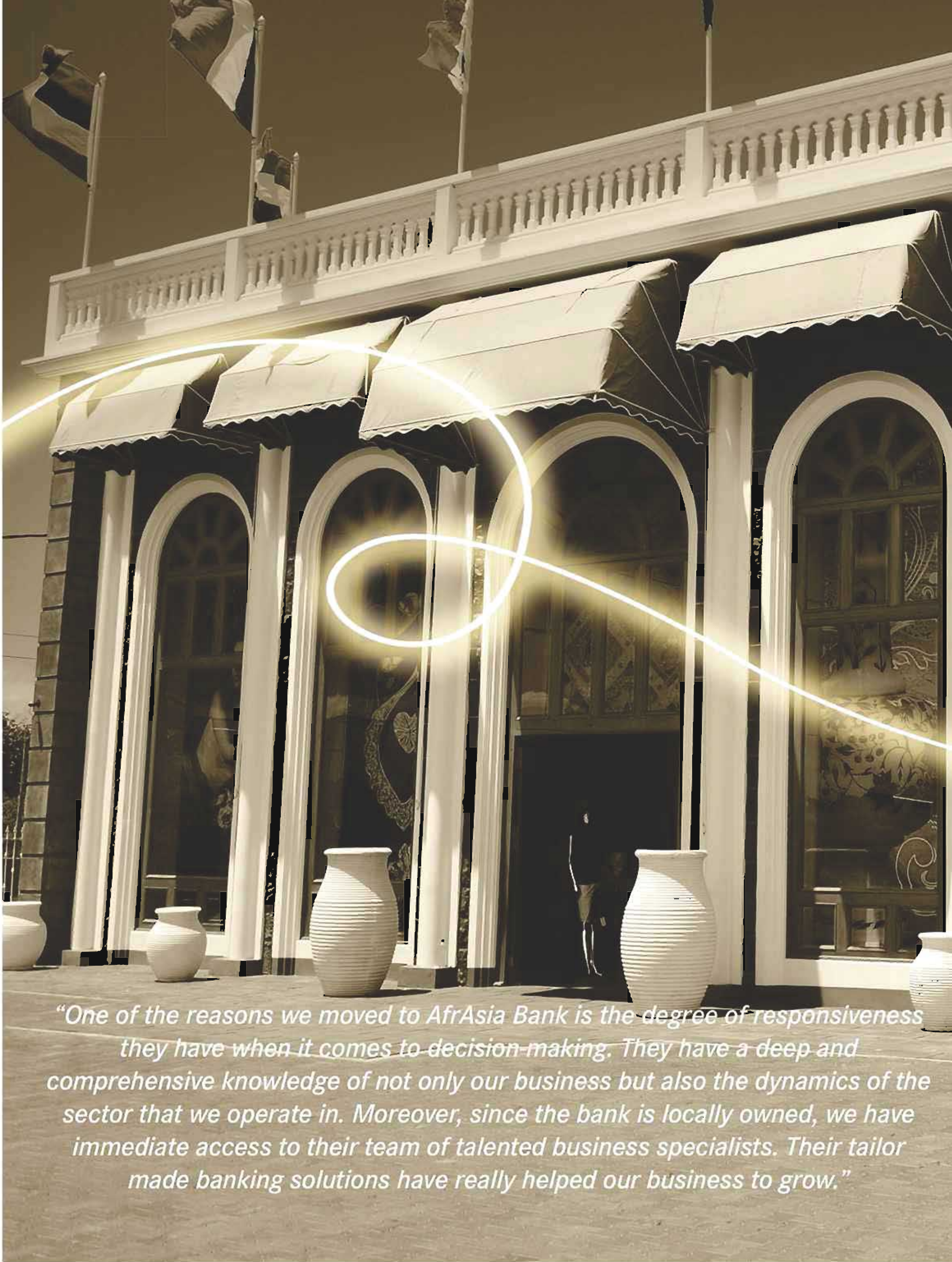
The Bank of Mauritius Supervisory Review Process guideline was issued in April 2010 and sets out the implementation of Pillar 2 of the Basel II framework. The Supervisory Review Process recognises the responsibility of the Bank's management in developing a sound Internal Capital Adequacy Assessment Process (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 100 basis points across all maturity buckets), foreign currency (5% variance in foreign currency exchange) and liquidity position (changes in time band limits and unusual withdrawal patterns affecting cash flows). 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.

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 1 January 2018. However this is still under review and being examined at various country levels.



"One of the reasons we moved to AfrAsia Bank is the degree of responsiveness they have when it comes to decision-making. They have a deep and comprehensive knowledge of not only our business but also the dynamics of the sector that we operate in. Moreover, since the bank is locally owned, we have immediate access to their team of talented business specialists. Their tailor made banking solutions have really helped our business to grow."

Ashok D. Jusrut

EXECUTIVE CHAIRMAN - Jusrut Group of Companies

Building an International Brand

Headquartered in the Mauritius International Financial Services Centre, AfrAsia Bank is fully leveraging the country's strategic advantages and long-established links with Africa and Asia to position itself as the reference point for banking and financial solutions linking Mauritius and the Africa-Asia trade corridor.

At the "cross-roads" of these two continents, Mauritius is indeed the ideal conduit for exponential growth in trade and investment and the Bank is already a direct beneficiary of these capital flows with the whole region on the verge of substantial transformation.

AfrAsia Bank was among the first to recognize the growth potential of the African Lions in matching the rise of the Asian Tiger economies. In just over three years of operations, we have been setting up capital investment structures in South Africa, India, Singapore and Australia to facilitate money flows into Africa. Our business missions organised in Europe, Asia and Africa have allowed us to promote the benefits of a new alternative for smart and sophisticated banking in this part of the world, while offering our clients a strong regional economy looking for dynamic capital market and banking solutions to facilitate phenomenal growth.

Building a reputation since 2007 in any new market, including overseas, involves a first impression which comes from the initial interactions someone has with our Bank, products and services. We have been very active in identifying opportunities to take our brand internationally and these include:

- attracting international shareholders including Intrasia from Singapore, Dale Capital Group from South Africa and PROPARCO (France) which are facilitating our regional and international growth plans;
- participation in international conferences and roadshows, together with the Board of Investment, in Asia, Africa and Europe. These involved accompanying delegations comprising local Ministers and offshore management companies;
- association with renowned international organisations including MasterCard, ABN AMRO, JP Morgan and British Airways;
- involvement in key speaker events and conferences including Retail Banking Africa in Johannesburg, China Overseas Investment Fair in Beijing, BOI International Investment Forum in Mauritius, Investment Forum in India, China-SADC Investment Forum in Johannesburg as well as other CFA Institute Speaker Events;
- interviews and presence in key international media namely, Asia Today, Financial Times special report on Mauritius, BBC and CNBC.

KEY ACHIEVEMENTS 2007 – 2010

- Launch of AfrAsia Bank targeting Private, Corporate & International clients
- Launch of AfrAsia Investments Limited (Our Subsidiary) – Investment dealer licence obtained from FSC
- Launch of capital protected foreign currency and rupee structured investment products in association with JP Morgan and AXYS
- Launch of first Titanium MasterCard Credit Card with benefits in both Mauritius and South Africa
- Most Innovative Bank in Mauritius 2008 – Awarded by World Finance (UK)
- New strategic international shareholder on board and capital injection, from Trinity Financial Group – South Africa, now known as Dale Capital Partners
- New strategic international shareholder on board and capital injection, from Intrasia Capital – Singapore
- Business mission – Accompanied Mauritius Board of Investment delegation to Asia, Europe and Africa
- Authorised by Bank of Mauritius as Primary Dealer in Mauritian Government Securities
- First local bank to venture into Foreign Institutional Investor (FII) licence for India business
- First bank in Mauritius to launch a credit card mileage programme – In partnership with British Airways
- Regional Forum organised with Eco Austral in Reunion Island
- Launch of South African Representative Offices in Cape Town and Johannesburg
- Acquisition of 50% of AXYS Capital Management

In just over three years of operations, we have been setting up capital investment structures in South Africa, India, Singapore and Australia to facilitate money flows into Africa.

KEY ACHIEVEMENTS - 2011

- **Seminar organised on African Investment Opportunities at InterContinental Hotel, Balaclava**

Norman Noland, Director AfrAsia Bank

The speakers at the conference

With the massive growth that has started to unfold in Africa, the next emerging continent, Mauritius is ideally placed to be the financial centre of reference for both Corporate and Private banking requirements. AfrAsia Bank is very mindful of these opportunities and has geared up its capabilities to satisfy the needs of its clients in both segments.

Building an International Brand

Presence at the prestigious Vivendi Cup Golf Tournament in Paris, France

Moving to further link up with our clients' golfing passion, the Bank has rewarded one of its Titanium clients with a once-in-a-lifetime experience to play in a European PGA Tournament, the prestigious Vivendi Cup in France. The Bank was one of the sponsors of the Tournament.

Mauritius Golf Masters International Tournament

Co-sponsored by AfrAsia Bank, the Mauritius Golf Masters was the highlight of the Allianz Golf Tour, held at the Four Seasons golf course at Anahita. 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.

New shareholder on board, world-renowned PROPARCO

Left to right: **James Benoit** CEO AfrAsia Bank, **Laurence Breton Moyet** Director AFD, **Arnaud Lagesse** Chairman AfrAsia Bank.

AfrAsia Bank added an important world-class strategic partner, PROPARCO, to its shareholding structure during the financial year 2010-2011. We consider it as another vote of confidence in our financial performance and positioning in the local and regional markets. PROPARCO, mainly held by the Agence Française de Développement (AFD) and other major financial institutions, will contribute to the development of the Bank's regional corporate and private banking growth strategies.

New office in Durban, South Africa

Left to right: **Kamben Padayachy** General Manager, Head of Global Banking, Treasury and Markets, AfrAsia Bank, His Worship, the Deputy Major, Councillor **Logie Naidoo**, **Imtiaz Yusuf** Business Head Representative Office, AfrAsia Bank and **James Benoit** CEO AfrAsia Bank.

AfrAsia Bank has launched its third representative office, in Durban, South Africa, with a view to capitalize on growing trade and investment flows between Africa and Asia. The Bank is reflecting on using its South Africa model as a springboard to start business in other African countries in the near future.

Voted Best Private Bank in Mauritius - Euromoney Awards

The 2011 Euromoney Private Banking Survey has ranked AfrAsia Bank as the "Best Private Bank in Mauritius". This award stands testament to our continued commitment to the collaborative and privileged relationships we build with our customers in order to provide them with sound financial advice, innovative banking products and carefully considered wealth management solutions for every stage of their wealth development.

Launch of ACM India Focus Fund – First open-ended retail fund dedicated to Indian Capital Markets

From left to right: **H.E. Shri Madhusudan Ganapathi** High Commisioner of India, Mauritius, **James Benoit** CEO AfrAsia Bank and **Michel Guy Rivalland**, CEO AXYS Group.

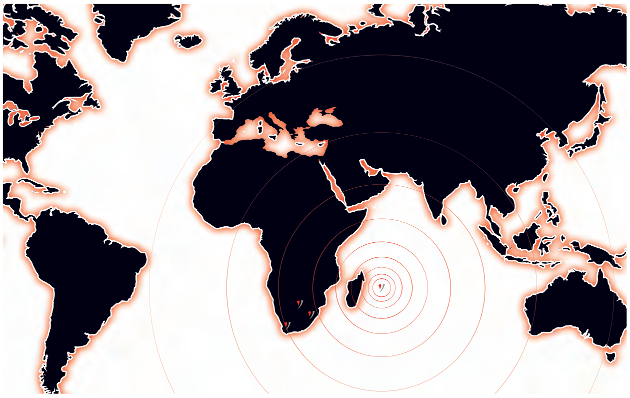
To take advantage of India's growth story, as well as tax efficiencies related to the Double Taxation Agreement (DTA) in place between Mauritius and India, AXYS Capital Management, in partnership with AfrAsia Private Bank, launched the first open-ended retail fund in Mauritius dedicated to the Indian capital markets, the "ACM India Focus Fund".

Key player at the China-SADC Investment Forum in Johannesburg, South Africa

Left to right: **James Benoit**, CEO AfrAsia Bank, **Professor Fan Chunyong**, Vice Chairman Secretary General China Industrial Overseas Development & Planning Association and **Hongtao Wang**, Vice Secretary General NDRC China Industrial Overseas Development & Planning Association.

Organised by AfrAsia Bank, the China Industrial Overseas Development and Planning Association, the South African Department of Trade and Industry and the SADC secretary, the conference's theme was "Capturing the SADC Opportunities". The Bank was able to promote Mauritius as a robust, professional platform for outbound investments into Africa and Asia, as well as the various opportunities, facilities and advantages of using the country's International Financial Centre.

Launch of AfrAsia Global Custody services in association with ABN AMRO Bank



AfrAsia Bank adds to Mauritius' reputation as a "jurisdiction of substance and client value". With a global custodian covering major markets, and a solution-based approach to custody, we help our clients in meeting the challenges of cross-border investment and actively promote global standards for efficiency and risk management.

Ahmed Parkar
CHIEF EXECUTIVE DIRECTOR - Star Knitwear Group

"AfrAsia Bank is an important institution for our company as it offers financial support including international trade (currency transactions) discounting facilities and loan facilities.

Their can-do attitude is omnipresent be it from their CEO, Corporate Directors to their Relationship Managers. They are always available, supportive, listening to the clients' needs and doing their best to find THE solution. I believe it is this important attitude that is required to build long term relationships.

The Bank is a one stop shop for all my banking needs with professional staff who are efficient and decisions are made fast. As a business this is vital. I feel at home.

Thanks guys for the best rate on currencies in the market and for making my business run smoothly!"

Management Discussion and Analysis

ECONOMIC OUTLOOK

The Global Outlook

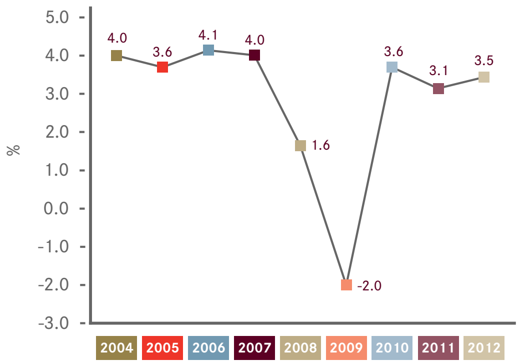
The Euro Zone debt crisis paved the way in 2010 leading to a year of risk, volatility, turmoil and uncertainty. Following concern over rising government deficits and debt levels across the globe, combined with the downgrading of a series of European government debt, lead to a wave of panic in the financial sector. Later during the year, a comprehensive rescue package was set up with the IMF, aiming at restoring financial stability across Europe. While the rescue package assisted recovery to some extent, the pace of economic growth is still subject for concern. High unemployment, combined with exchange rate volatility as a result of quantitative easing policies and low interest rates and volatile capital flows to the emerging regions are some of the factors which could jeopardize recovery. In addition to the above, the escalation in commodity prices, especially oil, which resulted from political tensions, will no doubt adversely affect economic growth and lead to inflationary pressures.

Highlights

Although growth will slowly return to its pre-crisis levels in the coming two years, unemployment will take longer to stabilize and return to more acceptable levels, thus restraining consumption demand. Moreover banks are still facing difficult times. A worsening of situation in the real estate sector, low credit growth and further crisis in the debt markets are some of the main challenges with which the banking sector could be faced.

The nation's growth rate in world gross product has been earmarked at 3.6% for 2010 and is expected to decline to 3.1% in 2011 before improving to 3.5% in 2012 as per graph below. The decline in growth between 2010 and 2011 mainly reflects the devastating effect of the earthquake and tsunami in Japan and the withdrawal of the fiscal and monetary stimulus which were introduced to kick-start the recovery of the economy following the financial crisis.

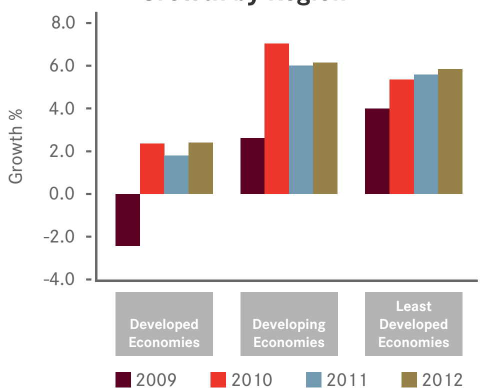
Percentage Change in World Gross Product



Source: UN World Economic Situation and Prospects 2011

The graph below clearly shows that developing countries will take the lead of the recovery in the coming years as fiscal consolidation plans as announced by governments of developed countries slows down growth. In developing countries, we note that growth declines from 7.3% to 6.2% between 2010 and 2012, showing evidence that factors which were used to sustain recovery are coming to an end and use of monetary and fiscal policies no longer provide satisfactory results. In the developed markets, growth in 2010 came in at 2.8% and is expected to stand at 2.2% for 2011 and 2.3% for 2012. We further note that the least developed countries, which are mainly constituted of the African continent, will also show a praiseworthy growth with an estimated 5.2% in 2010 and 5.7% in 2012. With such an expected performance, more attention is being driven towards the African region where an array of opportunities is available.

Growth by Region



Source: UN World Economic Situation and Prospects 2011

...the least developed countries, which are mainly constituted of the African continent, will also show a praiseworthy growth with an estimated 5.2% in 2010 and 5.7% in 2012.

The African continent

Africa offers a number of attractive features to potential investors such as natural resources which have greatly contributed to the continent's growth, a wide range of minerals from gold and chrome to diamonds, political and economic reforms, stable macroeconomic conditions and increased foreign direct investment. Investment opportunities in Africa include infrastructure, energy, agriculture, real estate, tourism, construction, education and health care services.

South Africa

South Africa, which with Mauritius has become one of the gateways to other African countries and emerging countries, offers a number of possibilities to investors. Since December 2010, South Africa has been invited by China to join the main emerging economies (Brazil, Russia, India and China - BRIC). As a result of structural limitations which lead to infrastructure bottlenecks, recovery was impeded last year. Unemployment remained at worrying levels in 2010, hitting 24% in the fourth quarter of 2010. As a means of improving growth, a number of measures are being taken such as enhanced investment in infrastructure, skills enhancement and public service and regional economic ties.

The significant gap between the growth rates of the developed and developing countries comes from the outstanding results of some of the emerging nations such as China, India and Brazil. Such countries have shown their capacity to develop sectors such as international production, trade, and finance with the resulting trade inflows. The emerging countries had the advantage of using tools such as fiscal policies and foreign-exchange reserves to offer aggressive stimulus packages thereby enhancing consumption and demand. It is worth noting that the level of trade among the emerging countries has also contributed to accelerating the speed of recovery in the region. In fact, the increase in capital flows to the emerging countries has lead to exchange rate pressures and inflation risks in the region. It should also be mentioned that the emerging nations remain dependent on the developed nations for trade and access to capital.

India

One of the main countries which has led to a rebound in global growth has been India. With one of the youngest and most rapidly growing populations, India has favourable demographics which combined with economic reforms which have taken place over the years and high private consumption, has led the country to a robust growth. Sectors which have been highlighted as favourable for future investment are health care, education, recreation (casinos, travel), communications, transportation, personal care products (skin and hair care) and financial services. According to the McKinsey report, estimates for India show that the country will grow at a relatively high annual compounded rate of 7.3% between 2005 and 2025.

Looking ahead internationally

The road to recovery is still a long one as the slow economic growth is expected to persist into 2011 and 2012. Some of the main developed countries are facing an array of issues like fiscal deficits, high unemployment, exchange rate volatility and rising debt and this will in turn have repercussions on the global economy. The rescue package managed to stabilize the markets for a while, however the policy response obtained from the different countries was less supportive over time. To worsen the scenario, higher oil prices combined with political uncertainty and changes in financial regulations may have a more serious effect on the economy than expected and the recovery may be more long term. Still, we expect the core African and Indian markets to which we are aligned to manage through these challenges with much more success.

Mauritian Economy

The local authorities have forecast an economic growth of 6% annually. However the target does not seem to be achievable in line with the lack of private investment prevailing on the market, structural bottlenecks, relatively high inflation, appreciation of the rupee vis-a-vis other major currencies and necessity of creating employment. The unemployment rate is estimated at 8.3% for the first quarter of 2011 compared to 7.2% at the fourth quarter of 2010 and 8.4% at the first quarter of 2010. The aims of achieving a GDP of one trillion rupees and an income per capita of at least USD20,000 by 2020 remain very aggressive targets at this stage without much more substantial and immediate policy actions.

Management Discussion and Analysis

Highlights

Foreign Direct Investment (FDI) in the country went north to Rs10.6bn for the year 2010 compared to a figure of Rs8.8bn for the year before. Surprisingly, the usual receiver of FDI, the financial services sector, was not the biggest beneficiary during the past financial year. A one-off investment in the medical space saw the share of "others" rise drastically. In 2011, we expect a further decline in FDI thus leading to a real GDP growth in the region of 4.5% only.

We do not find macroeconomic forecasting especially useful to assessing our clients' ability to service their debt. We do note though that many macro and micro policies fixate on such growth rates and it is then the unintended consequences thereof give us concern.

The appreciation of the rupee vis-a-vis other main currencies dampens the competitiveness of our exports, thus limiting investment in the manufacturing sector for example and constraining employment, while rendering our imports cheaper thus leading to an increase in the consumption of imported products and to inflation.

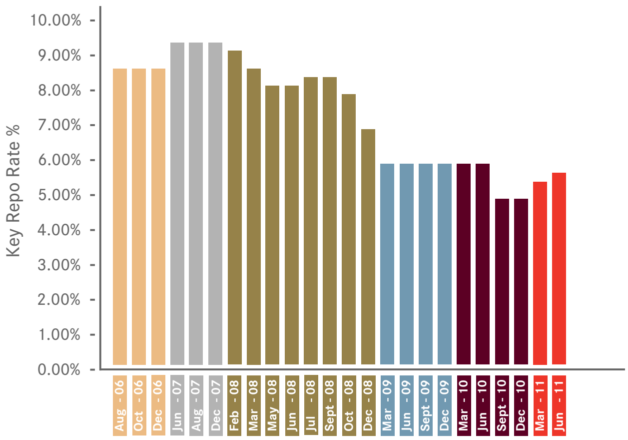
Inflation-wise, 2010 saw an increase compared to the historical lows of 2009. Inflation picked up towards the end of the year with rising commodity prices, mainly petrol, on the world market. The Bank of Mauritius allowed itself some space to reduce the repo rate in September 2010 to allow the business community to re-structure to face rising competition. As inflationary pressures were further felt, the Bank of Mauritius raised rates twice in the space of 3 months, in March 2011 and June 2011. Such increases in rates discourage investment through an increase in the cost of raising finance. The use of fiscal policy to curb inflation and revamp domestic consumption should be considered in the medium term.

Other factors hindering growth are structural bottlenecks leading to a lack of necessary infrastructure, for example water where proper distribution, retention and storage are vital, adequate roads, improved air and sea transport, to the cutting edge of technology telecommunications systems and renewed energy sources. We do worry that policy is too conservative for a perceived fear of creating income imbalances. We believe this misses the point that being a small, open and niche economy should allow for much higher growth which is inclusive and not divisive.

Financial Services

Following the Lehman Brothers collapse in 2008, the local financial services sector has been growing at a relatively slower pace at 3.8% and 4.3% in 2009 and 2010, respectively. Despite the sluggish growth, the financial services sector has been able to maintain its share of GDP at over 10%, reaching 13% most recently. This might show an increasing reliance of the Mauritian economy on the financial services sector. There was an excess of liquidity in the market in 2010 reflecting a lack of investment which has resulted in decreased yields on treasury bills. The Bank of Mauritius used its levers to contain excess liquidity by hiking of the cash reserve ratio to 7% on a fortnightly basis. Return on equity ratios of the banking industry have shrunk to mid-teens from low-twenties from the combination of all these events and more competition.

Repo Rate Evolution



Source - Bank of Mauritius

Manufacturing

The manufacturing sector's growth stalled at 2% for the year 2010 despite the textile industry's return to growth following a decline in 2009. Export oriented enterprises saw a decrease in the number of firms operating within that sector with 48 closing down and only 7 coming into operation. There was a resulting 4.7% drop in employment in that industry. As mentioned above, the appreciation of the local currency will further deteriorate the sector's growth in 2011.

Tourism

The tourism sector has been particularly hit over the past few years as it faces a declining budget from tourists and has had to offer highly discounted rates for rooms and devise special packages to attract foreigners and deal with a Mauritian rupee that has hardly bulged to the downside. 2010 however did see a rebound, with an increase of 7.3% in tourist arrivals to reach 934,827. Gross tourism receipts followed the trend to move up by 10.5%. The new government in place has gone for a change in policy to turn increasingly towards the more spendthrift Asian clientele. Tourist arrivals are expected to increase in 2011, but the economic situation in the Eurozone, which still remains our biggest tourist provider with a share of 64.8% in 2010, warrants caution. The sector also faces an important obstacle with the number of seats on airplanes staying at 2008 levels while number of rooms has increased. An open skies policy and a much stronger shift to business and conferences is being explored which we encourage, as otherwise we fear that much of the product in Mauritius will continue to be relatively expensive and will remain at lower occupancy. Recent initiatives for direct flights to Shanghai and the new cricket grounds in the north, both of which have potential to take Mauritius into the next generation of business and sport/destination tourism, are steps in the right direction.

