AFRASIA
bank different

different

Annual Report 2010

The art of yacht racing is one of the most specialized sporting challenges in the world, combining a vessel-design of the very latest technology with a dedicated crew of experts working as a team to produce optimum results. It is a super-charged story of passion, ambition, creativity and team spirit.

These are some of the principles and strengths which set AfrAsia Bank apart from other banking institutions. Our experienced team tailors innovative financial solutions for both the local and international markets, giving a cutting edge in today's fast moving economic environment.

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 recycled paper for their Annual Reports.

AfrAsia Bank Limited
Member of

Contents

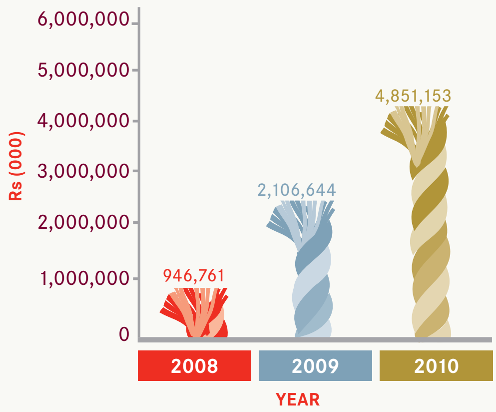
Financial Highlights

AfrAsia Bank Limited

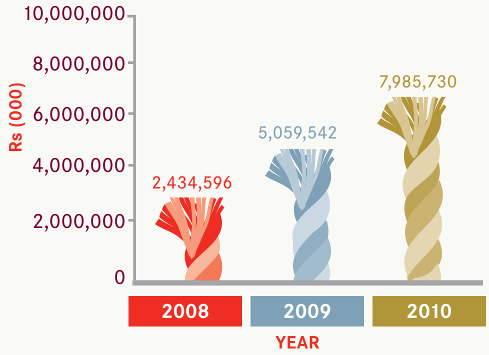
	Year Ended 30 June 2010	Year Ended 30 June 2009	18 Months Ended 30 June 2008
STATEMENT OF COMPREHENSIVE INCOME (Rs'000)			
Net Interest Income	**107,509**	60,910	13,739
Non Interest Income	**123,227**	98,895	40,698
Total Income	**230,736**	159,805	54,437
Operating Expenses	**(150,632)**	(124,391)	(93,232)
Profit/(Loss) after tax	**37,348**	20,490	(40,417)
STATEMENT OF FINANCIAL POSITION (Rs'000)			
Total Assets	**9,013,773**	6,067,313	2,977,928
Total Loans	**4,851,153**	2,106,644	946,761
Total Deposits	**7,985,730**	5,059,542	2,434,596
Shareholders' Funds	**681,203**	639,683	209,583
PERFORMANCE RATIOS (%)			
Return on Equity	**5.8**	5.4	(19.3)
Loans to Deposits Ratio	**60.7**	41.6	38.9
Operating Expense to Total Operating Income	**65.3**	77.8	171.3
CAPITAL ADEQUACY RATIOS (%)			
Basel I	**N/A**	N/A	13.7
Basel II	**13.1**	12.8	N/A

Key Performance Indicators

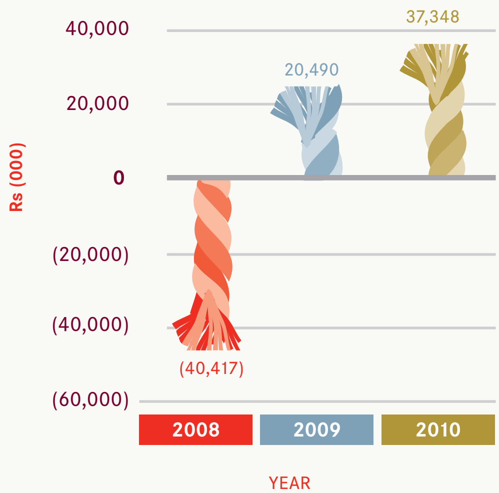
Loans



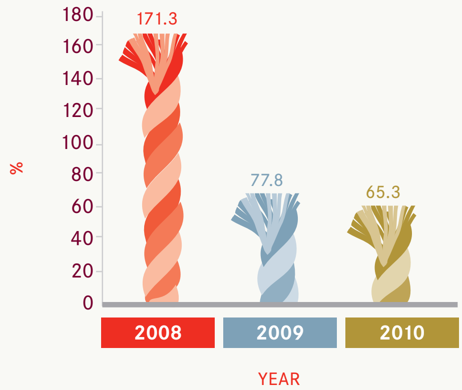
Deposits



Profit/(Loss) after tax



Operating Expense to Total Operating Income Ratio



Believe different

Specializing in Corporate, Private and International Banking, at AfrAsia we are passionate partners to our clients, building privileged relationships through disruptive innovation, genuineness and always adopting a can-do attitude. This belief is at the heart of our boutique focus, combined with regional and international reach through world-class partnerships.

Corporate Profile

Headquartered in the Mauritius International Financial Services Centre, AfrAsia Bank is a boutique bank that offers a comprehensive range of financial solutions while ensuring that customers benefit from a dedicated, personalized and unparalleled customer service. 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

With our anchor Mauritian shareholder, GML, other world-class strategic partners including Dale Capital Group (South Africa) and Intrasia Capital (Singapore) and a passionate team of experienced bankers, AfrAsia Bank has regional and international cross-border capabilities to deliver tailor-made solutions with tangible benefits, all in an environment of trust.

By focusing on the delivery of integrated banking services to the local and international markets coupled with our client-centric approach, AfrAsia Bank aims to be the reference point for Corporate & Investment Banking, Private Banking and International Business Solutions, linking Mauritius and the Africa-Asia trade corridor by being closer to those markets.

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.

With our Foreign Institutional Investor (FII) license in India, our Corporate Finance House (AfrAsia Corporate Finance), our stake in AXYS Capital Management for a complete Private Banking offering coupled with the opening of two representative offices in South Africa and international shareholders facilitating our regional growth, we link these two continents together seamlessly.

AfrAsia Corporate Finance is strategically based in South Africa, enabling a higher visibility and access to other African regions given the high number of transactions going across borders. Many companies have operations in other countries such as Zambia and Kenya but quite often have their regional headquarters in South Africa. Therefore, having a strong corporate financing team in South Africa will enable participation in regional corporate banking.

Our Key Values

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

Strategic Partners

AfrAsia Bank has strong strategic Mauritian and international shareholders to pursue its growth regionally and exceed our 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: Financial Services, Manufacturing, Trading, Hospitality Sector, Property Development, and Agro-industry.

The Group employs over 10,000 persons and contributes to about 4.5% of the GDP of Mauritius.

INTRASIA CAPITAL

Intrasia Capital is an investment, development and boutique private equity firm based in Singapore, and 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. Our shareholder will mainly contribute to the development of the Bank's regional presence and facilitate the Bank's growth strategies which include the intention to ultimately establish a representation in Singapore.

DALE CAPITAL GROUP LIMITED (DCG)

Dale Capital Group Limited is a specialist Private Equity Investment Group, headquartered in Mauritius with a regional/corporate office in Cape Town, South Africa. It is the first foreign company to be listed on the Stock Exchange of Mauritius. DCG focuses on investments in sectors including Financial Services, Hotels and Leisure, Information Technology, Fish, Fine Food and Beverages, and Property.

UNITED INVESTMENTS LTD

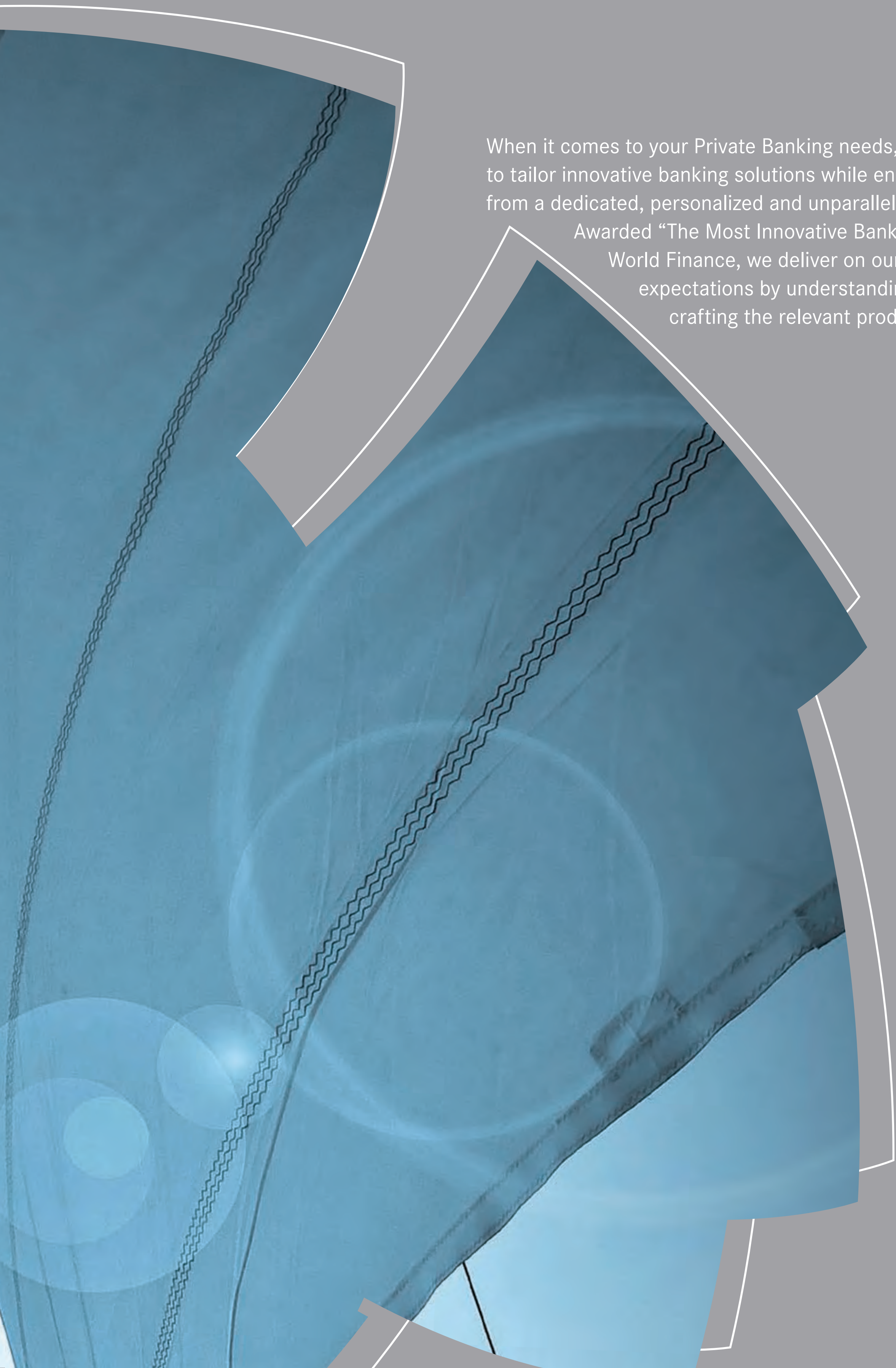
United Investments Ltd is a DEM quoted company initially created in 1984 to invest in Container Enterprises Ltd, a container storage and repair company and subsequently in 1999 became a 19.2% "sociétaire" of Société du Port. In 2007, the company embarked on a programme to diversify its investment portfolio into financial services and to participate in the capital of non-quoted companies showing exceptional growth potential in a variety of sectors.

Awards and Recognition

Most Innovative Bank 2008

Benefit different

When it comes to your Private Banking needs, AfrAsia has the expertise to tailor innovative banking solutions while ensuring that you benefit from a dedicated, personalized and unparalleled customer service. Awarded "The Most Innovative Bank in Mauritius" by World Finance, we deliver on our promise to exceed expectations by understanding your needs and crafting the relevant products to meet those.



Chairman's and Directors' Report

James Benoit
Chief Executive Officer

Arnaud Lagesse
Chairman

The Chairman and Directors have pleasure in submitting the Annual Report of AfrAsia Bank Limited ("the Bank"), its subsidiary and its joint venture, (altogether 'the Group'), together with the audited financial statements for the year ended 30 June 2010.

State of affairs and review of activities

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

AfrAsia Investments Limited (''the Subsidiary") holds an investment dealer licence and is in the business of developing and marketing tailored financial products to its targeted client base consisting of Corporate and High Net Worth Individuals ("HNWI").

Another different year

Despite widespread troubles which remain in the global economy, some of which are clearly now affecting the Mauritian economy, AfrAsia Bank Limited successfully deployed its "bank different" strategy to reach new milestones again for the year ending June 30, 2010.

Our mission is to be the region's leading boutique provider of corporate and private banking and cross border global banking services. We concluded a 50% investment in leading local fund manager AXYS Capital Management Ltd to complete our Private Banking and Wealth Management services using Mauritius as a regional hub. We invested in a corporate finance business in Cape Town, now known as AfrAsia Corporate Finance, to develop our cross-border global banking services. And we were the first Mauritian owned bank to obtain a Foreign Institutional Investor license for global business flows into India.

Most importantly, these investments and achievements are always customer driven and during the year our international and domestic customer base has grown strongly. This in turn has allowed us to deliver satisfactory financial performance to all our stakeholders.

Key operating performance is summarized below:

- AfrAsia generated an 82% increase in net profit after tax to reach Rs37.3M for the year and on a consolidated basis the AfrAsia Group recorded a result of Rs38.5M.
- On a per share basis this equaled approximately Rs0.80 per share.
- Strong customer deposit growth in all currencies of 57% was seen rising from Rs5.1Bn to Rs8.0Bn.
- Customer loans grew substantially by 130% from Rs2.1Bn to Rs4.9Bn. We remain committed to helping businesses and private clients grow.
- We see continued opportunities in the coming year as our loans to deposits ratio expanded from 42% to 61% and we at all times maintain a strong and anticipatory liquidity position.
- Our paid up share capital increased from Rs452M to Rs654M and we further added a new, strategic international shareholder from Singapore during the year.
- A new share capital increase has been finalized from existing and new strategic shareholders to further allow our growth to continue at the same pace as the past few years.

"Regional and international expansion remain the essential pillars in AfrAsia Bank's growth strategies and our performance during the last 3 years is attracting renowned international shareholders..."

Arnaud Lagesse, Chairman, AfrAsia Bank Limited

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.

AfrAsia 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.

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

Chairman's and Directors' Report

Capital Structure and Dividends

The Bank's capital structure remains strong, comprised of nearly all Tier 1 capital which has increased from Rs250M at start of operations in October 2007 to Rs654M at 30 June, 2010. This includes accumulated net profits of Rs15M during that time with the last two years of profits of Rs58M now more than offsetting the first year of losses due to start up costs. The bank has also been conducting a rights issue and bringing new shareholders on board in recent months and when closed, as expected in October 2010, the capital resources will total near Rs1Bn.

Subsequent to balance sheet closing date, at the Board meeting of 3 September, the board has declared Rs0.20 dividend per share totaling approximately Rs9.6M.

Prospects

Regional and international expansion remain the essential pillars in AfrAsia Bank's growth strategies and our performance during the last 3 years is attracting renowned international shareholders as part of the rights issue mentioned above.

With core Mauritian, South Africa 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. Firstly, many international media outlets and investors are now commenting, each week it seems, upon new growth and stability prospects in Africa, in so called African Lion countries. Secondly, the FIFA World Cup was a grand success as we expected and has proven that South Africa is deserving to become the S in the fashionable new BRICS story.

Thirdly, major international banks are now searching out significant banking investments across Africa. Finally, China and India continue to take the early lead as foreign investors in a variety of industries in Africa and others are now starting to follow.

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.

"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

Dividends
No dividends have been declared during the year under review.

Directors
The name of the Directors of the Bank and its subsidiary as at 30 June 2010 were as follows:

The Bank
AfrAsia Bank Limited

Arnaud LAGESSE	*Chairman*
James BENOIT	
Brett CHILDS	*(appointed on 27 January 2010)*
Jean DE FONDAUMIERE	
Stuart KIRKMAN	
J. Cyril LAGESSE	*Alternate Director - Jean Claude BEGA*
Thierry LAGESSE	
Lim Sit Chen LAM PAK NG	
Norman NOLAND	
Michael PIKE	
Alain REY	*(resigned on 14 December 2009)*

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 were:

Directors	AfrAsia Bank Limited								
	2010			2009			2008		
	Shares Held Directly			Shares Held Directly			Shares Held Directly		
	Ordinary	Employees (Founding Executives) Non-Voting	% Shares Held Indirectly	Ordinary	Employees (Founding Executives) Non-Voting	% Shares Held Indirectly	Ordinary	Employees (Founding Executives) Non-Voting	% Shares Held Indirectly
Arnaud LAGESSE	-	-	4.06%	-	-	4.09%	-	-	5.00%
James BENOIT	293,712	348,354	-	293,712	174,177	-	-	-	-
Brett CHILDS	-	-	-	-	-	-	-	-	-
Jean DE FONDAUMIERE	-	-	-	-	-	-	-	-	-
Stuart KIRKMAN	-	-	-	-	-	-	-	-	-
J. Cyril LAGESSE	-	-	-	-	-	-	-	-	-
Thierry LAGESSE	-	-	4.06%	-	-	4.09%	-	-	5.00%
Lim Sit Chen LAM PAK NG	-	-	-	-	-	-	-	-	-
Norman NOLAND	-	-	-	-	-	-	-	-	-
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 were as follows:

	Year ended 30 June 2010		Year ended 30 June 2009		Year ended 30 June 2008	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
	Rs	Rs	Rs	Rs	Rs	Rs
The Bank						
AfrAsia Bank Limited	13,960,385	1,838,904	12,311,630	1,519,932	9.083,334	1,750,000
The Subsidiary						
AfrAsia Investments Limited	-	-	-	-	-	-

Directors' Service Contracts

Mr 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.

Mr 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.

Mrs Jennifer Jean-Louis, Director of AfrAsia Investments Limited, has an unexpired service contract with the Bank.

Mr Kamben Padayachy, Director of AfrAsia Investments Limited, 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.

Mr 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 Rs 402,060 of charitable donations during the year ended 30 June 2010 (2009: Rs 1,674 and 2008: Rs 10,000).

Political Donations

The Group and the Bank made Rs 500,000 of political donations during the year ended 30 June 2010 (2009: NIL and 2008: NIL).

Auditors' remuneration

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

	2010		2009		2008	
	Audit	**Others**	Audit	Others	Audit	Others
	Rs	**Rs**	Rs	Rs	Rs	Rs
Ernst & Young						
The Bank						
AfrAsia Bank Limited	778,536	61,109	707,250	63,250	600,000	472,557
The Subsidiary						
AfrAsia Investments Limited	144,650	32,500	115,000	28,750	100,000	-

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

STUART KIRKMAN
Director

3 September 2010

Build different

In partnership with our associate company AXYS Capital Management, AfrAsia offers sophisticated and tailored investment solutions to our High Net Worth clients. We specialise in Asset and Wealth Management and are committed to understanding and achieving your particular investment objectives, whether to increase the value of your capital, to protect its value or to obtain the optimum remuneration from it.

Statement of Corporate Governance Practices

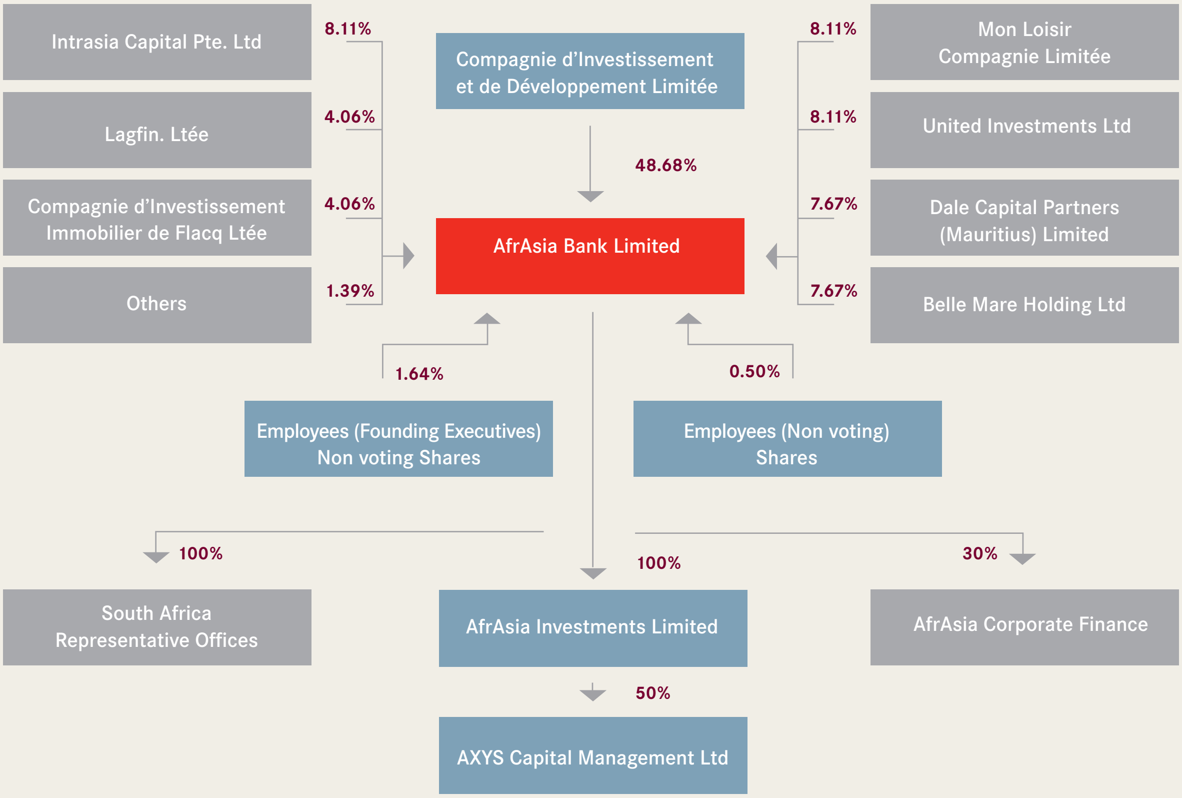
Year Ended 30 June 2010

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

The main activities of AfrAsia Bank Limited consist of lending and deposit taking for Corporate and Private Clients, Treasury operations, Investment Banking and Wealth Management. The Bank is established to be a benchmark provider for tailored and innovative corporate banking, treasury and wealth management solutions, global business and private banking. The Bank acts as a partner and financial adviser, offering a comprehensive and differentiated package to its target market.

Shareholding

The Shareholding Structure as at 30 June 2010 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.

The Board of Directors of AfrAsia blends the experience of well-known Mauritian executives with high calibre international financiers coming from South Africa, Singapore, Canada and Australia.

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

Composition of the Board

The Bank has a unitary Board of ten members functioning independently of management, amongst which there are one Inside Director and nine Outside Directors. On 14 December 2009, Mr Alain Rey resigned as Independent Director and was replaced on 27 January 2010 by Mr Brett Childs, Independent Director.

A complete induction pack was submitted to him and he also had various opportunities to discuss with the Chief Executive Officer and Corporate Officers to better understand the business.

Names and profiles of the Directors are listed below:

ARNAUD LAGESSE
OUTSIDE DIRECTOR - NON-EXECUTIVE CHAIRMAN
Appointed as Director on 12 January 2007 and
as Chairman on 13 February 2007

Arnaud Lagesse, born in 1968, holds a “Maitrise 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. He joined the Groupe Mon Loisir 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’ sub committee. He is a member of the Board of Directors of several of the country’s major companies and is the Chairman of Naïade Resorts Ltd, Mauritius Stationery Manufacturers Limited, Robert Le Maire Limited, AfrAsia Bank Limited and various other companies. Arnaud Lagesse is an ex-president of the Mauritius Chamber of Agriculture, the Mauritius Sugar Producers Association and the Sugar Industry Pension Fund. Arnaud Lagesse is also a member of Audit Committees of various companies.

JAMES BENOIT
INSIDE DIRECTOR
Appointed on 31 May 2007

James Benoit is the CEO and Executive Director of AfrAsia Bank Limited for the past three years from its initial founding in 2007. He was previously a global management executive with HSBC Group for 16 years in emerging and developing markets in China, Philippines, Hong Kong, Middle East, Canada and Mauritius. He has developed, implemented and grown leading consumer banking, wealth management, credit cards 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.

Statement of Corporate Governance Practices

Year Ended 30 June 2010

BRETT CHILDS
OUTSIDE DIRECTOR - INDEPENDENT DIRECTOR
Appointed on 27 January 2010

Brett Childs has spent many years working 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 CFO 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 I.T. 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 publically owned investment businesses.

JEAN DE FONDAUMIERE
OUTSIDE DIRECTOR - INDEPENDENT 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 has been the Chairman of the Stock Exchange of Mauritius from 2002 to December 2006 and is a member of a number of Corporate Governance and Audit Committees.

STUART KIRKMAN
OUTSIDE DIRECTOR - INDEPENDENT DIRECTOR
Appointed on 8 April 2009

Stuart Kirkman, born in 1973, holds a Bachelor of Commerce from the University of Cape Town and is a member of the South African Institute of Chartered Accountants. He has served as a partner in an accounting and auditing practice in South Africa before joining the HBD Group in September 2000 where he is involved in setting, implementing and monitoring the group's investment strategies for both listed and unlisted investments He also sits as a trustee on the Shuttleworth Foundation in South Africa.

J. CYRIL LAGESSE
OUTSIDE DIRECTOR - 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") in the early 1970's, to take advantage of the diverse investment opportunities that arose while Mauritius moved towards greater industrialisation. Since then, the Mon Loisir Group has grown in size, and is now the major shareholder of several other well-established firms. He also sits on the Board of several of the country's most prestigious companies, many of which are listed on the Stock Exchange of Mauritius.

THIERRY LAGESSE
OUTSIDE DIRECTOR - 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 Reunion 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. Thierry Lagesse chairs also the holding companies of Group Mon Loisir, Compagnie d'Investissement et de Développement Limitée and Mon Loisir Compagnie Limitée. Thierry Lagesse 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
OUTSIDE DIRECTOR - INDEPENDENT DIRECTOR
Appointed on 12 February 2007

Lim Sit Chen Lam Pak Ng (Maurice Lam) is a Mauritian and Canadian citizen aged 63 years. He holds an MBA degree at the Graduate School of Business of Columbia University, New York, N.Y., USA. Mr Lam is the founding partner of Stewardship Consulting, a strategy consulting firm with offices in Singapore and Paris, France. 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 Exchange of Kuala Lumpur, Malaysia. Prior to Stewardship Consulting, Mr Lam was in investment banking advising multinationals 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
OUTSIDE DIRECTOR - 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 International Financial Services arena, the Information Technology, Property, Property Development and Leisure Industry sectors. He is currently the Executive Chairman of Stock Exchange of Mauritius listed Private Equity Group, Dale Financial Group. Mr Noland is a member of the Financial Planning Institute in South Africa (AFP) and also holds two post-graduate degrees.

MICHAEL PIKE
OUTSIDE DIRECTOR - INDEPENDENT DIRECTOR
Appointed on 19 January 2009

Michael John Pike, ACIB, aged 61, joined the Hongkong and Shanghai Banking Corp 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. Latterly he was the Head of Group Risk for the Mauritius Commercial Bank Ltd from 2005 to 2007.

Alternate Directors' Profiles

JEAN-CLAUDE BEGA
OUTSIDE DIRECTOR - NON-EXECUTIVE ALTERNATE DIRECTOR
Appointed on 6 June 2007

Born in 1963, Jean-Claude Béga, a Fellow of the Association of Chartered Certified Accountants, was appointed as Alternate Director of J. Cyril Lagesse in June 2007. He joined the Groupe Mon Loisir in March 1997 and is presently Finance Executive. He is also a Director of Naïade Resorts Ltd, the Sugar Insurance Fund Board, City Brokers Ltd, Freight and Transit Co Ltd and AXYS Leasing Ltd. He is also a member of the Audit Committee of the Company.

Statement of Corporate Governance Practices

Year Ended 30 June 2010

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

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

Board Committees

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

Audit Committee

The Audit Committee met four times during the period under review. The four members are:
Mr Jean de Fondaumière, Chairman
Mr Stuart Kirkman
Mr Jean-Claude Béga
Mr Brett Childs

Also attending this committee:
Mr James Benoit, Chief Executive Officer
Mr Loteswar Fangoo, Head of Compliance
Mr Deshmukh-Rao Dhondee, Head of Internal Audit

This committee reviews and evaluates the internal control system, compliance and risk framework of the Bank, with the support of the Internal and External Auditors. It also reviews the audited financial statements of the Bank and integrity of accounting policies and rules used, and recommend and approve corrective actions as required. This committee oversees audit and compliance issues.

Conduct Review Committee

The Conduct Review Committee met four times during the period under review. The three members are:
Mr Michael Pike, Chairman
Mr Jean de Fondaumière
Mr Stuart Kirkman

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

This committee is a sub-committee within the audit committee which reviews the Bank's practice with regards to related party transactions, ensuring that the latter is in compliance with all reporting and/or approval procedures of the Bank of Mauritius. It also ensures that transactions which could materially affect the financial stability of the Bank are identified at source.

Corporate Governance Committee

The Corporate Governance Committee met four times during the period under review. The three members are:
Mr Arnaud Lagesse, Chairman
Mr Norman Noland
Mr Thierry Lagesse

Also attending this committee:
Mr James Benoit, Chief Executive Officer

This committee approves the nomination and remuneration of the Directors and Senior Management of the Bank, reviews and advises on the general remuneration policy of the Bank, compliance with the Guidelines on Corporate Governance issued by the Bank of Mauritius and reviews the annual corporate social responsibility policies and related budgets.

Such committee therefore oversees Compensation, Human Resources and Corporate Social Responsibility issues.

Risk Committee

The Risk Committee met four times during the period under review.
The three members are:
Mr Michael Pike, Chairman
Mr Lim Sit Chen Lam Pak Ng
Mr James Benoit

Also attending this committee:
Mr Kamben Padayachy, General Manager, Head of Banking, Treasury and Markets
Mrs Jennifer Jean-Louis, Head of Finance and Treasury Back Office
Mrs Joelle Ng Foong Lee, Head of Credit and Risk

This committee 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 and approves all operational risk issues and policies of the Bank. It also 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. The Credit Risk Committee is mainly constituted of independent Directors to ensure that AfrAsia Bank operates independently from its shareholders.

Statement of Corporate Governance Practices

Year Ended 30 June 2010

Left to right
Standing: Thierry Lagesse, Brett Childs, Stuart Kirkman
Sitting: Lim Sit Chen Lam Pak Ng, Norman Noland, J. Cyril Lagesse, Arnaud Lagesse, James Benoit

Statement of Corporate Governance Practices

Year Ended 30 June 2010

Attendance Report

The attendance report of the Directors at Board and Committee meetings for the year ended 30 June 2010, as well as their individual remuneration and benefits are shown below:

	Attendance at					
Directors	**Board Meeting**	**Risk Committee**	**Conduct Review Committee**	**Audit Committee**	**Corporate Governance Committee**	**Remuneration and Benefits**
						Rs.
Arnaud Lagesse	4 out of 4	-	-	-	4 out of 4	-
James Benoit	4 out of 4	4 out of 4	4 out of 4	4 out of 4	4 out of 4	13,960,385
Brett Childs (appointed on 27 January 2010)	2 out of 2	-	-	1 out of 2	-	74,247
Jean de Fondaumière	4 out of 4	-	4 out of 4	4 out of 4	-	300,000
Stuart Kirkman	4 out of 4	-	2 out of 4*	4 out of 4	-	221,575
J. Cyril Lagesse	3 out of 4	-	-	-	-	125,000
Thierry Lagesse	4 out of 4	-	-	-	3 out of 4	200,000
Lim Sit Chen Lam Pak Ng	4 out of 4	3 out of 4	-	-	-	200,000
Norman Noland	3 out of 4	-	-	-	4 out of 4	175,000
Michael Pike	4 out of 4	1 out of 4	3 out of 4	-	-	253,767
Alain Rey (resigned on 14 December 2009)	2 out of 4	2 out of 4	2 out of 4	-	-	164,315
Alternate Director						
Jean Claude Béga	1 out of 4	-	-	4 out of 4	-	75,000
In Attendance						
Jean Paul de Chazal	-	-	3 out of 4	-	-	50,000

** attended from March 2010*

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.

Senior Management Structure

The Senior Management Structure is set out below:

- **Chief Executive Officer**
  James Benoit
  - **General Manager Head of Banking, Treasury and Markets**
    Kamben Payadachy
    - **Head of Domestic Banking Relationships and Sales**
      Rouben Chocalingum
    - **Money Market Executive**
      Dwejendranath Ramanah
  - **Head of Internal Audit**
    Deshmukh-Rao Dhondee
  - **Head of Strategic Development**
    Thierry Vallet
  - **Head of Global Business and Structured Trade**
    Arvind K Jha
    - **Head of International Banking, Trusts and Custody**
      Yogesh Gokool
  - **Head of Finance and Treasury Back Office**
    Jennifer Jean-Louis
  - **Head of Marketing and Public Relations**
    Suneeta Motala
  - **Head of Compliance**
    Loteswar Fangoo
  - **Head of IT and Operations**
    Soodesh Beegun
  - **Head of Credit and Risk**
    Joelle Ng Foong Lee
  - **Head of Human Resources and Change Management**
    Maureen Treanor

The senior management profiles, outlining their responsibilities, qualifications and experience, are set out on pages 29 to 30.

Management Team

Founder Executives

KAMBEN PADAYACHY
GENERAL MANAGER, HEAD OF BANKING, TREASURY AND MARKETS
Ben has 16 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. He holds a Masters degree in Monetary Economics from University of Paris Dauphine and a post-graduate degree in Banking and Finance.

ROUBEN CHOCALINGUM
HEAD OF DOMESTIC BANKING RELATIONSHIPS AND SALES
Rouben is an 18 years experienced banker. He started his career in 1992 with State Bank of Mauritius and has acquired extensive experience in credit and corporate banking, and was part of the executive management prior to leaving SBM. He joined Standard Bank (Mauritius) in 2006 as Senior Relationship Manager before moving to AfrAsia Bank. He holds a diploma in business administration from University of Surrey and a certificate in Banking Studies.

THIERRY VALLET
HEAD OF STRATEGIC DEVELOPMENT
Thierry is an Engineer who has worked for LONRHO, ILLOVO and IBL. He then decided to study an MBA at HEC Paris, where he specialized in International Finance. He started his career in the Finance/Insurance world working for Groupe Generali in France as Insurance Inspector for SME and joined their Financial and Managerial Training Center. He came back to Mauritius in 2005 as Corporate Banker at MCB before joining AfrAsia.

Management

JENNIFER JEAN-LOUIS
HEAD OF FINANCE AND TREASURY BACK OFFICE
Jennifer joined AfrAsia Bank in 2007 to oversee the Bank's financial management frameworks incorporating finance, taxation and back office treasury. She has 20 years of professional career gained locally and internationally in both the industry and public practice. She holds a Masters degree in Applied Finance and is a Chartered Accountant and a Fellow Member of the Taxation Institute of Australia.

JOELLE NG FOONG LEE
HEAD OF CREDIT AND RISK
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. She has 16 years of experience in banking and started her career at the HSBC in 1994 in Retail Banking Customer Service and Sales. At HSBC, she occupied successively the posts of Branch Manager, Credit Recovery Manager and Credit Risk Manager. She worked at the Mauritius Commercial Bank Ltd as Special Assets Manager before joining AfrAsia Bank Limited to head the Credit & Risk Management in September 2007.

SOODESH BEEGUN
HEAD OF IT AND OPERATIONS
Soodesh holds an MBA (IS) from University of Technology Mauritius, a Certificate in Banking Studies from University of Mauritius, an Oracle DBA and WEB programmer's Certificates from NIIT - Mauritius. He has more than 20 years experience in the Banking/IT sector. He started at IOIB ltd in 1987 and worked as Assistant Planter's Adviser at F.U.E.L from 1994 to 2000 and was formerly working at SBI Mauritius as Head of IT.

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 13 years experience in the banking sector. She started her career at HSBC in 1994 and held several responsibilities in the Credit Risk and Sales & Marketing departments. She held the post of Branch Manager at HSBC before joining MPCB in October 2003 as Head of Strategic Marketing. Suneeta joined AfrAsia Bank as Head of Marketing in July 2007.

Left to Right
Thierry Vallet, Kamben Padayachy, Rouben Chocalingum

Statement of Corporate Governance Practices

Year Ended 30 June 2010

DESHMUKH-RAO DHONDEE
HEAD OF INTERNAL AUDIT
Deshmukh-Rao (Vinod) Dhondee has more than 33 years of banking experience in the Global Business and Domestic Banking environment mostly acquired at middle and senior management level at HSBC where he initiated his career. Within this institution he has occupied various managerial positions in the Personal Banking and Corporate divisions, Sub Custody business and in risk management functions such as Credit Risk and Recovery, Operational Risk, Compliance and Internal Control. He has also served as director for several HSBC Global business companies.

DWEJENDRANATH RAMANAH
MONEY MARKET EXECUTIVE
Jen started his career at the Government Audit department before joining the Bank of Mauritius in 1980 where he gathered wide ranging experience culminating as a Senior Dealer in the Financial Markets Department. Jen also worked at the Mauritius Commercial Bank as the Chief Money Market Trader before joining AfrAsia Bank. Jen holds a Bsc (Hons) Management from The University of Mauritius and an MBA from the Edinburgh Business School.

LOTESWAR FANGOO
HEAD OF COMPLIANCE
Anil has 20 years of experience in the banking field. He started his long and extensive career in the Legal Dept of the Indian Ocean International Bank Ltd now SBI Mauritius in the mid 1990 until 2009. As a Branch Manager, he successfully mastered the Retail and Corporate Banking. He has also specialized knowledge and experience in Legal and Credit Recovery. Anil was heading the Legal and Compliance Department at SBI Mauritius before joining AfrAsia Bank as Head of Compliance in July 2009.

ARVIND K JHA
HEAD OF GLOBAL BUSINESS AND STRUCTURED TRADE
Arvind brings with him more than 24 years of experience in different facets of banking. He has hold many challenging positions in State Bank of India. His last assignment in SBI was as General Manager, SBI International (Mauritius) Ltd before joining AfrAsia Bank in November 2008. Arvind is B.Sc, MBA, Certified Associate of Indian Institute of Bankers (CAIIB) and also the recipient of prestigious C.H. Bhabha Research Scholarship & Award given by Indian Bank's Association.

MAUREEN TREANOR
HEAD OF HUMAN RESOURCES AND CHANGE MANAGEMENT
In June 2010 Maureen joined AfrAsia Bank, she has more than 20 years experience in the banking sector. Qualified in Human Resources & Project Management, she worked for Barclays Bank (UK & Africa), before moving to Mauritius where she joined another local bank as Head of Human Resources.

YOGESH GOKOOL
HEAD OF INTERNATIONAL BANKING, TRUSTS AND CUSTODY
Yogesh is a member of the Society of Trust and Estate Practitioners (STEP) and the Association of International Wealth Management (AIWM). Yogesh has worked at International Financial Services Limited, a leading International Management Company in Mauritius, for 6 years, where he specialized in the management of investment funds and Global Business companies for international clients. Prior to joining AfrAsia Bank, he was heading the fiduciary services division at Deutsche Bank, Mauritius.

Left to Right
Loteswar (Anil) Fangoo, Maureen Treanor, Soodesh Beegun, Jennifer Jean-Louis, Yogesh Gokool, Deshmukh-Rao (Vinod) Dhondee, Suneeta Motala, Joelle Ng Foong Lee, Dwejendranath (Jen) Ramanah

Board's expectations of management and its performance in meeting them

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

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

Incentive Structure of the Bank, Remuneration Policies, Executive Compensation

The Bank has implemented market competitive levels of remuneration and compensation necessary to attract, retain and motivate the high quality people required to lead, manage and serve the Bank in a competitive environment. In its first year of operation the Bank recruited mostly very experienced and well talented people to drive the Bank towards success and market recognition. The salary structure of the Bank's staff was one of the most attractive based on industry standards and as the Bank moves forward, staff will be remunerated for their aptitude and performance, based on organisational goals and on the long term interests of the Bank's stakeholders.

The Bank strives to ensure that remuneration packages reflect duties and responsibilities, are fair and equitable based on industry standards and incorporate rewards clearly and measurably linked to performance individually and on a corporate basis.