Real Estate

The real estate sector has seen a number of developments recently, especially in the Ebene region where buildings mushroomed without proper planning leading to parking constraints and a surplus of office space in the area. Malls, office space, IRS/RES developments, residential apartments and developments are still taking place all over the island. However, going forward it is clear that a slowdown will be noted despite the fact that on the RES side, more projects are taking place. It is important that other ancillary infrastructures, such as improved roads and parking facilities amongst other things, take place. Growth in the real estate sector is expected to be less than 5% for the year.

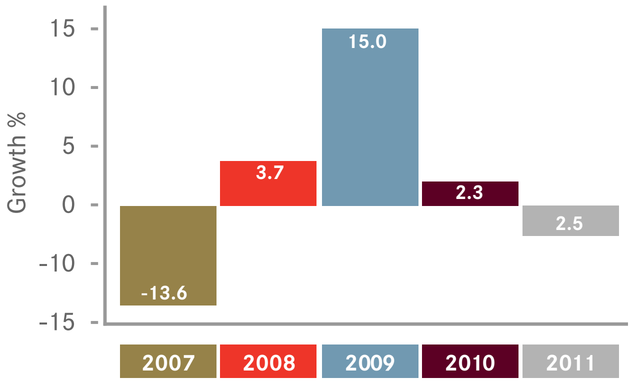
Small and Medium Enterprises

Although the number of SME certificate holders has gone up between April 2010 and 2011 from 221 to 327, the indebtedness of the later has increased significantly following the recent hikes in interest rates. In the trade sector, more and more shops are underperforming as the level of consumption has dropped relative to the previous year as a result of the combined effect of enhanced inflation and monetary policy in force. A new government-sponsored private equity fund is being set up to support SMEs and international financial aid donors have also launched programmes.

Sugar

Despite surging sugar prices on the global markets, the sector sustained a low growth at a rate of 2%. Sugar cane production decreased 6.5%, explained by a combination of falling area under cultivation and a fall of 4% in the yield of sugar cane per hectare. The sector has entered into an agreement with Sudzucker that guarantees a minimum price of EUR355 per tonne. Should there be any windfall, it will be shared. Outlook for the sector remains clouded due to the drought which started at the beginning of 2011.

Sugar Growth Rates



Future Outlook

The Mauritian economy is expected to grow at around 4.5%, slightly up from the previous year. Mauritius remains dependent on its foreign counterparts and the trend is clearly for emerging and developing countries to surpass growth of the more advanced economies. We should therefore be looking into trading with those countries which offer more prospects for growth rather than the Western economies, in line with the current situation of the Eurozone debt problem. Should the situation unravel, our export and tourism sector will be at the frontline. On the domestic front, the country is facing a serious water problem with uncertain contingency plans. If the drought persists further in the coming months, this might lead to a hike in the price of vegetables, and other inputs, with a resulting stronger dependence on imported products.

BUSINESS SEGMENTS REVIEW

Corporate Banking

Operating in an environment of continued excess liquidity, coupled with a more conservative investment appetite by many leading domestic corporates, has put pressure on margins to the concerns of all corporate bankers. However, for new entrants like AfrAsia this has afforded a unique background for continued growth. 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. In fact, we have recorded strong double digit growth both in corporate advances and deposits.

Advances in domestic currency have experienced a 116% increase from Rs1.8bn to Rs3.9bn in financial year 2010 and at the same time maintaining asset quality. Regarding foreign currency lending, despite the shrinking credit spreads, a significant growth of 22% in advances was recorded in financial year 2011. Corporate Banking credit represents 48% 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 28%.

Corporate segment growth has been fuelled through a combination of organic growth and acquisition strategy. During the financial year end 2011, 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 includes most of the top 100 companies in Mauritius.

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.

Advances in domestic currency have experienced a 116% increase from Rs1.8bn to Rs3.9bn in financial year 2010 and at the same time maintaining asset quality.

Corporate segment is geared to maintain the current growth momentum by reinforcing its differentiated, comprehensive and customized financial service solutions.

Private Banking

AFRASIA private bank

AfrAsia Private Bank is the association of AfrAsia Bank Limited with AXYS Capital Management Ltd and world-renowned fund houses and financial institutions. We are fast becoming known as the Africa and India specialist boutique.

We offer customised solutions drawn from the best available products on the market while ensuring our customers benefit from a dedicated and unparalleled customer service. We provide financial solutions based on our clients' needs over time, from wealth generation and management to its protection, preservation and ultimate transfer.

We manage both onshore and offshore wealth management. Foreign clients wishing to manage their wealth would use our services to benefit from Mauritian preferential tax regime and benefit from confidentiality, legal-system flexibility and geographical diversification amongst others.

Our niche market is the affluent and high net worth individuals from Mauritius and the neighbouring region, Africa, Asia and the European continent.

Awarded Best Private Bank in Mauritius 2011 by Euromoney, we take this recognition as a testimony of the uniqueness of the quality of our products and the level of service delivered to our clients.

We offer a complete range of products and services starting with core banking products such as credit cards, deposits and cash management, lending and asset finance and other services like global custody. We also have innovative savings products in foreign and local currencies including Spinnaker Savings which pay between 0.5% and 1% above normal savings rates.

When it comes to investment needs, our aim is to devise investment solutions which suit our clients' portfolio

Foreign clients wishing to manage their wealth would use our services to benefit from Mauritian preferential tax regime and benefit from confidentiality, legal-system flexibility and geographical diversification amongst others.

performance, and to manage the level of risks associated. We have devised an investment approach which enables us to adapt investment strategies to the needs of our clients.

We have a strong and qualified team of relationship managers who are endowed with a sound and deep knowledge of our product offering and the market in general. Through AXYS Capital Management, we have access to a large amount of research papers and are able to offer an innovative and reactive approach to market changes.

Working With You To Achieve Your Wealth Goals

Our active management approach enables us to achieve optimum performance while limiting risks related to market trends. We offer investment management solutions such as:

1. Advisory mandate, under which the wealth manager will discuss and advise the client on the investment opportunities but where the client then takes the decision.
2. Discretionary mandate, under which the wealth manager usually has sole authority to buy and sell assets and execute transactions for the benefit of the client.

We also launched the first retail open ended fund in Mauritius, the ACM India Focus Fund, with Indian companies as underlying investments. The ACM India Focus Fund, was listed on the local stock market and another very successful launch was the BRIC note in AUD with a minimum return of 36% over 6 years.

AfrAsia Private Bank currently works with top international financial institutions such as ABN AMRO, Bell Potter, Anand Rathi, JP Morgan and Franklin Templeton to name a few. The Bank is thereby able to diversify its range of products and services and offer banking services in jurisdictions outside Mauritius. We provide a private banking platform for the region and are in a position to capitalise on the Best Quality Services testimony through the Euromoney award as well as the benefits of Offshore Private Banking through our 3 representative offices in South Africa.

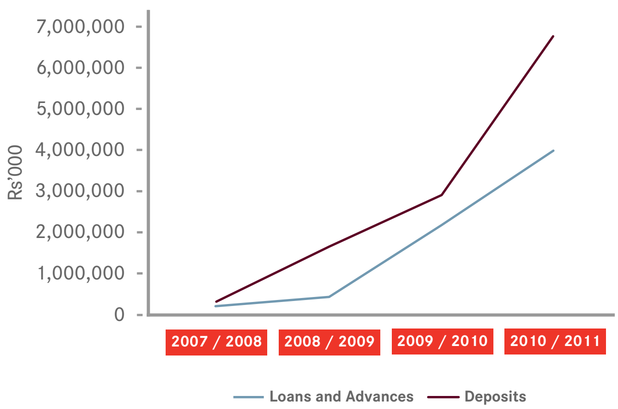
AfrAsia Private Bank is well positioned to deal with the forthcoming challenges such as increased regulatory oversight globally, enhanced competition and changes in client behaviour. Clients are becoming more quality driven, price-sensitive and are demanding more transparency and APB has positioned itself to ensure that clients' demands are met. Going forward, it is clear that our ability to anticipate and provide investment solutions which satisfy the combination of client-driven and dynamic approach will be key to the success of our Private Banking arm.

Global Business Banking

The Segment B business of the Bank has grown significantly over the past financial year in terms of both deposits and advances and, ultimately, profitability. Segment B client deposits increased by 130%, driven mainly by entities in the Global Business jurisdiction. Deposits for private clients and non-resident entities have also been on the rise, although to a lesser extent.

With regard to advances, the growth has been to the order of 80%. This increase has been equally realised on both short term working capital facilities (including trade finance), as well as term project financing for which an important portion generated from participation in international syndications.

Segment B - Deposits and Advances



Furthermore, the Bank increased its network of correspondent banks with the addition of leading international banks for both efficient international funds transfers and credit lines, including trade confirmation. During the year, the Bank's deposits, assets and revenue growth have benefited from its diversified footprint with:

- An even closer partnership with the Management Companies (MCs) in Mauritius and abroad;
- New products and increased cross-selling;
- Solid opportunities in South Africa and other African countries and positive impact of the Representative Offices in South Africa;
- Improvement in sales productivity and distribution through international road shows and e-channels.

The Management Companies (MCs) and the Global Business Sector in Mauritius

During the year under review, AfrAsia Bank has worked closely with the MCs in Mauritius and in other International Financial Centres (IFCs) to accelerate growth of Private Banking and Wealth Management in Mauritius and capture the increased investment and trade flows in the North South and South South corridors. Since 2010, the dynamics of FDIs have changed significantly. Emerging countries have recorded a higher level of foreign investment compared to developed economies. Mauritius, with its network of 36 DTAAs, including most of these in the SADC region, is poised to benefit from this new trend of capital flows.

The Financial Services Commission (FSC) issued 22 new MC licences during 2010, bringing the total number of licensed MCs to 149 as at 31 December 2010. During the period 1 July 2009 to 31 December 2010, 1,698 Category 1 Global Business Licences and 1,716 Category 2 Business Licences were issued by the FSC.

Licences Issued During Period 2 July 2009 to 31 December 2010

Type of Licences	Number Of Licences
Management Companies	19
Management Companies (Corporate Trustees Only)	3
GBC1'S	1,698
(Including CIS)	101
GBC2'S	1,716

Number Of New Licences Issued (2006-2010)

Type of Licences	2006/2007	2007/2008	2008/2009	2009/2010
Management Companies	7	11	16	19
Management Companies (Corporate Trustees Only)	1	1	2	3
GBC1'S	1,367	1,872	1,277	1,698
(Of Which CIS)	87	156	112	101
GBC2's	2,410	2,071	1,550	1,716

The World Bank's Doing Business 2010 ranked Mauritius as an ideal jurisdiction for doing business in Africa. Overall, Mauritius was ranked 17th out of 183 countries (comprised) in the 2010 survey. Mauritius is among the top-performing developing countries for starting a business, protecting investors and paying taxes as highlighted by this World Bank survey. The Mo Ibrahim Index of African Governance has also ranked Mauritius 1st in governance for two consecutive years in 2009 and 2010.

Amidst the fast pace of development and increased competition witnessed in the global financial markets, the Global Business sector in Mauritius has spared no efforts and worked relentlessly towards the consolidation of Mauritius as a reputable financial jurisdiction and an IFC of substance. Despite the challenges around the re-negotiation of the India-Mauritius DTAA, the Global Business sector remains full of potential, especially with the growth unfolding on the African continent. Indeed, we are now witnessing more and more of these investments being channelled via Mauritius.

New products and increased cross-selling

Foreign Institutional Investor (FII) - India

AfrAsia Bank is 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. As a one-stop-shop, AfrAsia Bank's services include funds transfers between bank and custody accounts, treasury capabilities offering competitive FX rates, introduction to major Indian custodians and recommendation to brokers in India.

Global Custody Services

Licensed by the FSC as both a CIS and non-CIS custodian in December 2010, AfrAsia Bank provides Global Custody services in partnership with ABN AMRO Bank. The Bank's services provide a single point and easy access to the world's capital markets with the following facilities:

The Bank has taken a solution-based approach to custody, helping clients maximise processing efficiency within a robust, controlled and information-rich environment.

- Safe custody of assets and trade settlement;
- Corporate actions management, income collection and reporting;
- Banking services and Treasury capabilities offering competitive FX rates;
- Coverage of all major markets and brokerage services through our partners.

The Bank has taken a solution-based approach to custody, helping clients maximise processing efficiency within a robust, controlled and information-rich environment.

As at 30 June 2011, the total Assets Under Custody amounted to USD4,143,844 (Rs118m).

Investment Banking and AfrAsia Corporate Finance (ACF)

AfrAsia Bank offers Investment Banking solutions to its clients via its associate company, AfrAsia Corporate Finance (ACF). Based in Cape Town, South Africa, ACF's range of services includes Advisory mandates related to Mergers & Acquisition, Debt and Equity Arrangement and Balance Sheet restructuring. ACF operates as a niche, independent corporate finance advisor and is an authorised financial services provider, licensed by the Financial Services Board in South Africa.

AfrAsia Corporate Finance headquarters in Cape Town.

South African Representative Offices

AfrAsia Bank runs three Representative Offices in Cape Town, Johannesburg, and Durban, South Africa. Mauritius now plays a vital role as a regional and logistics hub and a platform for cross-border investments and trade flows into Africa. AfrAsia Bank through its ideal positioning in this segment is bound to benefit. The Bank is expanding in the emerging Private Banking and Wealth Management segments in South Africa and other Eastern African countries through the three Representative Offices.

"Africa is indeed moving from vision to action", South African Finance Minister Pravin Gordhan said in a recent interview. "We see the current period as a new chapter that is opening up, which is characterized by greater interest in the African continent."

Indeed, Africa's banking sector is being driven by expansion. GDP in Africa is set to expand to USD2.6 trillion by 2020 with more than 150 million Africans having access to discretionary income by the same year (McKinsey Report 2010). Africa as a whole has a large un-banked population – 230 million unbanked households which amount to enormous profit potential.

"Our business community can only benefit from a new alternative to smart and sophisticated banking by looking at AfrAsia Bank's developed regional outreach and repositioning itself to facilitate cross-border trade and investment flows into Africa and Asia."

Councillor Logie Naidoo,
Deputy Mayor of Durban (South Africa)

FINANCIAL REVIEW

AfrAsia Bank is liquid and well capitalised, with a conservative balance sheet which meets all regulatory capital adequacy requirements. However, while the Bank has successfully navigated the first four years of its life-cycle, which included a global banking crisis as well as the typical challenges of a newly established bank, it is clear that to capitalise on the market opportunity that exists, the Bank requires to enlarge its capital base regularly.

Following the recent share and debt issuance, the Bank is now in an even better position to achieve and potentially outperform its forecast growth rate and Return on Equity (ROE) performance while continuing to meet necessary investments in brand, people, products and technology. In this context, the Bank's primary focus will be on seizing the organic growth opportunities it sees in its markets, strengthening and expanding its existing business lines through deepening relationships with existing clients and taking market share from competitors. The Bank may also pursue acquisition opportunities which meet AfrAsia Bank's return criteria and which fit its strategic priorities, strengthening its position in specific markets or adding to existing capabilities.

Performance Against Objectives

Objectives for 2010/11	Performance for 2010/11	Objectives for 2011/12
Statement of Comprehensive Income – Operating Income		
Operating income to grow by 39.5% to reach Rs344.2m by June 2011.	• Operating income increased by 60% despite liquid market conditions. • Major drivers are "Net Interest Income" which increased by 103% and "Net Trading Income" for the year was Rs108m.	• Operating income is expected to increase by Rs115m, equivalent to approximately 31%.
Statement of Comprehensive Income – Operating Expenses		
Maintain total operating expenses within 19% increase over the previous year.	• Operating Expenses for the year ended 30 June 2011 stood at Rs202m.	• It is expected to increase by 21%.
Statement of Financial Position – Loans and Advances		
Growing of our assets in a profitable yet conservative manner. Maintain the loans to deposits ratio as set by the Bank's Board Risk. Increase our loan book by 50% across all our business segments.	• A conservative lending strategy remains but loans and advances still grew strongly to hit Rs8.55bn in June 2011, a growth of 76% over last year. Growth was noticeable across both Segment A (residents) & Segment B (non-residents).	• Increase in our loan book by more than Rs5bn across both business segments.
Statement of Financial Position – Deposits Growth		
To secure greater market share locally and within the region to achieve growth of at least 40% across all our business segments.	• We finished the year with Rs14.96bn of customer deposits by exceeding our targets by Rs2.98bn.	• An increase of more than 30% is expected on deposits from customers.
Statement of Financial Position – Asset Quality		
To maintain the level of non-performing loans to below 1% of its gross loans.	• Non-performing loans amounted to Rs11m at end of June 2011 – about 0.1% of gross loans.	• Maintain our level of non-performing loans to below 1% of gross loans.
Statement of Financial Position – Capital Management		
To maintain above the minimum regulatory requirement of 10% set by the Bank of Mauritius.	• We made satisfactory utilization of its capital resources finishing the year with a capital adequacy ratio of 15.3%.	• Maintain our capital adequacy ratio above the regulatory level of 10% - our target being usually above 11%.
Performance Ratio – Return on Equity		
Aim to achieve return on equity of around 9%.	• Return on Equity continued to improve from 5.6% in 2010 to 13.3% in 2011.	• Aim to achieve return on equity of around 14%.
Performance Ratio – Cost to Income		
Cost to income ratio to fall to 52.15%.	• The cost to income ratio was at 54.6% as we closed the year.	• We expect the cost to income ratio to fall to 50%.

We are also assessed by the Bank of Mauritius on a number of criteria, namely Capital Adequacy, Asset Quality, Management Quality, Earnings and Liquidity, under the acronym of CAMEL Ratings. The composite ratings of all banks are published by the Bank of Mauritius on its website half yearly. Detailed findings are shared and discussed with our Board of Directors. The composite rating for the Bank has evolved from 3+ (Fair) at 30 September 2010 to 2+ (Satisfactory) at 31 December 2010, the highest rating currently achieved by any bank in the market as shown in the Table below.

CAMEL Rating for the Quarter ended 31 December 2010

Bank	Overall Rating*
ABC Banking Corporation	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	2-
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	2-
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 Ltd	2+

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

Financial Highlights

The Bank was delighted to record a net profit after tax of Rs116m in its fourth financial year despite a challenging global financial environment. The financial results for the year ended 30 June 2011 were achieved by the Bank, further consolidating a market share based on a product and market differentiation strategy which has enabled it to secure steady growth in its operating revenue from interest and non-interest sources.

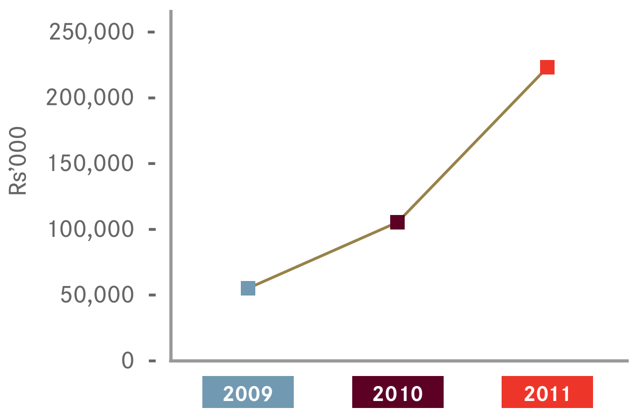
Revenue Growth

Net Interest Income

Net Interest income stood at Rs219m, a remarkable increase of 103% compared to last year despite a decreasing yield environment. The increase in the net interest income can be explained mainly by an increase in the Bank's interest margin and an efficient management of liquidity despite a high liquid situation prevailing in the banking system during the year.

Interest income standing at Rs543m was quite satisfactory while interest expense witnessed an increase of 50% over last year to reach the level of Rs324m.

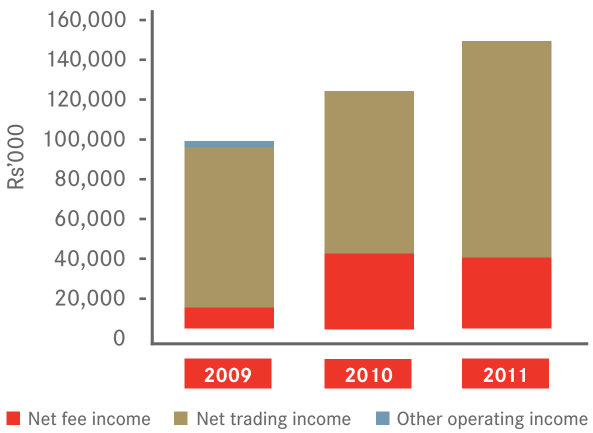
Net Interest Income



Non Interest Income

Non interest income comprises fee based income, commissions and exchange profits. Non interest income increased by Rs28m compared to 2010, with a contribution of Rs43m from net fees and commission. The Bank is now receiving syndicated participations from major banks such as Standard Chartered, Citibank, Commerzbank, Rand Merchant Bank, Axis Bank and other Indian private sector banks that are actively originating cross-border assets for booking in Mauritius.

Non Interest Income

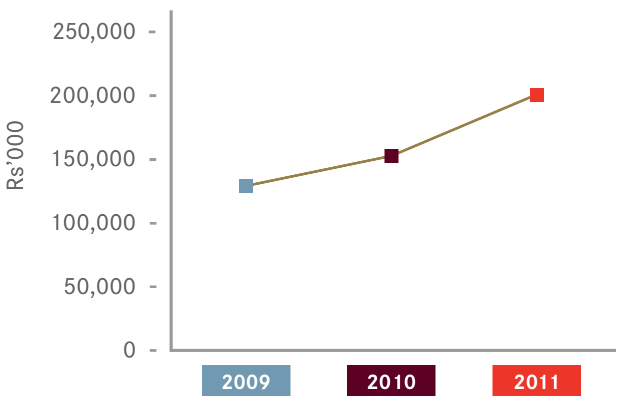


Cost Control

To accompany its continued development process, the Bank focused on improving staff benefits and the strengthening of its workforce through the recruitment of professionals and the retention of high quality staff. AfrAsia Bank's total head count increased from 71 to 91. Personnel expenses stood at Rs127m or an increase of 40% compared to last year, including all bonuses and other performance incentives. To achieve higher level of efficiencies, the Bank opted to upgrade its IT system and increased its working space.

In view of gaining greater visibility on the market, the share of marketing and advertising expenses also increased compared to previous year. Operating expenses stood at Rs202m for 2011.

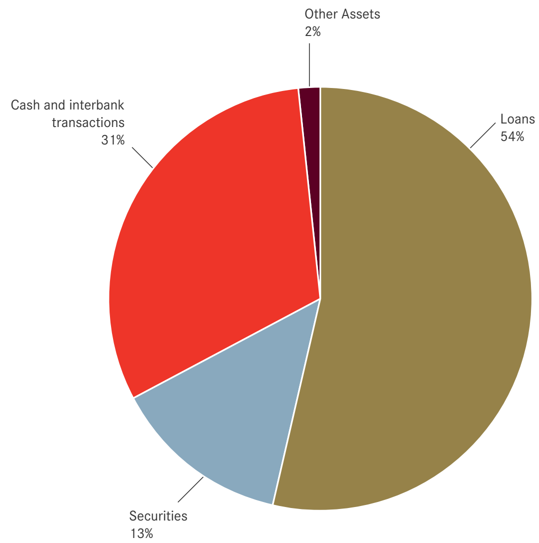
Operating Expenses



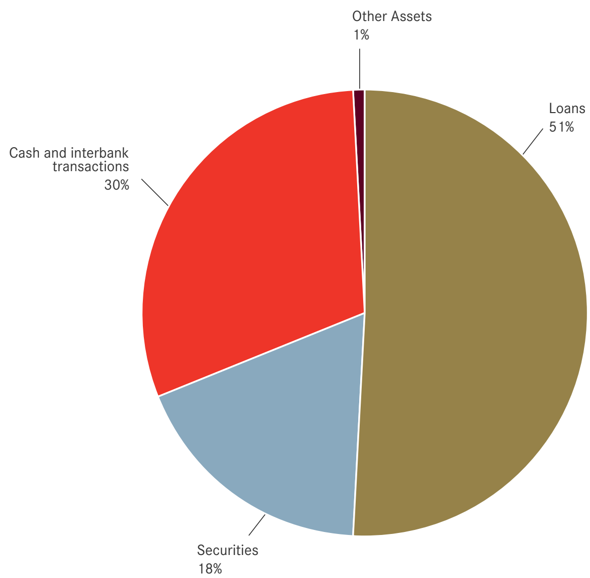
Assets mix

Total assets of the Bank grew by 86% for the financial year 2011. The following chart depicts the asset mix and every effort is being made to reduce risks through diversification.

Assets Mix 2010



Assets Mix 2011

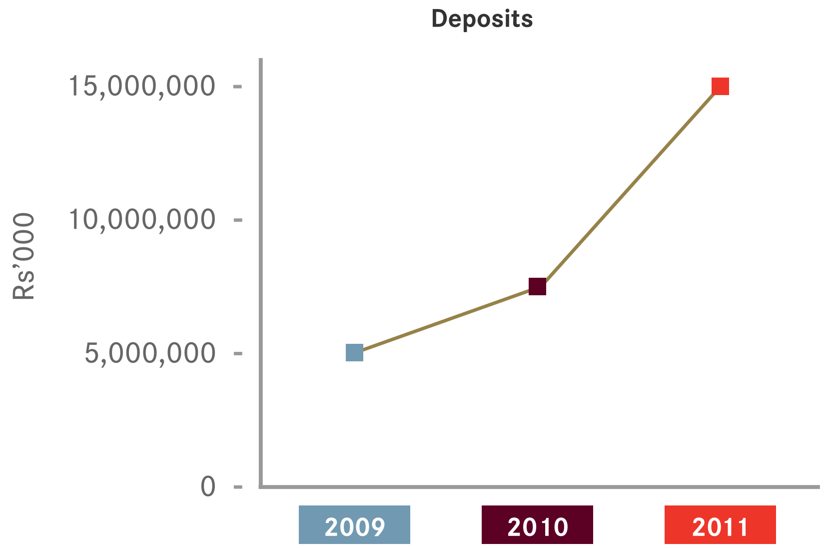


Management Discussion and Analysis

Funding

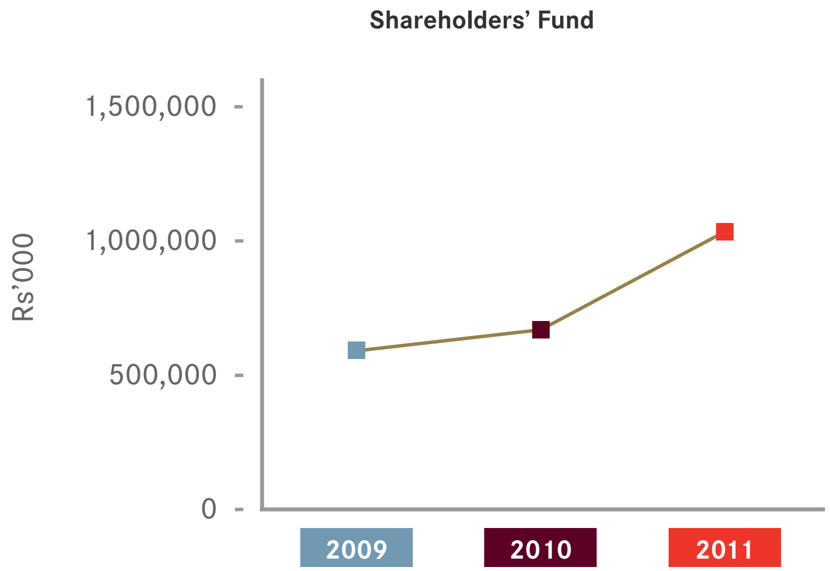
Deposits

AfrAsia Bank has managed to further strengthen its market share through aggressive marketing campaigns. The Bank increased its deposit base by 87% in this financial year along with a healthy split between 55% to segment A and 45% 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.



Capital Resources

The Bank closed the year with a share capital and reserves of Rs1,06bn. These results have been achieved through additional capital and Tier 2 capital. Shareholders' funds increased by 55.5 % over the financial year 2011.



RELATED PARTY TRANSACTIONS POLICIES AND PRACTICES

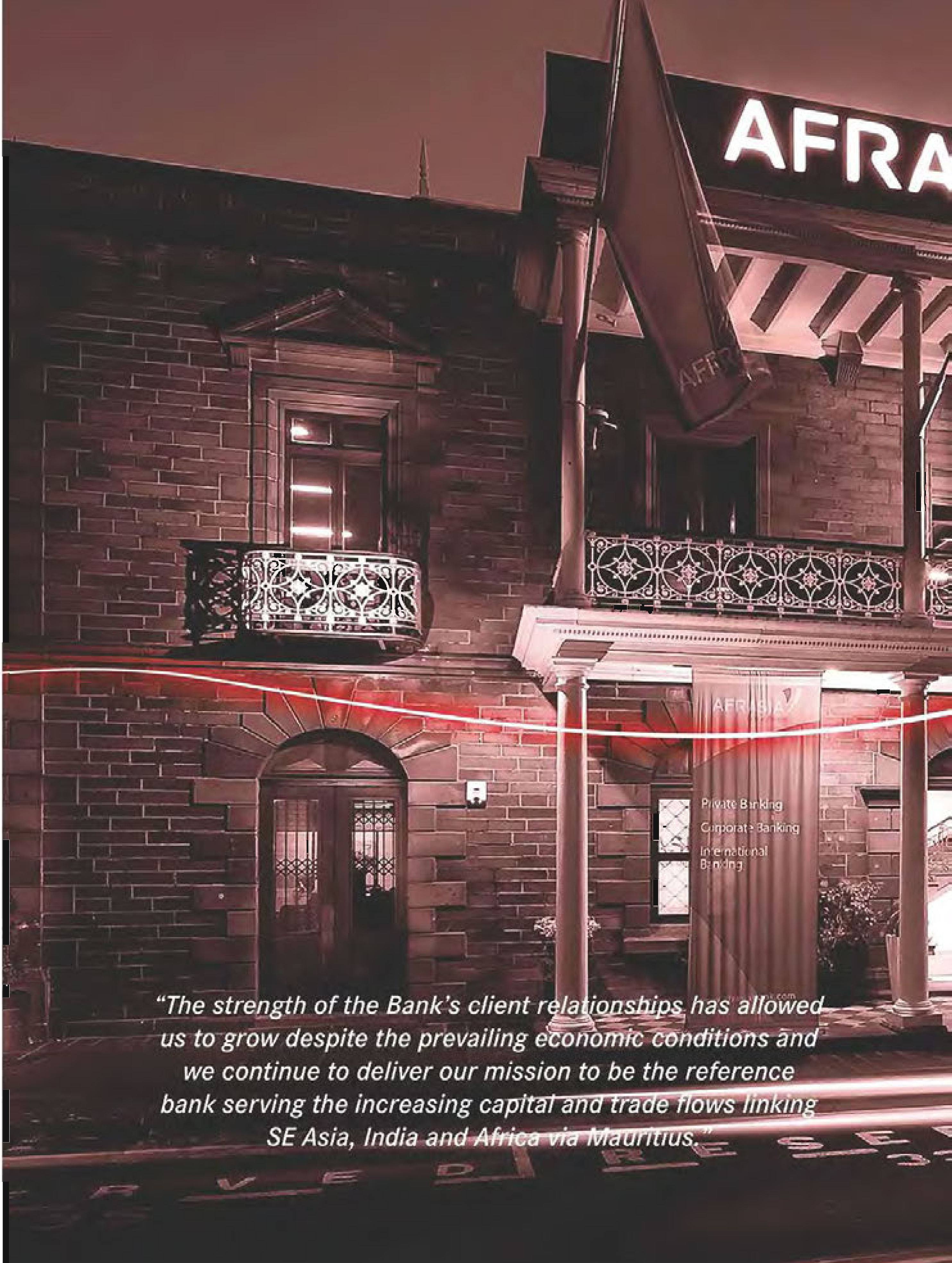
The Bank adheres to the Guideline on Related Party Transactions issued by the Bank of Mauritius in January 2009. In line with this Guideline, the Board of Directors appointed a Conduct Review Committee to review and approve all related party transactions. The Board has also adopted a policy which sets 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 Bank of Mauritius (BOM) guidelines (falling below 2% of Tier 1 capital).

All related party transactions are reviewed on at least a quarterly basis at the level of the Conduct Review Committee, which ensures that market terms and conditions are applied to such transactions. Facilities exceeding the 2% of Tier 1 capital are sent for approval and the exempted transactions i.e below the 2% of Tier 1 capital, are reviewed in the quarterly meetings. Furthermore all facilities granted to minority shareholders of AfrAsia Bank Limited and exceeding 2% of Tier 1 capital, even not classified as Related Party as per BOM guidelines, are reviewed by Conduct Review Committee 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 2011, Related Party Exposure was within regulatory guidelines at 47% and no specific allowance for credit impairment had to be made on these balances (30 June 2011 – nil provision). Total Exposure for Top 5 Related Parties facilities accounted for Rs401.1m, 38.8% of Tier 1 capital and 4.6% of the asset book.

The Bank has complied in all respects with 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.



"The strength of the Bank's client relationships has allowed us to grow despite the prevailing economic conditions and we continue to deliver our mission to be the reference bank serving the increasing capital and trade flows linking SE Asia, India and Africa via Mauritius."

James Benoit
CEO - AfrAsia Bank Limited

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 Financial Reporting Standards, as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder, have been applied for the year ended 30 June 2011 and Management has exercised its judgement and made best estimates where deemed necessary.

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

The Bank's Board of Directors, acting in part through the Audit Committee and Conduct Review and Risk Policy Committee, which comprise independent directors, oversees management's responsibility for financial reporting, internal controls, assessment and control of major risk areas and assessment of significant and related party transactions. The Bank's Internal Auditor, who has full and free access to the Audit Committee, conducts a well designed programme of internal audits in coordination with the Bank's external auditors. In addition, the Bank's compliance function maintains policies, procedures and programmes directed at ensuring compliance with regulatory requirements.

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

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

Arnaud Lagesse
Chairman

James Benoit
Chief Executive Officer

Jean de Fondaumière
Director

13 September 2011

AFRASIA
bank different

Financial Statements 2011

"One of the specific advantages of operating in Africa is that it is still possible to gain access to attractive investment targets with relatively low capital input due to the infancy of the industry. Early investors are therefore still able to catch the worm."

(Olaf Meier, African Development Corporation)

Contents

Company Secretary's Certificate
Year Ended 30 June 2011

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

13 September 2011

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 84 to 170 which comprise the statements of financial position as at 30 June 2011, 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 84 to 170 give a true and fair view of the financial position of the Group and the Bank at 30 June 2011, 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 Banking Act 2004.

Other matter

This report, including the opinion, has been prepared for and only for the Bank's members, 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 other than in our capacities as auditors, tax advisors and in dealings with the Group and the Bank in the ordinary course of business.

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

In our opinion, proper accounting records have been kept by the Bank as far as 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
13 September 2011

Patrick NG TSEUNG, A.C.A.

Statements of Comprehensive Income

For the Year Ended 30 June 2011

		THE GROUP			THE BANK		
		Year ended 30 June 2011	Year ended 30 June 2010	Year ended 30 June 2009	**Year ended 30 June 2011**	Year ended 30 June 2010	Year ended 30 June 2009
	Notes	**Rs.**	Rs.	Rs.	**Rs.**	Rs.	Rs.
Interest income	3	**543,026,048**	323,159,918	263,779,220	**543,017,482**	323,159,918	263,761,845
Interest expense	4	**(324,266,104)**	(215,633,180)	(202,691,017)	**(324,271,915)**	(215,650,919)	(202,851,809)
Net interest income		**218,759,944**	107,526,738	61,088,203	**218,745,567**	107,508,999	60,910,036
Fees and commission income	5	**53,752,370**	54,020,198	19,954,450	**53,752,370**	53,893,502	19,443,923
Fees and commission expense	5	**(11,037,085)**	(9,643,792)	(5,163,580)	**(10,942,605)**	(9,571,814)	(5,109,862)
Net fees and commission income	5	**42,715,285**	44,376,406	14,790,870	**42,809,765**	44,321,688	14,334,061
Net trading income	6	**107,997,630**	79,348,764	81,627,576	**107,978,574**	78,905,252	80,721,966
Other operating income		**341,655**	10,794	3,849,112	**144,357**	-	3,839,112
Total operating income		**369,814,514**	231,262,702	161,355,761	**369,678,263**	230,735,939	159,805,175
Net allowance for credit impairment	7	**(25,299,641)**	(31,963,872)	(11,161,755)	**(25,299,641)**	(31,963,872)	(11,161,755)
Net operating income		**344,514,873**	199,298,830	150,194,006	**344,378,622**	198,772,067	148,643,420
Personnel expenses	8	**(126,720,957)**	(90,316,955)	(73,602,489)	**(126,720,957)**	(90,316,955)	(72,716,773)
Depreciation of equipment	22	**(3,058,647)**	(2,804,560)	(2,294,902)	**(3,046,724)**	(2,792,710)	(2,283,447)
Amortisation of intangible assets	23	**(3,601,221)**	(3,874,861)	(3,221,622)	**(3,601,221)**	(3,874,861)	(3,221,622)
Other operating expenses	9	**(68,561,015)**	(54,327,744)	(46,747,487)	**(68,297,982)**	(53,647,698)	(46,169,073)
Total operating expenses		**(201,941,840)**	(151,324,120)	(125,866,500)	**(201,666,884)**	(150,632,224)	(124,390,915)
Operating profit		**142,573,033**	47,974,710	24,327,506	**142,711,738**	48,139,843	24,252,505
Share of profit of joint venture	19	**5,703,724**	1,263,493	-	**-**	-	-
Share of profit of associate	20	**2,662,251**	-	-	**-**	-	-
Profit before tax		**150,939,008**	49,238,203	24,327,506	**142,711,738**	48,139,843	24,252,505
Tax expense	10	**(26,552,498)**	(10,768,115)	(3,775,820)	**(26,567,883)**	(10,792,251)	(3,762,868)
Profit for the year		**124,386,510**	38,470,088	20,551,686	**116,143,855**	37,347,592	20,489,637
Other comprehensive income for the year, net of income tax		**-**	-	-	**-**	-	-
Total comprehensive income for the year		**124,386,510**	38,470,088	20,551,686	**116,143,855**	37,347,592	20,489,637
Profit attributable to equity holders of the Parent		**124,386,510**	38,470,088	20,551,686	**116,143,855**	37,347,592	20,489,637
Total comprehensive income attributable to equity holders of the Parent		**124,386,510**	38,470,088	20,551,686	**116,143,855**	37,347,592	20,489,637
Earnings per share:							
Basic and diluted	11	**2.28**	0.80	0.48	**2.13**	0.78	0.48

The notes on pages 88 to 170 form an integral part of these financial statements.
Auditors' report on page 83.

Statements of Financial Position
As at 30 June 2011

	Notes	THE GROUP 2011 Rs.	THE GROUP 2010 Rs.	THE GROUP 2009 Rs.	THE BANK 2011 Rs.	THE BANK 2010 Rs.	THE BANK 2009 Rs.
ASSETS							
Cash and balances with the Central Bank	13	**1,085,084,764**	998,421,458	207,964,884	**1,085,084,764**	998,421,458	207,964,884
Due from banks	14	**3,945,077,133**	1,806,969,731	2,751,535,864	**3,944,929,389**	1,806,870,654	2,715,056,629
Derivative financial instruments	15	**181,201,384**	188,708,824	149,082,366	**101,097,074**	71,085,788	51,654,502
Other financial assets held-for-trading	16	**441,804,000**	367,509,475	103,171,720	**441,804,000**	367,509,475	103,171,720
Loans and advances to customers	17	**8,549,378,712**	4,851,153,148	2,106,644,479	**8,549,378,712**	4,851,153,148	2,106,644,479
Investment in subsidiary	18	**-**	-	-	**25,000,000**	25,000,000	1,000,000
Investment in joint venture	19	**46,616,525**	40,912,801	-	**-**	-	-
Investment in associate	20	**7,684,689**	-	-	**5,022,438**	-	-
Financial investments held-to-maturity	21	**2,560,492,783**	846,580,424	638,610,782	**2,560,492,783**	846,580,424	638,610,782
Equipment	22	**13,364,250**	13,408,600	11,307,572	**13,354,813**	13,387,240	11,285,287
Intangible assets	23	**13,591,022**	15,048,060	13,580,739	**13,591,022**	15,048,060	13,580,739
Deferred tax assets	10	**2,532,127**	2,228,541	3,272,492	**2,494,027**	2,205,826	3,272,492
Other assets	24	**19,907,408**	16,588,108	210,494,775	**19,900,410**	16,510,859	215,071,306
TOTAL ASSETS		**16,866,734,797**	9,147,529,170	6,195,665,673	**16,762,149,432**	9,013,772,932	6,067,312,820
LIABILITIES AND EQUITY							
Due to banks	25	**28,483,333**	96,186,070	142,670,271	**28,483,333**	96,186,070	142,670,271
Derivative financial instruments	15	**125,325,638**	208,988,419	147,711,855	**48,321,328**	94,465,383	50,283,991
Deposits from customers	26	**14,962,435,979**	7,985,565,513	5,027,223,830	**14,962,538,164**	7,985,730,346	5,059,541,818
Debts issued	27	**547,090,779**	115,251,460	151,235,328	**421,574,481**	-	-
Amount due to subsidiary	28	**-**	-	-	**125,516,298**	115,251,460	151,235,327
Current tax liabilities	10	**18,385,558**	9,324,978	11,680	**18,385,558**	9,324,978	-
Deferred tax liabilities	10	**-**	-	2,055	**-**	-	-
Other liabilities	29	**116,129,669**	49,757,591	86,998,049	**97,941,160**	31,611,632	23,898,388
TOTAL LIABILITIES		**15,797,850,956**	8,465,074,031	5,555,853,068	**15,702,760,322**	8,332,569,869	5,427,629,795
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							
Issued capital	30	**921,638,335**	653,977,649	653,977,649	**921,638,335**	653,977,649	653,977,649
Retained earnings/(revenue deficit)		**100,758,107**	16,059,240	(19,797,819)	**91,263,376**	14,807,164	(19,927,399)
Other reserves	31	**46,487,399**	12,418,250	5,632,775	**46,487,399**	12,418,250	5,632,775
TOTAL EQUITY		**1,068,883,841**	682,455,139	639,812,605	**1,059,389,110**	681,203,063	639,683,025
TOTAL LIABILITIES AND EQUITY		**16,866,734,797**	9,147,529,170	6,195,665,673	**16,762,149,432**	9,013,772,932	6,067,312,820

The financial statements have been approved for issue by the Board of Directors on 13 September 2011.

Arnaud Lagesse
Chairman

James Benoit
Chief Executive Officer

Jean de Fondaumière
Director

The notes on pages 88 to 170 form an integral part of these financial statements.
Auditors' report on page 83.

Statements of Changes in Equity

For the Year Ended 30 June 2011

(a) THE GROUP

	Notes	Issued capital Rs.	Retained earnings/ (revenue deficit) Rs.	Other reserves Rs.	Total Rs.
At 1 July 2008		250,000,000	(40,349,505)	-	209,650,495
Issue of shares		403,977,649	-	-	403,977,649
Profit for the year		-	20,551,686	-	20,551,686
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	20,551,686	-	20,551,686
Share-based payments	31	-	-	5,632,775	5,632,775
At 30 June 2009		653,977,649	(19,797,819)	5,632,775	639,812,605
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	31	-	-	4,172,446	4,172,446
Appropriation of reserves	31	-	(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	31	-	-	3,953,869	3,953,869
Appropriation of reserves	31	-	(30,115,280)	30,115,280	-
Dividends paid	12	-	(9,572,363)	-	(9,572,363)
At 30 June 2011		921,638,335	100,758,107	46,487,399	1,068,883,841

(b) THE BANK

	Notes	Issued capital Rs.	Retained earnings/ (revenue deficit) Rs.	Other reserves Rs.	Total Rs.
At 1 July 2008		250,000,000	(40,417,036)	-	209,582,964
Issue of shares		403,977,649	-	-	403,977,649
Profit for the year		-	20,489,637	-	20,489,637
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	20,489,637	-	20,489,637
Share-based payments	31	-	-	5,632,775	5,632,775
At 30 June 2009		653,977,649	(19,927,399)	5,632,775	639,683,025
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	31	-	-	4,172,446	4,172,446
Appropriation of reserves	31	-	(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	31	-	-	3,953,869	3,953,869
Appropriation of reserves	31	-	(30,115,280)	30,115,280	-
Dividends paid	12	-	(9,572,363)	-	(9,572,363)
At 30 June 2011		921,638,335	91,263,376	46,487,399	1,059,389,110

The notes on pages 88 to 170 form an integral part of these financial statements.
Auditors' report on page 83.

Statements of Cash Flows
For the Year Ended 30 June 2011

		THE GROUP			THE BANK		
		2011	2010	2009	**2011**	2010	2009
	Notes	**Rs.**	Rs.	Rs.	**Rs.**	Rs.	Rs.
OPERATING ACTIVITIES							
Profit before tax		**150,939,008**	49,238,203	24,327,506	**142,711,738**	48,139,843	24,252,505
Adjustments for:							
Change in operating assets	33(b)	**(6,039,474,270)**	(3,068,955,914)	(1,976,467,177)	**(6,039,544,521)**	(3,061,209,133)	(1,986,759,246)
Change in operating liabilities	33(c)	**7,313,196,561**	2,813,512,883	2,649,707,701	**7,313,091,363**	2,844,262,740	2,637,866,401
Non-cash items included in profit before tax	33(d)	**(26,021,612)**	52,513,318	48,572,604	**(17,667,560)**	53,764,962	48,561,149
Tax paid		**(17,795,504)**	(419,918)	(11,267)	**(17,795,504)**	(400,607)	-
Net cash flows from /(used in) operating activities		**1,380,844,183**	(154,111,428)	746,129,367	**1,380,795,516**	(115,442,195)	723,920,809
INVESTING ACTIVITIES							
Purchase of equipment	22	**(3,236,300)**	(5,203,688)	(1,845,744)	**(3,236,300)**	(5,192,763)	(1,845,744)
Proceeds from sale of equipment		**-**	-	39,586	**-**	-	39,586
Purchase of intangible assets	23	**(2,355,199)**	(5,752,295)	(549,136)	**(2,355,199)**	(5,752,295)	(549,136)
Investment in joint venture		**-**	(21,700,000)	-	**-**	-	-
Investment in subsidiary	18	**-**	-	-	**-**	(24,000,000)	-
Investment in associate	20	**(5,022,438)**	-	-	**(5,022,438)**	-	-
Net cash flows used in investing activities		**(10,613,937)**	(32,655,983)	(2,355,294)	**(10,613,937)**	(34,945,058)	(2,355,294)
FINANCING ACTIVITIES							
Issue of shares		**267,660,686**	201,988,789	201,988,860	**267,660,686**	201,988,789	201,988,860
Dividends paid to equity holders of the parent	12	**(9,572,363)**	-	-	**(9,572,363)**	-	-
Net cash flows from financing activities		**258,088,323**	201,988,789	201,988,860	**258,088,323**	201,988,789	201,988,860
Net cash flows for the year		**1,628,318,569**	15,221,378	945,762,933	**1,628,269,902**	51,601,536	923,554,375
Movement in cash and cash equivalents							
Cash and cash equivalents at beginning of the year		**2,422,740,283**	2,407,518,905	1,461,755,972	**2,422,641,206**	2,371,039,670	1,447,485,295
Net increase in cash and cash equivalents		**1,628,318,569**	15,221,378	945,762,933	**1,628,269,902**	51,601,536	923,554,375
Cash and cash equivalents at 30 June	33(a)	**4,051,058,852**	2,422,740,283	2,407,518,905	**4,050,911,108**	2,422,641,206	2,371,039,670

The notes on pages 88 to 170 form an integral part of these financial statements.
Auditors' report on page 83.

Notes to the Financial Statements
Year Ended 30 June 2011

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 2011 were authorised for issue in accordance with a resolution of the directors on 13 September 2011.

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.").

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").

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 statement of financial position date (non-current) is presented in Note 34.

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 comprised the financial statements of AfrAsia Bank Limited and its subsidiary as at 30 June each year. The financial statements of the subsidiary are prepared for the same reporting year as the Bank, using consistent accounting policies.

The subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtained control and continues to be consolidated until the date that such control ceases.

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

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

2.2 Significant accounting judgements, estimates and assumptions

In the process of applying the Group's accounting policies, management has used its judgements and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements and estimates are described on next page.

2. ACCOUNTING POLICIES (Continued)

2.2 Significant accounting judgements and estimates (Continued)

(a) Judgements

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

Going concern

Management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group'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 32 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 17.

2. ACCOUNTING POLICIES (Continued)

2.2 Significant accounting judgements and estimates (Continued)

(b) Estimates and assumptions (Continued)

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 used in the previous financial year except that the Group has adopted the following standards and interpretations.

- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective1 January 2010
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009, including consequential amendments to IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items effective 1 July 2009
- Improvements to IFRSs (May 2008); and
- Improvements to IFRSs (April 2009)

The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. The adoption of the standards or interpretations is described below:

IFRS 2 Share-based Payment-Revised *(applicable for financial years beginning on or after 1 January 2010)*

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of 1 July 2010. It did not have an impact on the financial position or performance of the Group.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements - Amended *(applicable for financial years beginning on or after 1 January 2010)*

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010.

The change in accounting policy was applied prospectively and had no material impact on earnings per share.

2. ACCOUNTING POLICIES (Continued)

2.3 Change in accounting policies (Continued)

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items *(applicable for financial years beginning on or after 1 January 2010)*

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarifies and simplifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance.

Improvements to IFRSs

In May 2008 and April 2009, the IASB issued 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 accounting policies but did not have any impact on the financial position or performance of the Group.

Issued in May 2008

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively and has no impact on the financial position or financial performance of the Group.

Issued in April 2009

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations. The amendment is applied prospectively and has no impact on the financial position or financial performance of the Group.

- IFRS 8 Operating Segments: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. The amendment is applied prospectively and has no impact on the financial position or financial performance of the Group.

- IAS 7 Statement of Cash Flows: States that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact amongst others, the presentation in the statement of cash flows of the contingent consideration on any business combination completed during the year upon cash settlement.

- IAS 36 Impairment of Assets: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group.

2. ACCOUNTING POLICIES (Continued)

2.3 Change in accounting policies (Continued)

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

Issued in April 2009

- IAS 17 Lease
- IAS 18 Revenue
- IAS 32 Financial Instruments: Presentation - Classification of Rights Issues; and
- IAS 39 Financial Instruments: Recognition and Measurement

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 - classification and measurement

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

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

The Group uses derivatives such as cross currency swaps, forward foreign exchange contracts and options on foreign currencies. Derivatives are recorded at fair value and are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives held-for-trading are included in “Net trading income or loss”.

2. ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(b) Financial instruments - initial recognition and subsequent measurement (Continued)

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

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

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

Financial assets or financial liabilities held-for-trading are recorded in the statement of financial position at fair value. Changes in fair value are recognised in "Net trading income or loss". Interest and dividend income or expense is recorded in "Net trading income or loss" 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.