In addition to the base salary and incentive plan participation, senior management and the Executive Board member enjoy benefits similar to most other comparable employees of the banking sector. These include benefits such as the use of company cars, personal pension plans with the Bank contributing 5% of the employee's salary towards the pension plan and liability covers during their stay at the Bank.

Executive salary is dependent on their overall performance in terms of Key Performance Indicators approved at the start of the financial year and the performance of the Bank for the financial year. Additionally the Bank grants bonus incentives to employees having achieved a note worthy performance in their selling efforts of the Bank's products.

The nature and extent of transactions with affiliates and related parties of the Bank are set out on pages 110 to 111 of the audited financial statements.

Corporate Social Responsibility

AfrAsia Bank considers that Corporate Responsibility towards its stakeholders, the environment and society is a key factor determining its long-term success. While being guided by our key values, our approach is founded on a broad understanding of the concept of corporate citizenship, which encompasses supporting innovative and sustainable projects for the society and our environment at large.

> "The obligation to work for social betterment is the essence of the notion of corporate social responsibility."
>
> *Frederick, 1994, Journal of Business Ethics*

Children Welfare

Centre d'Eveil of Bois Marchand (For children between 2 and 4 years old)

Bois Marchand is a suburb mostly inhabited by squatters living in extreme poverty. Fondation Joseph Lagesse, an organisation created in 2005 by the Groupe Mon Loisir to implement its social and environmental responsibility, is the only one which provides support to the Centre d'Eveil of Bois Marchand.

The day care centre for children, set up by the Fondation Joseph Lagesse, aims at providing these children with a pedagogical environment and gearing them for pre-primary/primary schools.

As regards to our first visit with a group of staff members, we were indeed pleased to bring food, clothes, books, toys and puzzles but most importantly volunteering and devoting our time to these children. This CSR programme was further highlighted with the provision of medical checkups for each child from doctors of the Ministry of Health.

In the future, we plan to organise outings with these children in an attempt to create a bond and consolidate our relationship with them in line with helping them discover our beautiful island.

"La Ferme Integrée" – helping a unique project in Mauritius at Maison Familiale Rurale du Nord

This unique agricultural project in Mauritius consisted of providing necessary infrastructure, the basic raw materials and other amenities to a bare plot of land at Calebasses for the rearing of livestock and cultivation of vegetables.

Left to Right: James Benoit (CEO of AfrAsia Bank Ltd), Philip Ah Chuen (MFR du Nord) and Raj Jatoo (MFR du Nord)



The self-managed farm is initiated and run by teenagers who did not succeed their Certificate of Primary Education exams. They will receive the required training by having alternate school weeks. 60% of the products will be given to the students and 40% will be sold to the persons of the vicinity from which the proceeds will be used to meet their running expenses such as electricity, water, raw materials, among others.

The objectives set for the Mixed farm Project are as follows:

- Contribute to the development of the young generation
- Help to make youngsters independent besides providing them financial assistance
- Provide training and hands-on practice for better results
- Enhance awareness of what can be easily produced for own use and family consumption and thus encouraging them to copy the same initiatives at their place
- Alleviate poverty by making those youngsters help their families and sharing their knowledge. One third of the population surrounding the regions of Calebasses, Arsenal, Baie du Tombeau, Ste Croix, Bois Marchand and Terre Rouge live in poverty and the pass rate at primary education level for young children is very low.

In line with our strategy to support innovative and sustainable projects, we were proud to be associated with this unique project. AfrAsia Bank's staff involvement was again appreciated with a hands-on approach on a Sunday morning by helping to clean the land and prepare the soil before any plantation could be done. It was not only about financing this unique initiative but also to get directly involved, that's what we call "can-do attitude".

Environment Sustainability

AfrAsia Bank Limited is indeed committed to long-term environmental sustainability. We aim at being the right vehicle to make a valuable contribution towards environmental protection. The efficient use of resources, raising ecological awareness between employees and the society as well as the allocation of products and client services focusing on environmental themes and sustainability are some underlying concepts brought forward by AfrAsia Bank Limited.

In an attempt to ensure effective environmental sustainability and social cohesion, AfrAsia Bank Limited also provides many opportunities for the staff to get involved with CSR activities in the following areas:

- Being more eco-friendly by preventing excess use of paper
- Saving electricity and hence reducing global warming by turning lights off
- Avoid exaggerated use of water
- The sorting of biodegradable waste for recycling purposes
- The sending of some clients' statements by email as an alternative to hard copies

SIMON-PIERRE REY
Company Secretary

3 September 2010


Business
different

AfrAsia Bank's vision is to bring value to your business. Our experienced team of Relationship Managers will accompany you in your projects and provide solutions as to the best way to structure your financing requirements. Furthermore, our associate company AfrAsia Corporate Finance now provides us with additional capabilities for Advisory Services and execution, especially in terms of equity and debt arrangement.

Key Achievements

First for Mauritius – AfrAsia partners with British Airways to launch the first credit card mileage, 'FLY DIFFERENT!'
AfrAsia Bank and British Airways launched the first credit card mileage programme in Mauritius, 'FLY DIFFERENT!' whereby all AfrAsia Titanium MasterCard cardholders have the opportunity to enjoy a faster way to earn BA Miles towards reward flights or cabin upgrades under the British Airways Executive Club.

This key joint venture, aimed at promoting the smooth world of travel and card use, also showcase the bank's commitment to deliver superior customer service in line with enhanced rewards schemes and lifestyle privileges to its Titanium cardholders who already enjoy a plethora of exceptional benefits.








AfrAsia Bank – First Local Bank to venture into Foreign Institutional Investor (FII) – India Business

AfrAsia Bank received its Foreign Institutional Investment (FII) license from the Securities and Exchange Board of India (SEBI) in December 2009.

An FII is an institution established or incorporated outside India, which proposes to make investments in securities in India and regulated under the strict provisions of the SEBI

This license enables the bank to provide a complete bouquet of services to its global business clients and facilitate their investments into Indian stocks and debt market using the sub-account route of FII.

Sub-Account, on the other hand, means 'any person resident outside India, on whose behalf investments are proposed to be made in India by a FII and who is registered as a sub-account under these regulations'.

A foreign investor who does not wish to proceed with the full administrative hassle of applying and registering as an FII, may invest in India as a sub-account outside India, which proposes to make investments in securities in India and regulated under the strict provisions of the SEBI.

The bank continues to be a regional boutique bank focusing on corporate and institutional clients keeping in mind a carefully selected and targeted range of customised products, services and delivery channels. Built on customer oriented communication, long term relationships and enduring wealth creation, AfrAsia Bank is concentrating on this investor centric approach to make a difference in the financial niche and at the same time further craft its strategy to tap the Indian market.

Launch of South African Representative Offices

To mark the start of an African regional expansion drive with initial focus on South Africa, AfrAsia Bank launched, in February 2010, representative offices in both Johannesburg and Cape Town.

Left to Right: James Benoit (CEO of AfrAsia Bank) and Casper Troskie (Manager of South African Reserve Bank)

Left to Right: Robyn de Kock (Director Eversheds, South Africa), Yogesh Gokool (Head of International Banking,Trusts and Custody of AfrAsia Bank), Zarina Kellerman (Director of Eversheds, South Africa) and Alastair Morphet (Director of Eversheds, South Africa)

The growth of the South African base outlines significant changes in global financial and trading power – with Africa and Asia poised to have a bigger weight in the global economy.

AfrAsia Bank believes in the concept "Asia meets Africa", whereby the super cycle of growth opportunities in Africa particularly the startling impact of the dynamic duo of China and India in the picture can be highlighted.

Besides with its massive domestic market and huge export/import volumes, India, one of the bank's strong connections, remains an attractive investment destination with growing appeal for South African asset managers. They can use AfrAsia Bank - a Foreign Institutional Investor (FII) licence-holder to access Indian stock exchanges and benefit from fiscal incentives when diversifying international portfolios.

From Left to Right: Noelle Mc Kean (Chartered Accountant of England and Wales Consultant), Suneeta Motala (Head of Marketing and Public Relations at AfrAsia Bank), Francoise Chan (Executive Director of Intercontinental Trust, Mauritius) and Ashtee Bullyraz Toree (Manager Corporate Services of Intercontinental Trust, Mauritius)

Project finance, residential property development and services in support of asset managers are additional growth areas between the two countries which will in turn contribute to strengthening the relationship with Mauritius-based bankers.

The leap into the regional market positions the bank as a conduit for banking services between the Indian Ocean area, Asia – particularly India and Africa, whereby reinforcement of its South African presence is of utmost importance.

Reinforcement of the bank's presence in South Africa will hence not only help South Africans looking to invest their offshore allowances but in writing the African sequel as well.

"Africa is becoming economically integrated with Asia whereby Mauritius is the ideal conduit for these flows. Trade facilitation between India and Africa is a growth area and AfrAsia Bank intends to capitalise on these opportunities through regional expansion, starting in South Africa"

James Benoit, CEO AfrAsia Bank Limited

AfrAsia Bank acquires 50% of AXYS Capital Management

In an attempt to further expand and diversify its Private Banking Business, AfrAsia Bank, through its subsidiary AfrAsia Investments Limited, has acquired a 50% interest in AXYS Capital Management Ltd, one of the oldest and leading asset management companies in Mauritius.

"This partnership will enable us to both enhance our existing strengths and create new synergies which will eventually benefit our clients"

Thierry Vallet, Managing Director
AfrAsia Investments Limited

The main objective of this partnership is to offer a wide range of financial services which will in turn help the two companies to capitalise on their partnership and maximise greater synergies for the ultimate benefit of affluent, High Net Worth (HNW) and institutional clients, both in Mauritius and the region (South Africa, Reunion Island and Madagascar).

Additionally, the purpose of this acquisition remains the strengthening of the companies' distribution power and long-term positioning as leading suppliers of private banking & wealth management products and services in AfrAsia Bank's respective niche areas.

This joint venture is expected to make Mauritius the best private banking platform in the region which will consequently add to the diversification of the economy.

Left to Right
Didier Merven (Director AXYS Capital Management), Thierry Vallet (Managing Director AfrAsia Investments), Michel Guy Rivalland (CEO AXYS Group), James Benoit (CEO AfrAsia Bank)

Launch of innovative Investment Products

With our associate company AXYS Capital Management and JP Morgan, we have launched the following Capital Protected, FCY & MUR Structured Investment Products:

- Sustained Global Recovery Note - USD denomination with capital guarantee on a 5-year term and performance indexed on MSCI World Index.
- Oil Opportunity Note - MUR denomination with capital guarantee on a 3-year term and performance indexed on the JP Morgan Commodity Oil Curve Index.
- BRIC Note – MUR denomination with capital guarantee and minimum guaranteed return on a 5-year term and performance indexed on the S&P BRIC 40 Risk Control Index.

AfrAsia Opens Shareholding to Intrasia Capital

AfrAsia Bank has opened this year its shareholding to a new strategic partner, Intrasia Capital, a Singapore-based firm. The new shareholder, an investment, development and boutique private equity firm, will largely contribute to the development of the bank's regional presence.

The newly joined shareholder will also facilitate the bank's growth strategies which include the intention to ultimately establish a representation in Singapore.

AfrAsia Bank's financial performance, growth plans and strategic vision have been undoubtedly confirmed by the stimulated response from new investors. The addition of the South African shareholder in our previous financial year, Trinity Financial Group, has helped to establish two representative offices in Cape Town and Johannesburg early this year.

All in all, the growing footprint of AfrAsia Bank as an innovative financial services provider aims at outlining business opportunities from Singapore on the Global Business front and simultaneously tapping those markets by demonstrating the merits of using Mauritius as an investment route from Singapore to Africa.

"With our new FII Licence in India and our two international shareholders facilitating our regional growth, we are delivering on our promise to be a truly one stop boutique regional bank that links these two continents together seamlessly. Both, South African Dale Capital Partners and Intrasia Capital from Singapore with strong links to Australia and Indonesia, support our strategic vision of expanding our activities regionally."

James Benoit, CEO AfrAsia Bank Limited

AfrAsia Bank acquires 30% of Trinity Corporate Finance

AfrAsia Bank has acquired in May 2010 a 30% stake in Trinity Corporate Finance (TCF) via a new share issue. TCF is an independent Cape Town-based corporate finance adviser providing mergers and acquisitions, debt advisory, restructuring, equity advisory and BEE advisory services.

> "The new tie up with AfrAsia Bank will provide us with strong links into Asia as well as other SADC countries and we will be in prime position to provide advice on cross-border transactions between South Africa and Mauritius. The partnership also provides us with balance sheet capacity as we look to establish a comprehensive underwriting business focussed on mid-tier SA corporates"
>
> *Charles Pettit, Managing Director, AfrAsia Corporate Finance and former MD of Trinity Corporate Finance*

The company was re-named AfrAsia Corporate Finance following the conclusion of the deal with AfrAsia Bank.

The motivation behind this acquisition is to have a bigger presence in Africa as a lot of transactions go on across borders. Many companies have operations in other countries such as Zambia and Kenya but quite often have their regional headquarters in South Africa. Therefore, having a strong corporate financing team in South Africa will enable participation in regional corporate banking.

The transaction will provide AfrAsia Bank with enhanced coverage and deal flow as it seeks to expand its footprint in South Africa. This new partnership will not only enhance AfrAsia's Investment Banking offering for Mauritian corporate customers but also open up new avenues in terms of Equity raising, M&A opportunities and Advisory services to clients as well as rendering accessible opportunities to South African corporate and investors.

Left to Right
Standing: Peter Van Zyl & Colin Grieve / Sitting: Charles Pettit & James Benoit

International Exposure

ASIA MEETS AFRICA CONFERENCE – Event sponsored in Singapore

AfrAsia Bank and Intercontinental Trust Limited co-hosted a seminar on "Asia meets Africa" at the Art House, Singapore, in October 2009. This event was organized in collaboration with Intrasia Capital (Singapore) and the Superwomen Group (Australia). The seminar brought together over 160 professionals in the financial services industry from across Singapore and also, from Malaysia as they came to listen to the delegates on the various opportunities, facilities and advantages of using Mauritius as platform for outbound investments into Africa.

ECO AUSTRAL BUSINESS FORUM - Reunion Island

In April 2010, with the Eco Austral team, the Bank organised a business forum in Reunion Island with major professionals coming from different economic sectors. The discussion was mainly focused on the business opportunities that Reunion investors would obtain in Mauritius and all the benefits of partnering with Mauritian entrepreneurs.

Sponsorships in the community

AFRASIA DODO GOLF OPEN 2010

AfrAsia Bank and the Dodo Club have jointly organised their Golf Tournament at the Dodo Club on the 12th and 13th of March 2010. Recognised as a high level open tournament held in Mauritius, the event has attracted some 100 golfers from different parts of the island.

AFRASIA MAURITIUS DERBY CUP 2009

Horse races being part and parcel of the Mauritian leisure scene, we are here to support this activity loved by many of our clients. We sponsored, in July 2009, the AfrAsia Bank Mauritius Derby, a “Group One” race, which was an absolute success.

NATIONAL RUGBY TEAM

The Bank sponsored the Mauritian National Rugby Team for the CAR Trophy Tournament held in Botswana last July 2009. Rugby, being one of the most popular sports on the African continent is growing quite rapidly in Mauritius and we were hence proud to be partnering with the national team for this event.

AfrAsia Bank achète 30 % de Trinity Corporate Finance

Le nouveau partenariat permettra d'améliorer l'offre d'AfrAsia Investment Banking pour les entreprises mauriciennes

Source: Le Matinal, June 2nd, 2010

Questions à Ben Padayachy directeur général de l'Afrasia Bank

«Capter le flux de capitaux entre l'Afrique du Sud et l'Asie»

Source: L'Express , June 1st, 2010

Business Magazine Cover, April 20th, 2010

INVESTISSEMENT

Produit d'investissement

AfrAsia Bank s'associe à AXYS Capital Management pour proposer le "BRIC Note"

AfrAsia Bank et AXYS Capital Management travaillent conjointement pour proposer le « BRIC Note » à leurs clients. Ce nouveau produit d'investissement est considéré comme une innovation sur le marché mauricien avec possibilité d'investir en roupies mauriciennes avec un retour minimum garanti de 20% sur 5 ans en dollars américains. Un produit avec le même sous-jacent existe aussi en dollars australiens ; il est destiné aux investisseurs préférant diversifier aussi la monnaie de référence.

La Direction de la BAT précise : « La British American Tobacco Mauritius et TNS Tobacco Ltd sont deux entités légales distinctes »

Source: Business Magazine, June 3rd, 2010


AfrAsia sees big opportunity in African continent: Benoit


BIZDIGEST

Mauritius key FII destination for India

AROUND 45PC OF FII INTO INDIAN MARKET FLOWS THROUGH MAURITIUS

An FII is an institution established or incorporated outside India but which proposes to make investments in securities in Indian euity market

Emtel launches WiMAX broadband net

Source: The Independent Daily, December 22nd, 2009

Source: The Independent Daily, June 1st, 2010

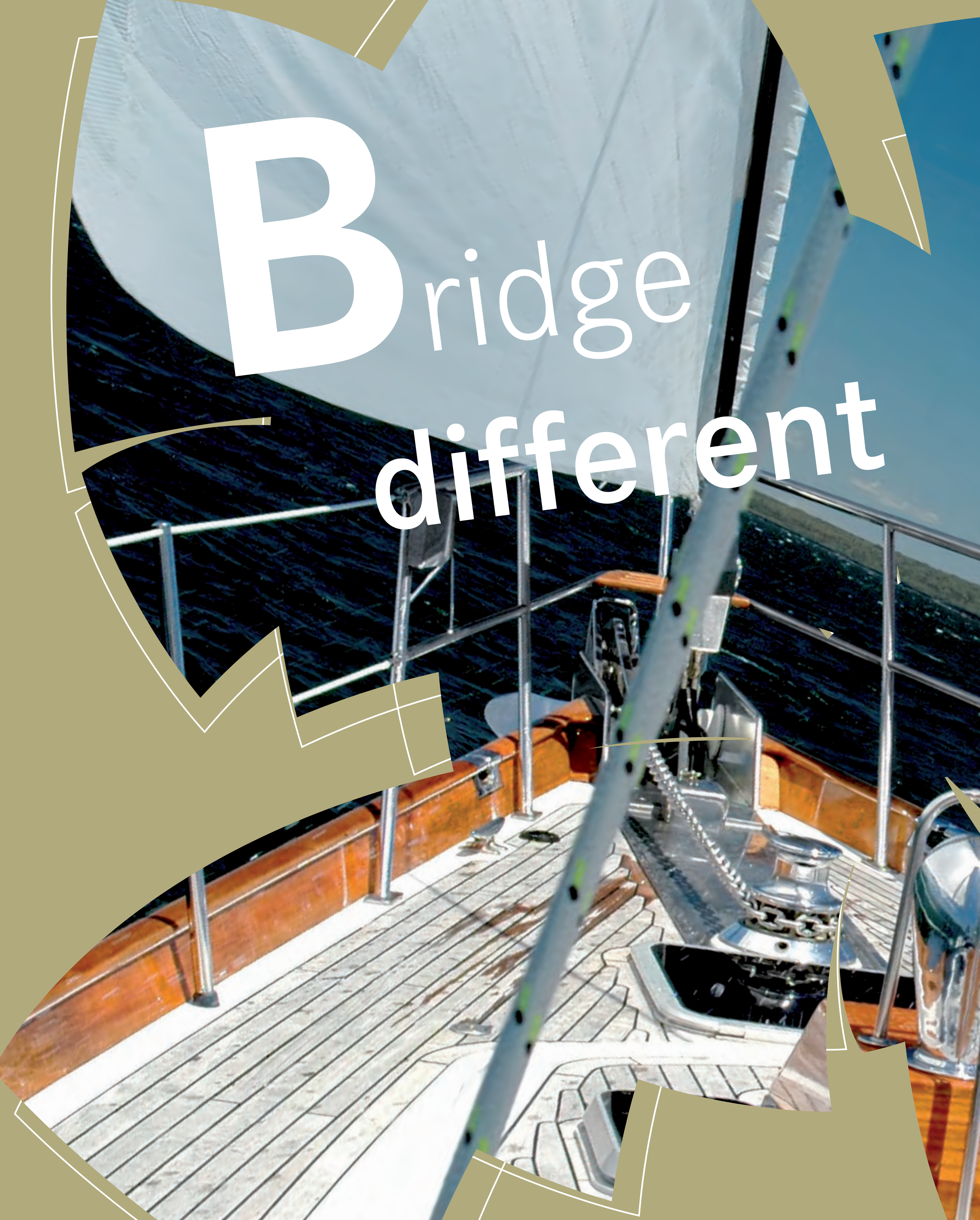

Témoignages

Management

PLACE AUX FEMMES !