(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 statement of financial position at fair value. Changes in fair value are recorded in "Net loss or gain on financial instruments designated at fair value through profit or loss". Relevant interest earned or incurred is accrued in "Interest income" or "Interest expense", respectively, using the effective interest rate (EIR), while any dividend income is recorded in "Other Income" when the right to the payment has been established.

Included in this classification are loans and advances to customers which are economically hedged by credit derivatives and do not qualify for hedge accounting, as well as notes issued which are managed on a fair value basis.

(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 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.

2. ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(b) Financial instruments - initial recognition and subsequent measurement (Continued)

(vii) Held-to-maturity financial assets (Continued)

Held-to-maturity financial assets 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 assets are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The losses arising from impairment of such assets are recognised in the statements of comprehensive income line "Impairment losses on financial assets held-to-maturity".

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.

(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 27 to the financial statements.

2. ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(b) Financial instruments - initial recognition and subsequent measurement (Continued)

(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.

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.

2. ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(c) Derecognition of financial assets and financial liabilities (Continued)

(i) Financial assets (Continued)

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(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, and the difference in the respective carrying amounts is recognised in the statements of comprehensive income.

(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.

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

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the 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, counterparty credit and liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ("Day 1" profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 32.

(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 regarding the impairment of specific classes of assets:

2. ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(e) Impairment of financial assets (Continued)

(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, debts issued as well as held-to-maturity investments), the Group first assesses individually whether objective evidence of impairment exists individually 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, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statements of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the asset. 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.

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

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

(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, 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.

2. ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(f) Offsetting financial instruments

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

(g) 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.

(i) Interest income and expenses

For all financial instruments measured at amortised cost and interest bearing financial instruments classified as available-for-sale financial investments, interest income or expense is recorded at the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the 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.

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 categorised 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.

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.

2. ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(g) Recognition of income and expenses (Continued)

(iii) Dividend income

Revenue 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". This includes any ineffectiveness recorded in hedging transactions.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash in 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. Cash and cash equivalents are measured at amortised cost.

(i) 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 in the statement 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 statement 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 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 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 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 the statements of comprehensive income.

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 statements of comprehensive income. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

2. ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(j) 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 statement 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 statement 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 the statements of comprehensive income.

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 statement 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 the statement of comprehensive income.

(k) 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.

(l) 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 the statements of comprehensive income net of any reimbursement.

2. ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(m) Equipment

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

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 upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in "Other 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.

(n) Intangible assets

Intangible assets include computer and banking software and other 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.

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 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.

2. ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(n) Intangible assets (Continued)

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 the statements of comprehensive income when the asset is derecognised.

(o) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, 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 the statements of comprehensive income. Non-financial assets are accounted for at cost less impairment loss.

(p) 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 at fair value, in "Other liabilities", being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in liability relating to financial guarantees is taken to 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.

(q) 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.

(r) Equity reserves

The reserves recorded in equity on the Group's statement 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 (Continued)

2.4 Summary of significant accounting policies (Continued)

(s) 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.

(t) 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 (Continued)

2.4 Summary of significant accounting policies (Continued)

(t) Taxes (Continued)

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

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

(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 preceeding 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 (Continued)

2.4 Summary of significant accounting policies (Continued)

(u) 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 funded 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.

2.5 Standards and interpretations not yet effective

The following standards and interpretations, which have been issued but are not yet effective, are applicable to the Group. These standards and interpretations have not been applied in these financial statements. The Group intends to comply with these standards from the effective dates.

New Standards

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 and that were thus 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 amendments may be applied earlier than the effective date.

IFRS 7 Financial Instruments: Disclosures (Amendment)

The amendment requires additional qualitative and quantitative disclosures relating to transfers of financial assets, where financial assets are derecognised in their entirety, but where the entity has a continuing involvement in them and, secondly, where financial assets are not derecognised in their entirety. The amendments may be applied earlier than the effective date and this fact must be disclosed. Comparative disclosures are not required for any period beginning before the effective date.

2. ACCOUNTING POLICIES (Continued)

2.5 Standards and interpretations not yet effective (Continued)

IFRS 9 Financial Instruments (applicable for reporting periods beginning on or after 1 January 2013)

The IASB has issued IFRS 9 Financial Instruments, which is the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets. The IASB expanded IFRS 9 during 2010 to add new requirements for the classification and measurement of financial liabilities and impairments of financial assets. Future amendments will address the derecognition of financial instruments and hedge accounting. The implementation of the standard is expected to have a material impact on the Group. The Group is currently evaluating the impact of the adoption of the current requirements of the standard.

The standard is effective for the Group for the year commencing 1 July 2013.

IFRS 10 Consolidated Financial Statements

The Standard replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. IFRS 10 establishes a single control model that applies to all entities (including "special purpose entities" or "structured entities" as they are now referred to in the new standards, or "variable interest entities"). The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore are required to be consolidated by a parent which may imply changes in entities within a group.

The new requirements are effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

IAS 24 Related parties (applicable for financial years beginning on or after 1 January 2011)

The amended standard requires commitments, as well as the nature of the relationship between related parties to be identified and disclosed. The amended standard gives clarity to the related party definition and other terms in the standard.

The standard will be effective for the Group for the year commencing 1 July 2011.

IFRIC 14 Prepayments of a minimum funding requirement (applicable for financial years beginning on or after 1 January 2011)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is expected to have no impact on the financial statements of the Group.

Other

There were numerous updates issued, which are considered by the IASB to be non-urgent but important. None of these updates will result in a change to the accounting policies of the Group.

The following standards or interpretations have been issued or amended which are deemed to have no impact on the Group financial statements but have not been formally adopted by the Group:

- IAS 19 Post employee benefits;
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosure of Interests in Other Entities;
- IFRS 13 Fair Value Measurement;
- IFRIC 13 Customer Loyalty Programmes; and
- IFRIC 14 Prepayments of a minimum funding requirement.

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

3. INTEREST INCOME

	THE GROUP			THE BANK		
	Year ended 30 June 2011	Year ended 30 June 2010	Year ended 30 June 2009	**Year ended 30 June 2011**	Year ended 30 June 2010	Year ended 30 June 2009
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
Interest income on:						
- Due from banks	**42,139,706**	22,807,887	31,132,329	**42,131,140**	22,807,887	31,114,954
- Loans and advances to customers	**420,135,761**	270,622,930	204,393,748	**420,135,761**	270,622,930	204,393,748
- Financial investments held-to-maturity	**80,750,581**	29,729,101	28,253,143	**80,750,581**	29,729,101	28,253,143
	543,026,048	323,159,918	263,779,220	**543,017,482**	323,159,918	263,761,845

4. INTEREST EXPENSE

	THE GROUP			THE BANK		
	Year ended 30 June 2011	Year ended 30 June 2010	Year ended 30 June 2009	**Year ended 30 June 2011**	Year ended 30 June 2010	Year ended 30 June 2009
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
Interest expense on:						
- Due to banks	**781,015**	1,577,355	2,045,626	**786,826**	1,577,355	2,206,418
- Deposits from customers	**303,854,012**	201,489,692	189,859,044	**303,854,012**	201,507,431	189,859,044
- Other	**19,631,077**	12,566,133	10,786,347	**19,631,077**	12,566,133	10,786,347
	324,266,104	215,633,180	202,691,017	**324,271,915**	215,650,919	202,851,809

5. NET FEES AND COMMISSION INCOME

	THE GROUP			THE BANK		
	Year ended 30 June 2011	Year ended 30 June 2010	Year ended 30 June 2009	**Year ended 30 June 2011**	Year ended 30 June 2010	Year ended 30 June 2009
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
Fees and commission income						
Credit related fees and commission income	**48,899,934**	50,130,242	17,156,396	**48,899,934**	50,130,242	16,913,650
Other fees received	**4,852,436**	3,889,956	2,798,054	**4,852,436**	3,763,260	2,530,273
Total fees and commission income	**53,752,370**	54,020,198	19,954,450	**53,752,370**	53,893,502	19,443,923
Fees and commission expense						
Amortisation of intangible assets	**(211,016)**	(358,677)	(361,303)	**(211,016)**	(358,677)	(361,303)
Other fees	**(10,826,069)**	(9,285,115)	(4,802,277)	**(10,731,589)**	(9,213,137)	(4,748,559)
Total fees and commission expense	**(11,037,085)**	(9,643,792)	(5,163,580)	**(10,942,605)**	(9,571,814)	(5,109,862)
Net fees and commission income	**42,715,285**	44,376,406	14,790,870	**42,809,765**	44,321,688	14,334,061

6. NET TRADING INCOME

	THE GROUP			THE BANK		
	Year ended 30 June 2011	Year ended 30 June 2010	Year ended 30 June 2009	**Year ended 30 June 2011**	Year ended 30 June 2010	Year ended 30 June 2009
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
"Day 1" profit	**-**	-	905,610	**-**	-	-
Derivative financial instruments	**-**	-	8,280,418	**-**	-	8,280,418
Financial investments held-for-trading	**12,418,225**	8,640,203	3,375,221	**12,418,225**	8,640,203	3,375,221
Foreign exchange	**95,579,405**	70,708,561	69,066,327	**95,560,349**	70,265,049	69,066,327
	107,997,630	79,348,764	81,627,576	**107,978,574**	78,905,252	80,721,966

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 2011	Year ended 30 June 2010	Year ended 30 June 2009
	Rs.	Rs.	Rs.
Portfolio and specific provisions on loans and advances to customers (Note 17 (b))			
- Retail and personal	**1,003,390**	2,863,261	1,712,795
- Business	**6,075,621**	5,895,635	6,569,166
- Entities outside Mauritius	**12,948,030**	21,326,286	2,709,360
- Credit cards	**5,272,600**	1,508,600	170,434
	25,299,641	31,593,782	11,161,755
Bad debts written off	**-**	372,090	-
Recoveries	**-**	(2,000)	-
	25,299,641	31,963,872	11,161,755

8. PERSONNEL EXPENSES

	THE GROUP			THE BANK		
	Year ended 30 June 2011	Year ended 30 June 2010	Year ended 30 June 2009	**Year ended 30 June 2011**	Year ended 30 June 2010	Year ended 30 June 2009
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
Salaries	**71,140,327**	55,534,323	35,939,764	**71,140,327**	55,534,323	35,220,999
Staff benefits	**48,193,715**	28,071,708	30,051,084	**48,193,715**	28,071,708	29,884,133
Pension cost-Defined contribution scheme	**2,919,068**	2,345,295	1,579,026	**2,919,068**	2,345,295	1,579,026
Training expenses	**513,978**	193,183	399,840	**513,978**	193,183	399,840
Share-based payments (Note 31)	**3,953,869**	4,172,446	5,632,775	**3,953,869**	4,172,446	5,632,775
	126,720,957	90,316,955	73,602,489	**126,720,957**	90,316,955	72,716,773

Share-based payments of Rs. 3,953,869(2010: Rs. 4,172,446 and 2009: Rs. 5,632,775) relate to the expense arising from transactions accounted for as equity-settled share-based payment transactions (see note 31).

9. OTHER OPERATING EXPENSES

	THE GROUP			THE BANK		
	Year ended 30 June 2011	Year ended 30 June 2010	Year ended 30 June 2009	**Year ended 30 June 2011**	Year ended 30 June 2010	Year ended 30 June 2009
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
Advertising and marketing expenses	**12,464,281**	9,898,545	5,907,952	**12,464,281**	9,898,545	5,818,712
Administrative expenses	**43,880,651**	33,399,938	28,660,916	**43,617,618**	32,719,892	28,171,742
Equipment written off	**222,001**	298,100	1,050,589	**222,001**	298,100	1,050,589
Intangible assets written off	**-**	51,436	1,721,540	**-**	51,436	1,721,540
Professional fees	**11,994,082**	10,679,725	9,406,490	**11,994,082**	10,679,725	9,406,490
	68,561,015	54,327,744	46,747,487	**68,297,982**	53,647,698	46,169,073

10. TAXATION

(a) Statements of financial position

	THE GROUP			THE BANK		
	Year ended 30 June 2011	Year ended 30 June 2010	Year ended 30 June 2009	**Year ended 30 June 2011**	Year ended 30 June 2010	Year ended 30 June 2009
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
Corporate tax liability:						
Current year	**19,409,107**	6,106,509	11,680	**19,409,107**	6,106,509	-
Tax paid under advance payment scheme	**(7,607,241)**	-	-	**(7,607,241)**	-	-
	11,801,866	6,106,509	11,680	**11,801,866**	6,106,509	-
Corporate social responsibility fund	**-**	55,709	-	**-**	55,709	-
Special levy	**6,583,692**	3,162,760	-	**6,583,692**	3,162,760	-
Current tax liabilities	**18,385,558**	9,324,978	11,680	**18,385,558**	9,324,978	-

10. TAXATION (Continued)

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.

Book profit means the profit computed in accordance with International Financial Reporting Standards ("IFRS") after income tax and:
- as reduced by profit on disposal or revaluation of equipment, where such profit or revaluation is credited to the statements of comprehensive income; and
- as increased by loss on disposal or revaluation of equipment, where such loss or revaluation is debited to the statements of comprehensive income.

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 2011	Year ended 30 June 2010	Year ended 30 June 2009	**Year ended 30 June 2011**	Year ended 30 June 2010	Year ended 30 June 2009
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
The components of income tax expense for the years ended 30 June 2011, 2010 and 2009 are as follows:						
Current tax						
-Current income tax	**19,409,107**	6,106,509	11,680	**19,409,107**	6,106,509	-
-Adjustment in respect of current income tax of prior period	**115,211**	(645)	1,701	**115,211**	-	-
Corporate social responsibility fund	**748,074**	457,595	-	**748,074**	456,316	-
Special levy	**6,583,692**	3,162,760	-	**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	**(501,623)**	1,041,896	3,762,439	**(480,817)**	1,066,666	3,762,868
Tax expense reported in the statements of comprehensive income	**26,552,498**	10,768,115	3,775,820	**26,567,883**	10,792,251	3,762,868

10. TAXATION (Continued)

(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 2011, 2010 and 2009 is as follows:

	THE GROUP			THE BANK		
	Year ended 30 June 2011	Year ended 30 June 2010	Year ended 30 June 2009	**Year ended 30 June 2011**	Year ended 30 June 2010	Year ended 30 June 2009
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
Accounting profit before tax	**150,939,008**	49,238,203	24,327,506	**142,711,738**	48,139,843	24,252,505
At statutory income tax rate of 15%	**22,640,851**	7,385,730	3,649,126	**21,406,761**	7,220,976	3,637,876
Deemed credit on Segment B profits	**(4,054,409)**	(1,391,528)	(4,541,541)	**(4,054,409)**	(1,391,528)	(4,541,541)
Segment A deferred losses asset used against segment B profits	**-**	-	4,617,448	**-**	-	4,617,448
Under/(Over) provision of deferred tax asset in prior year	**198,037**	218,091	(145,375)	**192,616**	218,091	(145,375)
(Over)/Under-provision in corporate tax in prior year	**115,211**	(645)	1,701	**115,211**	-	-
Non deductible expenses	**184,738**	1,036,746	244,549	**184,738**	1,036,746	246,008
Income not subject to tax	**(1,254,896)**	(189,824)	-	**-**	(300)	-
Assets not eligible for capital allowance	**23,130**	89,190	-	**23,130**	89,190	-
Corporate social responsibility fund	**2,116,144**	457,595	-	**2,116,144**	456,316	-
Special levy	**6,583,692**	3,162,760	-	**6,583,692**	3,162,760	-
Others	**-**	-	(50,088)	**-**	-	(51,548)
Tax expense reported in the statements of comprehensive income	**26,552,498**	10,768,115	3,775,820	**26,567,883**	10,792,251	3,762,868
Effective tax rate	**18%**	22%	16%	**19%**	22%	16%

(d) Deferred tax

THE GROUP

	Deferred tax assets 2011	**Deferred tax liabilities 2011**	**Statement of comprehensive income 2011**	Deferred tax assets 2010	Deferred tax liabilities 2010	Statement of comprehensive income 2010	Deferred tax assets 2009	Deferred tax liabilities 2009	Statement of comprehensive income 2009
	Rs.	**Rs.**	**Rs.**	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Impairment allowances on loans and advances to customers	**(6,533,315)**	**-**	**(1,855,897)**	(4,677,419)	-	(2,121,982)	(2,507,314)	-	(1,208,811)
Accelerated capital allowances	**1,929,020**	**-**	**5,222**	1,705,264	-	516,812	1,155,231	2,055	(631,130)
Tax losses	**(39,515)**	**-**	**(19,018)**	-	-	1,903,452	(1,920,409)	-	5,602,380
Other temporary differences	**2,111,683**	**-**	**1,368,070**	743,614	-	743,614	-	-	-
	(2,532,127)	**-**	**(501,623)**	(2,228,541)	-	1,041,896	(3,272,492)	2,055	3,762,439

THE BANK

	Deferred tax assets 2011	**Statement of comprehensive income 2011**	Deferred tax assets 2010	Statement of comprehensive income 2010	Deferred tax assets 2009	Statement of comprehensive income 2009
	Rs.	**Rs.**	Rs.	Rs.	Rs.	Rs.
Impairment allowances on loans and advances to customers	**(6,533,315)**	**(1,855,897)**	(4,677,419)	(2,121,982)	(2,507,314)	(1,208,811)
Other temporary differences	**2,111,683**	**1,368,070**	743,614	743,614	-	-
Tax losses	**-**	**-**	-	1,903,452	(1,920,409)	5,602,380
Accelerated capital allowances	**1,927,605**	**7,010**	1,727,979	541,582	1,155,231	(630,701)
	(2,494,027)	**(480,817)**	(2,205,826)	1,066,666	(3,272,492)	3,762,868

11. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Group and the Bank by the weighted average number of ordinary shares outstanding during the year.

All classes of shares issued by the Group and the Bank rank pari passu for dividends and have been taken into consideration when determining the average number of ordinary shares outstanding during the year.

The following table shows the earnings and weighted average number of shares outstanding during the year used in the calculation of earnings per share:

	THE GROUP			THE BANK		
	Year ended 30 June 2011	Year ended 30 June 2010	Year ended 30 June 2009	**Year ended 30 June 2011**	Year ended 30 June 2010	Year ended 30 June 2009
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
Profit for the year attributable to ordinary equity holders of the Group and the Bank	**124,386,510**	38,470,088	20,551,686	**116,143,855**	37,347,592	20,489,637
Weighted average number of ordinary shares	**54,530,062**	47,793,102	42,580,871	**54,530,062**	47,793,102	42,580,871
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
Basic and diluted earnings per share	**2.28**	0.80	0.48	**2.13**	0.78	0.48

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of these financial statements.

12. DIVIDENDS PAID

	THE GROUP AND THE BANK		
	2011	2010	2009
	Rs.	Rs.	Rs.
Dividends on ordinary shares:			
Final dividend for 2011: 20 cents per share (2010 and 2009: nil)	**9,572,363**	-	-

13. CASH AND BALANCES WITH THE CENTRAL BANK

	THE GROUP AND THE BANK		
	2011	2010	2009
	Rs.	Rs.	Rs.
Cash in hand (Note 33(a))	**9,226,496**	11,818,436	14,062,169
Unrestricted balances with the Central Bank (Note 33 (a))	**461,193,071**	588,303,959	27,424,569
Mandatory balances with the Central Bank	**614,665,197**	271,268,044	166,478,146
Placements with the Central Bank (Note 33(a))	**-**	127,031,019	-
	1,085,084,764	998,421,458	207,964,884

14. DUE FROM BANKS

	THE GROUP			THE BANK		
	2011	2010	2009	**2011**	2010	2009
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
Short term placements with other banks (Note 33)	**3,076,525,650**	1,278,455,705	2,032,255,711	**3,076,525,650**	1,278,455,705	2,032,255,711
Medium term placements with other banks	**364,435,504**	111,335,682	380,377,021	**364,435,504**	111,335,682	380,377,021
Current accounts with other banks (Note 33)	**502,812,734**	416,020,872	337,768,480	**502,664,990**	415,921,795	301,289,245
Other amounts due (Note 33)	**1,303,245**	1,157,472	1,134,652	**1,303,245**	1,157,472	1,134,652
	3,945,077,133	1,806,969,731	2,751,535,864	**3,944,929,389**	1,806,870,654	2,715,056,629

For the remaining term to maturity, refer to Note 37 (c).

15. 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.

(a) **THE GROUP**

	Assets 2011	**Liabilities 2011**	**Notional amount 2011**	Assets 2010	Liabilities 2010	Notional amount 2010	Assets 2009	Liabilities 2009	Notional amount 2009
	Rs.	**Rs.**	**Rs.**	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Derivatives designated at fair value through profit or loss									
Commodity Index Options	-	-	-	-	-	-	1,900,179	(1,900,179)	49,820,250
Fund Options Transactions	**757,568**	**(757,568)**	**108,224,000**	1,217,900	(1,217,900)	121,771,000	946,854	(946,854)	103,170,000
Equity Linked Notes	**59,776,068**	**(59,776,068)**	**71,080,546**	111,873,855	(111,873,855)	173,199,450	96,403,004	(96,403,004)	171,184,100
Index Linked Options	**30,032,160**	**(30,032,160)**	**42,720,000**	28,364,250	(28,364,250)	48,067,500	19,149,030	(19,149,030)	48,540,000
Index Linked Notes	**31,773,000**	**(31,773,000)**	**55,536,000**	29,421,900	(29,421,900)	62,487,750	27,506,000	(27,506,000)	63,102,000
Call Option	**3,100,000**	-	**3,100,000**	3,100,000	-	3,100,000	-	-	-
Derivatives held-for-trading									
Forward Foreign Exchange Contracts	**55,762,588**	**(2,986,842)**	**3,161,303,478**	14,730,919	(38,110,514)	2,447,624,107	3,177,299	(1,806,788)	675,915,988
	181,201,384	**(125,325,638)**	**3,441,964,024**	188,708,824	(208,988,419)	2,856,249,807	149,082,366	(147,711,855)	1,111,732,338

15. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(b) THE BANK

	Assets 2011	Liabilities 2011	Notional amount 2011	Assets 2010	Liabilities 2010	Notional amount 2010	Assets 2009	Liabilities 2009	Notional amount 2009
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Derivatives designated at fair value through profit or loss									
Commodity Index Options	-	-	-	-	-	-	1,900,179	(1,900,179)	59,371,425
Fund Options Transactions	757,568	(757,568)	108,224,000	1,217,900	(1,217,900)	121,771,000	946,854	(946,854)	122,949,000
Equity Linked Notes	14,544,758	(14,544,758)	15,369,800	26,772,719	(26,772,719)	27,743,750	26,481,140	(26,481,140)	30,889,000
Index Linked Options	30,032,160	(30,032,160)	42,720,000	28,364,250	(28,364,250)	48,067,500	19,149,030	(19,149,030)	48,540,000
Derivatives held-for-trading									
Forward Foreign Exchange Contracts	55,762,588	(2,986,842)	3,161,303,478	14,730,919	(38,110,514)	2,447,624,107	3,177,299	(1,806,788)	808,663,711
	101,097,074	(48,321,328)	3,327,617,278	71,085,788	(94,465,383)	2,645,206,357	51,654,502	(50,283,991)	1,070,413,136

As at 30 June 2011, 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.

16. OTHER FINANCIAL ASSETS HELD-FOR-TRADING

	THE GROUP AND THE BANK		
	2011	2010	2009
Unquoted investments	**Rs.**	Rs.	Rs.
Government of Mauritius debt securities	**441,804,000**	367,509,475	103,171,720

17. LOANS AND ADVANCES TO CUSTOMERS

	THE GROUP AND THE BANK		
	2011	2010	2009
	Rs.	Rs.	Rs.
Retail and personal	**683,947,109**	376,960,447	255,940,561
Business	**4,141,362,818**	2,217,148,239	1,471,073,262
Entities outside Mauritius	**3,736,227,050**	2,272,925,722	380,435,275
Credit cards	**48,716,359**	35,530,961	19,013,820
Gross core loans and advances to customers	**8,610,253,336**	4,902,565,369	2,126,462,918
Less: Allowance for impairment losses	**(60,874,624)**	(51,412,221)	(19,818,439)
	8,549,378,712	4,851,153,148	2,106,644,479

For the remaining term to maturity of gross core loans and advances to customers, refer to Note 37 (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 2008	508,546	7,735,645	374,230	38,263	8,656,684
Charge for the year	1,712,795	6,569,166	2,709,360	170,434	11,161,755
At 30 June 2009	2,221,341	14,304,811	3,083,590	208,697	19,818,439
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 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**
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
At 30 June 2009:					
Specific impairment	300,000	-	-	-	300,000
Collective impairment	1,921,341	14,304,811	3,083,590	208,697	19,518,439
	2,221,341	14,304,811	3,083,590	208,697	19,818,439

(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 2008	-	8,656,684	8,656,684
Charge for the year (Note 7)	300,000	10,861,755	11,161,755
At 30 June 2009	300,000	19,518,439	19,818,439
At 1 July 2009	300,000	19,518,439	19,818,439
Charge for the year (Note 7)	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 (Note 7)	**2,330,847**	**22,968,794**	**25,299,641**
At 30 June 2011	**3,934,000**	**56,940,624**	**60,874,624**

18. INVESTMENT IN SUBSIDIARY

	THE BANK		
	2011	2010	2009
Cost	**Rs.**	Rs.	Rs.
At start	**25,000,000**	1,000,000	1,000,000
Acquisition during the year - nil (2010: 2,400,000 and 2009: nil) Ordinary shares at no par value	**-**	24,000,000	-
At 30 June	**25,000,000**	25,000,000	1,000,000

The details of the subsidiary are as follows:

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

The Directors have reviewed the financial position and performance of the above subsidiary 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 Group's share of the assets and liabilities as at 30 June 2011 and income and expenses of the jointly controlled entity for the year ended 30 June 2011 are as follows:

	THE GROUP		
	2011	2010	2009
	Rs.	Rs.	Rs.
Share of the joint venture's statement of financial position:			
Current assets	**32,842,805**	37,780,038	-
Non-current assets	**26,759,282**	13,277,209	-
Current liabilities	**(51,568,331)**	(48,557,893)	-
Non-current liabilities	**(986)**	(170,307)	-
Equity	**8,032,770**	2,329,047	-
Share of the joint venture's revenue and profit:			
Revenue	**15,955,285**	5,357,388	-
Administrative expenses	**(11,098,452)**	(4,226,872)	-
Other income	**902,391**	275,251	-
Finance (cost)/ revenue	**(39,527)**	82,728	-
Income tax expense	**(15,973)**	(225,002)	-
Profit for the year	**5,703,724**	1,263,493	-
Carrying amount of the investment	**46,616,525**	40,912,801	-

20. INVESTMENT IN ASSOCIATE

The Bank has a 37.5% interest in AfrAsia Corporate Finance (Pty) Ltd, an independent corporate finance adviser based in Cape Town, South Africa. Its advisory services include mergers and acquisitions, debt advisory, restructuring, equity advisory and Black Economic Empowerment ("BEE") advisory.

AfrAsia Corporate Finance (Pty) Ltd is a private entity that is not listed on any public exchange.

	THE GROUP		
	2011	2010	2009
AfrAsia Corporate Finance (Pty) Ltd	**Rs.**	Rs.	Rs.
Cost of unquoted investment	**5,022,438**	-	-
Share of profit	**2,662,251**	-	-
	7,684,689	-	-

	THE BANK		
	2011	2010	2009
AfrAsia Corporate Finance (Pty) Ltd	**Rs.**	Rs.	Rs.
Cost of unquoted investment	**5,022,438**	-	-

The following table illustrates summarised financial information of the Bank's investment in AfrAsia Corporate Finance (Pty) Ltd:

	THE GROUP AND THE BANK		
	2011	2010	2009
	Rs.	Rs.	Rs.
Share of the associate's statement of financial position:			
Current assets	**7,963,455**	-	-
Non-current assets	**223,585**	-	-
Current liabilities	**(2,176,826)**	-	-
Non-current liabilities	**(484,483)**	-	-
Equity	**5,525,731**	-	-
Share of the associate's revenue and profit:			
Revenue	**9,229,159**	-	-
Profit	**2,662,251**	-	-

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

21. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	THE GROUP AND THE BANK		
	2011	2010	2009
Unquoted investments	**Rs.**	Rs.	Rs.
Government of Mauritius debt securities	**2,560,492,783**	846,580,424	638,610,782

22. 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 2008	3,764,665	3,506,320	3,924,257	-	3,312,473	14,507,715
Additions	21,952	165,320	327,222	671,292	659,958	1,845,744
Assets written off	(890,366)	(148,261)	(8,675)	-	(57,937)	(1,105,239)
Disposal	-	-	-	-	(45,275)	(45,275)
At 30 June 2009	2,896,251	3,523,379	4,242,804	671,292	3,869,219	15,202,945
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**
DEPRECIATION						
At 1 July 2008	279,280	255,012	304,716	-	836,950	1,675,958
Charge for the year	223,812	356,633	448,248	26,361	1,239,848	2,294,902
Assets written off	(341)	(20,989)	(1,982)	-	(31,338)	(54,650)
Disposal	-	-	-	-	(20,837)	(20,837)
At 30 June 2009	502,751	590,656	750,982	26,361	2,024,623	3,895,373
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	**391,455**	**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	**1,116,151**	**1,535,620**	**1,844,691**	**304,006**	**4,768,694**	**9,569,162**
NET BOOK VALUE						
At 30 June 2011	**2,804,009**	**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
At 30 June 2009	2,393,500	2,932,723	3,491,822	644,931	1,844,596	11,307,572

22. EQUIPMENT (Continued)

(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 2008	3,764,655	3,506,330	3,924,257	-	3,278,105	14,473,347
Additions	21,952	165,320	327,222	671,292	659,958	1,845,744
Assets written off	(890,366)	(148,261)	(8,675)	-	(57,937)	(1,105,239)
Disposal	-	-	-	-	(45,275)	(45,275)
At 30 June 2009	2,896,241	3,523,389	4,242,804	671,292	3,834,851	15,168,577
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**
DEPRECIATION						
At 1 July 2008	279,280	255,012	304,716	-	836,322	1,675,330
Charge for the year	223,812	356,633	448,248	26,361	1,228,393	2,283,447
Asset written off	(341)	(20,989)	(1,982)	-	(31,338)	(54,650)
Disposal	-	-	-	-	(20,837)	(20,837)
At 30 June 2009	502,751	590,656	750,982	26,361	2,012,540	3,883,290
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
Asset 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**
NET BOOK VALUE						
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
At 30 June 2009	2,393,490	2,932,733	3,491,822	644,931	1,822,311	11,285,287

23. INTANGIBLE ASSETS

THE GROUP AND THE BANK	Computer software	Banking software	Other	Total
COST	Rs.	Rs.	Rs.	Rs.
At 1 July 2008	482,964	15,642,978	4,620,687	20,746,629
Additions	246,918	240,300	61,918	549,136
Assets written off	-	(1,284,540)	(437,000)	(1,721,540)
At 30 June 2009	729,882	14,598,738	4,245,605	19,574,225
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**
AMORTISATION				
At 1 July 2008	115,507	1,531,573	763,481	2,410,561
Charge for the year	218,963	1,949,387	1,414,575	3,582,925
At 30 June 2009	334,470	3,480,960	2,178,056	5,993,486
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**
NET BOOK VALUE				
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
At 30 June 2009	395,412	11,117,778	2,067,549	13,580,739

Amortisation of intangible assets has been allocated to the statement of comprehensive income as follows:

	THE GROUP AND THE BANK		
	2011	2010	2009
	Rs.	Rs.	Rs.
Operating expenses	**3,601,221**	3,874,861	3,221,622
Fees and commission expense (Note 5)	**211,016**	358,677	361,303
	3,812,237	4,233,538	3,582,925

Notes to the Financial Statements

Year Ended 30 June 2011

24. OTHER ASSETS

	THE GROUP			THE BANK		
	2011	2010	2009	**2011**	2010	2009
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
Accrued income	**241,700**	2,120,913	397,471	**241,700**	2,120,913	397,471
Prepayments	**6,863,199**	2,098,375	1,306,953	**6,863,199**	2,098,375	1,306,953
Issued capital not yet paid	**-**	-	201,988,789	**-**	-	201,988,789
Share application money	**-**	4,285,000	-	**-**	4,285,000	-
Other receivables	**12,802,509**	8,083,820	6,801,562	**12,795,511**	8,006,571	11,378,093
	19,907,408	16,588,108	210,494,775	**19,900,410**	16,510,859	215,071,306

25. DUE TO BANKS

	THE GROUP AND THE BANK		
	2011	2010	2009
	Rs.	Rs.	Rs.
Bank overdrafts	**2,344**	47,180	5,126,676
Borrowings from the Central Bank	**28,480,989**	96,138,890	137,543,595
	28,483,333	96,186,070	142,670,271

26. DEPOSITS FROM CUSTOMERS

	THE GROUP			THE BANK		
	2011	2010	2009	**2011**	2010	2009
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
Personal						
- Current accounts	**691,199,323**	374,913,107	263,028,974	**691,199,323**	374,913,107	263,028,974
- Savings accounts	**1,288,344,897**	718,302,531	691,162,976	**1,288,344,897**	718,302,531	691,162,976
- Term deposits	**2,842,755,379**	1,252,877,571	622,293,149	**2,842,755,379**	1,252,877,571	622,293,149
Business						
- Current accounts	**3,039,648,323**	2,454,139,581	754,038,395	**3,039,750,508**	2,454,304,414	786,356,383
- Savings accounts	**379,669,928**	192,266,765	33,528,070	**379,669,928**	192,266,765	33,528,070
- Term deposits	**6,703,654,413**	2,968,955,642	1,657,213,129	**6,703,654,413**	2,968,955,642	1,657,213,129
Government institutions						
- Current accounts	**-**	-	192,868,939	**-**	-	192,868,939
- Savings accounts	**17,163,716**	4,020,809	165,201,898	**17,163,716**	4,020,809	165,201,898
- Term deposits	**-**	20,089,507	647,888,300	**-**	20,089,507	647,888,300
	14,962,435,979	7,985,565,513	5,027,223,830	**14,962,538,164**	7,985,730,346	5,059,541,818

Included in "Deposits from customers" accounts are deposits of Rs. 447,496,626 (2010: Rs. 277,444,107 and 2009: Rs. 155,719,454) held as collateral against loans and advances to these customers.

27. DEBTS ISSUED

	THE GROUP			THE BANK		
	2011	2010	2009	**2011**	2010	2009
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
(i) Notes	**125,516,298**	115,251,460	151,235,328	**-**	-	-
(ii) Unsecured subordinated bonds	**421,574,481**	-	-	**421,574,481**	-	-
	547,090,779	115,251,460	151,235,328	**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.

	2011	2010	2009
The notes are due as follows:	**Rs.**	Rs.	Rs.
Within 1 year	**-**	-	45,416,969
After 1 year but before 2 years	**-**	-	-
After 2 years but before 5 years	**125,516,298**	115,251,460	105,818,359
	125,516,298	115,251,460	151,235,328

(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.

	2011	2010	2009
The bonds are due as follows:	**Rs.**	Rs.	Rs.
After 5 years	**421,574,481**	-	-

28. AMOUNT DUE TO SUBSIDIARY

	THE BANK		
	2011	2010	2009
	Rs.	Rs.	Rs.
Funds due to subsidiary in respect of capital guaranteed contracts	**125,516,298**	115,251,460	151,235,327

29. OTHER LIABILITIES

	THE GROUP			THE BANK		
	2011	2010	2009	**2011**	2010	2009
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
Accounts payable and sundry creditors	**116,129,669**	49,757,591	86,998,049	**97,941,160**	31,611,632	23,898,388
	116,129,669	49,757,591	86,998,049	**97,941,160**	31,611,632	23,898,388

30. ISSUED CAPITAL

	THE GROUP AND THE BANK		
	2011	2010	2009
	Rs.	Rs.	Rs.
Issued and fully paid	**921,638,335**	653,977,649	250,000,000
Issued and partly paid	**-**	-	201,988,860
Issued and not yet paid	**-**	-	201,988,789
	921,638,335	653,977,649	653,977,649

Analysed as follows:	THE GROUP AND THE BANK					
	2011		2010		2009	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
		Rs.		Rs.		Rs.
Ordinary shares (Note 30 (a))	**57,601,463**	**921,638,335**	46,837,965	651,132,973	46,837,965	651,132,973
Founding executive shares (Note 30 (b))	**-**	**-**	783,796	-	391,898	-
Employee shares (Note 30 (c))	**-**	**-**	240,057	2,844,676	240,057	2,844,676
At 30 June	**57,601,463**	**921,638,335**	47,861,818	653,977,649	47,469,920	653,977,649
(a) Ordinary shares of no par value						
At 1 July	**46,837,965**	**651,132,973**	46,837,965	651,132,973	24,820,000	250,000,000
Issue of ordinary shares	**9,739,645**	**267,660,686**	-	-	22,017,965	401,132,973
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	**57,601,463**	**921,638,335**	46,837,965	651,132,973	46,837,965	651,132,973
(b) Founding executive shares (See Note 31 (a)(ii))						
At 1 July	**783,796**	**-**	391,898	-	-	-
Issue of founding executive shares at no par value	**-**	**-**	391,898	-	391,898	-
Conversion of founding executive shares into ordinary shares	**(783,796)**	**-**	-	-	-	-
At 30 June	**-**	**-**	783,796	-	391,898	-
(c) Employee shares (See Note 31 (b))						
At 1 July	**240,057**	**2,844,676**	240,057	2,844,676	-	-
Issue of employee shares at no par value	**-**	**-**	-	-	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	240,057	2,844,676

31. OTHER RESERVES

	THE GROUP				THE BANK			
	Equity-settled share-based payment reserve	Statutory reserve	General banking reserve	Total	Equity-settled share-based payment reserve	Statutory reserve	General banking reserve	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At 1 July 2008	-	-	-	-	-	-	-	-
Expense arising from equity-settled share-based payment transactions	5,632,775	-	-	5,632,775	5,632,775	-	-	5,632,775
At 30 June 2009	5,632,775	-	-	5,632,775	5,632,775	-	-	5,632,775
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	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	**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**

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 Rs 17.36 per share based on a valuation performed by independent professional advisors, were issued for a consideration of Rs 11.85 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 Rs 7 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 Rs 17.36, 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.

32. 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	2011			2010			2009		
	Level 1	**Level 2**	**Total fair value**	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value
Financial assets	**Rs.**	**Rs.**	**Rs.**	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Derivative financial instruments:									
Forward foreign exchange contract	-	**55,762,588**	**55,762,588**	-	14,730,919	14,730,919	-	3,177,299	3,177,299
	-	**55,762,588**	**55,762,588**	-	14,730,919	14,730,919	-	3,177,299	3,177,299
Other financial assets held-for-trading									
Government debts securities	**441,804,000**	-	**441,804,000**	367,509,475	-	367,509,475	103,171,720	-	103,171,720
Financial assets designated at fair value through profit and loss:									
Commodity index options	-	-	-	-	-	-	1,900,179	-	1,900,179
Fund options transactions	**757,568**	-	**757,568**	1,217,900	-	1,217,900	946,854	-	946,854
Equity linked notes	**59,776,068**	-	**59,776,068**	111,873,855	-	111,873,855	96,403,004	-	96,403,004
Index linked options	**30,032,160**	-	**30,032,160**	28,364,250	-	28,364,250	19,149,030	-	19,149,030
Index linked notes	**31,773,000**	-	**31,773,000**	29,421,900	-	29,421,900	27,506,000	-	27,506,000
Call option	**3,100,000**	-	**3,100,000**	3,100,000	-	3,100,000	-	-	-
	125,438,796	-	**125,438,796**	173,977,905	-	173,977,905	145,905,067	-	145,905,067
	567,242,796	**55,762,588**	**623,005,384**	541,487,380	14,730,919	556,218,299	249,076,787	3,177,299	252,254,086
Financial liabilities									
Derivative financial instruments:									
Forward foreign exchange contract	-	**(2,986,842)**	**(2,986,842)**	-	(38,110,514)	(38,110,514)	-	(1,806,788)	(1,806,788)
	-	**(2,986,842)**	**(2,986,842)**	-	(38,110,514)	(38,110,514)	-	(1,806,788)	(1,806,788)
Financial liabilities designated at fair value through profit and loss:									
Commodity index options	-	-	-	-	-	-	(1,900,179)	-	(1,900,179)
Fund options transactions	**(757,568)**	-	**(757,568)**	(1,217,900)	-	(1,217,900)	(946,854)	-	(946,854)
Equity linked notes	**(59,776,068)**	-	**(59,776,068)**	(111,873,855)	-	(111,873,855)	(96,403,004)	-	(96,403,004)
Index linked options	**(30,032,160)**	-	**(30,032,160)**	(28,364,250)	-	(28,364,250)	(19,149,030)	-	(19,149,030)
Index linked notes	**(31,773,000)**	-	**(31,773,000)**	(29,421,900)	-	(29,421,900)	(27,506,000)	-	(27,506,000)
	(122,338,796)	-	**(122,338,796)**	(170,877,905)	-	(170,877,905)	(145,905,067)	-	(145,905,067)
	(122,338,796)	**(2,986,842)**	**(125,325,638)**	(170,877,905)	(38,110,514)	(208,988,419)	(145,905,067)	(1,806,788)	(147,711,855)

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(a) Financial instruments recorded at fair value (Continued)

THE BANK	2011			2010			2009		
	Level 1	**Level 2**	**Total fair value**	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value
Financial assets	**Rs.**	**Rs.**	**Rs.**	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Derivative financial instruments:									
Forward foreign exchange contract	**-**	**55,762,588**	**55,762,588**	-	14,730,919	14,730,919	-	3,177,299	3,177,299
	-	**55,762,588**	**55,762,588**	-	14,730,919	14,730,919	-	3,177,299	3,177,299
Other financial assets held-for-trading									
Government debts securities	**441,804,000**	**-**	**441,804,000**	367,509,475	-	367,509,475	103,171,720	-	103,171,720
Financial assets designated at fair value through profit and loss:									
Commodity index options	**-**	**-**	**-**	-	-	-	1,900,179	-	1,900,179
Fund options transactions	**757,568**	**-**	**757,568**	1,217,900	-	1,217,900	946,854	-	946,854
Equity linked notes	**14,544,758**	**-**	**14,544,758**	26,772,719	-	26,772,719	26,481,140	-	26,481,140
Index linked options	**30,032,160**	**-**	**30,032,160**	28,364,250	-	28,364,250	19,149,030	-	19,149,030
	45,334,486	**-**	**45,334,486**	56,354,869	-	56,354,869	48,477,203	-	48,477,203
	487,138,486	**55,762,588**	**542,901,074**	423,864,344	14,730,919	438,595,263	151,648,923	3,177,299	154,826,222
Financial liabilities									
Derivative financial instruments:									
Forward foreign exchange contract	**-**	**(2,986,842)**	**(2,986,842)**	-	(38,110,514)	(38,110,514)	-	(1,806,788)	(1,806,788)
	-	**(2,986,842)**	**(2,986,842)**	-	(38,110,514)	(38,110,514)	-	(1,806,788)	(1,806,788)
Financial liabilities designated at fair value through profit and loss:									
Commodity index options	**-**	**-**	**-**	-	-	-	(1,900,179)	-	(1,900,179)
Fund options transactions	**(757,568)**	**-**	**(757,568)**	(1,217,900)	-	(1,217,900)	(946,854)	-	(946,854)
Equity linked notes	**(14,544,758)**	**-**	**(14,544,758)**	(26,772,719)	-	(26,772,719)	(26,481,140)	-	(26,481,140)
Index linked options	**(30,032,160)**	**-**	**(30,032,160)**	(28,364,250)	-	(28,364,250)	(19,149,030)	-	(19,149,030)
	(45,334,486)	**-**	**(45,334,486)**	(56,354,869)	-	(56,354,869)	(48,477,203)	-	(48,477,203)
	(45,334,486)	**(2,986,842)**	**(48,321,328)**	(56,354,869)	(38,110,514)	(94,465,383)	(48,477,203)	(1,806,788)	(50,283,991)

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.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(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 2011		30 June 2010		30 June 2009	
	Carrying amount	**Total fair value**	Carrying amount	Total fair value	Carrying amount	Total fair value
Financial assets	**Rs.**	**Rs.**	Rs.	Rs.	Rs.	Rs.
Cash and balances with the Central Bank	**1,085,084,764**	**1,085,084,764**	998,421,458	998,421,458	207,964,884	207,964,884
Due from banks	**3,945,077,133**	**3,945,077,133**	1,806,969,731	1,806,969,731	2,751,535,864	2,751,535,864
Loans and advances to customers	**8,549,378,712**	**8,553,502,101**	4,851,153,148	4,848,115,341	2,106,644,479	2,101,991,859
Financial investments held-to-maturity	**2,560,492,783**	**2,568,483,197**	846,580,424	863,535,543	638,610,782	634,268,682
Other assets (excluding prepayments)	**13,044,209**	**13,044,209**	14,489,733	14,489,733	209,187,822	209,187,822
	16,153,077,601	**16,165,191,404**	8,517,614,494	8,531,531,806	5,913,943,831	5,904,949,111
Financial liabilities	**Rs.**	**Rs.**	Rs.	Rs.	Rs.	Rs.
Due to banks	**(28,483,333)**	**(28,483,333)**	(96,186,070)	(96,186,070)	(142,670,271)	(142,670,271)
Deposits from customers	**(14,962,435,979)**	**(14,958,760,791)**	(7,985,565,513)	(7,976,151,520)	(5,027,223,830)	(5,025,808,190)
Debts issued	**(547,090,779)**	**(555,349,532)**	(115,251,460)	(120,144,939)	(151,235,328)	(163,721,407)
Current tax liabilities	**(18,385,558)**	**(18,385,558)**	(9,324,978)	(9,324,978)	(11,680)	(11,680)
Other liabilities	**(116,129,669)**	**(116,129,669)**	(49,757,591)	(49,757,591)	(86,998,049)	(86,998,049)
	(15,672,525,318)	**(15,677,108,883)**	(8,256,085,612)	(8,251,565,098)	(5,408,139,158)	(5,419,209,597)

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

THE BANK	30 June 2011		30 June 2010		30 June 2009	
	Carrying amount	Total fair value	Carrying amount	Total fair value	Carrying amount	Total fair value
Financial assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and balances with Central Bank	1,085,084,764	1,085,084,764	998,421,458	998,421,458	207,964,884	207,964,884
Due from banks	3,944,929,389	3,944,929,389	1,806,870,654	1,806,870,654	2,715,056,629	2,715,056,629
Loans and advances to customers	8,549,378,712	8,553,502,101	4,851,151,148	4,848,115,341	2,106,644,479	2,101,991,859
Financial investments held-to-maturity	2,560,492,783	2,568,483,197	846,580,424	863,535,543	638,610,782	634,268,682
Other assets (excluding prepayments)	13,044,209	13,044,209	14,412,484	14,412,484	213,762,353	213,764,353
	16,152,929,857	16,165,043,660	8,517,436,168	8,531,355,480	5,882,039,127	5,873,046,407

	30 June 2011		30 June 2010		30 June 2009	
	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	(28,483,333)	(28,483,333)	(96,186,070)	(96,186,070)	(142,670,271)	(142,670,271)
Deposits from customers	(14,962,538,164)	(14,958,862,976)	(7,985,730,346)	(7,976,316,353)	(5,059,541,818)	(5,058,126,178)
Amount due to subsidiary	(125,516,298)	(133,775,051)	(115,251,460)	(120,144,939)	(151,235,327)	(163,781,407)
Debts issued	(421,574,481)	(421,574,481)	-	-	-	-
Current tax liabilities	(18,385,558)	(18,385,558)	(9,324,978)	(9,324,978)	-	-
Other liabilities	(97,941,160)	(97,941,160)	(31,611,631)	(31,611,631)	(23,898,388)	(23,898,388)
	(15,654,438,994)	(15,659,022,559)	(8,238,104,485)	(8,233,583,971)	(5,377,345,804)	(5,388,476,244)

33. ADDITIONAL CASH FLOW INFORMATION

	THE GROUP			THE BANK		
	2011	2010	2009	**2011**	2010	2009
(a) Cash and cash equivalents	**Rs.**	Rs.	Rs.	**Rs.**	Rs.	Rs.
Cash in hand (Note 13)	**9,226,496**	11,818,436	14,062,169	**9,226,496**	11,818,436	14,062,169
Unrestricted balances with the Central Bank (Note 13)	**461,193,071**	588,303,959	27,424,569	**461,193,071**	588,303,959	27,424,569
Placements with the Central Bank (Note 13)	**-**	127,031,019	-	**-**	127,031,019	-
Short term placements with other banks (Note 14)	**3,076,525,650**	1,278,455,705	2,032,255,711	**3,076,525,650**	1,278,455,705	2,032,255,711
Current accounts with other banks (Note 14)	**502,812,734**	416,020,872	337,768,480	**502,664,990**	415,921,795	301,289,245
Other amounts due (Note 14)	**1,303,245**	1,157,472	1,134,652	**1,303,245**	1,157,472	1,134,652
Bank overdrafts (Note 25)	**(2,344)**	(47,180)	(5,126,676)	**(2,344)**	(47,180)	(5,126,676)
	4,051,058,852	2,422,740,283	2,407,518,905	**4,050,911,108**	2,422,641,206	2,371,039,670
(b) Change in operating assets						
Net change in mandatory balances with the Central Bank	**(343,397,153)**	(104,789,898)	(72,810,358)	**(343,397,153)**	(104,789,898)	(72,810,358)
Net change in medium term interbank placement	**(253,099,822)**	269,041,339	(377,750,021)	**(253,099,822)**	269,041,339	(377,750,021)
Net change in derivative financial instruments	**14,730,919**	1,977,479	(1,956,610)	**14,730,919**	5,077,478	(4,604,311)
Net change in loans and advances	**(3,695,080,680)**	(2,761,183,771)	(1,166,807,100)	**(3,695,080,680)**	(2,761,183,771)	(1,166,807,100)
Net change in financial investments - held-to-maturity	**(1,691,626,409)**	(207,317,227)	(260,237,114)	**(1,691,626,409)**	(207,317,227)	(260,237,114)
Net change in other financial assets held-for-trading	**(67,681,825)**	(258,608,712)	(102,203,363)	**(67,681,825)**	(258,608,712)	(102,203,363)
Net change in other assets	**(3,319,300)**	(8,075,124)	5,297,389	**(3,389,551)**	(3,428,342)	(2,346,979)
	(6,039,474,270)	(3,068,955,914)	(1,976,467,177)	**(6,039,544,521)**	(3,061,209,133)	(1,986,759,246)
(c) Change in operating liabilities						
Net change in due to banks	**(67,657,901)**	(41,404,705)	(5,485,115)	**(67,657,901)**	(41,404,705)	(5,485,115)
Net change in derivative financial instruments	**(38,110,514)**	(3,706,968)	1,129,898	**(38,110,514)**	(3,706,968)	3,777,599
Net change in amount due to subsidiary	**-**	-	-	**10,264,838**	(35,983,867)	49,760,136
Net change in amount due to group companies	**-**	-	-	**-**	-	-
Net change in debts issued	**422,819,367**	(35,983,868)	49,760,137	**412,554,529**	-	-
Net change in deposits from customers	**6,929,773,531**	2,949,798,191	2,633,437,861	**6,929,710,883**	2,917,645,036	2,588,969,117
Net change in other liablities	**66,372,078**	(55,189,767)	(29,135,080)	**66,329,528**	7,713,244	844,664
	7,313,196,561	2,813,512,883	2,649,707,701	**7,313,091,363**	2,844,262,740	2,637,866,401
(d) Non-cash items included in profit before tax						
Net unrealised (gain)/loss on derivative financial instruments	**(52,775,746)**	23,379,595	(1,370,511)	**(52,775,746)**	23,379,595	(1,370,511)
Net unrealised loss on held-for-trading financial assets	**(6,612,700)**	(5,729,043)	(968,357)	**(6,612,700)**	(5,729,042)	(968,357)
Depreciation of equipment	**3,058,647**	2,804,560	2,294,902	**3,046,724**	2,792,710	2,283,447
Amortisation of intangible assets	**3,812,237**	4,233,538	3,582,925	**3,812,237**	4,233,538	3,582,925
Equipment written off	**222,003**	298,100	1,050,589	**222,003**	298,100	1,050,589
Intangible assets written off	**-**	51,436	1,721,540	**-**	51,436	1,721,540
Bad debts written off	**-**	372,090	-	**-**	372,090	-
Profit on disposal of equipment	**-**	-	(15,148)	**-**	-	(15,148)
Net interest (receivable)/payable	**5,386,412**	(7,399,693)	25,482,134	**5,386,412**	(7,399,693)	25,482,134
Employee shares scheme	**3,953,869**	4,172,446	5,632,775	**-**	4,172,446	5,632,775
Share of net profit in joint venture	**(5,703,724)**	(1,263,493)	-	**3,953,869**	-	-
Share of net profit in associate	**(2,662,251)**	-	-	**-**	-	-
Net allowance for credit impairment	**25,299,641**	31,593,782	11,161,755	**25,299,641**	31,593,782	11,161,755
	(26,021,612)	52,513,318	48,572,604	**(17,667,560)**	53,764,962	48,561,149