Elles sont mères, épouses et mènent une carrière fulgurante. Le tout, en même temps. CEO ou siégeant dans les « boardrooms », ces « Managing women » n'ont pas froid aux yeux. Parole à des femmes au tempérament de fer.

Source: Essentielle Magazine October 2nd, 2010


Bridge
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. Much of our strategies and growth are coming from this mission to be the reference Private and Corporate Bank in the region to facilitate Africa-Asia trade and investment flows. This can be seen in our strong customer and financial growth which is hard to find elsewhere in the world these days".

James Benoit, CEO AfrAsia Bank Limited

Management Discussion and Analysis

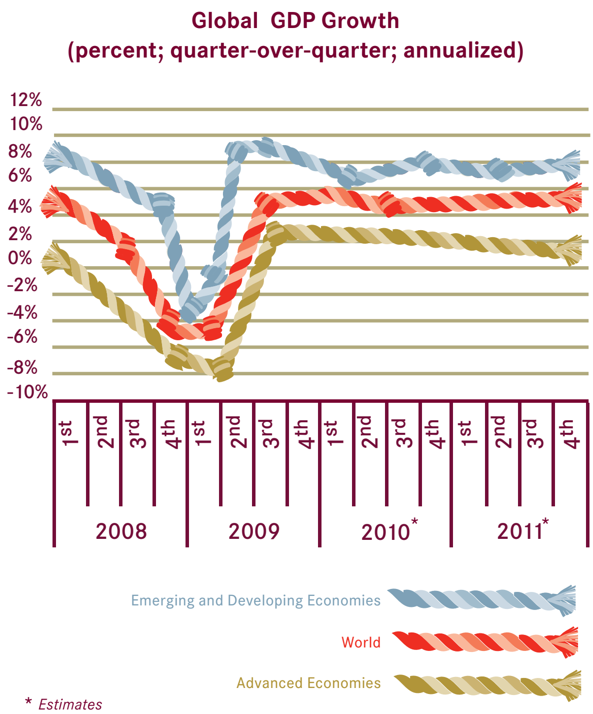
Year Ended 30 June 2010

The Key Economic Outlook

World Economy

2009/2010 is shaping up to be post-crisis, with a proliferation of recovery plans and economic indicators showing stability and upward trends, even while the stock markets are still wary. However, significant risk remains, with the Euro zone growth suffering from austerity programs, the Chinese authorities trying to deflate their economic bubble and patchy job creation in the US. A significant global growth slowdown could still be seen in 2010/2011, although unlikely.

This fear of a "double dip" lowered many key raw materials prices, which is good news because it reduces inflationary pressures and encourages central banks to maintain their flexible policy. Gold remains an exception and this comes as a hedge against competitive and successive devaluations of currencies, but also against an inflationary scenario which could materialize should countries continue to monetize their central bank balance sheets.



* Estimates

Source: Bordier Bank –Politique d'investissement

BNP Paribas – Stratégie d'investissement

The decline of the stock market likely reflects this new economic scenario of stagflation, with investors less enthusiastic than at the beginning of the year. In conclusion, we assume that the overall macro-economic growths will remain low in the coming year but we do not anticipate a double dip. We are managing our business according to this view, continuing to lend and invest in our core customer segments.

The Mauritian Economy

Mauritius was significantly impacted in 2009 by the international economic instability created by the 2008 crisis. Indeed, the growth in GDP slowed to 3.1% in 2009 against 5.1% in 2008. By 2009, 68.8% of GDP was generated by the services sector including the service industry, 27.2% of GDP was attributed to the secondary sector and the remaining 4% was attributed to the primary sector, largely represented by agricultural activities.

As forecast, Mauritius is expecting its GDP to grow by 4.1% in 2010. GDP growth during the period 2006 to 2008 was an average of 5%, so in 2011 it is expected that the economy will return to its growth path of 5% and reach a stable growth for the coming year.

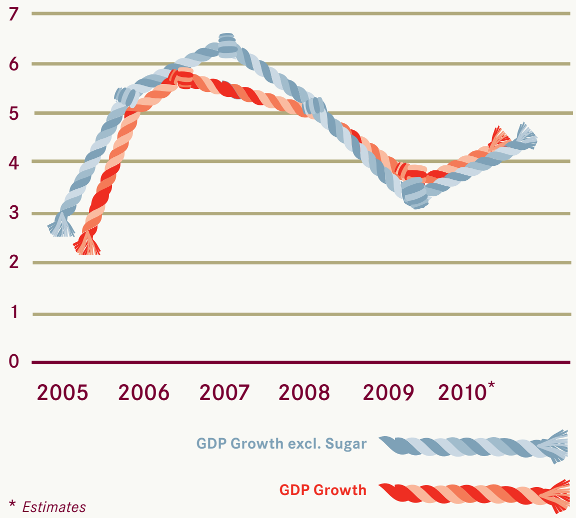
Foreign Direct Investment (FDI) shot up from Rs2.8Bn in 2005 to reach Rs11.5Bn in 2008. After this period, Foreign Direct Investment was decreasing in line with global trends but since January to May 2010, Rs5.8 Bn of Foreign Direct Investment was collected (66% of the 2009 FDI) manifesting a renewed confidence in the Mauritian economy to weather the current economic storm.

In 2009 and 2010, the government worked in close cooperation with the private sector and a 62.9% growth of public sector investment has offset the decline of the private sector (-2%). Yet government resources are not unlimited and private sector confidence remains weak. The 2010 forecast of an investment drop of 1.5% reflects completion of some major construction projects (commercial and office building, new hotels and hotels renovation and lower investment in machinery and equipment in the private sector.

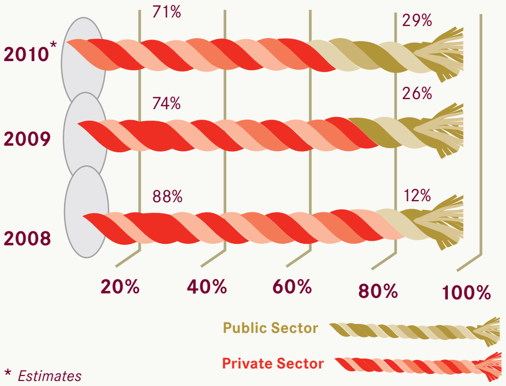
The balance of goods and services finished in 2009 with a deficit of Rs29.2Bn, less than the deficit of Rs38.942M recorded in 2008. Thus it represented in 2009, 10.1% of GDP against 14.7% of GDP in 2008. In 2010, the balance of goods and services forecast a deficit close to 10.6%, due to lower exports of the textile industry and a decrease in the number of tourists since the end of 2008.

Source: IMF, Bank of Mauritius, Ministry of Industry

Annual real growth rate of GDP at basic price (%) 2005-2010



Gross Domestic Fixed Capital Formation



Inflation

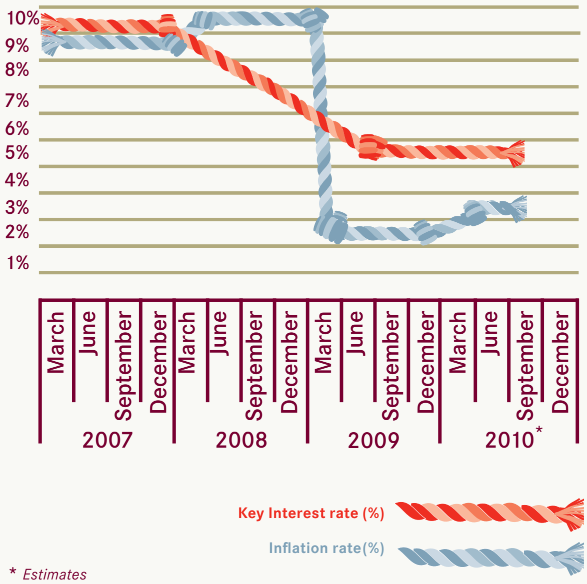
The inflation rate was 9.8% in 2008, dropping to 2.5% in 2009. In 2008, the inflation rate did not move in tandem with key interest rates. During the downtrend of REPO Rate from 9.25% at the end of 2007 to 5.75% in 2009, inflation rose to 9.8% before subsiding to reach 2.5% in 2009. The rise of inflation has resulted in very low real interest rates which may have exacerbated the leverage of companies into debt before the global financial crisis impact could be fully seen.

By 2009 the inflation decline and lower growth of the economy had caused a sledgehammer effect: with the decrease of profits in Mauritian industry and investment curtailed. This remains the case in 2010, with investment rates continuing to decline as companies will seek to deleverage in view of the financial burdens.

Key policy interest rates of 5.75% have been maintained by the Bank of Mauritius since 2009. This, along with stabilization of oil, commodities and food prices and the exchange rate of the rupee, will keep inflation subdued in the short term and it is not expected to exceed 3% at the year end.

Source: Bank of Mauritius

Key Interest (%) and Inflation rate(%) 2007- 2010



Banking and financial services sector

The banking sector was highly resilient to the effects of the global financial crisis. Despite the downgrading by Moody's of the Mauritius Commercial Bank to D+ and State Bank of Mauritius to C-, the Mauritian financial sector continued to grow, with a growth of 12.2% in 2010 against 10.1% in 2009.

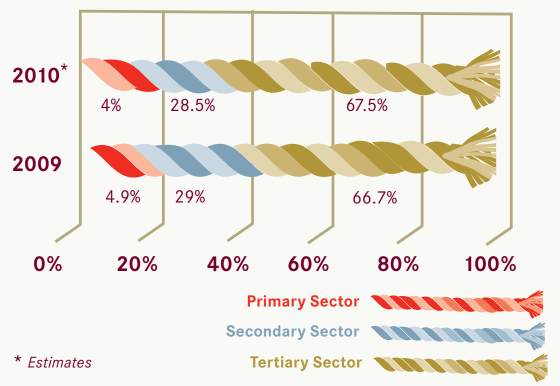
Mauritian Banks are engaged in fairly conventional deposit taking and lending businesses and less exposed to riskier operations which have contributed to the global financial crisis. It has helped banks to demonstrate resilience against the crisis, but this situation has also resulted in little growth in deposits, a reduction in lending and a moderate increase in profits relative to the levels recorded in the past.

However the international operations of commercial banks have been affected by the crisis .

In 2009, there was a contraction of 2.3% of the amount of total credits, the level falling back to $12.35Bn at year end. "Non-performing loans" remain low at 2.9% of total loans. In addition, banks were well capitalized with a capital adequacy ratio ranging from 15.2% in 2009, slightly below the 2008 level (15.3%). Banks remain solid, liquid and profitable withstanding the impact of the economic crisis on their respective balance sheets.

The total financial sector including banks, insurance companies and financial institutions should represent 12.6% of the GDP in 2010, against 11.7% in 2009.

Percentage Distribution of Gross Domestic product by sector at current basic prices

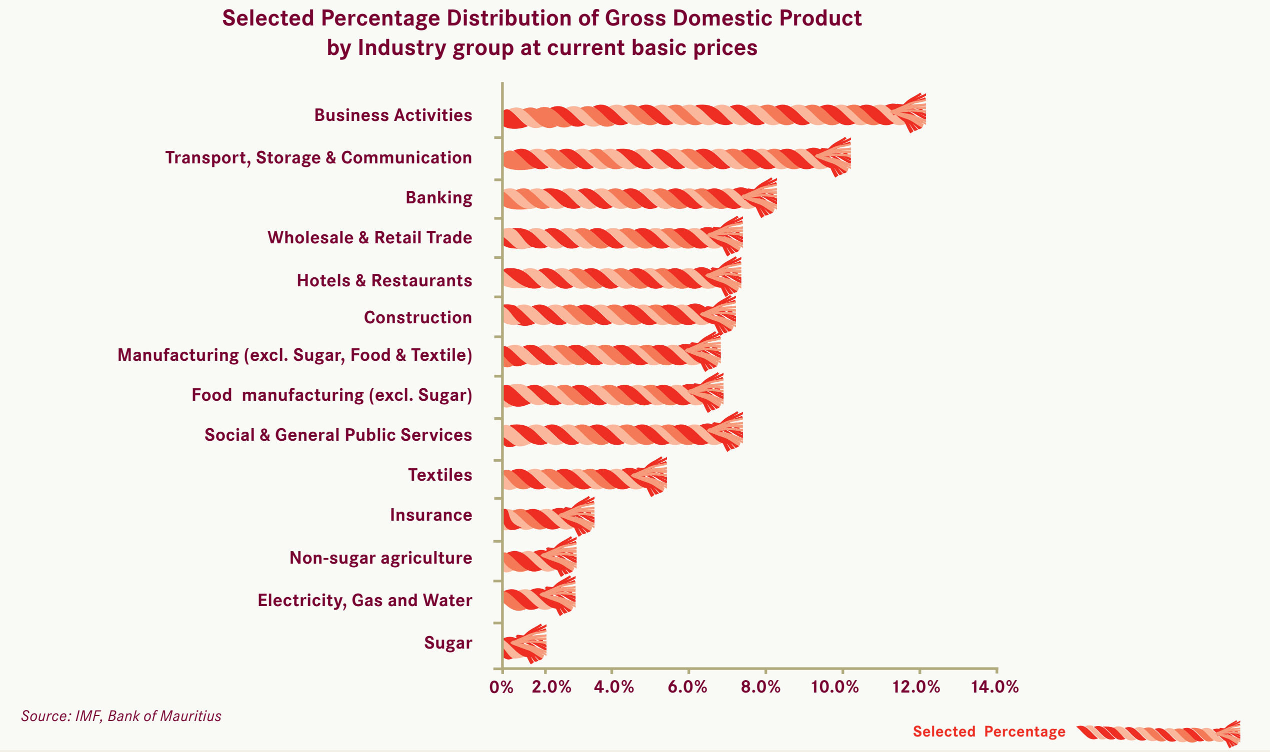


Source: www.lexpress.mu
Ministry of Industry - Annual Report on Banking Supervision 2009

Sugar

Sugar production this year is estimated at 450,000 tons against 467,234 tons in 2009, thus a decline of 3.7% compared to last year. Despite the increase of extraction in sugar cane (10.6% higher than last year), sugar production continues to fall with a loss of 19.6% in 2010 against a loss of 14.5% in 2009.

Due to reduced surface area under cultivation and the price reduction, the sugar industry share of GDP has declined by 54% in 4 years, to represent 1.7% of GDP in 2010 against 3.7% in 2006. With the abolition of the sugar protocol with the European market, the Sugar Industry is turning to the fabrication of specialized sugar in order to create adjusted value. The centralization of production in the past few years should help to reduce costs and increase energy production as well.



Source: IMF, Bank of Mauritius

Textiles

The appreciation of the Rupee against the Euro and the British Pound should decrease the revenues of the textile industry by 1.1% in 2010 on the back of an already difficult 2009. The industry is expected to represent 5.0% of GDP in 2010, against 5.4% in 2009.

The strength of Mauritius lies in the fact that it has invested in the modernization of its textile industry as, more and more, the value of the product depends largely on the technology and efficiency of machines.

In 2009, the Mauritian textile industry had to adapt to new demands, including orders from the United States of high quality products with high added value, but accompanied by very strict conditions, with delivery times typically much shorter than average. Thanks to the positive feedback from new markets (USA), the textile industry recorded a growth of 3.5% in 2009.

European countries which are the main importers of Mauritians textiles, should accept slight increases in price without importing textile from rival countries. But with further exchange rate pressures, we can expect industrialists to keep pressing the Government on the valuation of the rupee in order to ensure their exports.

Source: Ministry of Industry

Management Discussion and Analysis
Year Ended 30 June 2010

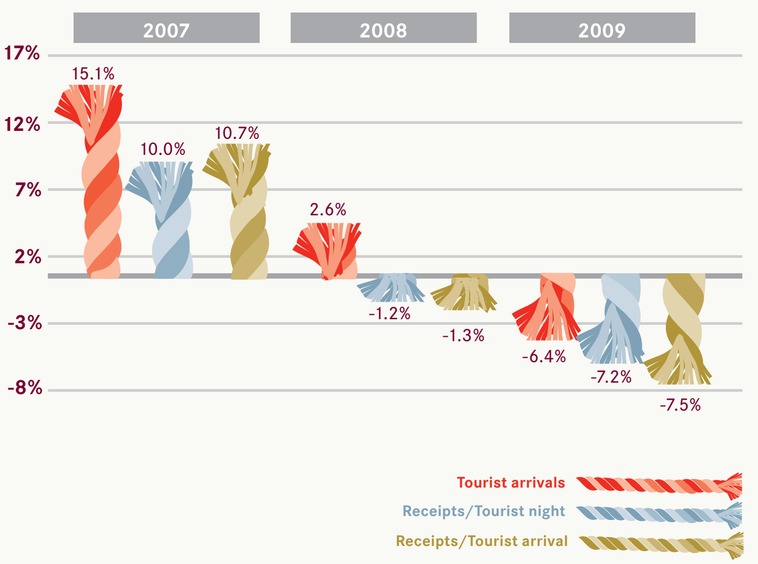
Tourism
Tourism suffered heavily from the crisis. The number of arrivals has increased by 2.6% in 2008 but decreased by 6.4% in 2009. The amount of receipts per tourist night decreased by 1.2% in 2008 and by 6.4% in 2009. Receipts per tourist arrival were Rs 44,293 in 2008 falling to Rs 40,962 in 2009, reflecting the promotional packages offered by the hotels and travel agencies in order to bring tourists to Mauritius.

The number of tourist arrivals in 2010 is estimated at 915,000, which would represent an increase of 5% against the 871,356 arriving last year and slightly less than 2008 (930,456). According to the Bank of Mauritius, tourism receipts in 2010 would reach Rs40.150Bn, an increase of 12.5% against Rs35.693M in 2009

2010 is full of expectancy for tourism. After the decline of -13% of the Restaurants and Hotels revenue in 2009, the tourism sector should show an increase of 6.5% in 2010, representing Rs18.983M which is slightly less than 2008 with Rs20.043M.

The 2010 growth expected in the tourism sector could be explained by the opening of markets in other countries and also hotel price decreases and the implementation of packages in order to attract European customers.

Variation of Tourist arrivals, nights and receipts 2007-2009



Construction
After registering an increase of 18.9% in 2008, the construction sector growth has slowed during the last two years to reach 5.7% in 2010 against 6.7% in 2009.

Thanks to the investment in road infrastructure, hospitals, airport, housing and schools by the public sector and investment in shopping malls and RES projects by the private sector, the growth and the employment rate in this sector should continue in 2011.

Thus, the construction industry share in the Mauritian GDP should represent 7.1% in 2010, as it did in 2009.

Information and Communication Technology (ICT)
The ICT industry is today considered a rudimentary sector of economic growth. The government aim remains to make ICT the fifth economic pillar of the country and transform Mauritius into an information economy. The industry represented 5.8% of GDP in 2009, against 5.4% in 2008. Mauritius maintains its position in the Top 25 in the AT Kearney Offshoring Index and is increasingly being identified as an emerging outsourcing destination.