34. 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	2011			2010			2009		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
ASSETS	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and balances with Central Bank	**1,032,691,975**	**52,392,789**	**1,085,084,764**	998,421,458	-	998,421,458	207,964,884	-	207,964,884
Due from banks	**3,945,077,133**	**-**	**3,945,077,133**	1,806,969,731	-	1,806,969,731	2,751,535,864	-	2,751,535,864
Derivative financial instruments	**55,762,588**	**125,438,796**	**181,201,384**	14,730,919	173,977,905	188,708,824	5,077,478	144,004,888	149,082,366
Other financial assets held-for-trading	**441,804,000**	**-**	**441,804,000**	367,509,475	-	367,509,475	103,171,720	-	103,171,720
Loans and advances to customers	**5,754,915,389**	**2,855,337,947**	**8,610,253,336**	3,484,889,420	1,366,263,728	4,851,153,148	1,459,473,811	647,170,668	2,106,644,479
Investment in joint venture	**-**	**46,616,525**	**46,616,525**	-	39,649,308	39,649,308	-	-	-
Investment in associate	**-**	**7,684,689**	**7,684,689**	-	-	-	-	-	-
Financial investments held-to-maturity	**1,155,506,505**	**1,404,986,278**	**2,560,492,783**	451,364,532	395,215,892	846,580,424	501,769,807	136,840,975	638,610,782
Equipment	**-**	**13,364,250**	**13,364,250**	-	13,408,600	13,408,600	-	11,307,572	11,307,572
Intangible assets	**-**	**13,591,022**	**13,591,022**	-	15,048,060	15,048,060	-	13,580,739	13,580,739
Deferred tax assets	**-**	**2,532,127**	**2,532,127**	-	2,228,541	2,228,541	-	3,272,492	3,272,492
Other assets	**19,907,408**	**-**	**19,907,408**	16,588,108	-	16,588,108	210,494,775	-	210,494,775
TOTAL ASSETS	**12,405,664,998**	**4,521,944,423**	**16,927,609,421**	7,140,473,643	2,005,792,034	9,146,265,677	5,239,488,339	956,177,334	6,195,665,673
LIABILITIES									
Due to banks	**28,483,333**	**-**	**28,483,333**	96,186,070	-	96,186,070	142,670,271	-	142,670,271
Derivative financial instruments	**2,986,842**	**122,338,796**	**125,325,638**	38,110,514	170,877,905	208,988,419	3,706,967	144,004,888	147,711,855
Deposits from customers	**14,198,236,563**	**764,199,416**	**14,962,435,979**	7,603,366,353	382,199,160	7,985,565,513	4,730,003,749	297,220,081	5,027,223,830
Debts issued	**-**	**547,090,779**	**547,090,779**	-	115,251,460	115,251,460	45,416,969	105,818,359	151,235,328
Current tax liabilities	**18,385,558**	**-**	**18,385,558**	9,324,978	-	9,324,978	11,680	-	11,680
Deferred tax liabilities	**-**	**-**	**-**	-	-	-	-	2,055	2,055
Other liabilities	**109,929,669**	**6,200,000**	**116,129,669**	38,008,282	11,249,309	49,257,591	85,843,971	1,154,078	86,998,049
TOTAL LIABILITIES	**14,358,021,965**	**1,439,828,991**	**15,797,850,956**	7,784,996,197	679,577,834	8,464,574,031	5,007,653,607	548,199,461	5,555,853,068

34. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Continued)

(b) THE BANK	2011			2010			2009		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
ASSETS	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and balances with Central Bank	1,032,691,975	52,392,789	1,085,084,764	998,421,458	-	998,421,458	207,964,884	-	207,964,884
Due from banks	3,944,929,389	-	3,944,929,389	1,806,870,654	-	1,806,870,654	2,715,056,629	-	2,715,056,629
Derivative financial instruments	55,762,588	45,334,486	101,097,074	14,730,919	56,354,869	71,085,788	5,077,478	46,577,024	51,654,502
Other financial assets held-for-trading	441,804,000	-	441,804,000	367,509,475	-	367,509,475	103,171,720	-	103,171,720
Loans and advances to customers	5,694,040,765	2,855,337,947	8,549,378,712	3,484,889,420	1,366,263,728	4,851,153,148	1,459,473,811	647,170,668	2,106,644,479
Investment in subsidiary	-	25,000,000	25,000,000	-	25,000,000	25,000,000	-	1,000,000	1,000,000
Investment in associate	-	5,022,438	5,022,438	-	-	-	-	-	-
Financial investments held-to-maturity	1,155,506,505	1,404,986,278	2,560,492,783	451,364,532	395,215,892	846,580,424	501,769,807	136,840,975	638,610,782
Equipment	-	13,354,813	13,354,813	-	13,387,240	13,387,240	-	11,285,287	11,285,287
Intangible assets	-	13,591,022	13,591,022	-	15,048,060	15,048,060	-	13,580,739	13,580,739
Deferred tax assets	-	2,494,027	2,494,027	-	2,205,826	2,205,826	-	3,272,492	3,272,492
Other assets	19,900,410	-	19,900,410	16,510,859	-	16,510,859	215,071,306	-	215,071,306
TOTAL ASSETS	12,344,635,632	4,417,513,800	16,762,149,432	7,140,297,317	1,873,475,615	9,013,772,932	5,207,585,635	859,727,185	6,067,312,820
LIABILITIES									
Due to banks	28,483,333	-	28,483,333	96,186,070	-	96,186,070	142,670,271	-	142,670,271
Derivative financial instruments	2,986,842	45,334,486	48,321,328	38,110,514	56,354,869	94,465,383	3,706,967	46,577,024	50,283,991
Deposits from customers	14,198,338,748	764,199,416	14,962,538,164	7,603,366,353	382,199,160	7,985,565,513	4,762,321,737	297,220,081	5,059,541,818
Debts issued	-	421,574,481	421,574,481	-	-	-	-	-	-
Amount due to subsidiary	-	125,516,298	125,516,298	-	115,251,460	115,251,460	-	151,235,327	151,235,327
Current tax liabilities	18,385,558	-	18,385,558	9,324,978	-	9,324,978	-	-	-
Other liabilities	97,941,160	-	97,941,160	31,611,632	-	31,611,632	22,744,310	1,154,078	23,898,388
TOTAL LIABILITIES	14,346,135,641	1,356,624,681	15,702,760,322	7,778,599,547	553,805,489	8,332,405,036	4,931,443,285	496,186,510	5,427,629,795

35. 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 statement 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		
	2011	2010	2009
Contingent liabilities	**Rs.**	Rs.	Rs.
Financial guarantees	**585,949,832**	600,291,212	349,799,270
Letters of credit	**91,723,131**	55,379,486	28,859,754
	677,672,963	655,670,698	378,659,024
Commitments			
Undrawn commitments to lend	**2,341,851,276**	1,217,896,110	901,787,408
Total	**3,019,524,239**	1,873,566,808	1,280,446,432

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		
	2011	2010	2009	**2011**	2010	2009
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
Within one year	**10,163,572**	9,946,602	6,691,219	**10,163,572**	9,946,602	6,691,219
After one year but not more than five years	**636,372**	9,029,953	14,094,919	**636,372**	9,029,953	14,094,919
	10,799,944	18,976,555	20,786,138	**10,799,944**	18,976,555	20,786,138

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.

36. RELATED PARTY DISCLOSURES

	THE GROUP			THE BANK		
	2011	2010	2009	**2011**	2010	2009
Compensation of key management personnel of the Group and the Bank	**Rs.**	Rs.	Rs.	**Rs.**	Rs.	Rs.
Short-term employee benefits	**50,208,102**	26,510,503	39,516,775	**50,208,102**	26,510,503	39,516,775
Share-based payments	**3,953,869**	3,810,494	5,223,748	**3,953,869**	3,810,494	5,223,748
	54,161,971	30,320,997	44,740,523	**54,161,971**	30,320,997	44,740,523

Transactions with key management personnel of the Group and the Bank

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.

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	2011		2010		2009	
	Balances as at 30 June 2011	**Income from / (expense) to**	Balances as at 30 June 2010	Income from / (expense) to	Balances as at 30 June 2009	Income from / (expense) to
Key management personnel of the Bank:	**Rs.**	**Rs.**	Rs.	Rs.	Rs.	Rs.
Loans and advances	**15,429,382**	**168,202**	2,270,753	(1,555,671)	9,880,983	(1,258,692)
Deposits from customers:						
- Term deposits	**14,895,275**	**31,823**	(16,648,816)	556,705	(5,188,923)	(159,685)
- Savings and current accounts	**14,156,007**	**-**	(11,454,135)	104,682	(21,601,078)	(231,405)
	29,051,282	**31,823**	(28,102,951)	661,387	(26,790,001)	(391,090)
Directors' fees	**-**	**(1,950,616)**	-	(1,838,904)	-	(1,519,932)
	29,051,282	**(1,918,793)**	(28,102,951)	(1,177,517)	(26,790,001)	(1,911,022)

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 from related parties	Fees to related parties	Interest to related parties	Amount owed by related parties	Amount owed to related parties
	Rs.	Rs.	Rs.	Rs.	Rs.
2011					
Holding Company	-	-	-	-	74,031
Fellow subsidiaries	3,045,514	7,997,612	47,014	250,779,668	340,209,975
	3,045,514	7,997,612	47,014	250,779,668	340,284,006

36. RELATED PARTY DISCLOSURES (Continued)

Transactions with other related parties (Continued)

(a) THE GROUP (Continued)	Fees from related parties	Fees to related parties	Interest to related parties	Amount owed by related parties	Amount owed to related parties
	Rs.	Rs.	Rs.	Rs.	Rs.
2010					
Holding Company	-	51,213	-	-	43,192
Fellow subsidiaries	42,091,305	10,127,075	2,452,988	127,124,456	72,590,852
	42,091,305	10,178,288	2,452,988	127,124,456	72,634,044
2009					
Holding Company	(1,846,800)	-	-	-	27,824,882
Fellow subsidiaries	73,684,868	-	10,704,658	236,934,502	67,994,428
	71,838,068	-	10,704,658	236,934,502	95,819,310
(b) THE BANK					
2011					
Holding Company	**-**	**-**	**-**	**-**	**74,031**
Subsidiary Company	**-**	**-**	**-**	**-**	**125,618,482**
Fellow subsidiaries	**3,045,514**	**7,997,612**	**47,014**	**250,779,668**	**340,209,975**
	3,045,514	**7,997,612**	**47,014**	**250,779,668**	**465,902,488**
2010					
Holding Company	-	51,213	-	-	43,192
Subsidiary Company	-	12,566,133	155,398	-	115,507,358
Fellow subsidiaries	42,091,305	10,127,075	2,452,988	127,124,456	72,590,852
	42,091,305	22,744,421	2,608,386	127,124,456	188,141,402
2009					
Holding Company	(1,846,800)	-	-	-	27,824,882
Subsidiary Company	-	10,875,914	160,792	5,725,894	205,549,379
Fellow subsidiaries	73,684,868	-	10,704,658	236,934,502	67,994,428
	71,838,068	10,875,914	10,865,450	242,660,396	301,368,689

Terms and conditions of transactions with related parties

The above mentioned outstanding balances arose from the ordinary course of business. The interest charged to and by related parties are at normal commercial rates. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2011, the Group and the Bank have not made any provision for doubtful debts relating to amounts owed by related parties (2010 and 2009: nil). At 30 June 2011, none of the facilities granted to related parties was non-performing (2010 and 2009: nil).

The total on and off balance sheet exposure to the related parties amounted to Rs. 365,158,218(2010: Rs. 221,671,716 and 2009: Rs. 240,000,000) representing 3% (2010: 3% and 2009: 5%) of the Group's total exposure.

The credit exposure to the six related parties with the highest exposure amounted to Rs. 324,216,961 (2010: Rs. 221,671,716 and 2009: Rs. 240,000,000) representing 32% (2010: 37% and 2009: 55%) 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.

37. RISK MANAGEMENT

(a) 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 are 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 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.

Risk measurement and reporting systems

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 Bank also runs 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 Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, 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.

37. RISK MANAGEMENT (Continued)

(a) Introduction (Continued)

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 Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, 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.

(b) Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls 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 Bank has 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 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 statement of financial position.

Credit-related commitments risks

The Bank makes available to its customers guarantees which may require that the Bank makes 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 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 Bank to similar risks to loans and are mitigated by the same control processes and policies.

37. RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Risk concentrations: Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The Bank's concentrations of risk are managed by client/counterparty, by geographical region and by industry sector. The maximum credit exposure to any client or counterparty as of 30 June 2011 was Rs. 1,004,192,985 (2010: Rs. 959,065,000 and 2009: Rs. 799,168,500) before and after taking account of collateral or other credit enhancements.

The following table shows the maximum exposure to credit risk for the components of the statement 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		
	2011	2010	2009	**2011**	2010	2009
Financial assets	**Rs.**	Rs.	Rs.	**Rs.**	Rs.	Rs.
Due from banks						
Placement with other banks	**3,440,961,154**	1,389,791,387	2,412,632,732	**3,440,961,154**	1,389,791,387	2,412,632,732
Current accounts	**502,812,735**	416,020,872	337,768,480	**502,664,990**	415,921,795	301,289,245
Other amounts due	**1,303,245**	1,157,472	1,134,652	**1,303,245**	1,157,472	1,134,652
	3,945,077,134	1,806,969,731	2,751,535,864	**3,944,929,389**	1,806,870,654	2,715,056,629
Derivative financial instruments	**181,201,384**	188,708,824	149,082,366	**101,097,074**	71,085,788	51,654,502
Loans and advances to customers						
Retail and personal	**683,947,109**	376,960,447	255,940,561	**683,947,109**	376,960,447	255,940,561
Business	**4,141,362,818**	2,217,148,239	1,471,073,262	**4,141,362,818**	2,217,148,239	1,471,073,262
Entities outside Mauritius	**3,736,227,050**	2,272,925,722	380,435,275	**3,736,227,050**	2,272,925,722	380,435,275
Credit cards	**48,716,359**	35,530,961	19,013,820	**48,716,359**	35,530,961	19,013,820
	8,610,253,336	4,902,565,369	2,126,462,918	**8,610,253,336**	4,902,565,369	2,126,462,918
Other assets (excluding prepayments)	**13,044,209**	14,489,733	209,187,822	**13,037,211**	14,412,484	213,764,353
	12,749,576,063	6,912,733,657	5,236,268,970	**12,669,317,010**	6,794,934,295	5,106,938,402

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		
	2011	2010	2009	**2011**	2010	2009
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
Mauritius	**5,939,407,862**	3,825,268,056	3,420,399,360	**5,936,153,119**	3,821,991,730	3,388,496,656
France	**98,848,110**	67,015,024	397,163,076	**98,848,110**	67,015,024	397,163,076
United Kingdom	**689,688,880**	761,893,347	572,622,247	**657,915,880**	647,370,311	475,194,383
United States of America	**601,092,335**	328,367,036	178,634,721	**601,092,335**	328,367,036	178,634,721
India	**4,853,932,786**	1,518,621,622	194,344,295	**4,853,932,786**	1,518,621,622	194,344,295
Other	**619,720,164**	411,568,572	473,105,271	**521,374,780**	411,568,572	473,105,271
	12,802,690,137	6,912,733,657	5,236,268,970	**12,669,317,010**	6,794,934,295	5,106,938,402

37. RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

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		
	2011	2010	2009	**2011**	2010	2009
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
Agriculture	**175,109,662**	172,525,776	174,404,106	**175,109,662**	170,293,235	174,404,106
Construction, infrastructure and real estate	**1,037,516,198**	469,884,476	301,261,090	**1,037,516,198**	469,884,476	301,261,090
Financial and business services	**7,379,023,159**	3,773,064,742	3,220,189,243	**7,245,650,032**	3,665,898,775	3,086,282,144
Government	**103,535,359**	108,975,178	1,545,365	**103,535,359**	108,975,178	1,545,365
Information, communication and technology	**164,075,217**	326,817,530	69,523,345	**164,075,217**	326,817,530	69,523,344
Manufacturing	**1,035,231,439**	590,226,084	189,980,673	**1,035,231,439**	589,465,880	189,980,673
Personal	**732,663,468**	401,865,343	197,970,831	**732,663,468**	401,862,510	197,970,831
Tourism	**1,183,225,392**	552,251,491	401,975,882	**1,183,225,392**	545,884,221	401,975,882
Traders	**769,863,681**	463,077,136	356,537,769	**769,863,681**	462,037,074	356,537,769
Others	**222,446,562**	54,045,901	322,880,666	**222,446,562**	53,815,416	327,457,198
	12,802,690,137	6,912,733,657	5,236,268,970	**12,669,317,010**	6,794,934,295	5,106,938,402

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 Bank also requests 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 agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. It is the Bank's policy to dispose of any collateral given as security for sub standard or impaired asset in line with existing standards and procedures in place. The proceeds will be used to reduce or repay the outstanding claim.

37. RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

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
30 June 2011	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Due from banks	**3,945,077,133**	**-**	**-**	**-**	**3,945,077,133**
Derivative financial instruments	**181,201,384**	**-**	**-**	**-**	**181,201,384**
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***
Other assets (excluding prepayments)	**13,044,209**	**-**	**-**	**-**	**13,044,209**
	12,409,119,562	**237,250,198**	**92,172,362**	**11,033,940**	**12,749,576,062**
30 June 2010	Rs.	Rs.	Rs.	Rs.	Rs.
Due from banks	1,806,969,731	-	-	-	1,806,969,731
Derivative financial instruments	188,708,824	-	-	-	188,708,824
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*	*1,169,584,479*
- Business banking	*716,308,757*	*4,111,007*	*16,395,705*	*-*	*682,153,431*
- Private/ personal	*404,240,506*	*-*	*6,409,148*	*1,841,754*	*274,725,008*
Other assets (excluding prepayments)	14,489,733	-	-	-	14,489,733
	6,837,721,775	4,111,007	28,822,349	42,078,526	6,912,733,657
30 June 2009	Rs.	Rs.	Rs.	Rs.	Rs.
Due from banks	2,751,535,864	-	-	-	2,751,535,864
Derivative financial instruments	149,082,366	-	-	-	149,082,366
Loans and advances to customers	2,011,573,798	-	114,388,856	500,264	2,126,462,918
- Corporate lending	*1,097,488,785*	*-*	*72,095,694*	*-*	*1,169,584,479*
- Business banking	*649,488,628*	*-*	*32,664,803*	*-*	*682,153,431*
- Private/ personal	*264,596,385*	*-*	*9,628,359*	*500,264*	*274,725,008*
Other assets (excluding prepayments)	209,187,822	-	-	-	209,187,822
	5,121,379,850	-	114,388,856	500,264	5,236,268,970

37. RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

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
30 June 2011	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Due from banks	**3,944,929,389**	**-**	**-**	**-**	**3,944,929,389**
Derivative financial instruments	**101,097,074**	**-**	**-**	**-**	**101,097,074**
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***
Other assets (excluding prepayments)	**13,044,209**	**-**	**-**	**-**	**13,044,209**
	12,328,867,508	**237,250,198**	**92,172,362**	**11,033,940**	**12,669,324,008**
30 June 2010	Rs.	Rs.	Rs.	Rs.	Rs.
Due from banks	1,806,870,654	-	-	-	1,806,870,654
Derivative financial instruments	71,085,788	-	-	-	71,085,788
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*
Other assets (excluding prepayments)	14,412,484	-	-	-	14,412,484
	6,719,922,413	4,111,007	28,822,349	42,078,526	6,794,934,295
30 June 2009	Rs.	Rs.	Rs.	Rs.	Rs.
Due from banks	2,715,056,629	-	-	-	2,715,056,629
Derivative financial instruments	51,654,502	-	-	-	51,654,502
Loans and advances to customers	2,102,734,595	-	23,228,059	500,264	2,126,462,918
- Corporate lending	*1,162,750,450*	*-*	*6,834,029*	*-*	*1,169,584,479*
- Business banking	*668,730,128*	*-*	*13,423,303*	*-*	*682,153,431*
- Private/personal	*271,254,017*	*-*	*2,970,727*	*500,264*	*274,725,008*
Other assets (excluding prepayments)	213,764,353	-	-	-	213,764,353
	5,083,210,079	-	23,228,059	500,264	5,106,938,402

It is the Group'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 rating policy. The attributable risk ratings are assessed and updated regularly.

37. RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

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 amount in arrears**
30 June 2011	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Loans and advances to customers	**50,597,330**	**1,227,447**	**17,396,792**	**22,950,793**	**92,172,362**
- 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	17,350,128	1,746,558	1,016,121	8,709,542	28,822,349
- 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

37. RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

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 Bank holds relating to loans that were past due but not impaired and loans individually determined to be impaired at 30 June 2011 amount to Rs. 1,078,671,252 (2010: Rs. 383,345,500 and 2009: Rs. 432,131,000) and Rs. 7,030,462 (2010: Rs. 24,378,567 and 2009: Rs. 197,513) respectively .

Collateral repossessed

During the year, the Bank did not take possession of any collateral (2010: Nil and 2009: Nil).

Carrying amount by class of financial assets whose terms have been renegotiated.

The table below shows the carrying amount of renegotiated financial assets, by class.

THE GROUP AND THE BANK

	2011	2010	2009
	Rs.	Rs.	Rs.
Loans and advances to customers			
- Corporate lending	**186,989,079**	41,392,414	99,708,000
- Business banking	**82,243,754**	21,612,688	38,415,455
- Private/ personal	**23,698,438**	13,392,608	1,964,000
	292,931,271	76,397,710	140,087,455

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 Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Bank determines 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.

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".

37. RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

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 Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the Statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank.

The table below shows 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 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 Statement of financial position.