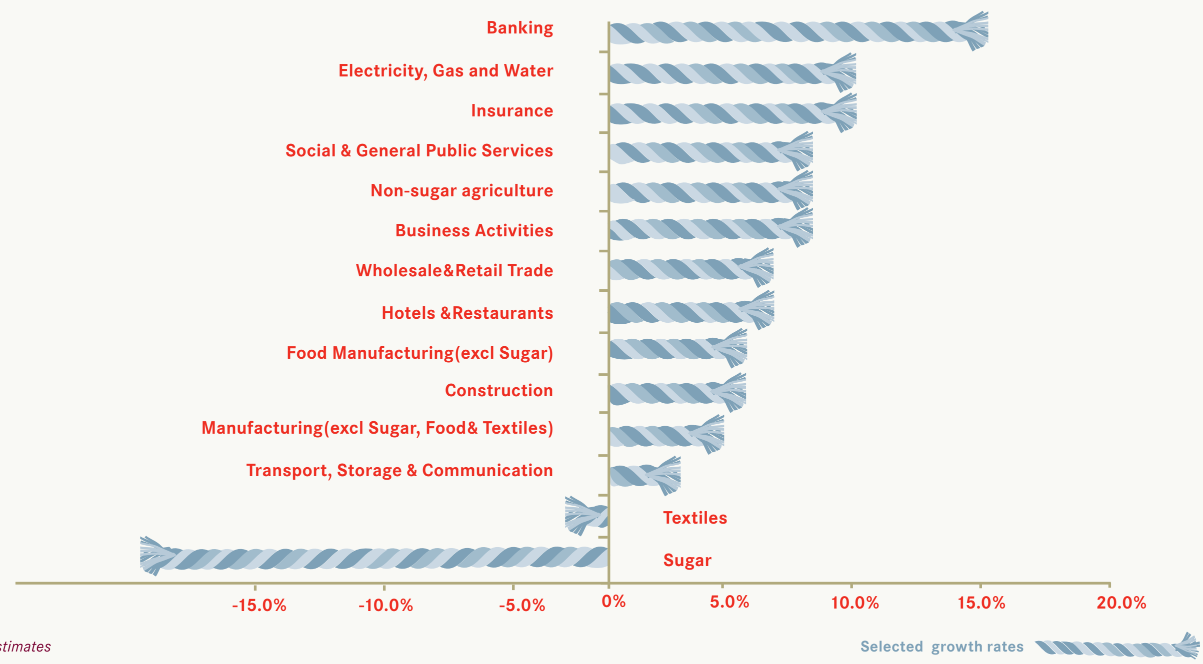
Conclusion

The Mauritian economy has diversified successfully into manufacturing, tourism, financial services and ICT, as major pillars. Per capita income has increased continuously, standing at $ 7,100 in 2009, which is about four times higher than the African average.

After a year of uncertainty and hesitation lagging the global economic crisis, 2009 was a difficult year for the Mauritian economy. However in 2010 the Mauritian economy has stabilized to some extent. With the economic policies supported by the Government and the Bank of Mauritius helping it stay on course. The banking sector shows the highest rate of growth in all sectors (13.7%). Mauritius industry remains vulnerable to global developments, with tourism the most directly affected and suffering in the past two years.

Even as the Mauritian economy seems to recover after the worst impact of the crisis, the global market is still uncertain and, if a double dip is seen, Mauritius will face renewed challenges. Nevertheless, with strong growth still seen in India and Africa which are important economic neighbors for Mauritius, the path of growth remains in sight although treading cautiously is in order.

Selected Growth Rates (Year 2010)*



* *Estimates*

Source
Ministry of Industry

Financial Review

Performance Against Objectives

OBJECTIVES FOR 2009/2010	PERFORMANCE FOR 2009/2010	OBJECTIVES FOR 2010/2011
Statement of comprehensive income – Operating Income		
To improve substantially despite the current economic turmoil.	Operating Income increased by 44% despite surplus liquidity in the market. Major drivers are "Net Interest Income" which increased by 77% and "Net Fees and Commission Income" by 209% due to our solid track record with customers and other banks.	Notwithstanding the chronic surplus liquidity in the banking market, signs of global economic recovery should have a positive impact on our Net Interest Income. It is expected that operating income will grow by 39.5% to reach Rs344.2M by June 2011.
Statement of comprehensive income – Operating Expenses		
Operating Expenses expected to increase by about 27% with staff headcount increases, office expansion and IT infrastructure upgrade.	Operating Expenses were managed within the Rs156M approved amount set by the Board. Increase of 21% over last year was mainly to consolidate our "bank different" brand, invest in human resources and other infrastructures with the objective to better service our clientèle.	While recognizing the need to invest in our brand image, systems and human resources, our aim is to maintain our total operating expenses within 19% increase over the previous year.
Statements of financial position – Loans and Advances		
To further continue its growth.	A conservative lending strategy remains but loans and advances still grew strongly to hit Rs4.9Bn in June 2010, a growth of 130% over last year. Growth was noticeable across both Segment A (residents) & Segment B (non residents).	Our focus will remain on growing our assets in a profitable yet conservative manner. Maintain the loans to deposits ratio as set by Bank's Board Risk. Increase our loan book by 50% across both business segments.
Statements of financial position – Deposits Growth		
To further continue its growth.	We finished the year with Rs7.9Bn of customer deposits, only Rs414M short of our targets despite a competitive liquid and declining interest rates environment.	Our objective is to secure greater market share locally and within the region to achieve growth of at least 40% across all our business segments.

OBJECTIVES FOR 2009/2010	PERFORMANCE FOR 2009/2010	OBJECTIVES FOR 2010/2011
Statements 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 Rs42.1M at end of June 2010 – about 0.9% of the Bank's gross loans. Of note, this amount includes Rs17.4M of specific impairment largely due to a Segment B "Information and Technology" sector account in voluntary administration.	Maintain our level of non-performing loans to below 1% of gross loans.
Statements of financial position– Capital Management		
To maintain above the minimum regulatory requirement of 10% set by the Bank of Mauritius.	The Bank made satisfactory utilization of its capital resources finishing the year with a capital adequacy ratio of 13.1%.	Maintain our capital adequacy ratio above the regulatory level of 10% - our target being usually above 11%
Performance Ratio – Return on Equity		
To maintain at similar levels (around 5%) considering global environments.	The Bank's Return on Equity continued to improve from 5.4% in 2009 to 5.8% in 2010.	Aim to achieve return on equity of around 9%.
Performance Ratio – Cost to Income		
To improve on 77.8% figure of last year.	The cost to income ratio was at 65.3% as we closed the year.	We expect the cost to income ratio to fall to 52.15%

Business Segments Review

Domestic Banking

Corporate

Despite the prevailing uncertainties of the economy during the last financial year, the Corporate Business segment continued to grow due to strong business development and management of credit risk. The worst affected sectors during the last financial year were textiles and tourism which both recorded contractions following fall in demand; construction grew at a reduced rate because of project delays and postponements.

AfrAsia Bank has, however, been able to achieve an effective balance by developing other sound sectors of the economy through consistent and personalised service delivery. We gained market share through our **"can-do attitude"** and living the brand values of **"bank different"**. For example, in the real estate sector, a shift from big IRS projects to more realistic small size and middle size RES projects was seen. AfrAsia Bank was among the first, if not the first, to finance the first RES project in the country. The Bank also stood as sole arranger on the debt financing of a major hotel project of Rs1.25Bn and financed the first high rise apartment condominium type project consisting of 114 apartments.

Private

The Bank also offers a full private banking suite covering savings and time deposits, credit cards, internet banking, lending and wealth management. The objective is to position Mauritius as a 24/7 private banking jurisdiction serving as the gateway between Africa and Asia.

The segment saw strong deposit growth and our Titanium credit card, with tie ups with British Airways among others, is a leading example of **"bank different"** for our private clients. During the year, the Bank also acquired a 50% interest in AXYS Capital Management, one of the leading fund managers on the island. Several new investment products were launched in conjunction with AXYS and this partnership provides a full spectrum of investment management services to private clients and institutions.

Global Business Banking

In spite of the severe global financial crisis, the International Banking segment has grown strongly as we gain visibility and acceptance to deal with the largest international investors and corporates that use Mauritius as a global banking platform.

We opened two overseas representative offices in Cape Town and Johannesburg, which have bolstered the Bank's foothold and credentials in those markets. We also were the first Mauritian bank to obtain a Foreign Institutional Investor licence for India. AfrAsia Bank has continued to leverage on the long-standing expertise of its personnel, strong infrastructure, its strategic regional partners and **"bank different"** boutique approach to position itself as a regional hub in handling cross-border transactions.

The year under review has seen considerable ground covered on the African and Asian continents in respect of correspondent banking, master risk participation agreements, syndications and other structured cross-border transactions, amongst others. Besides, the Bank has entered into syndications arranged by major financial institutions in India and South Africa while also diversifying its portfolio through several trade financing transactions.

We have also actively participated in major road shows in Europe, Singapore, Malaysia, India and South Africa, several of which were with the Mauritius Board of Investment and the Finance Minister.

The establishment of Representative Offices in Cape Town and Johannesburg (South Africa) in October 2009 has been a milestone in further establishing AfrAsia's presence in the regional arena. Our target is not limited to South Africa but encompasses other African countries like Kenya, Botswana, Namibia etc which have huge potential and where the highest increase in the number of High Net Worth Individuals "HNWIs" is expected over the next few years.

It is also worthwhile to note that International Banking is growing through a combination of organic growth and acquisitions. Organic growth is being driven by improving the effectiveness of the sales team, upgrading our Internet Banking capabilities, building the partnership network and adding specialized sales forces. Growth will be furthered by leveraging the full range of services and expertise in AfrAsia Bank.

International Banking is also expanding beyond traditional banking products and services. The acquisition strategy is focused primarily on developing strategic partnerships and increasing our suite of products and services. During the year, we have seen AfrAsia Bank taking a 50% stake in AXYS Capital Management, one of the oldest and largest assets management companies in Mauritius and a 30% stake in Trinity Corporate Finance (now rebranded as "AfrAsia Corporate Finance") which is a boutique corporate finance house based in Cape Town, South Africa.

More than 40% of total FDI going into India is routed via Mauritius and most of these investment flows are channeled by Foreign Institutional Investors (FIIs). AfrAsia is the first local bank in Mauritius to have obtained its own FII licence from the Securities and Exchange Board of India. By sponsoring FII sub-accounts, AfrAsia has been acting as a one-stop-shop for investors established outside India and who intend to invest in the Indian capital market. With this new service, we are not only increasing our income stream through transaction fees but also building on the deposits base and attracting forex business for our active treasury team.

Financial Highlights

With a robust core strategy and a clearly defined growth plan, AfrAsia Bank has successfully navigated through the 2009/10 financial year to record a net profit after tax of Rs37.35M despite challenging general market conditions and a highly liquid market environment. This is attributed to the prudential and profitable management of the Bank's assets with a disciplined focus on quality and securing a customer base around the core business lines of Corporate, Private and Global Banking. Furthermore, the consolidation of our paid-up capital during the year enabled the Bank to more than double its assets base to Rs4.85Bn, well-diversified between Segment A and Segment B. Equally noticeable is the growth of customer deposits, where we recorded a closing balance of Rs7.99Bn at the end of June 2010, up from Rs5.06Bn in 2009.

Revenue Growth

Net Interest Income

We managed to grow our Net Interest Income from Rs60.91M to Rs107.51M, mainly as a result of an increase in the loan book due to profitable customer pricing and a competitive advantage in service levels and product offerings. Equally, an increase in the Bank's net interest margin as a percentage of interest bearing assets grew from 1.42% in 2009 to 1.58% in 2010.

This was achieved despite, for the second consecutive year, operating in a declining yield environment locally and internationally with returns on nostro and money market placements dropping from Rs31.11M to Rs22.81M.

Non Interest Income

The Bank's expectations in the areas of fee income and FX dealings were well met, xswith growth of 209.21% from the previous financial year. The Bank offers a pioneering range of investment products together with ability to finance structured domestic and cross-border lending opportunities hence establishing deep relations and repeat business opportunities with clients and other banks. The Bank is now receiving more syndicated participations from major global banks such as Standard Chartered Bank, Axis Bank, Standard Bank, MCB and others that are originating assets for booking in Mauritius.

In addition, whilst operating within the local regulations and its Board approved prudential limits, the Bank provides competitive FX spot and market making forward rates to gain greater market share, often surpassing 10% thus establishing itself as a formidable player on the market.

Cost Control

Cost control and efficiencies of scale remain a principal focus for the Bank. At the same time we are investing in our **"bank different"** brand, talented staff, customer driven IT enhancements and other physical infrastructure so as to execute strategic priorities locally and across the region. Moving on from the early stages of the Bank's growth with significant levels of one-off start up costs, our cost to income ratio has moved downwards to 65% from 78% 2009.

As such, in line with our approved budget plan, AfrAsia Bank has invested about Rs10M in developing and consolidating its brand to target its three core business lines of Corporate, Private and Global Business banking.

Furthermore, conscious of the need to continue investing in its people to achieve its objectives, the Bank has a well-defined staff recruitment and retention plan to attract and retain an internationally talented and well networked team of bankers and other professionals. AfrAsia's total headcount increased from 50 to 71, with total personnel costs of Rs90.32M at the end of June 2010.

In addition to its core banking application, AfrAsia Bank is investing continuously in technology enhancement to provide a platform for processing efficiently so as to meet its customers' expectations and needs. For instance, its Internet Banking platform provides 24/7 information to access to its clientèle as well as allowing online transactions via a secured network. Most of our IT and systems enhancements result from rapid implementation of customer driven requests.

Credit Exposure

Core Segment and Customer Analysis

Within an increasingly challenging and competitive environment, the Bank recorded a robust triple-digit growth in its loan book with gross loans and advances closing at Rs4.9Bn. Growth came from both Segment A and Segment B activities, driven in line with our targeted expansion in these segments. For the fiscal year, 45% of the Bank's loan book comprised of Business. Segment A advances represented 52% while Segment B advances represented 48% of the Bank's gross loans and advances. The strong growth in Segment B demonstrates that Corporate, International and Investment Banking are a key value driver in our business model.

Retail and Personal Banking represented only 8% of the Bank's loan book and aligns with our strategy of offering state-of-the-art, comprehensive banking services to our targeted customer base. In absolute terms, the consumer credit portfolio has reached Rs412.5M with year-on-year increase in both personal and corporate credit card users.

Industry Analysis

In the light of the prevailing economic and financial environment, the Bank maintains a prudent credit philosophy and encourages diversification of its portfolio concentrations not only by tenor and currency but also by industry.

The industry sector analysis highlights the increasing contribution of the Financial and Business Services segment, with credit risk being also spread across other portfolios such as Manufacturing, Tourism, Construction, Infrastructure and Real Estate, which accounted for 12%, 11.1% and 9.6% respectively of the total credit portfolio as at June 30, 2010.

Credit Quality

In 2010, Non Performing Loan "NPL" balances increased from Rs0.5M to Rs42.1M. This was largely due to one Segment B account being put into voluntary administration totalling Rs40.24M on which the Bank took appropriate steps to ensure maximum recovery.

The ratio of NPL to gross loans and advances reached 0.9% and is below market peers. The percentage of specific provision to NPL was at 41.4% and the uncovered portion is backed by adequate collateral. We have already requested repayment under the collateral held for the non performing debt in Segment B and repayment is expected in 3 tranches by 30 September 2010, at latest. As a consequence, following negotiated repayment, the percentage of specific provision to NPL will be at 100%.

Funding

Deposits

During its past three years of operations, AfrAsia Bank has delivered significant growth in each of its business lines while delivering a superb customer experience based on responsive and innovative service. Our pioneering range of products and ability to understand and structure cross border and domestic opportunities have been essential to its 57.84% growth in deposits base, from Rs5.06Bn at June 2009 to Rs7.99Bn at June 2010 along with a healthy split between 63.59% to Segment A and 36.41% to Segment B, in line with its deposits growth strategy.

AfrAsia's deposits campaigns are always directed at attracting a balanced time and savings deposits mix to achieve a sustainable statement of financial position with well defined profitability, liquidity and interest rate dynamics. For instance, we had the "Spinnaker Savings Campaign" with the objective of consolidating our savings portfolio, the "Skysail FX Campaign" to promote FX term deposits and our usual "Remunerated Interest Bearing Account" aimed at current accounts.

Capital Resources

Overall, the Bank recorded an increase in profit after tax of 82.28% with earnings per share of Rs0.78. These results have been achieved largely through additional paid up capital during the 1st half of the financial year which allowed statement of financial position lending and FX dealing to scale up. With positive retained earnings, the Bank has now started to provide for the regulatory 15% statutory reserve, equating to Rs2.61M at the end of June 2010. This has also enabled the Bank to pay its first dividends to the shareholders as from the year ended 30 June 2011.

Moreover, the Bank has embarked on another capital raising program which will increase our capital resources by approximately 50% to Rs1Bn and consequently enabling us to further take advantage of market expansion opportunities within Mauritius and across the region.

2. Risk Management Policies And Control

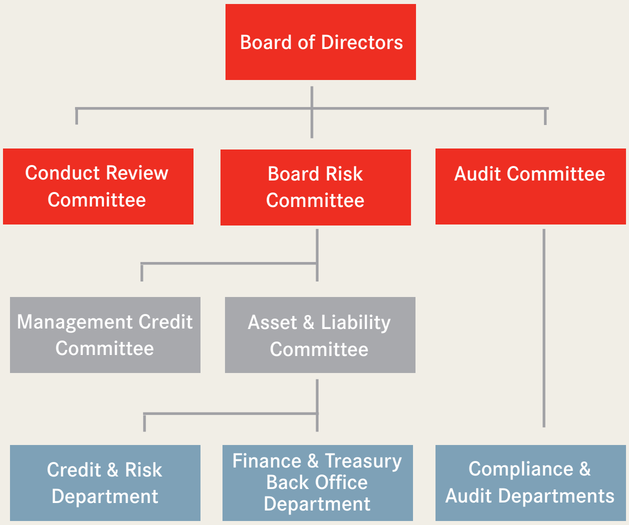
Risks are those factors which could influence the achievement of business objectives either positively or negatively. It is therefore important to identify, assess and determine appropriate ways of responding to upside risks in pursuit of opportunity and value as well as to respond to downside risks which could hinder performance or result in losses. Dimensions of risks may include potential impacts on financial, operating performance, people and reputation.

Effective management of risks demands processes and controls that can quickly adapt to the ever-changing business and economic environment with a view to creating and enhancing shareholder value whilst at the same time protecting all stakeholders' interests. Risk management is the combination of credit risk, interest rate risk or asset/liability management, market risk, and operational risk.

In order to enhance shareholder confidence regarding management of the above risks, the Board of Directors and management via its risk management department ensure that there are adequate controls especially in the decision taking and disbursement of facilities, up to date policies and strict adherence to regulatory guidelines and laws.

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. Board Risk Committee "BRC"

The Board Risk Committee is made up of two highly experienced non-executive Independent directors and the Chief Executive Officer. Its key objective is to monitor the quality of assets and risk portfolio of the Bank. It delegates, where appropriate, some of its authority through the formulation and implementation of risk management policies to the Bank's management committees and management team via the Asset and Liability Committee "ALCO" and Credit policies which ensure adherence to regulatory norms and set risk appetite limits. The BRC meets at least every quarter and on an adhoc basis as required.
The role of this committee is to:

- Approve the various policies relating to liquidity, market and credit risks
- Review and assess the integrity of the risk control systems and ensure that the risk policies and strategies are effectively managed
- Set out the nature, role, responsibility and authority of the risk management function within the company and outline the scope of risk management work
- Monitor external developments relating to the practice of corporate accountability and the reporting of specifically associated risk, including emerging and prospective impacts
- Ensure compliance with such policies, and with overall risk profile of the company. Risk in the widest sense includes market risk, credit risk, liquidity risk, operation risk and commercial risk

b. Management Credit Committee "MCC"

The Bank's Management Credit Committee comprises of eight permanent members within which there are three voting members (The CEO, the Head of Finance & Treasury Back Office and the Head of Credit & Risk). The other five members are "in attendance" (The General Manager, Head of Banking Treasury and Markets, the Head of Domestic Banking Relationships & Sales, the Head of Strategic Development and the Head of Global Business & Structured Trade). MCC has as main purpose to sanction or decline credit applications up to and including Rs50M and those referred by lower mandates or which cannot be sanctioned at lower levels. The delegated approval limit was increased during this financial year from Rs25M.

MCC also reviews recommendations from Credit & Risk Management to grant a credit facility when exceeding its delegated limits to the Risk sub-committee, that is, facilities exceeding Rs50M as well as monitoring of large credits, impaired credits and the overall level of provisioning on a regular basis based on recommendations made from the Credit & Risk Management department. The information is circulated on a monthly basis via the monthly credit activities, excesses/arrears and facilities roll over reports. The meetings are held at least once a week.

c. Asset and Liability Committee "ALCO"

The Bank's Asset and Liability Committee primary role is to ensure that the Bank's overall asset and liability structure and market risk including liquidity, currency and interest rate risks are managed within 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, which is comprised of the two non-executive directors and the Bank's CEO, delegates the implementation and monitoring of the Bank's ALCO strategy, policies and procedures to 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, inter alia, on investment in Government Securities.

Overall, ALCO's core objective is to manage the liquidity, currency and interest rate risks within delegated Board's limits and reports mismatches for close monitoring and action reviews. This also entails developing the needed techniques, procedures and information systems to promote dissemination of core ALCO targets to all appropriate personnel within the bank.