	2011	2010	2009
	Rs.	Rs.	Rs.
Financial guarantees	585,949,832	600,291,212	349,799,270
Letters of credit	91,723,131	55,379,486	28,859,754
Other undrawn commitments to lend	2,341,851,276	1,217,896,110	901,787,408
	3,019,524,239	1,873,566,808	1,280,446,432

(c) Liquidity risk and funding management

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

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 Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

37. RISK MANAGEMENT (Continued)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE GROUP	30 June 2011								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
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 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)	-	9,142,522	3,097,808	7,660,080	19,900,410	-	-	-	19,900,410
Total	983,888,569	8,225,781,213	1,710,310,394	1,485,677,824	12,405,658,000	3,395,531,724	1,042,624,086	4,438,155,810	16,843,813,810
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	-	-	-	18,575,895	18,575,895	-	-	-	18,575,895
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	3,060,990,540	14,358,212,302	1,018,254,510	421,574,481	1,439,828,991	15,798,041,293
Net liquidity gap	638,531,788	363,760,955	(1,379,534,329)	(1,575,312,716)	(1,952,554,302)	2,377,277,214	621,049,605	2,998,326,819	1,045,772,517

37. RISK MANAGEMENT (Continued)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE BANK	30 June 2011								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
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)	-	9,142,522	3,097,808	7,660,080	19,900,410	-	-	-	19,900,410
Total	983,740,825	8,225,781,213	1,710,310,394	1,485,677,824	12,405,510,256	3,315,427,414	1,042,624,086	4,358,051,500	16,763,561,756
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	375,749,464	(1,379,534,329)	(1,575,122,379)	(1,940,625,385)	2,380,377,214	621,049,605	3,001,426,819	1,060,801,434

37. RISK MANAGEMENT (Continued)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE GROUP	30 June 2010								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
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 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	21,319,278	5,258,341	38,508,282	13,400,000	-	13,400,000	51,908,282
Total	3,743,689,973	1,621,263,007	1,174,413,302	1,246,129,915	7,785,496,197	680,723,331	1,005,194	681,728,525	8,467,224,722
Net liquidity gap	(2,046,806,564)	1,999,092,539	(169,191,818)	(378,802,865)	(595,708,708)	1,037,716,941	216,012,059	1,253,729,000	658,020,292

37. RISK MANAGEMENT (Continued)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE BANK	30 June 2010								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
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

37. RISK MANAGEMENT (Continued)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE GROUP	30 June 2009								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and balances with the Central Bank	207,964,884	-	-	-	207,964,884	-	-	-	207,964,884
Due from banks	338,903,132	2,032,255,711	346,753,850	33,623,171	2,751,535,864	-	-	-	2,751,535,864
Derivative financial instruments	-	3,177,299	-	1,900,179	5,077,478	144,004,888	-	144,004,888	149,082,366
Other financial assets held-for-trading	-	19,855,700	-	83,316,020	103,171,720	-	-	-	103,171,720
Loans and advances to customers	358,257,080	704,292,300	234,193,543	162,730,888	1,459,473,811	542,832,748	104,337,920	647,170,668	2,106,644,479
Financial investments held-to-maturity	-	237,863,303	100,302,146	163,604,358	501,769,807	136,840,975	-	136,840,975	638,610,782
Other assets (excluding prepayments)	-	109,500,380	99,687,442	-	209,187,822	-	-	-	209,187,822
Total	905,125,096	3,106,944,693	780,936,981	445,174,616	5,238,181,386	823,678,611	104,337,920	928,016,531	6,166,197,917
Liabilities									
Due to banks	-	142,670,271	-	-	142,670,271	-	-	-	142,670,271
Derivative financial instruments	-	924,833	-	2,782,134	3,706,967	144,004,888	-	144,004,888	147,711,855
Deposits from customers:									
-Current account	1,209,936,308	-	-	-	1,209,936,308	-	-	-	1,209,936,308
-Savings account	889,892,944	-	-	-	889,892,944	-	-	-	889,892,944
-Time deposits	-	1,574,480,616	505,346,722	550,347,159	2,630,174,497	296,214,276	1,005,805	297,220,081	2,927,394,578
	2,099,829,252	1,574,480,616	505,346,722	550,347,159	4,730,003,749	296,214,276	1,005,805	297,220,081	5,027,223,830
Debts issued	-	-	45,416,969	-	45,416,969	105,818,359	-	105,818,359	151,235,328
Current tax liabilities	-	-	-	11,680	11,680	-	-	-	11,680
Other liabilities	1,259,701	69,944,451	1,306,884	13,332,935	85,843,971	1,153,848	230	1,154,078	86,998,049
Total	2,101,088,953	1,788,020,171	552,070,575	566,473,908	5,007,653,607	547,191,371	1,006,035	548,197,406	5,555,851,013
Net liquidity gap	(1,195,963,857)	1,318,924,522	228,866,406	(121,299,292)	230,527,779	276,487,240	103,331,885	379,819,125	610,346,904

37. RISK MANAGEMENT (Continued)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE BANK	30 June 2009								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Subtotal less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and balances with the Central Bank	207,964,884	-	-	-	207,964,884	-	-	-	207,964,884
Due from banks	302,423,897	2,032,255,711	346,753,850	33,623,171	2,715,056,629	-	-	-	2,715,056,629
Derivative financial instruments	-	3,177,299	-	1,900,179	5,077,478	46,577,024	-	46,577,024	51,654,502
Other financial assets held-for-trading	-	19,855,700	-	83,316,020	103,171,720	-	-	-	103,171,720
Loans and advances to customers	358,257,080	704,292,300	234,193,543	162,730,888	1,459,473,811	542,832,748	104,337,920	647,170,668	2,106,644,479
Financial investments held-to-maturity	-	237,863,303	100,302,146	163,604,358	501,769,807	136,840,975	-	136,840,975	638,610,782
Other assets (excluding prepayments)	-	114,076,911	99,687,442	-	213,764,353	-	-	-	213,764,353
Total	868,645,861	3,111,521,224	780,936,981	445,174,616	5,206,278,682	726,250,747	104,337,920	830,588,667	6,036,867,349
Liabilities									
Due to banks	-	142,670,271	-	-	142,670,271	-	-	-	142,670,271
Derivative financial instruments	-	924,833	-	2,782,134	3,706,967	46,577,024	-	46,577,024	50,283,991
Deposits from customers:									
-Current account	1,242,254,296	-	-	-	1,242,254,296	-	-	-	1,242,254,296
-Savings account	889,892,944	-	-	-	889,892,944	-	-	-	889,892,944
-Time deposits	-	1,574,480,616	505,346,722	550,347,159	2,630,174,497	296,214,276	1,005,805	297,220,081	2,927,394,578
	2,132,147,240	1,574,480,616	505,346,722	550,347,159	4,762,321,737	296,214,276	1,005,805	297,220,081	5,059,541,818
Amount due to subsidiary	-	-	-	-	-	151,235,327	-	151,235,327	151,235,327
Other liabilities	-	8,104,491	1,306,884	13,332,935	22,744,310	1,153,848	230	1,154,078	23,898,388
Total	2,132,147,240	1,726,180,211	506,653,606	566,462,228	4,931,443,285	495,180,475	1,006,035	496,186,510	5,427,629,795
Net liquidity gap	(1,263,501,379)	1,385,341,013	274,283,375	(121,287,612)	274,835,397	231,070,272	103,331,885	334,402,157	609,237,554

37. RISK MANAGEMENT (Continued)

(c) Liquidity risk and funding management (Continued)

The table below shows the contractual expiry by maturity of the Bank's commitments.

THE GROUP AND THE BANK

	Less than 3 months	3 to 12 months	1 to 5 years	Total
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
30 June 2009	Rs.	Rs.	Rs.	Rs.
Contingent liabilities	-	378,659,024	-	378,659,024
Commitments	6,691,219	881,001,270	14,094,919	901,787,408
Total	6,691,219	1,259,660,294	14,094,919	1,280,446,432

The Bank expects 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 Bank classifies exposures to market risk into either trading or non trading portfolios and manage these portfolios separately. Except for the concentrations within foreign currency, the Bank has no significant concentration of market risk.

37. RISK MANAGEMENT (Continued)

(d) Market risk (continued)

(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.

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 statement of comprehensive income and equity.

The sensitivity of the statement 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		**2011**	2010	2009
Currency	Change in Basis points	**Net effect on profit and equity**	Net effect on profit and equity	Net effect on profit and equity
		Rs.	Rs.	Rs.
AUD	+50	**25,719**	18,091	(49,028)
	- 50	**(25,719)**	(18,091)	49,028
EUR	+50	**(3,901,478)**	(1,191,838)	(17,952)
	- 50	**3,901,478**	1,191,838	17,952
GBP	+50	**708,603**	372,056	(23,302)
	- 50	**(708,603)**	(372,056)	23,302
MUR	+100	**4,477,005**	748,727	3,962,725
	-100	**(4,477,005)**	(748,727)	(3,962,725)
USD	+50	**(3,436,621)**	(3,087,501)	99,639
	- 50	**3,436,621**	3,087,501	(99,639)

THE BANK		**2011**	2010	2009
Currency	Change in Basis points	**Net effect on profit and equity**	Net effect on profit and equity	Net effect on profit and equity
		Rs.	Rs.	Rs.
AUD	+50	**25,719**	18,091	(49,046)
	- 50	**(25,719)**	(18,091)	49,046
EUR	+50	**(3,901,478)**	(1,191,838)	(17,952)
	- 50	**3,901,478**	1,191,838	17,952
GBP	+50	**708,603**	372,056	(23,302)
	- 50	**(708,603)**	(372,056)	23,302
MUR	+100	**4,477,005**	748,727	3,962,725
	-100	**(4,477,005)**	(748,727)	(3,962,725)
USD	+50	**(3,436,621)**	(3,087,501)	89,524
	- 50	**3,436,621**	3,087,501	(89,524)

37. RISK MANAGEMENT (Continued)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

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
Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
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	-	-	-
Derivatives - Foreign Exchange	982,114,060	-	982,114,060	-	-	-	-	-
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	17,513,223,413	1,275,808,997	11,128,830,113	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	-	-	-	-	-
Derivatives - Foreign Exchange	982,114,060	-	982,114,060	-	-	-	-	-
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	-	-
Total liabilities	15,855,657,713	5,416,028,530	7,054,239,670	1,590,110,004	1,585,666,219	209,613,290	-	-
Total interest sensitivity gap	1,657,565,700	(4,140,219,533)	4,074,590,443	(65,463,451)	(580,222,026)	1,261,192,253	22,603,250	1,085,084,764

37. RISK MANAGEMENT (Continued)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

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
Assets	Rs.	Rs.	Rs.	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	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	-	-	-
Derivatives - Foreign Exchange	2,447,624,107	-	1,399,080,260	-	-	-	-	-
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	11,318,258,343	2,122,162,034	5,452,899,552	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	-	-	-	-	-
Derivatives - Foreign Exchange	2,447,624,107	-	1,399,080,260	-	-	-	-	-
Deposits from customers	7,985,565,513	3,743,642,793	2,642,991,490	895,194,191	550,631,959	82,827,344	-	-
Total liabilities	10,529,375,690	3,743,642,793	4,138,206,750	895,194,191	550,631,959	82,827,344	-	-
Total interest sensitivity gap	788,882,653	(1,621,480,759)	1,314,692,802	3,053,183	(186,943,521)	461,793,006	26,204,859	998,421,458

37. RISK MANAGEMENT (Continued)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

THE GROUP	2009							
	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
Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and balances with the Central Bank	207,964,884	-	-	-	-	-	-	207,964,884
Due from banks	2,751,535,864	947,797,592	1,415,004,500	351,985,950	33,484,000	-	-	-
Other financial assets held-for-trading	103,171,720	-	19,349,300	-	80,447,200	-	-	-
Derivatives - Foreign Exchange	808,663,711	33,200,000	516,889,908	18,668,400	-	-	-	-
Loans and advances to customers	2,106,644,479	1,014,589,201	940,116,438	37,751,303	3,381,166	109,121,278	14,127,155	-
Financial investments held-to-maturity	638,610,782	-	233,032,000	99,889,100	161,764,104	134,053,410	-	-
Total assets	6,616,591,440	1,995,586,793	3,124,392,146	508,294,753	279,076,470	243,174,688	14,127,155	207,964,884
Liabilities								
Due to banks	142,670,271	110,312,219	32,355,000	-	-	-	-	-
Derivatives - Foreign Exchange	808,663,711	33,200,000	516,889,908	18,668,400	-	-	-	-
Deposits from customers	5,027,223,830	3,038,560,550	1,383,444,028	326,494,758	199,667,310	49,640,929	-	-
Total liabilities	5,978,557,812	3,182,072,769	1,932,688,936	345,163,158	199,667,310	49,640,929	-	-
Total interest sensitivity gap	638,033,628	(1,186,485,976)	1,191,703,210	163,131,595	79,409,160	193,533,759	14,127,155	207,964,884

37. RISK MANAGEMENT (Continued)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

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
Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
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	-	-	-
Derivatives - Foreign Exchange	982,114,060	-	982,114,060	-	-	-	-	-
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	17,513,075,768	1,275,661,353	11,128,830,113	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	-	-	-	-	-
Derivatives - Foreign Exchange	982,114,060	-	982,114,060	-	-	-	-	-
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	-	-
Total liabilities	15,981,276,195	5,416,130,715	7,054,239,670	1,590,110,004	1,585,666,219	335,129,587	-	-
Total interest sensitivity gap	1,531,799,573	(4,140,469,362)	4,074,590,443	(65,463,450)	(580,222,026)	1,135,675,956	22,603,250	1,085,084,764

37. RISK MANAGEMENT (Continued)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

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
Assets	Rs.	Rs.	Rs.	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	853,803,740	842,672,033	110,394,881	-	-	-	-
Other financial assets held-for-trading	367,509,475	-	118,481,000	169,221,432	74,078,000	-	-	-
Derivatives - Foreign Exchange	2,447,624,107	-	1,399,080,260	-	-	-	-	-
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	11,318,159,266	2,122,062,957	5,328,861,428	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	-	-	-	-	-
Derivatives - Foreign Exchange	2,447,624,107	-	1,399,080,260	-	-	-	-	-
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	-	-
Total liabilities	10,644,791,983	3,743,807,626	4,138,206,750	895,194,191	550,631,959	180,817,641	-	-
Total interest sensitivity gap	673,367,283	(1,621,744,669)	1,190,654,678	3,053,183	(186,943,521)	363,802,709	26,204,859	998,421,458

37. RISK MANAGEMENT (Continued)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

THE BANK	2009							
	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
Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and balances with the Central Bank	207,964,884	-	-	-	-	-	-	207,964,884
Due from banks	2,715,056,629	911,318,357	1,415,004,500	351,985,950	33,484,000	-	-	-
Other financial assets held-for-trading	103,171,720	-	19,349,300	-	80,447,200	-	-	
Derivatives - Foreign Exchange	808,663,711	33,200,000	516,889,908	18,668,400	-	-	-	-
Loans and advances to customers	2,106,644,479	1,014,589,201	940,116,438	37,751,303	3,381,166	109,121,278	14,127,155	-
Financial investments held-to-maturity	638,610,782	-	233,032,000	99,889,100	161,764,104	134,053,410	-	-
Total assets	6,580,112,205	1,959,107,558	3,124,392,146	508,294,753	279,076,470	243,174,688	14,127,155	207,964,884
Liabilities								
Due to banks	142,670,271	110,312,219	32,355,000	-	-	-	-	-
Derivatives - Foreign Exchange	808,663,711	33,200,000	516,889,908	18,668,400	-	-	-	-
Deposits from customers	5,059,541,818	3,038,560,550	1,383,444,028	326,494,758	199,667,310	49,640,929	-	-
Amount due to subsidiary	151,235,327	-	-	-	-	138,383,897	-	-
Total liabilities	6,162,111,127	3,182,072,769	1,932,688,936	345,163,158	199,667,310	188,024,826	-	-
Total interest sensitivity gap	418,001,078	(1,222,965,211)	1,191,703,210	163,131,595	79,409,160	55,149,862	14,127,155	207,964,884

37. RISK MANAGEMENT (Continued)

(d) Market risk (Continued)

(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 Bank had significant exposure at 30 June 2011 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 statement of comprehensive income (due to the fair value of currency sensitive non trading monetary assets and liabilities) and equity (due to the change in fair value of currency swaps and forward foreign exchange contracts used as cash flow hedges). A negative amount in the table reflects a potential net reduction in statement of comprehensive income or equity, 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

	2011				2010				2009			
	% Change in Currency rate	Effect on profit of change in currency on		Sensitivity of net interest income and equity	% Change in Currency rate	Effect on profit of change in currency on		Sensitivity of net interest income and equity	% Change in Currency rate	Effect on profit of change in currency on		Sensitivity of net interest income and equity
Currency		Assets	Liabilities			Assets	Liabilities			Assets	Liabilities	
		Rs.	Rs.	Rs.		Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
AUD	+5%	11,058,158	(10,885,197)	172,961	+5%	2,446,152	(2,416,784)	29,368	+5%	4,159,229	(4,054,961)	104,268
	-5%	(11,058,158)	10,885,197	(172,961)	-5%	(2,446,152)	2,416,784	(29,368)	-5%	(4,159,229)	4,054,961	(104,268)
EUR	+5%	92,993,143	(92,485,496)	507,647	+5%	99,163,261	(99,226,486)	(63,225)	+5%	20,327,574	(20,092,457)	235,117
	-5%	(92,993,143)	92,485,496	(507,647)	-5%	(99,163,261)	99,226,486	63,225	-5%	(20,327,574)	20,092,457	(235,117)
GBP	+5%	54,296,911	(54,266,197)	30,714	+5%	27,660,793	(27,634,385)	26,408	+5%	17,699,556	(16,966,177)	733,379
	-5%	(54,296,911)	54,266,197	(30,714)	-5%	(27,660,793)	27,634,385	(26,408)	-5%	(17,699,556)	16,966,177	(733,379)
USD	+5%	390,751,260	(392,201,424)	(1,450,164)	+5%	162,367,446	(161,359,781)	1,007,665	+5%	114,796,344	(111,837,620)	2,958,724
	-5%	(390,751,260)	392,201,424	1,450,164	-5%	(162,367,446)	161,359,781	(1,007,665)	-5%	(114,796,344)	111,837,620	(2,958,724)

37. RISK MANAGEMENT (Continued)

(d) Market risk (Continued)

(ii) Currency risk (Continued)

THE BANK

Currency	2011				2010				2009			
	% Change in Currency rate	Effect on profit of change in currency on: Assets	Effect on profit of change in currency on: Liabilities	Sensitivity of net interest income and equity	% Change in Currency rate	Effect on profit of change in currency on: Assets	Effect on profit of change in currency on: Liabilities	Sensitivity of net interest income and equity	% Change in Currency rate	Effect on profit of change in currency on: Assets	Effect on profit of change in currency on: Liabilities	Sensitivity of net interest income and equity
		Rs.	Rs.	Rs.		Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
AUD	+5%	6,133,722	(5,967,928)	165,794	+5%	2,431,978	(2,416,784)	15,194	+5%	4,155,931	(4,054,961)	100,970
	-5%	(6,133,722)	5,967,928	(165,794)	-5%	(2,431,978)	2,416,784	(15,194)	-5%	(4,155,931)	4,054,961	(100,970)
EUR	+5%	92,993,143	(92,485,496)	507,647	+5%	99,163,261	(99,226,486)	(63,225)	+5%	20,327,574	(20,092,457)	235,117
	-5%	(92,993,143)	92,485,496	(507,647)	-5%	(99,163,261)	99,226,486	63,225	-5%	(20,327,574)	20,092,457	(235,117)
GBP	+5%	54,296,911	(54,266,197)	30,714	+5%	27,660,793	(27,634,385)	26,408	+5%	17,699,556	(16,966,177)	733,379
	-5%	(54,296,911)	54,266,197	(30,714)	-5%	(27,660,793)	27,634,385	(26,408)	-5%	(17,699,556)	16,966,177	(733,379)
USD	+5%	384,320,445	(385,925,609)	(1,605,164)	+5%	162,366,400	(161,359,781)	1,006,619	+5%	112,926,704	(108,694,493)	4,232,211
	-5%	(384,320,445)	385,925,609	1,605,164	-5%	(162,366,400)	161,359,781	(1,006,619)	-5%	(112,926,704)	108,694,493	(4,232,211)

(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 Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is 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.

38. CAPITAL

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of 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 Bank. During the past year, the Bank had complied in full with all its externally imposed capital requirements.

Capital management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Bank manages its capital structure and makes 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 Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

ELIGIBLE RISK-WEIGHTED CAPITAL

	THE GROUP			THE BANK		
	Basel II	Basel II	Basel II	**Basel II**	Basel II	Basel II
	2011	2010	2009	**2011**	2010	2009
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
Tier 1 capital	**1,025,610,085**	606,883,796	420,970,544	**1,028,292,842**	651,449,177	420,341,216
Tier 2 capital	**443,897,732**	14,147,176	19,818,439	**463,503,886**	21,471,830	19,318,439
Total capital	**1,469,507,817**	621,030,972	440,788,983	**1,491,796,728**	672,921,007	439,659,655
Risk-weighted assets	**9,597,083,852**	5,253,792,852	3,557,909,650	**9,515,826,760**	5,131,790,234	3,428,556,650
	%	%	%	**%**	%	%
Capital adequacy ratio	**15.31**	11.82	12.39	**15.68**	13.11	12.82

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.

39. 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 2011.

40. SEGMENTAL REPORTING

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

		Year ended 30 June 2011			Year ended 30 June 2010			Year ended 30 June 2009		
		Segment A	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
	Notes	**Rs.**	**Rs.**	**Rs.**	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest income	I	**419,610,599**	**123,406,883**	**543,017,482**	272,265,185	50,894,733	323,159,918	231,410,914	32,350,931	263,761,845
Interest expense	II	**(269,833,433)**	**(54,438,482)**	**(324,271,915)**	(190,685,549)	(24,965,370)	(215,650,919)	(180,561,566)	(22,290,243)	(202,851,809)
Net interest income		**149,777,166**	**68,968,401**	**218,745,567**	81,579,636	25,929,363	107,508,999	50,849,348	10,060,688	60,910,036
Fees and commission income	III	**25,909,332**	**27,843,038**	**53,752,370**	20,677,315	33,216,187	53,893,502	14,393,736	5,050,187	19,443,923
Fees and commission expense	III	**(7,063,847)**	**(3,878,758)**	**(10,942,605)**	(6,276,145)	(3,295,669)	(9,571,814)	(3,874,945)	(1,234,917)	(5,109,862)
Net fees and commission income	III	**18,845,485**	**23,964,280**	**42,809,765**	14,401,170	29,920,518	44,321,688	10,518,791	3,815,270	14,334,061
Net trading income	IV	**72,322,935**	**35,655,639**	**107,978,574**	66,588,821	12,316,431	78,905,252	63,393,527	17,328,439	80,721,966
Other operating income		**67,703**	**76,654**	**144,357**	-	-	-	3,839,112	-	3,839,112
Total operating income		**241,013,289**	**128,664,974**	**369,678,263**	162,569,627	68,166,312	230,735,939	128,600,778	31,204,397	159,805,175
Net allowance for credit impairment	V	**(13,100,205)**	**(12,199,436)**	**(25,299,641)**	(10,154,826)	(21,809,046)	(31,963,872)	(8,047,439)	(3,114,316)	(11,161,755)
Net operating income		**227,913,084**	**116,465,538**	**344,378,622**	152,414,801	46,357,266	198,772,067	120,553,339	28,090,081	148,643,420
Personnel expenses		**(76,952,236)**	**(49,768,721)**	**(126,720,957)**	(69,253,396)	(21,063,559)	(90,316,955)	(58,747,400)	(13,969,373)	(72,716,773)
Depreciation of equipment		**(1,850,145)**	**(1,196,579)**	**(3,046,724)**	(2,141,399)	(651,311)	(2,792,710)	(1,844,782)	(438,665)	(2,283,447)
Amortisation of intangible assets		**(2,186,868)**	**(1,414,353)**	**(3,601,221)**	(2,971,173)	(903,688)	(3,874,861)	(2,602,727)	(618,895)	(3,221,622)
Other operating expenses		**(41,474,453)**	**(26,823,529)**	**(68,297,982)**	(41,136,078)	(12,511,620)	(53,647,698)	(37,299,702)	(8,869,371)	(46,169,073)
Total operating expenses		**(122,463,702)**	**(79,203,182)**	**(201,666,884)**	(115,502,046)	(35,130,178)	(150,632,224)	(100,494,611)	(23,896,304)	(124,390,915)
Profit before tax		**105,449,382**	**37,262,356**	**142,711,738**	36,912,755	11,227,088	48,139,843	20,058,728	4,193,777	24,252,505
Tax expense		**(24,454,712)**	**(2,113,171)**	**(26,567,883)**	(10,527,105)	(265,146)	(10,792,251)	(3,695,343)	(67,525)	(3,762,868)
Profit for the year		**80,994,670**	**35,149,185**	**116,143,855**	26,385,650	10,961,942	37,347,592	16,363,385	4,126,252	20,489,637

40. SEGMENTAL REPORTING (Continued)

		2011			2010			2009		
		Segment A	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
	Notes	**Rs.**	**Rs.**	**Rs.**	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
ASSETS										
Cash and balances with Central Bank	VI	**1,081,082,718**	**4,002,046**	**1,085,084,764**	992,939,450	5,482,008	998,421,458	202,828,084	5,136,800	207,964,884
Due from banks	VII	**1,212,739,461**	**2,732,189,928**	**3,944,929,389**	1,126,492,560	680,378,094	1,806,870,654	1,471,010,218	1,244,046,411	2,715,056,629
Derivative financial instruments	VIII	**55,541,755**	**45,555,319**	**101,097,074**	14,504,477	56,581,311	71,085,788	2,782,082	48,872,420	51,654,502
Other financial assets held-for-trading	IX	**441,804,000**	**-**	**441,804,000**	367,509,475	-	367,509,475	103,171,720	-	103,171,720
Loans and advances to customers	X	**4,604,132,345**	**3,945,246,367**	**8,549,378,712**	2,490,809,320	2,360,343,828	4,851,153,148	1,662,832,241	443,812,238	2,106,644,479
Investment in subsidiary	XI	**25,000,000**	**-**	**25,000,000**	25,000,000	-	25,000,000	1,000,000	-	1,000,000
Investment in associate	XII	**-**	**5,022,438**	**5,022,438**	-	-	-	-	-	-
Financial investments -held-to-maturity	XIII	**2,560,492,783**	**-**	**2,560,492,783**	846,580,424	-	846,580,424	638,610,782	-	638,610,782
Equipment	XIV	**13,354,813**	**-**	**13,354,813**	13,387,240	-	13,387,240	11,285,287	-	11,285,287
Intangible assets	XV	**13,591,022**	**-**	**13,591,022**	15,048,060	-	15,048,060	13,580,739	-	13,580,739
Deferred tax assets		**1,846,056**	**647,971**	**2,494,027**	2,205,826	-	2,205,826	3,272,492	-	3,272,492
Other assets	XVI	**19,900,410**	**-**	**19,900,410**	9,933,971	6,576,888	16,510,859	215,063,602	7,704	215,071,306
TOTAL ASSETS		**10,029,485,363**	**6,732,664,069**	**16,762,149,432**	5,904,410,803	3,109,362,129	9,013,772,932	4,325,437,247	1,741,875,573	6,067,312,820
LIABILITIES AND EQUITY										
Due to banks	XVII	**28,483,333**	**-**	**28,483,333**	96,138,890	47,180	96,186,070	137,453,595	5,216,676	142,670,271
Derivative financial instruments	VIII	**871,036**	**47,450,292**	**48,321,328**	34,089,890	60,375,493	94,465,383	1,806,788	48,477,203	50,283,991
Deposits from customers	XVIII	**8,276,413,855**	**6,686,124,309**	**14,962,538,164**	5,078,364,867	2,907,365,479	7,985,730,346	3,458,454,284	1,601,087,534	5,059,541,818
Debts issued	XIX	**421,574,481**	**-**	**421,574,481**	-	-	-	-	-	-
Amount due to subsidiary	XX	**125,516,298**	**-**	**125,516,298**	115,251,460	-	115,251,460	151,235,327	-	151,235,327
Current tax liabilities		**16,370,374**	**2,015,184**	**18,385,558**	9,324,978	-	9,324,978	-	-	-
Other liabilities	XXI	**82,201,083**	**15,740,077**	**97,941,160**	25,200,308	6,411,324	31,611,632	23,859,730	38,658	23,898,388
TOTAL LIABILITIES		**8,951,430,460**	**6,751,329,862**	**15,702,760,322**	5,358,370,393	2,974,199,476	8,332,569,869	3,772,809,724	1,654,820,071	5,427,629,795
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT										
Issued capital				**921,638,335**			**653,977,649**			**653,977,649**
Retained earnings/ (revenue deficit)				**91,263,376**			14,807,164			(19,927,399)
Other reserves				**46,487,399**			12,418,250			5,632,775
TOTAL EQUITY				**1,059,389,110**			681,203,063			639,683,025
TOTAL LIABILITIES AND EQUITY				**16,762,149,432**			9,013,772,932			6,067,312,820