3. Risk Report

a. Credit Risk

Credit Risk is associated to the inability or unwillingness of a counterparty to a financial instrument to fulfil its obligation as and when these obligations fall due. It relates to both on and off statement of financial position assets.

Credit risk is the most important risk category for the Bank and its main components are:

- Exposure;
- Probability of default;
- The difference between the amount owed and the realisable value of security obtained for the facilities granted.

The practices within the Bank have as main aim to follow prudent and consistent policies of the Bank whilst sanctioning credit facilities and are guided by various internal policies as well as BOM guidelines. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties as well as for geographical/country and sector/industry concentrations, and by closely monitoring exposures against such set limits.

b. 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. This segmentation is done in a view to ensure a soundly and effective application of obligations issued from both regulations and our credit risk policy.

The first step in the credit process is the application for credit which is managed by our customer facing departments, that is, Relationship Managers of the Global desk, Private or Corporate Banking. All corporate credit requests are submitted for processing through the Credit Origination team within those departments. The aim of the Credit Origination team is to build up credit proposal and highlight all the risks involved in case of approval of the client's demand and possible ways of mitigating them. The approval of all credits is submitted to the Credit & Risk Management for approval, if within the delegated limit or for recommendation to the Management Credit Committee and to the Board Risk Committee.

c. Credit Rating

The implementation of a credit rating system is central to the operations of commercial banks. The Bank operates a 7-tier Grade System which determines the risk profile of the lending book to ensure the level of account management and pricing is commensurate with the risk. The assigning of facility grades is an independent and objective exercise and also taking into account any negative aspects of the relationship. Although the Bank may not be immune from credit losses, the ratings serve to highlight the strengths and weaknesses of the customer and enable the Bank to have a better view of the category of clients and the quality of the asset portfolio. It also gives an indication to the Bank as to the level of security required to mitigate the risk created.

d. Market Risk

The Bank is involved actively, on a daily basis, in risk management which embraces credit, country, liquidity, interest rate and exchange rate risks together with those risks associated with dealing in foreign exchange, deposits, securities, commodities and various financial instruments including futures and options.

Market risk is the risk that movements in market prices adversely affect on and off-financial position. Its main components are:

- Interest rate risk;
- Foreign currency risk;
- Liquidity risk.

The Bank, through its Asset and Liability and Treasury Committees, manages, evaluates and monitors the market risks which it confronts.

Furthermore with a view to further strengthen the process, market risks will be soon set up to monitor by a specific unit under the Credit & Risk Management department to ensure adequate market risk analysis is submitted to the ALCO on a regular basis.

e. 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 rates sensitive assets and liabilities (Risk Sensitive Assets "RSA" and Risk Sensitive Liabilities "RSL") and off-statement of financial position instruments according to repricing characteristics by time horizon to enable the monitoring is made across the limits set. The Bank prudently maintains its RSA as a proportion of its RSL within the 0.9 to 1.1 bracket and simultaneously monitors the sensitivity of interest rate fluctuations on its Statements of comprehensive income as indicated in Note 35(d)(i) of the Notes to the Financial Statements.

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 captured in this analysis. The Bank has assessed its exposure to these risks as negligible and it will continue to monitor accordingly as and when it becomes relevant.

f. 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 exercises prudent hedging against foreign exchange risk in accordance with its ALCO Policies and Guidelines and reports its foreign currency exposures to the Central Bank on a daily basis.

The management of the Bank's open positions from foreign exchange transactions with counterparties is 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.

Impacts of currency rate fluctuations per currency on the Bank's Statement of comprehensive income are also closely monitored. An overall assessment as at the end of June 2010 supports the Bank's prudential strategy to the extent that the currency with the most impact, that is, USD, will affect the Bank's Statement of comprehensive income to the tune of Rs1m – an amount considered as immaterial based on the Bank's overall turnover.

g. 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. It is managed within AfrAsia on a daily basis by its 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.

The Bank's liquidity risk management strategy provides the framework for the Bank's controls, policies and procedures to control liquidity risk. Overall, the Bank will promote prudent funds management of local and foreign currency setting out sources and amounts of funds as and when required in the most cost effective manner without jeopardizing the Bank's income potential.

Similarly, prudential 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.

Liquidity ratios are monitored and reported at least monthly to Board Risk Committee and to the Central Bank on a quarterly basis. In effect, ALCO accurately and consistently measures the Bank's Net Funding Requirements "NFR Gap" within defined buckets as part of its effective and prudent liquidity management while assessing its net refinancing risk by monitoring its cash flow projections of its existing current assets and liabilities at a particular time and flows from future planned activities. 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 for a tenor of up to one month to not exceed - 25% of its reporting Assets.

h. Operational Risks

Operational risks may be defined as the risk of suffering damage or loss owing to an inadequacy or malfunction attributable to procedures, individuals, internal systems or events external to the Bank. They include in particular:

- risks related to security of property and individuals;
- risks related to information and communication systems;
- risks related to internal management including, in particular, errors in administrative and accounting matters and risks of a legal nature.

The Bank is currently in the process of reviewing and completing all its procedures across all the areas of operation to mitigate the risk arising out of errors in processing. 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.

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

As such, 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;
- 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;
- 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 operations 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:

- Ultimate responsibility of a sound BCM rests on the Bank's Board of Directors and Senior Management;
- Explicitly consider and plan for major operational disruptions and review the plan in light of the increasing frequency of such events;
- Recovery objectives reflect the risk they represent to the operation of the banking system. Critical services or services that may represent significant risk to the operation of the Bank are targeted with higher standards in their business continuity management than other services. Identification of appropriate recovery objectives that are proportionate to the risk may be adopted to achieve a reasonably consistent level of resilience. 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 is necessary to manage a crisis and maintain public confidence;
- Highlights on cross-border communications during a major operational disruption, as the Bank has global reach and the bank will plan to adopt communication protocols that address situations where cross border communication as may be necessary;
- Ensure that business continuity plans are effective and to identify necessary modifications through periodic testing;
- Ensure that appropriate implementing approaches to business continuity management that reflect the recovery objectives are adopted and reviewed periodically.

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

j. Internal Audit

The principle accountability of Internal Audit remains the safeguard of the Bank's assets and thereby the customers' interests though regular assessments of the adequacy and appropriateness of the Primary controls put in place by line management to ensure that financial and/or reputational loss from errors, omissions, fraud etc are minimized; to ensure the reliability of financial information and compliance with relevant laws, regulations etc. In addition to this routine surveillance, Internal Audit is also called to assess the efficiency of processes, systems, methods to ensure the highest level of service to customers and appropriate return on capital.

In order to achieve the above functional objectives, Internal Audit has adopted the industry's best practices. Hence annually an inventory of all entities falling within the scope of Internal Audit is carried out followed by a risk assessment of each of these entities. Based on the risk assessment of each of these entities, a risk-based Annual Audit Plan is drawn and submitted to the Audit Committee for approval. All ensuing audit reports containing appropriately risk-graded findings, corresponding recommendations and implementation plans duly agreed with each business head are systematically submitted to the Audit committee for assessment.

In order to strengthen Primary Controls at the root, Management has this year set a number of clear measurable performance indicators for all its Executives and staff reflective of their individual accountability for Control and Compliance.

With the expansion of the Bank both locally and regionally, the challenges of Internal Audit will also grow and the Function will remain one of the key elements of the Bank's Risk Management framework

k. Physical Security

AfrAsia Bank lays much emphasis on 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. In addition to this, a specialized private security agency ensures a round-the-clock service to the Bank's personnel, customers and its assets;
- The implementation of burglar alarm systems are additional measures taken;
- The risks of fire have been addressed by fitting the building with fire detection and alarm systems throughout. The personnel have been given the proper training to take the right measures in the event of a fire and fire drill is policy driven;
- The vault room is entirely built with reinforced concrete using the latest standards and best brand accessories have been acquired and installed;
- Access within the Bank, offices and other operation centres are controlled using magnetic cards.

l. Compliance

Compliance is defined as the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its banking activities.

Compliance laws, rules and standards generally cover matters such as observing proper standards of market conduct, managing conflicts of interest, treating customers fairly, and ensuring the suitability of customer advice. It includes specific areas such as the prevention of money laundering and terrorist financing, and may extend to tax laws that are relevant to the structuring of banking products or customer advice.

The Bank's Board of Directors has the responsibility for overseeing the management of the bank's compliance risk and promotes the values of honesty and integrity throughout the organisation.

The compliance function is independent from the business activities of the Bank and carries out its responsibilities on its own initiative in all departments of the bank in which compliance risk exists. It reports to senior management and the Audit Committee of the board on any irregularities or possible breaches disclosed by its investigations, without fear of retaliation or disfavor from management or other staff members.

4. Related Party Transactions Policies And Practices

Transactions between the Bank and its related parties are guided by the Bank's Conduct Review Policy. Related parties has been redefined by the Bank of Mauritius in their revised Guideline on Related Party Transactions dated January 2009 and falls into three principal categories with limitations per category. Parties are considered as related parties if they are directors of AfrAsia, have the ability, directly or indirectly, to control AfrAsia Board of Directors or those shareholders having significant interest in AfrAsia. Parties are also considered as "related" if they have common control with AfrAsia.

All transactions with a related party are carried out as per "market terms and conditions that are no more favourable than those granted to the public". The Bank's Conduct Review Committee comprising three independent directors and one independent member who are not officers and employees of the Bank and is responsible for the approval of all Category 1 and Category 2 related party transactions, which are not exempted as per BOM guidelines (falling below 2% of Tier 1 capital).

Related party disclosures are contained in Note 34 of the Notes to the Financial Statements.

Of note that none of the Bank's related parties loans were non performing as at 30 June 2010. However, there is one related party under a restructuring process with all its bankers, and of which we expect a satisfactory outcome soon.

5. Capital Management

Capital Structure and Adequacy

AfrAsia Bank closed its third financial year with a conservative statement of financial position reflecting a capital adequacy ratio of 13.11%, above the minimum recommended regulatory requirement of 10%. Our management process ensures that the capital base reflects the risk and return profile of its business operations while adhering to all regulatory and statutory requirements and good corporate governance.

The table here under provides a summary of our capital structure under Basel II as at 30 June 2010. Of note, Tier 1 Core Capital consists of paid-up capital, share premium, statutory reserve, and surplus arising

AFRASIA BANK LIMITED - BASEL II

	2010 Rs'000	2009 Rs'000
Tier I Capital		
Paid up or assigned capital	653,978	451,989
Statutory Reserve	2,613	-
General Reserve	9,805	5,633
Other disclosed free reserves	(19,927)	-
Current year's interim profits	34,735	(19,927)
Deduct:		
Other intangible assets	(15,048)	(13,581)
Deferred Tax	(2,206)	(3,271)
Core Capital	663,950	420,843
Less:		
50% investment in unconsolidated banking and financial subsidiary companies	(12,500)	(500)
Net Core Capital	651,450	420,343
Tier II Capital		
Portfolio provisions	33,972	19,818
Supplementary Capital	33,972	19,818
Less:		
50% investment in unconsolidated banking and financial subsidiary companies	(12,500)	(500)
Net Supplementary Capital	21,472	19,318
Capital Base	672,922	439,661
Total Risk Weighted Assets	5,131,790	3,428,557
CAPITAL ADEQUACY RATIOS (%)	13.11%	12.82%

Note: In 2008, the total risk weighted assets for the Bank under Basel I Approach, as advocated by the Bank of Mauritius, stood at Rs1.38Bn. The capital adequacy ratio hence stood at 13.73% for the Bank 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 a minimal amount of Tier 2 Capital.

Risk Weighted Assets

Basel II – Total Risk Weighted Assets as at 30th June 2010 was at Rs5.1Bn versus capital base of Rs672.9M. Analysis by risk type:

- Credit Risk Rs4.9Bn (95%) **
- Market Risk Rs32.7M (1%)
- Operational Risk Rs222.5M (4%)

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

Concentration of Risk

The Bank of Mauritius Guidelines on Credit Concentration (effective in January 2009) contains general restrictions on the granting of credit facilities to non-financial institutions and other related parties, limited to a maximum exposure to any single customer to 25% and to related group of companies to 40% of the Bank's capital base and in aggregate, any individual exposure of 15% above of the Bank's capital base, shall not exceed 800% of its capital base. The Bank has duly documented these limitations in the Credit Risk Policy (CRP) and all facilities sanctioned falling into the above 2 categories are duly reported, as required. AfrAsia Bank has kept its large exposures within the regulators limits and closely controls its large exposure credit concentration as a percentage of its capital base and was at 539% as at 30 June 2010.

Credit Risk Mitigation

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. At AfrAsia Bank, eligible collateral are cash deposits held under lien and third party guarantees such as sovereign and bank guarantees. 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.

Supervisory Review Process and Stress Testing

The Bank of Mauritius Supervisory Review Process guideline has been issued in April 2010 and sets out the implementation of Pillar 2 of the Basel 2 framework. This is effective as from 1st July 2010. 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 based on the requirement of the guidelines, AfrAsia Bank will need to issue an ICAAP certificate to be approved by the Board to the regulators on at least an annual basis.

Stress Tests are performed on a monthly basis via ALCO to measure impact of changes on interest rate, foreign currency and liquidity position. On at least an annual basis, stress tests are done on AfrAsia's portfolio to assess any impact on key performance indicators as well as on the AfrAsia's ability to meet capital requirements on the targeted plans. Furthermore a forecast on capital requirements based on future expected plans has been done over 3 years in January 2010 to ensure adequate capital available to match the strategic growth targets.

Bond different

With world-class strategic partners and a passionate team of bankers with regional and international cross-border capabilities, AfrAsia has an experienced and bonded team which delivers the reliability and trust of a global banking network with boutique services and speed. We will show you that “Bank different” are not just different words, it is the important difference that the right bank can make.

Statement of Management's Responsibility For Financial Reporting

Year Ended 30 June 2010

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 2010 and Management has exercised its judgement and made best estimates where deemed necessary.

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

The Bank's Board of Directors, acting in part through the Audit Committee, Conduct Review Committee and Board Risk Committee, which comprise, principally 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 program 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 observation on the fairness of financial reporting and the adequacy of internal controls.

ARNAUD LAGESSE
Chairman

JAMES BENOIT
Chief Executive Officer

STUART KIRKMAN
Director

3 September 2010

Administrative Information

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AFRASIA
bank different

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Company Secretary's Certificate

Year Ended 30 June 2010

In terms of section 166(d) of the Companies Act 2001, we certify that the Group and the Bank have lodged with the Registrar of Companies all such returns as are required in terms of the Companies Act 2001.

SIMON-PIERRE REY
Company Secretary

3 September 2010

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 subsidiary (altogether the "Group") on pages 72 to 148 which comprise the statements of financial position as at 30 June 2010 and the statements of comprehensive income, the statements of changes in equity and 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 Mauritian Companies Act 2001 and Banking Act 2004. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 72 to 148 give a true and fair view of the financial position of the Group and the Bank as of 30 June 2010 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the Mauritian 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, as a body, in accordance with Section 205 of the Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on Other Legal and Regulatory Requirements

Companies Act 2001

We have no relationship with or interests in the Bank other than in our capacity as auditors, tax advisors and 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 and the regulations and guidelines of the Bank of Mauritius. The explanations or information called for or given to us by the officers or agents of the Group and the Bank were satisfactory.

ERNST & YOUNG

PATRICK NG TSEUNG, A.C.A.

Ebene,
Mauritius
3 September 2010

Statements of Comprehensive Income

Year Ended 30 June 2010

	Notes	THE GROUP			THE BANK		
		Year ended 30 June 2010	Year ended 30 June 2009	18 months ended 30 June 2008	Year ended 30 June 2010	Year ended 30 June 2009	18 months ended 30 June 2008
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest income	3	**323,159,918**	263,779,220	81,490,417	**323,159,918**	263,761,845	81,425,237
Interest expense	4	**(215,633,180)**	(202,691,017)	(62,160,593)	**(215,650,919)**	(202,851,809)	(67,686,313)
Net interest income		**107,526,738**	61,088,203	19,329,824	**107,508,999**	60,910,036	13,738,924
Fees and commission income	5	**54,020,198**	19,954,450	16,432,748	**53,893,502**	19,443,923	13,390,659
Fees and commission expense	5	**(9,643,792)**	(5,163,580)	(8,383,476)	**(9,571,814)**	(5,109,862)	(936,671)
Net fees and commission income	5	**44,376,406**	14,790,870	8,049,272	**44,321,688**	14,334,061	12,453,988
Net trading income	6	**79,348,764**	81,627,576	33,399,338	**78,905,252**	80,721,966	28,140,560
Other operating income		**10,794**	3,849,112	103,178	**-**	3,839,112	103,178
Total operating income		**231,262,702**	161,355,761	60,881,612	**230,735,939**	159,805,175	54,436,650
Net allowance for credit impairment	7	**(31,963,872)**	(11,161,755)	(8,656,684)	**(31,963,872)**	(11,161,755)	(8,656,684)
Net operating income		**199,298,830**	150,194,006	52,224,928	**198,772,067**	148,643,420	45,779,966
Personnel expenses	8	**(90,316,955)**	(73,602,489)	(53,076,317)	**(90,316,955)**	(72,716,773)	(52,916,658)
Depreciation of equipment	20	**(2,804,560)**	(2,294,902)	(1,682,832)	**(2,792,710)**	(2,283,447)	(1,682,204)
Amortisation of intangible assets		**(3,874,861)**	(3,221,622)	(2,571,534)	**(3,874,861)**	(3,221,622)	(2,571,534)
Other operating expenses	9	**(54,327,744)**	(46,747,487)	(42,267,060)	**(53,647,698)**	(46,169,073)	(36,061,966)
Total operating expenses		**(151,324,120)**	(125,866,500)	(99,597,743)	**(150,632,224)**	(124,390,915)	(93,232,362)
Operating profit /(loss)		**47,974,710**	24,327,506	(47,372,815)	**48,139,843**	24,252,505	(47,452,396)
Share of profit of joint venture	18	**1,263,493**	-	-	**-**	-	-
Profit /(loss) before tax		**49,238,203**	24,327,506	(47,372,815)	**48,139,843**	24,252,505	(47,452,396)
Tax (expense)/ income	10	**(10,768,115)**	(3,775,820)	7,023,310	**(10,792,251)**	(3,762,868)	7,035,360
Profit/(loss) for the year/period		**38,470,088**	20,551,686	(40,349,505)	**37,347,592**	20,489,637	(40,417,036)
Other comprehensive income for the year/ period, net of income tax		**-**	-	-	**-**	-	-
Total comprehensive income /(loss) for the year/period		**38,470,088**	20,551,686	(40,349,505)	**37,347,592**	20,489,637	(40,417,036)
Profit/(loss) attributable to equity holders of the Parent		**38,470,088**	20,551,686	(40,349,505)	**37,347,592**	20,489,637	(40,417,036)
Total comprehensive income/(loss) attributable to equity holders of the Parent		**38,470,088**	20,551,686	(40,349,505)	**37,347,592**	20,489,637	(40,417,036)
Earnings/(loss) per share: Basic and diluted	11	**0.80**	0.48	(1.63)	**0.78**	0.48	(1.63)

The notes on pages 76 to 148 form an integral part of these financial statements.
Auditors' report on page 71.

Statements of Financial Position

30 June 2010

		THE GROUP			THE BANK		
		2010	2009	2008	2010	2009	2008
	Notes	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
ASSETS							
Cash and balances with the Central Bank	12	**998,421,458**	207,964,884	336,759,156	**998,421,458**	207,964,884	336,759,156
Due from banks	13	**1,806,969,731**	2,751,535,864	1,221,291,604	**1,806,870,654**	2,715,056,629	1,207,020,927
Derivative financial instruments	14	**188,708,824**	149,082,366	165,440,195	**71,085,788**	51,654,502	65,364,630
Other financial assets held-for-trading	15	**367,509,475**	103,171,720	-	**367,509,475**	103,171,720	-
Loans and advances to customers	16	**4,851,153,148**	2,106,644,479	946,761,441	**4,851,153,148**	2,106,644,479	946,761,441
Investment in subsidiary	17	**-**	-	-	**25,000,000**	1,000,000	1,000,000
Investment in joint venture	18	**40,912,801**	-	-	**-**	-	-
Financial investments held-to-maturity	19	**846,580,424**	638,610,782	372,117,115	**846,580,424**	638,610,782	372,117,115
Equipment	20	**13,408,600**	11,307,572	12,831,757	**13,387,240**	11,285,287	12,798,017
Intangible assets	21	**15,048,060**	13,580,739	18,336,068	**15,048,060**	13,580,739	18,336,068
Deferred tax assets	10	**2,228,541**	3,272,492	7,035,360	**2,205,826**	3,272,492	7,035,360
Other assets	22	**16,588,108**	210,494,775	13,803,375	**16,510,859**	215,071,306	10,735,538
TOTAL ASSETS		**9,147,529,170**	6,195,665,673	3,094,376,071	**9,013,772,932**	6,067,312,820	2,977,928,252
LIABILITIES AND EQUITY							
Due to banks	23	**96,186,070**	142,670,271	143,028,710	**96,186,070**	142,670,271	143,028,710
Derivative financial instruments	14	**208,988,419**	147,711,855	166,266,907	**94,465,383**	50,283,991	66,191,342
Deposits from customers	24	**7,985,565,513**	5,027,223,830	2,357,809,589	**7,985,730,346**	5,059,541,818	2,434,596,321
Debts issued	25	**115,251,460**	151,235,328	101,475,191	**-**	-	-
Amount due to subsidiary	26	**-**	-	-	**115,251,460**	151,235,327	101,475,191
Current tax liabilities	10	**9,324,978**	11,680	9,566	**9,324,978**	-	-
Deferred tax liabilities	10	**-**	2,055	2,484	**-**	-	-
Other liabilities	27	**49,757,591**	86,998,049	116,133,129	**31,611,632**	23,898,388	23,053,724
TOTAL LIABILITIES		**8,465,074,031**	5,555,853,068	2,884,725,576	**8,332,569,869**	5,427,629,795	2,768,345,288
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							
Issued capital	28	**653,977,649**	653,977,649	250,000,000	**653,977,649**	653,977,649	250,000,000
Retained earnings/(revenue deficit)		**16,059,240**	(19,797,819)	(40,349,505)	**14,807,164**	(19,927,399)	(40,417,036)
Other reserves	29	**12,418,250**	5,632,775	-	**12,418,250**	5,632,775	-
TOTAL EQUITY		**682,455,139**	639,812,605	209,650,495	**681,203,063**	639,683,025	209,582,964
TOTAL LIABILITIES AND EQUITY		**9,147,529,170**	6,195,665,673	3,094,376,071	**9,013,772,932**	6,067,312,820	2,977,928,252

The financial statements have been approved for issue by the Board of Directors on 3 September 2010

ARNAUD LAGESSE
Chairman

JAMES BENOIT
Chief Executive Officer

STUART KIRKMAN
Director

Statements of Changes in Equity

Year Ended 30 June 2010

(a) THE GROUP	Notes	Issued capital	Retained earnings/ (revenue deficit)	Other reserves	Total
		Rs.	Rs.	Rs.	Rs.
Issue of shares	28	250,000,000	-	-	250,000,000
Total comprehensive loss for the period		-	(40,349,505)	-	(40,349,505)
At 30 June 2008		250,000,000	(40,349,505)	-	209,650,495
At 1 July 2008		250,000,000	(40,349,505)	-	209,650,495
Issue of shares	28	403,977,649	-	-	403,977,649
Total comprehensive income for the year		-	20,551,686	-	20,551,686
Share-based payments	29	-	-	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**
Total comprehensive income for the year		**-**	**38,470,088**	**-**	**38,470,088**
Share-based payments	29	**-**	**-**	**4,172,446**	**4,172,446**
Appropriation of reserves	29	**-**	**(2,613,029)**	**2,613,029**	**-**
At 30 June 2010		**653,977,649**	**16,059,240**	**12,418,250**	**682,455,139**

(b) THE BANK	Notes	Issued capital	Retained earnings/ (revenue deficit)	Other reserves	Total
		Rs.	Rs.	Rs.	Rs.
Issue of shares	28	250,000,000	-	-	250,000,000
Total comprehensive loss for the period		-	(40,417,036)	-	(40,417,036)
At 30 June 2008		250,000,000	(40,417,036)	-	209,582,964
At 1 July 2008		250,000,000	(40,417,036)	-	209,582,964
Issue of shares	28	403,977,649	-	-	403,977,649
Total comprehensive income for the year		-	20,489,637	-	20,489,637
Share-based payments	29	-	-	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**
Total comprehensive income for the year		**-**	**37,347,592**	**-**	**37,347,592**
Share-based payments	29	**-**	**-**	**4,172,446**	**4,172,446**
Appropriation of reserves	29	**-**	**(2,613,029)**	**2,613,029**	**-**
At 30 June 2010		**653,977,649**	**14,807,164**	**12,418,250**	**681,203,063**

The notes on pages 76 to 148 form an integral part of these financial statements.
Auditors' report on page 71.

Statements of Cash Flows
Year Ended 30 June 2010

	Notes	THE GROUP 2010 Rs.	THE GROUP 2009 Rs.	THE GROUP 2008 Rs.	THE BANK 2010 Rs.	THE BANK 2009 Rs.	THE BANK 2008 Rs.
OPERATING ACTIVITIES							
Profit/(loss) before tax		**49,238,203**	24,327,506	(47,372,815)	**48,139,843**	24,252,505	(47,452,396)
Adjustments for:							
Change in operating assets	31(b)	**(3,068,955,914)**	(1,976,467,177)	(1,569,158,980)	**(3,061,209,133)**	(1,986,759,246)	(1,466,015,578)
Change in operating liabilities	31(c)	**2,813,512,883**	2,649,707,701	2,831,128,434	**2,844,262,740**	2,637,866,401	2,714,760,196
Non-cash items included in profit/loss before tax	31(d)	**52,513,318**	48,572,604	32,723,955	**53,764,962**	48,561,149	32,723,327
Tax paid		**(419,918)**	(11,267)	-	**(400,607)**	-	-
Net cash flows (used in) /from operating activities		**(154,111,428)**	746,129,367	1,247,320,594	**(115,442,195)**	723,920,809	1,234,015,549
INVESTING ACTIVITIES							
Purchase of equipment	20	**(5,203,688)**	(1,845,744)	(14,561,783)	**(5,192,763)**	(1,845,744)	(14,527,415)
Proceeds from sale of equipment		**-**	39,586	49,899	**-**	39,586	49,899
Purchase of intangible assets	21	**(5,752,295)**	(549,136)	(21,052,738)	**(5,752,295)**	(549,136)	(21,052,738)
Investment in joint venture	18	**(21,700,000)**	-	-	**-**	-	-
Investment in subsidiary	17	**-**	-	-	**(24,000,000)**	-	(1,000,000)
Net cash flows used in investing activities		**(32,655,983)**	(2,355,294)	(35,564,622)	**(34,945,058)**	(2,355,294)	(36,530,254)
FINANCING ACTIVITIES							
Issue of shares		**201,988,789**	201,988,860	250,000,000	**201,988,789**	201,988,860	250,000,000
Net cash flows from financing activities		**201,988,789**	201,988,860	250,000,000	**201,988,789**	201,988,860	250,000,000
Net cash flows for the year/period		**15,221,378**	945,762,933	1,461,755,972	**51,601,536**	923,554,375	1,447,485,295
Movement in cash and cash equivalents							
Cash and cash equivalents at beginning/ of the year/period		**2,407,518,905**	1,461,755,972	-	**2,371,039,670**	1,447,485,295	-
Net increase in cash and cash equivalents		**15,221,378**	945,762,933	1,461,755,972	**51,601,536**	923,554,375	1,447,485,295
Cash and cash equivalents at 30 June	31(a)	**2,422,740,283**	2,407,518,905	1,461,755,972	**2,422,641,206**	2,371,039,670	1,447,485,295

The notes on pages 76 to 148 form an integral part of these financial statements.
Auditors' report on page 71.

Notes to the Financial Statements
Year Ended 30 June 2010

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 a 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 2010 were authorised for issue in accordance with a resolution of the directors on 3 September 2010.

2 Accounting policies
2.1 BASIS OF PREPARATION
The Group financial statements and the financial statements for the Bank's operations 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 32.

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

GOING CONCERN
The Group's 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.

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 30 to the financial statements.

IMPAIRMENT LOSSES ON LOANS AND ADVANCES
The Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statements of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group makes judgments about the borrower's financial situation and the net realisable value of collateral.

These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio, concentrations of risks and economic data.

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

IMPAIRMENT OF INVESTMENT IN JOINT VENTURE

The Group reviews its investment in joint venture at each reporting date to assess whether they are impaired. They require similar judgement as applied to the individual impairment assessment of loans and advances above.

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. Judgment 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.

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

IFRS 2 Share-based Payment (Revised)

The IASB issued an amendment to IFRS 2 which clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. The Group adopted this amendment as of 1 July 2009. It did not have an impact on the financial position or performance of the Group.

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy.

The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

The fair value measurement disclosures are presented in Note 30. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 35.

IAS 1 – Presentation of Financial Statements (revised)

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

These changes have had no impact on the recognition and measurement policies applied by the Group.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

The Group adopted the revised from 1 July 2009. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. 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) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

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

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.

2 Accounting policies (cont'd)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Transactions and balances (cont'd)

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 diferences are encountered 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'.

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.

(vii) Held-to-maturity financial assets

Held-to-maturity financial assets are those which carry fixed or determinable payments and have fixed maturities and which the 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 'Impairment losses on loans and advances'.

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 25 to the financial statements.

(x) Reclassification of financial assets

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

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

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.

2 Accounting policies (cont'd)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

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 30.

(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:

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as amounts due from banks and loans and advances to customers as well as held-to-maturity 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.

(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

2 Accounting policies (cont'd)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Interest income and expenses (cont'd)

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.

(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.

(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 difference 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.

(j) EQUIPMENT

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

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

	Rate
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.

(k) 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.

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

(l) 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.

(m) 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'.

2 Accounting policies (cont'd)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) FINANCIAL GUARANTEES (cont'd)

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.

(n) 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.

(o) 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.

(p) 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.

(q) INVESTMENT IN SUBSIDIARY

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

(r) 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) 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.

(iii) 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.

(iv) Corporate Social Responsibility

The Corporate Social Responsibility ("CSR") was legislated by the Government of Mauritius in July 2009. In terms of the legislation, the Bank is required to allocate 2% of its book profit relating to Segment A/residents of the preceding financial year to Government approved CSR projects.

The required CSR fund for the year is recognised in tax expense in the statements of comprehensive income.
The net amount of CSR fund payable to the taxation authority is included in current tax liabilities in the statements of financial position.

(s) 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; and

- 'Statutory reserve' which represents 15% of the net profit transferred in accordance with the Banking Act 2004.

(t) 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 GBLs. Segment B liabilities will normally arise from deposits, borrowings, funds deposited by non-residents and GBLs and capital.

2 Accounting policies (cont'd)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) SEGMENT REPORTING (cont'd)

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-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.

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.

Amendments to IAS 32 Classification of Rights Issues (applicable for financial years beginning on or after 1 February 2010)

The amendment states that rights, options and warrants – otherwise meeting the definition of equity instruments in IAS 32.11 – issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency are classified as equity instruments, provided the offer is made pro rata to all existing owners of the same class of the entity's own non-derivative equity instruments.

The amendment is effective for the Group for the annual periods commencing on or after 1 July 2010 and is not expected to have a significant impact on 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:

- IFRS 5 — Discontinued operations
- IFRS1 — First time adoption of International Financial Reporting Standards - Additional exemption for first time adopters (amendments)
- IFRS1 — First time adoption of International Financial Reporting Standards - Limited exemptions from comparative IFRS 7 disclosures for first-time adopters
- IFRS 2 — Group cash settled share based transactions
- IAS 17 — Leases
- IAS 18 — Revenue
- IAS 36 — Impairment of assets
- IAS 39 — Financial instruments recognition and measurement
- IFRIC 9 — Reassessment of embedded derivatives
- IFRIC 14 — Prepayments of a minimum funding requirements (amendment)
- IFRIC 16 — Hedges of a net investment in a foreign operation
- IFRIC 17 — Distribution of non-cash assets to owners
- IFRIC 18 — Transfers of assets from customers
- IFRIC 19 — Extinguishing financial liabilities with equity instruments

3 INTEREST INCOME

	THE GROUP			THE BANK		
	Year ended 30 June 2010	Year ended 30 June 2009	18 months ended 30 June 2008	Year ended 30 June 2010	Year ended 30 June 2009	18 months ended 30 June 2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest income on:						
- Due from banks	**22,807,887**	31,132,329	20,636,035	**22,807,887**	31,114,954	20,570,855
- Loans and advances to customers	**270,622,930**	204,393,748	54,758,300	**270,622,930**	204,393,748	54,758,300
- Financial investments held-to-maturity	**29,729,101**	28,253,143	6,096,082	**29,729,101**	28,253,143	6,096,082
	323,159,918	263,779,220	81,490,417	**323,159,918**	263,761,845	81,425,237

4 INTEREST EXPENSE

	THE GROUP			THE BANK		
	Year ended 30 June 2010	Year ended 30 June 2009	18 months ended 30 June 2008	Year ended 30 June 2010	Year ended 30 June 2009	18 months ended 30 June 2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest expense on:						
- Due to banks	**1,577,355**	2,045,626	1,761,344	**1,577,355**	2,206,418	1,761,344
- Deposits from customers	**201,489,692**	189,859,044	58,245,565	**201,507,431**	189,859,044	63,771,285
- Other	**12,566,133**	10,786,347	2,153,684	**12,566,133**	10,786,347	2,153,684
	215,633,180	202,691,017	62,160,593	**215,650,919**	202,851,809	67,686,313

5 NET FEES AND COMMISSION INCOME

	THE GROUP			THE BANK		
	Year ended 30 June 2010	Year ended 30 June 2009	18 months ended 30 June 2008	Year ended 30 June 2010	Year ended 30 June 2009	18 months ended 30 June 2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Fees and commission income						
Credit related fees and commission income	**50,130,242**	17,156,396	3,686,474	**50,130,242**	16,913,650	2,105,519
Structuring fees received	-	-	5,710,258	-	-	5,710,258
Other fees received	**3,889,956**	2,798,054	7,036,016	**3,763,260**	2,530,273	5,574,882
Total fees and commission income	**54,020,198**	19,954,450	16,432,748	**53,893,502**	19,443,923	13,390,659
Fees and commission expense						
Amortisation of intangible assets	**(358,677)**	(361,303)	(145,136)	**(358,677)**	(361,303)	(145,136)
Other fees	**(9,285,115)**	(4,802,277)	(8,238,340)	**(9,213,137)**	(4,748,559)	(791,535)
Total fees and commission expense	**(9,643,792)**	(5,163,580)	(8,383,476)	**(9,571,814)**	(5,109,862)	(936,671)
Net fees and commission income	**44,376,406**	14,790,870	8,049,272	**44,321,688**	14,334,061	12,453,988

6 NET TRADING INCOME

	THE GROUP			THE BANK		
	Year ended 30 June 2010	Year ended 30 June 2009	18 months ended 30 June 2008	Year ended 30 June 2010	Year ended 30 June 2009	18 months ended 30 June 2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
"Day 1" profit	-	905,610	5,258,778	-	-	-
Derivative financial instruments	-	8,280,418	4,462,196	-	8,280,418	4,462,196
Financial investments held-for-trading	**8,640,203**	3,375,221	-	**8,640,203**	3,375,221	-
Foreign exchange	**70,708,561**	69,066,327	23,678,364	**70,265,049**	69,066,327	23,678,364
	79,348,764	81,627,576	33,399,338	**78,905,252**	80,721,966	28,140,560

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 2010	Year ended 30 June 2009	18 months ended 30 June 2008
	Rs.	Rs.	Rs.
Portfolio and specific provisions on loans and advances to customers (Note 16 (b))			
- Retail and personal	2,863,261	1,712,795	508,546
- Business	5,895,635	6,569,166	7,735,645
- Entities outside Mauritius	21,326,286	2,709,360	374,230
- Credit cards	1,508,600	170,434	38,263
	31,593,782	11,161,755	8,656,684
Bad debts written off	372,090	-	-
Recoveries	(2,000)	-	-
	31,963,872	11,161,755	8,656,684

8 PERSONNEL EXPENSES

	THE GROUP			THE BANK		
	Year ended 30 June 2010	Year ended 30 June 2009	18 months ended 30 June 2008	Year ended 30 June 2010	Year ended 30 June 2009	18 months ended 30 June 2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Salaries	55,534,323	35,939,764	32,649,245	55,534,323	35,220,999	32,506,361
Staff benefits	28,071,708	30,051,084	18,636,790	28,071,708	29,884,133	18,620,015
Pension cost-Defined contribution scheme	2,345,295	1,579,026	1,620,594	2,345,295	1,579,026	1,620,594
Training expenses	193,183	399,840	169,688	193,183	399,840	169,688
Share-based payments (Note 29)	4,172,446	5,632,775	-	4,172,446	5,632,775	-
	90,316,955	73,602,489	53,076,317	90,316,955	72,716,773	52,916,658

Share-based payments of Rs 4,172,446 (2009: Rs 5,632,775 and 2008: Rs Nil) relate to the expense arising from transactions accounted for as equity-settled share-based payment transactions (see note 29).

9 OTHER OPERATING EXPENSES

	THE GROUP			THE BANK		
	Year ended 30 June 2010	Year ended 30 June 2009	18 months ended 30 June 2008	Year ended 30 June 2010	Year ended 30 June 2009	18 months ended 30 June 2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Advertising and marketing expenses	9,898,545	5,907,952	5,511,837	9,898,545	5,818,712	4,836,615
Administrative expenses	33,399,938	28,660,916	20,488,274	32,719,892	28,171,742	20,378,402
Equipment written off	298,100	1,050,589	-	298,100	1,050,589	-
Intangible assets written off	51,436	1,721,540	-	51,436	1,721,540	-
Professional fees	10,679,725	9,406,490	16,266,949	10,679,725	9,406,490	10,846,949
	54,327,744	46,747,487	42,267,060	53,647,698	46,169,073	36,061,966

10 TAXATION

	THE GROUP			THE BANK		
	Year ended 30 June 2010	Year ended 30 June 2009	18 months ended 30 June 2008	Year ended 30 June 2010	Year ended 30 June 2009	18 months ended 30 June 2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(a) Statements of financial position						
Income tax liability	6,106,509	11,680	9,566	6,106,509	-	-
Corporate social responsibility fund	55,709	-	-	55,709	-	-
Special levy	3,162,760	-	-	3,162,760	-	-
Current tax liabilities	9,324,978	11,680	9,566	9,324,978	-	-

Corporate Social Responsibility fund

The Corporate Social Responsibility ("CSR") was legislated by the Government of Mauritius in July 2009. In terms of the legislation, the Bank is required to allocate 2% of its book profit Segment A/residents of the preceding financial year to Government approved CSR projects.