40. SEGMENTAL REPORTING (Continued)

	2011			2010			2009		
	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	**13,059,439**	**29,071,701**	**42,131,140**	7,629,031	15,178,856	22,807,887	20,432,169	10,682,785	31,114,954
Loans and advances to customers	**325,800,578**	**94,335,182**	**420,135,760**	234,907,053	35,715,877	270,622,930	182,725,602	21,668,146	204,393,748
Financial investments held-to-maturity	**80,750,582**	**-**	**80,750,582**	29,729,101	-	29,729,101	28,253,143	-	28,253,143
	419,610,599	**123,406,883**	**543,017,482**	272,265,185	50,894,733	323,159,918	231,410,914	32,350,931	263,761,845
II INTEREST EXPENSE	**Rs.**	**Rs.**	**Rs.**	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Due to banks	**786,826**	**-**	**786,826**	1,571,559	5,796	1,577,355	2,139,754	66,664	2,206,418
Deposits from customers	**249,415,529**	**54,438,482**	**303,854,011**	176,547,857	24,959,574	201,507,431	167,635,465	22,223,579	189,859,044
Other	**19,631,078**	**-**	**19,631,078**	12,566,133	-	12,566,133	10,786,347	-	10,786,347
	269,833,433	**54,438,482**	**324,271,915**	190,685,549	24,965,370	215,650,919	180,561,566	22,290,243	202,851,809
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	**24,534,390**	**24,365,544**	**48,899,934**	17,133,035	32,997,207	50,130,242	13,499,226	3,414,424	16,913,650
Other fees received	**1,374,942**	**3,477,494**	**4,852,436**	3,544,280	218,980	3,763,260	894,510	1,635,763	2,530,273
Total fees and commission income	**25,909,332**	**27,843,038**	**53,752,370**	20,677,315	33,216,187	53,893,502	14,393,736	5,050,187	19,443,923
Fees and commission expense									
Amortisation of intangible assets	**(211,016)**	**-**	**(211,016)**	(253,591)	(105,086)	(358,677)	(361,303)	-	(361,303)
Other fees	**(6,852,831)**	**(3,878,758)**	**(10,731,589)**	(6,022,554)	(3,190,583)	(9,213,137)	(3,513,642)	(1,234,917)	(4,748,559)
Total fees and commission expense	**(7,063,847)**	**(3,878,758)**	**(10,942,605)**	(6,276,145)	(3,295,669)	(9,571,814)	(3,874,945)	(1,234,917)	(5,109,862)
Net fees and commission income	**18,845,485**	**23,964,280**	**42,809,765**	14,401,170	29,920,518	44,321,688	10,518,791	3,815,270	14,334,061
IV NET TRADING INCOME	**Rs.**	**Rs.**	**Rs.**	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Derivative financial instruments	**-**	**-**	**-**	-	-	-	8,280,418	-	8,280,418
Financial investments held-for-trading	**12,418,225**	**-**	**12,418,225**	8,640,203	-	8,640,203	3,375,221	-	3,375,221
Foreign exchange	**59,904,710**	**35,655,639**	**95,560,349**	57,948,618	12,316,431	70,265,049	51,737,888	17,328,439	69,066,327
	72,322,935	**35,655,639**	**107,978,574**	66,588,821	12,316,431	78,905,252	63,393,527	17,328,439	80,721,966
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 (Note 17(b))	**13,100,205**	**12,199,436**	**25,299,641**	9,784,736	21,809,046	31,593,782	8,047,439	3,114,316	11,161,755
Bad debts written off	**-**	**-**	**-**	372,090	-	372,090	-	-	-
Recoveries	**-**	**-**	**-**	(2,000)	-	(2,000)	-	-	-
	13,100,205	**12,199,436**	**25,299,641**	10,154,826	21,809,046	31,963,872	8,047,439	3,114,316	11,161,755
VI CASH AND BALANCES WITH THE CENTRAL BANK	**Rs.**	**Rs.**	**Rs.**	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash in hand	**5,224,450**	**4,002,046**	**9,226,496**	6,336,428	5,482,008	11,818,436	8,925,369	5,136,800	14,062,169
Current account with the Central Bank	**1,075,858,268**	**-**	**1,075,858,268**	986,603,022	-	986,603,022	193,902,715	-	193,902,715
	1,081,082,718	**4,002,046**	**1,085,084,764**	992,939,450	5,482,008	998,421,458	202,828,084	5,136,800	207,964,884

40. SEGMENTAL REPORTING (Continued)

VII DUE FROM BANKS	2011 Segment A Rs.	2011 Segment B Rs.	2011 Total Rs.	2010 Segment A Rs.	2010 Segment B Rs.	2010 Total Rs.	2009 Segment A Rs.	2009 Segment B Rs.	2009 Total Rs.
Placements with other banks	1,208,257,560	2,232,703,594	3,440,961,154	1,113,500,559	276,290,828	1,389,791,387	1,465,383,092	947,249,640	2,412,632,732
Current accounts with other banks	4,417,782	498,247,208	502,664,990	11,866,574	404,055,221	415,921,795	5,619,941	295,669,304	301,289,245
Other amounts due	64,119	1,239,126	1,303,245	1,125,427	32,045	1,157,472	7,185	1,127,467	1,134,652
	1,212,739,461	2,732,189,928	3,944,929,389	1,126,492,560	680,378,094	1,806,870,654	1,471,010,218	1,244,046,411	2,715,056,629

VIII DERIVATIVE FINANCIAL INSTRUMENTS

	2011 Segment A Rs.	2011 Segment B Rs.	2011 Total Rs.	2011 Nominal Amount Rs.	2010 Segment A Rs.	2010 Segment B Rs.	2010 Total Rs.	2010 Nominal Amount Rs.
ASSETS								
Derivatives designated at fair value through profit or loss								
Commodity Index Options	-	-	-	-	-	-	-	-
Fund Options Transactions	-	757,568	757,568	108,224,000	-	1,217,900	1,217,900	121,771,000
Equity Linked Notes	-	14,544,758	14,544,758	15,369,000	-	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
	-	45,334,486	45,334,486	166,313,000	-	56,354,869	56,354,869	197,582,250
Derivatives held for trading								
Forward Foreign Exchange Contracts	55,541,755	220,833	55,762,588	3,161,303,478	14,504,477	226,442	14,730,919	1,171,567,146
	55,541,755	220,833	55,762,588	3,161,303,478	14,504,477	226,442	14,730,919	1,171,567,146
	55,541,755	45,555,319	101,097,074	3,327,616,478	14,504,477	56,581,311	71,085,788	1,369,149,396
LIABILITIES								
Derivatives designated at fair value through profit or loss								
Commodity Index Options	-	-	-	-	-	-	-	-
Fund Options Transactions	-	(757,568)	(757,568)	108,224,000	-	(1,217,900)	(1,217,900)	121,771,000
Equity Linked Notes	-	(14,544,758)	(14,544,758)	15,369,000	-	(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
	-	(45,334,486)	(45,334,486)	166,313,000	-	(56,354,869)	(56,354,869)	197,582,250
Derivatives held for trading								
Forward Foreign Exchange Contracts	(871,036)	(2,115,806)	(2,986,842)	3,161,303,478	(34,089,890)	(4,020,624)	(38,110,514)	1,276,056,961
	(871,036)	(2,115,806)	(2,986,842)	3,161,303,478	(34,089,890)	(4,020,624)	(38,110,514)	1,276,056,961
	(871,036)	(47,450,292)	(48,321,328)	3,327,616,478	(34,089,890)	(60,375,493)	(94,465,383)	1,473,639,211

40. SEGMENTAL REPORTING (Continued)

VIII DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

	2009			
	Segment A	Segment B	Total	Nominal Amount
ASSETS	Rs.	Rs.	Rs.	Rs.
Derivatives designated at fair value through profit or loss				
Commodity Index Options	-	1,900,179	1,900,179	49,820,250
Fund Options Transactions	-	946,854	946,854	103,170,000
Equity Linked Notes	-	26,481,140	26,481,140	31,165,000
Index Linked Options	-	19,149,030	19,149,030	48,540,000
	-	48,477,203	48,477,203	232,695,250
Derivatives held for trading				
Forward Foreign Exchange Contracts	2,782,082	395,217	3,177,299	675,915,988
	2,782,082	395,217	3,177,299	675,915,988
	2,782,082	48,872,420	51,654,502	908,611,238
LIABILITIES				
Derivatives designated at fair value through profit or loss				
Commodity Index Options	-	(1,900,179)	(1,900,179)	49,820,250
Fund Options Transactions	-	(946,854)	(946,854)	103,170,000
Equity Linked Notes	-	(26,481,140)	(26,481,140)	31,165,000
Index Linked Options	-	(19,149,030)	(19,149,030)	48,540,000
	-	(48,477,203)	(48,477,203)	232,695,250
Derivatives held for trading				
Forward Foreign Exchange Contracts	(1,806,788)	-	(1,806,788)	675,915,988
	(1,806,788)	-	(1,806,788)	675,915,988
	(1,806,788)	(48,477,203)	(50,283,991)	908,611,238

40. SEGMENTAL REPORTING (Continued)

	2011			2010			2009		
	Segment A	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
IX OTHER FINANCIAL ASSETS HELD-FOR-TRADING	**Rs.**	**Rs.**	**Rs.**	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Government of Mauritius debt securities	**441,804,000**	**-**	**441,804,000**	367,509,475	-	367,509,475	103,171,720	-	103,171,720
	441,804,000	**-**	**441,804,000**	367,509,475	-	367,509,475	103,171,720	-	103,171,720
X LOANS AND ADVANCES TO CUSTOMERS	**Rs.**	**Rs.**	**Rs.**	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(a) Remaining term to maturity									
Within 3 months	**2,889,218,708**	**1,280,371,657**	**4,169,590,365**	1,367,944,452	828,441,293	2,196,385,745	984,182,753	78,366,627	1,062,549,380
Over 3 to 6 months	**111,113,569**	**889,846,934**	**1,000,960,503**	86,448,304	577,590,898	664,039,202	124,675,870	109,517,672	234,193,542
Over 6 to 12 months	**354,419,141**	**238,584,075**	**593,003,216**	292,340,820	383,535,875	675,876,695	125,222,284	37,508,602	162,730,886
Over 1 to 5 years	**1,005,352,635**	**810,700,017**	**1,816,052,652**	654,747,825	517,436,120	1,172,183,945	385,773,182	176,878,009	562,651,191
Over 5 years	**283,253,932**	**747,392,668**	**1,030,646,600**	157,189,319	36,890,463	194,079,782	59,318,850	45,019,069	104,337,919
	4,643,357,985	**3,966,895,351**	**8,610,253,336**	2,558,670,720	2,343,894,649	4,902,565,369	1,679,172,939	447,289,979	2,126,462,918
(b) Credit concentration of risk by industry sectors									
Agriculture and Fishing	**175,109,662**	**-**	**175,109,662**	170,293,235	-	170,293,235	174,404,107	-	174,404,107
Manufacturing	**635,194,940**	**400,036,499**	**1,035,231,439**	274,963,096	314,502,784	589,465,880	189,980,412	260	189,980,672
Tourism	**1,051,015,913**	**132,209,479**	**1,183,225,392**	377,876,289	168,007,932	545,884,221	218,637,512	182,633,752	401,271,264
Transport	**-**	**141,472,513**	**141,472,513**	4,120	-	4,120	391	-	391
Construction, infrastructure and real estate	**752,329,065**	**285,187,132**	**1,037,516,197**	469,884,476	-	469,884,476	301,261,090	-	301,261,090
Financial and business services	**423,274,961**	**2,582,482,712**	**3,005,757,673**	325,045,734	1,451,294,761	1,776,340,495	183,334,174	140,301,264	323,635,438
Traders	**707,821,394**	**62,042,290**	**769,863,684**	422,639,787	39,300,363	461,940,150	356,508,493	18,944	356,527,437
Personal	**487,953,085**	**230,668,302**	**718,621,387**	290,518,918	111,205,592	401,724,510	197,732,665	59,070	197,791,735
Professional	**14,042,080**	**-**	**14,042,080**	10,767,151	107	10,767,258	5,658,063	-	5,658,063
Global Business Licence Holders (GBL)	**181,465,514**	**-**	**181,465,514**	-	2,907,824	2,907,824	-	-	-
Information, communication and technology	**34,910,898**	**129,164,319**	**164,075,217**	70,087,353	256,675,286	326,762,639	12,927,469	56,566,792	69,494,261
Government	**103,535,359**	**-**	**103,535,359**	103,546,522	-	103,546,522	-	-	-
Other entities	**76,705,114**	**3,632,105**	**80,337,219**	43,044,039	-	43,044,039	38,728,563	67,709,897	106,438,460
	4,643,357,985	**3,966,895,351**	**8,610,253,336**	2,558,670,720	2,343,894,649	4,902,565,369	1,679,172,939	447,289,979	2,126,462,918

40. SEGMENTAL REPORTING (Continued)

X LOANS AND ADVANCES TO CUSTOMERS (Continued)

	2011			2010			2009		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(c) Allowance for credit losses									
At beginning of year	26,125,435	25,286,786	51,412,221	16,340,699	3,477,740	19,818,439	8,282,454	374,230	8,656,684
Amount written off against allowance	-	(15,837,238)	(15,837,238)	-	-	-	-	-	-
Charge for the year	13,100,205	12,199,436	25,299,641	9,784,736	21,809,046	31,593,782	8,058,245	3,103,510	11,161,755
At end 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

(d) Allowance for credit losses by sector

	2011					Total	
	Gross amount of loans	Non performing loans	Specific provision	Portfolio provision	2011	2010	2009
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Agriculture and Fishing	175,109,662	-	-	1,139,608	1,139,608	1,692,548	1,738,513
Manufacturing	1,035,231,439	-	-	6,316,992	6,316,992	6,027,769	1,888,698
Tourism	1,183,225,392	-	-	7,561,500	7,561,500	5,718,357	4,274,802
Transport	141,472,513	-	-	772,074	772,074	43	4
Construction, Infrastructure and Real Estate	1,037,516,197	-	-	6,452,518	6,452,518	4,407,485	2,522,938
Financial and business services	3,005,757,673	-	-	16,848,333	16,848,333	3,121,953	2,469,019
Traders	769,863,684	7,509,255	981,609	4,945,070	5,926,679	4,592,722	3,439,825
Personal	718,621,387	2,742,728	2,375,076	9,507,250	11,882,326	6,696,128	1,984,189
Professional	14,042,080	-	-	91,385	91,385	105,776	51,700
Information, communication and technology	164,075,217	781,957	577,315	1,180,972	1,758,287	18,657,822	667,537
Government	103,535,359	-	-	932,102	932,102	117	-
Global Business Licence Holders (GBL)	181,465,514	-	-	673,805	673,805	28,588	-
Other entities	80,337,219	-	-	519,015	519,015	362,913	781,214
	8,610,253,336	11,033,940	3,934,000	56,940,624	60,874,624	51,412,221	19,818,439

40. SEGMENTAL REPORTING (Continued)

X LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Allowance for credit losses by sector (Continued)

	2011					Total	
Analysed by Segments:	Gross amount of loans	Non performing loans	Specific provision	Portfolio provision	2011	2010	2009
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Segment A							
Agriculture and Fishing	175,109,662	-	-	1,139,608	1,139,608	1,692,548	1,738,513
Manufacturing	635,194,940	-	-	4,133,828	4,133,828	2,884,967	1,888,696
Tourism	1,051,015,913	-	-	6,839,978	6,839,978	3,824,922	2,449,047
Transport	-	-	-	-	-	43	4
Construction, Infrastructure and Real Estate	752,329,065	-	-	4,896,134	4,896,134	4,407,485	2,522,938
Financial and business services	423,274,961	-	-	2,754,660	2,754,660	2,532,390	1,773,298
Traders	707,821,394	7,509,255	981,609	4,606,479	5,588,088	4,199,789	3,439,636
Personal	487,953,085	2,742,728	2,375,076	8,248,398	10,623,474	6,090,568	1,984,189
Professional	14,042,080	-	-	91,385	91,385	105,774	51,700
Information, communication and technology	181,465,514	604,077	577,315	1,180,972	1,758,287	295,270	109,005
Government	34,910,898	-	-	227,199	227,199	117	-
Global Business Licence Holders (GBL)	103,535,359	-	-	673,805	673,805	-	-
Other entities	76,705,114	-	-	499,194	499,194	362,913	383,673
	4,643,357,985	10,856,060	3,934,000	35,291,640	39,225,640	26,396,786	16,340,699
Segment B							
Agriculture and Fishing	-	-	-	-	-	-	-
Manufacturing	400,036,499	-	-	2,183,164	2,183,164	3,142,802	2
Tourism	132,209,479	-	-	721,522	721,522	1,893,435	1,825,755
Transport	141,472,513	-	-	772,074	772,074	-	-
Construction, Infrastructure and Real Estate	285,187,132	-	-	1,556,384	1,556,384	-	-
Financial and business services	2,582,482,712	-	-	14,093,673	14,093,673	589,563	695,721
Traders	62,042,290	-	-	338,591	338,591	392,933	189
Personal	230,668,302	-	-	1,258,852	1,258,852	605,560	-
Professional	-	-	-	-	-	2	-
Information, communication and technology	-	177,880	-	-	-	18,362,552	558,532
Government	129,164,319	-	-	704,903	704,903	-	-
Global Business Licence Holders (GBL)	-	-	-	-	-	28,588	-
Other entities	3,632,105	-	-	19,821	19,821	-	397,541
	3,966,895,351	177,880	-	21,648,984	21,648,984	25,015,435	3,477,740

40. SEGMENTAL REPORTING (Continued)

	2011			2010			2009		
	Segment A	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
XI INVESTMENT IN SUBSIDIARY	**Rs.**	**Rs.**	**Rs.**	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost									
At 30 June	**25,000,000**	**-**	**25,000,000**	25,000,000	-	25,000,000	1,000,000	-	1,000,000
XII INVESTMENT IN ASSOCIATE	**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	**2,560,492,783**	**-**	**2,560,492,783**	846,580,424	-	846,580,424	638,610,782	-	638,610,782
	2,560,492,783	**-**	**2,560,492,783**	846,580,424	-	846,580,424	638,610,782	-	638,610,782

40. SEGMENTAL REPORTING (Continued)

XIV EQUIPMENT

Segment A	Improvement to building	Furniture and fittings	Office equipment	Motor vehicle	Computer equipment	Total
COST	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At 1 July 2008	3,764,655	3,506,330	3,924,257	-	3,278,105	14,473,347
Additions	21,952	165,320	327,222	671,292	659,958	1,845,744
Assets written off	(890,366)	(148,261)	(8,675)	-	(57,937)	(1,105,239)
Disposal	-	-	-	-	(45,275)	(45,275)
At 30 June 2009	2,896,241	3,523,389	4,242,804	671,292	3,834,851	15,168,577
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**
DEPRECIATION						
At 1 July 2008	279,280	255,012	304,716	-	836,322	1,675,330
Charge for the year	223,812	356,633	448,248	26,361	1,228,393	2,283,447
Assets written off	(341)	(20,989)	(1,982)	-	(31,338)	(54,650)
Disposal	-	-	-	-	(20,837)	(20,837)
At 30 June 2009	502,751	590,656	750,982	26,361	2,012,540	3,883,290
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**
NET BOOK VALUE						
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
At 30 June 2009	2,393,490	2,932,733	3,491,822	644,931	1,822,311	11,285,287

40. SEGMENTAL REPORTING (Continued)

XV INTANGIBLE ASSETS

Segment A	Computer software	Banking software	Other	Total
COST	Rs.	Rs.	Rs.	Rs.
At 1 July 2008	482,964	15,642,978	4,620,687	20,746,629
Additions	246,918	240,300	61,918	549,136
Disposals	-	(1,284,540)	(437,000)	(1,721,540)
At 30 June 2009	729,882	14,598,738	4,245,605	19,574,225
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**
AMORTISATION				
At 1 July 2008	115,507	1,531,573	763,481	2,410,561
Charge for the year	218,963	1,949,387	1,414,575	3,582,925
At 30 June 2009	334,470	3,480,960	2,178,056	5,993,486
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**
NET BOOK VALUE				
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
At 30 June 2009	395,412	11,117,778	2,067,549	13,580,739

40. SEGMENTAL REPORTING (Continued)

	2011			2010			2009		
	Segment A	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
XVI OTHER ASSETS	**Rs.**	**Rs.**	**Rs.**	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Accrued income	**241,700**	**-**	**241,700**	411,654	1,709,259	2,120,913	397,471	-	397,471
Prepayments	**6,863,199**	**-**	**6,863,199**	1,608,991	489,384	2,098,375	1,299,249	7,704	1,306,953
Issued capital not yet paid	**-**	**-**	**-**	-	-	-	201,988,789	-	201,988,789
Share capital money	**-**	**-**	**-**	-	4,285,000	4,285,000	-	-	-
Other receivables	**12,795,511**	**-**	**12,795,511**	7,913,326	93,245	8,006,571	11,378,093	-	11,378,093
	19,900,410	**-**	**19,900,410**	9,933,971	6,576,888	16,510,859	215,063,602	7,704	215,071,306
XVII DUE TO BANKS	**Rs.**	**Rs.**	**Rs.**	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Deposits with other banks	**28,480,989**	**-**	**28,480,989**	96,138,890	-	96,138,890	137,453,595	-	137,453,595
Bank overdrafts	**2,344**	**-**	**2,344**	-	47,180	47,180	-	5,216,676	5,216,676
	28,483,333	**-**	**28,483,333**	96,138,890	47,180	96,186,070	137,453,595	5,216,676	142,670,271
XVIII DEPOSITS FROM CUSTOMERS	**Rs.**	**Rs.**	**Rs.**	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Personal									
- Current and savings accounts	**1,282,699,413**	**696,844,807**	**1,979,544,220**	618,673,724	474,541,914	1,093,215,638	605,624,175	348,567,775	954,191,950
- Term deposits	**2,114,410,866**	**728,344,513**	**2,842,755,379**	934,188,434	318,689,137	1,252,877,571	537,856,165	84,436,984	622,293,149
Business						-			
- Current and savings accounts	**1,576,940,496**	**1,842,479,940**	**3,419,420,436**	1,175,613,520	1,470,957,658	2,646,571,178	216,579,811	603,304,642	819,884,453
- Term deposits	**3,285,199,364**	**3,418,455,049**	**6,703,654,413**	2,325,778,872	643,176,770	2,968,955,642	1,092,434,996	564,778,133	1,657,213,129
Government institutions						-			
- Current and savings accounts	**17,163,716**	**-**	**17,163,716**	4,020,810	-	4,020,810	358,070,837	-	358,070,837
- Term deposits	**-**	**-**	**-**	20,089,507	-	20,089,507	647,888,300	-	647,888,300
	8,276,413,855	**6,686,124,309**	**14,962,538,164**	5,078,364,867	2,907,365,479	7,985,730,346	3,458,454,284	1,601,087,534	5,059,541,818
XIX DEBTS ISSUED	**Rs.**	**Rs.**	**Rs.**	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Unsecured subordinated bonds	**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 capital guaranteed contracts	**125,516,298**	**-**	**125,516,298**	115,251,460	-	115,251,460	151,235,327	-	151,235,327
XXI OTHER LIABILITIES	**Rs.**	**Rs.**	**Rs.**	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Accounts payable and sundry creditors	**82,201,083**	**15,740,077**	**97,941,160**	25,200,308	6,411,324	31,611,632	23,859,730	38,658	23,898,388

"Africa could be on the brink of an economic takeoff, much like China was 30 years ago, and India 20 years ago."

(The World Bank)

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