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 revaluation or loss 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 2010	Year ended 30 June 2009	18 months ended 30 June 2008	Year ended 30 June 2010	Year ended 30 June 2009	18 months ended 30 June 2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
The components of income tax expense for the years ended 30 June 2010 and 2009 and period ended 30 June 2008 are as follows:						
Current tax						
-Current income tax	6,106,509	11,680	9,566	6,106,509	-	-
-Adjustment in respect of current income tax of prior period	(645)	1,701	-	-	-	-
Corporate social responsibility fund	457,595	-	-	456,316	-	-
Special levy	3,162,760	-	-	3,162,760	-	-
Deferred tax						
-Relating to origination and reversal of temporary differences	1,041,896	3,762,439	(7,032,876)	1,066,666	3,762,868	(7,035,360)
Tax expense/(income) reported in the statements of comprehensive income	10,768,115	3,775,820	(7,023,310)	10,792,251	3,762,868	(7,035,360)

(c) Reconciliation of the total tax expense/(income)

A reconciliation between the tax expense/(income) and the accounting profit multiplied by the domestic tax rate for years ended 30 June 2010 and 2009 and the period ended 30 June 2008 is as follows:

	THE GROUP			THE BANK		
	Year ended 30 June 2010	Year ended 30 June 2009	18 months ended 30 June 2008	Year ended 30 June 2010	Year ended 30 June 2009	18 months ended 30 June 2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Accounting profit/(loss) before tax	49,238,203	24,327,506	(47,372,815)	48,139,843	24,252,505	(47,452,396)
At statutory income tax rate of 15%	7,385,730	3,649,126	(7,105,922)	7,220,976	3,637,876	(7,117,859)
Deemed credit on Segment B profits	(1,391,528)	(4,541,541)	-	(1,391,528)	(4,541,541)	-
Segment A deferred losses asset used against segment B profits	-	4,617,448	-	-	4,617,448	-
(Over)/Under-provision of deferred tax asset in prior year	218,091	(145,375)	-	218,091	(145,375)	-
(Over)/Under-provision in corporate tax in prior year	(645)	1,701	-	-	-	-
Non deductible expenses	1,036,746	244,549	82,612	1,036,746	246,008	82,499
Income not subject to tax	(189,824)	-	-	(300)	-	-
Assets not eligible for capital allowance	89,190			89,190		
Corporate social responsibility fund	457,595	-	-	456,316	-	-
Special levy	3,162,760	-	-	3,162,760	-	-
Others	-	(50,088)	-	-	(51,548)	-
Tax expense/(income) reported in the statements of comprehensive income	10,768,115	3,775,820	(7,023,310)	10,792,251	3,762,868	(7,035,360)
Effective tax rate	22%	16%	15%	22%	16%	15%

10 TAXATION (cont'd)

(d) Deferred tax

THE GROUP	Deferred tax assets	Deferred tax liabilities	Statement of comprehensive income	Deferred tax assets	Deferred tax liabilities	Statement of comprehensive income	Deferred tax assets	Deferred tax liabilities	Statement of comprehensive income
	2010	2010	2010	2009	2009	2009	2008	2008	2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Impairment allowances on loans and advances to customers	(4,677,419)	-	(2,121,982)	(2,507,314)	-	(1,208,811)	(1,298,503)	-	(1,298,503)
Accelerated capital allowances	1,705,264		516,812	1,155,231	2,055	(631,130)	(3,950,925)	2,484	(3,948,441)
Tax losses	-	-	1,903,452	(1,920,409)	-	5,602,380	(1,785,932)	-	(1,785,932)
Other temporary differences	743,614	-	743,614	-	-	-	-	-	-
	(2,228,541)	-	1,041,896	(3,272,492)	2,055	3,762,439	(7,035,360)	2,484	(7,032,876)

THE BANK	Deferred tax assets	Statement of comprehensive income	Deferred tax assets	Statement of comprehensive income	Deferred tax assets	Statement of comprehensive income
	2010	2010	2009	2009	2008	2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Impairment allowances on loans and advances to customers	(4,677,419)	(2,121,982)	(2,507,314)	(1,208,811)	(1,298,503)	(1,298,503)
Other temporary differences	743,614	743,614	-	-	-	-
Tax losses	-	1,903,452	(1,920,409)	5,602,380	(7,522,789)	(7,522,789)
Accelerated capital allowances	1,727,979	541,582	1,155,231	(630,701)	1,785,932	1,785,932
	(2,205,826)	1,066,666	(3,272,492)	3,762,868	(7,035,360)	(7,035,360)

11 EARNINGS/(LOSS) PER SHARE

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

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/period.

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

	THE GROUP			THE BANK		
	Year ended 30 June 2010	Year ended 30 June 2009	18 months ended 30 June 2008	Year ended 30 June 2010	Year ended 30 June 2009	18 months ended 30 June 2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Profit/(loss) for the year/period attributable to ordinary equity holders of the Group and the Bank	**38,470,088**	20,551,686	(40,349,505)	**37,347,592**	20,489,637	(40,417,036)
Weighted average number of ordinary shares adjusted for the effect of dilution	**47,793,102**	42,580,871	24,820,000	**47,793,102**	42,580,871	24,820,000
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Basic and diluted earnings/(loss) per share	**0.80**	0.48	(1.63)	**0.78**	0.48	(1.63)

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 CASH AND BALANCES WITH THE CENTRAL BANK

	THE GROUP AND THE BANK		
	2010	2009	2008
	Rs.	Rs.	Rs.
Cash in hand (Note 31(a))	**11,818,436**	14,062,169	6,852,388
Unrestricted balances with the Central Bank (Note 31 (a))	**588,303,959**	27,424,569	236,238,980
Mandatory balances with the Central Bank	**271,268,044**	166,478,146	93,667,788
Placements with the Central Bank (Note 31(a))	**127,031,019**	-	-
	998,421,458	207,964,884	336,759,156

13 DUE FROM BANKS

	THE GROUP			THE BANK		
	2010	2009	2008	2010	2009	2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Short term placements with other banks (Note 31)	**1,278,455,705**	2,032,255,711	1,162,740,891	**1,278,455,705**	2,032,255,711	1,162,740,891
Medium term placements with other banks	**111,335,682**	380,377,021	2,627,000	**111,335,682**	380,377,021	2,627,000
Current accounts with other banks (Note 31)	**416,020,872**	337,768,480	53,316,965	**415,921,795**	301,289,245	39,046,288
Other amounts due (Note 31)	**1,157,472**	1,134,652	2,606,748	**1,157,472**	1,134,652	2,606,748
	1,806,969,731	2,751,535,864	1,221,291,604	**1,806,870,654**	2,715,056,629	1,207,020,927

For the remaining term to maturity, refer to Note 35 (c)

14 DERIVATIVE FINANCIAL INSTRUMENTS

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

(a) THE GROUP	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
	2010	2010	2010	2009	2009	2009	2008	2008	2008
	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	5,061,737	(5,061,737)	49,820,250
Fund Options Transactions	**1,217,900**	**(1,217,900)**	**121,771,000**	946,854	(946,854)	103,170,000	17,930,946	(17,930,946)	103,170,000
Equity Linked Notes	**111,873,855**	**(111,873,855)**	**173,199,450**	96,403,004	(96,403,004)	171,184,100	127,902,794	(127,902,794)	31,165,000
Index Linked Options	**28,364,250**	**(28,364,250)**	**48,067,500**	19,149,030	(19,149,030)	48,540,000	-	-	-
Index Linked Notes	**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**	-	-	-	-	-	-
Derivatives held-for-trading									
Forward Foreign Exchange Contracts	**14,730,919**	**(38,110,514)**	**2,447,624,107**	3,177,299	(1,806,788)	675,915,988	14,544,718	(3,500,783)	662,970,297
Currency Call Option	-	-	-	-	-	-	-	(11,870,647)	207,251,462
Currency Put Option	-	-	-	-	-	-	-	-	102,144,250
	188,708,824	**(208,988,419)**	**2,856,249,807**	149,082,366	(147,711,855)	1,111,732,338	165,440,195	(166,266,907)	1,156,521,259

(b) THE BANK	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
	2010	2010	2010	2009	2009	2009	2008	2008	2008
	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	5,061,737	(5,061,737)	49,820,250
Fund Options Transactions	1,217,900	(1,217,900)	121,771,000	946,854	(946,854)	122,949,000	17,930,946	(17,930,946)	103,170,000
Equity Linked Notes	26,772,719	(26,772,719)	27,743,750	26,481,140	(26,481,140)	30,889,000	27,827,229	(27,827,229)	31,165,000
Index Linked Options	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	14,730,919	(38,110,514)	2,447,624,107	3,177,299	(1,806,788)	808,663,711	14,544,718	(3,500,783)	662,970,297
Currency Call Option	-	-	-	-	-	-	-	(11,870,647)	207,251,462
Currency Put Option	-	-	-	-	-	-	-	-	102,144,250
	71,085,788	(94,465,383)	2,645,206,357	51,654,502	(50,283,991)	1,070,413,136	65,364,630	(66,191,342)	1,156,521,259

As at 30 June 2010, the Group and the Bank have positions in the following types of derivatives:

Forwards contracts

Forwards contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

Options

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

15 OTHER FINANCIAL ASSETS HELD-FOR-TRADING

	THE GROUP AND THE BANK		
	2010	2009	2008
	Rs.	Rs.	Rs.
Unquoted investments			
Government of Mauritius debt securities	367,509,475	103,171,720	-

16 LOANS AND ADVANCES TO CUSTOMERS

	THE GROUP AND THE BANK		
	2010	2009	2008
	Rs.	Rs.	Rs.
Retail and personal	376,960,447	255,940,561	83,160,000
Business	2,217,148,239	1,471,073,262	830,491,149
Entities outside Mauritius	2,272,925,722	380,435,275	37,940,659
Credit cards	35,530,961	19,013,820	3,826,317
Gross core loans and advances to customers	4,902,565,369	2,126,462,918	955,418,125
Less: Allowance for impairment losses	(51,412,221)	(19,818,439)	(8,656,684)
	4,851,153,148	2,106,644,479	946,761,441

For the remaining term to maturity of gross core loans and advances to customers, refer to Note 34(c).

16 LOANS AND ADVANCES TO CUSTOMERS (cont'd)

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 12 January 2007	-	-	-	-	-
Charge for the period	508,546	7,735,645	374,230	38,263	8,656,684
At 30 June 2008	508,546	7,735,645	374,230	38,263	8,656,684
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 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
At 30 June 2008:					
Specific impairment	-	-	-	-	-
Collective impairment	508,546	7,735,645	374,230	38,263	8,656,684
	508,546	7,735,645	374,230	38,263	8,656,684

(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 12 January 2007	-	-	-
Charge for the period (note 7)	-	8,656,684	8,656,684
At 30 June 2008	-	8,656,684	8,656,684
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**

17 INVESTMENT IN SUBSIDIARY

	THE BANK		
	2010	2009	2008
Cost	Rs.	Rs.	Rs.
At start	1,000,000	1,000,000	-
Acquisition during the year/period-2,400,000 (2008: 100,000) Ordinary shares at no par value	24,000,000	-	1,000,000
At 30 June	25,000,000	1,000,000	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.

18 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		
	2010	2009	2008
	Rs.	Rs.	Rs.
AXYS Capital Management Ltd			
Consideration settled in cash	21,700,000	-	-
Deferred consideration	17,949,308	-	-
Total consideration	39,649,308	-	-
Share of profit	1,263,493	-	-
	40,912,801	-	-

The Group's share of the assets and liabilities as at 30 June 2010 and income and expenses of the jointly controlled entity for the year ended 30 June 2010 are as follows:

	2010
Share of the joint venture's statement of financial position:	Rs.
Current assets	37,780,038
Non-current assets	13,277,209
Current liabilities	(48,557,893)
Non-current liabilities	(170,307)
Net Assets	2,329,047
Share of the joint venture's revenue and profit:	
Revenue	5,357,388
Administrative expenses	(4,226,872)
Other income	275,251
Finance revenue	82,728
Income tax expense	(225,002)
Profit for the year	1,263,493

19 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	THE GROUP AND THE BANK		
	2010	2009	2008
Unquoted investments	Rs.	Rs.	Rs.
Government of Mauritius debt securities	846,580,424	638,610,782	372,117,115

20 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 12 January 2007	-	-	-	-	-	-
Additions	3,764,665	3,506,320	3,978,325	-	3,312,473	14,561,783
Disposal	-	-	(54,068)	-	-	(54,068)
At 30 June 2008	3,764,665	3,506,320	3,924,257	-	3,312,473	14,507,715
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)**
Disposal	**-**	**-**	**-**	**-**	**-**	**-**
At 30 June 2010	**2,639,930**	**7,042,346**	**4,642,664**	**700,572**	**4,965,266**	**19,990,778**
DEPRECIATION						
At 12 January 2007	-	-	-	-	-	-
Charge for the period	279,280	**255,012**	311,590	-	836,950	1,682,832
Disposal	-	-	(6,874)	-	-	(6,874)
At 30 June 2008	279,280	**255,012**	304,716	-	836,950	1,675,958
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)**
Disposal	**-**	**-**	**-**	**-**	**-**	**-**
At 30 June 2010	**724,696**	**937,202**	**1,282,435**	**163,892**	**3,473,953**	**6,582,178**
NET BOOK VALUE						
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
At 30 June 2008	3,485,385	3,251,308	3,619,541	-	2,475,523	12,831,757

20 EQUIPMENT (cont'd)

(b) THE BANK

	Improvement to building	Furniture and fittings	Office equipment	Motor vehicle	Computer equipment	Total
COST	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At 12 January 2007	(10)	-	-	-	-	-
Additions	3,764,665	3,506,320	3,978,325	-	3,278,105	14,527,415
Disposal	-	-	(54,068)	-	-	(54,068)
At 30 June 2008	3,764,655	3,506,320	3,924,257	-	3,278,105	14,473,347
At 1 July 2008	3,764,655	3,506,320	3,924,257	-	3,278,105	14,473,337
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	3,523,379	4,242,804	671,292	3,834,851	15,168,567
At 1 July 2009	**2,896,241**	**3,523,379**	**4,242,804**	**671,292**	**3,834,851**	**15,168,567**
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**	**7,042,346**	**4,631,739**	**700,572**	**4,930,898**	**19,945,475**
DEPRECIATION						
At 12 January 2007	-	-	-	-	-	-
Charge for the period	279,280	255,012	311,590	-	836,322	1,682,204
Disposal	-	-	(6,874)	-	-	(6,874)
At 30 June 2008	279,280	255,012	304,716	-	836,322	1,675,330
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**
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**
NET BOOK VALUE						
At 30 June 2010	**1,915,224**	**6,105,144**	**3,349,304**	**536,680**	**1,480,878**	**13,387,230**
At 30 June 2009	2,393,490	2,932,723	3,491,822	644,931	1,822,311	11,285,277
At 30 June 2008	3,485,375	3,251,308	3,619,541	-	2,441,783	12,798,007

21 INTANGIBLE ASSETS

THE GROUP AND THE BANK	Computer software	Banking software	Other	Total
COST	Rs.	Rs.	Rs.	Rs.
At 12 January 2007	-	-	-	-
Additions	482,964	15,642,978	4,926,796	21,052,738
At 30 June 2008	482,964	15,642,978	4,926,796	21,052,738
At 1 July 2008	482,964	15,642,978	4,926,796	21,052,738
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	4,551,714	19,880,334
At 1 July 2009	**729,882**	**14,598,738**	**4,551,714**	**19,880,334**
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**	**5,962,257**	**25,295,511**
AMORTISATION				
At 12 January 2007	-	-	-	-
Charge for the period	115,507	1,531,573	1,069,590	2,716,670
At 30 June 2008	115,507	1,531,573	1,069,590	2,716,670
At 1 July 2008	115,507	1,531,573	1,069,590	2,716,670
Charge for the year	218,963	1,949,387	1,414,575	3,582,925
At 30 June 2009	334,470	3,480,960	2,484,165	6,299,595
At 1 July 2009	**334,470**	**3,480,960**	**2,484,165**	**6,299,595**
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**	**3,519,231**	**10,247,451**
NET BOOK VALUE				
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
At 30 June 2008	367,457	14,111,405	3,857,206	18,336,068

22 OTHER ASSETS

	THE GROUP			THE BANK		
	2010	2009	2008	**2010**	2009	2008
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
Accrued income	**2,120,913**	397,471	7,178,038	**2,120,913**	397,471	7,178,038
Prepayments	**2,098,375**	1,306,953	1,162,514	**2,098,375**	1,306,953	1,162,514
Issued capital not yet paid	**-**	201,988,789	-	**-**	201,988,789	-
Share application money	**4,285,000**	-	-	**4,285,000**	-	-
Other receivables	**8,083,820**	6,801,562	5,462,823	**8,006,571**	11,378,093	2,394,986
	16,588,108	210,494,775	13,803,375	**16,510,859**	215,071,306	10,735,538

23 DUE TO BANKS

	THE GROUP AND THE BANK		
	2010	2009	2008
	Rs.	Rs.	Rs.
Bank overdrafts	**47,180**	5,126,676	-
Borrowings from the Central Bank	**96,138,890**	137,543,595	143,028,710
	96,186,070	142,670,271	143,028,710

24 DEPOSITS FROM CUSTOMERS

	THE GROUP			THE BANK		
	2010	2009	2008	2010	2009	2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Personal						
- Current accounts	**374,913,107**	263,028,974	130,292,869	**374,913,107**	263,028,974	130,292,869
- Savings accounts	**718,302,531**	691,162,976	313,369,160	**718,302,531**	691,162,976	313,369,160
- Term deposits	**1,252,877,571**	622,293,149	238,115,383	**1,252,877,571**	622,293,149	238,115,383
Business						
- Current accounts	**2,454,139,581**	754,038,395	588,531,681	**2,454,304,414**	786,356,383	665,318,413
- Savings accounts	**192,266,765**	33,528,070	197,921,647	**192,266,765**	33,528,070	197,921,647
- Term deposits	**2,968,955,642**	1,657,213,129	882,687,538	**2,968,955,642**	1,657,213,129	882,687,538
Government institutions						
- Current accounts	-	192,868,939	2,718,900	-	192,868,939	2,718,900
- Savings accounts	**4,020,809**	165,201,898	-	**4,020,809**	165,201,898	-
- Term deposits	**20,089,507**	647,888,300	4,172,411	**20,089,507**	647,888,300	4,172,411
	7,985,565,513	5,027,223,830	2,357,809,589	**7,985,730,346**	5,059,541,818	2,434,596,321

Included in 'Deposits from customers' accounts are deposits of Rs 277,444,107 (2009: Rs 155,719,454 and 2008: Rs 84,995,991) held as collateral against loans and advances to these customers.

25 DEBTS ISSUED

	THE GROUP		
	2010	2009	2008
	Rs.	Rs.	Rs.
Rs. 150,094,545 (2009: Rs 198,644,545 and 2008: Rs 138,644,545) notes	**115,251,460**	151,235,328	101,475,191

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

	2010	2009	2008
(a) **The notes are due as follows:**	Rs	Rs	Rs
Within 1 year	-	45,416,969	-
After 1 year but before 2 years	-	-	42,322,707
After 2 years but before 5 years	**115,251,460**	105,818,359	59,152,484
	115,251,460	151,235,328	101,475,191

26 AMOUNT DUE TO SUBSIDIARY

	THE BANK		
	2010	2009	2008
	Rs.	Rs.	Rs.
Funds due to subsidiary in respect of capital guaranteed contracts	**115,251,460**	151,235,327	101,475,191

27 OTHER LIABILITIES

	THE GROUP			THE BANK		
	2010	2009	2008	2010	2009	2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest payable	-	-	-	-	-	57,823
Accounts payable and sundry creditors	**49,257,591**	86,998,049	116,133,129	**31,611,632**	23,898,388	22,995,901
	49,257,591	86,998,049	116,133,129	**31,611,632**	23,898,388	23,053,724

28 ISSUED CAPITAL

	THE GROUP AND THE BANK		
	2010	2009	2008
	Rs.	Rs.	Rs.
Issued and fully paid	**653,977,649**	250,000,000	250,000,000
Issued and partly paid	-	201,988,860	-
Issued and not yet paid	-	201,988,789	-
	653,977,649	653,977,649	250,000,000

Analysed as follows:	THE GROUP AND THE BANK					
	2010		2009		2008	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
		Rs.		Rs.		Rs.
Ordinary shares (note 28 (a))	**46,837,965**	**651,132,973**	46,837,965	651,132,973	24,820,000	250,000,000
Founding executive shares (note 28 (b))	**783,796**	-	391,898	-	-	-
Employee shares (note 28 (c))	**240,057**	**2,844,676**	240,057	2,844,676	-	-
At 30 June	**47,861,818**	**653,977,649**	47,469,920	653,977,649	24,820,000	250,000,000
(a) **Ordinary shares of no par value**						
At start of the year/period	**46,837,965**	**651,132,973**	24,820,000	250,000,000	-	-
Issue of Ordinary shares	-	-	22,017,965	401,132,973	24,820,000	250,000,000
At 30 June	**46,837,965**	**651,132,973**	46,837,965	651,132,973	24,820,000	250,000,000
(b) **Founding executive shares** (See note 29 (a)(ii))						
At start of the year/period	**391,898**	-	-	-	-	-
Issue of 'Founding executive shares' of no par value	**391,898**	-	391,898	-	-	-
At 30 June	**783,796**	-	391,898	-	-	-
(c) **Employee shares** (See note 29 (b))						
At start of the year/period	**240,057**	**2,844,676**	-	-	-	-
Issue of 'Employee shares' of no par value	-	-	240,057	2,844,676	-	-
At 30 June	**240,057**	**2,844,676**	240,057	2,844,676	-	-

29 OTHER RESERVES

	THE GROUP			THE BANK		
	Equity-settled share-based payment reserve	Statutory reserve	TOTAL	Equity-settled share-based payment reserve	Statutory reserve	TOTAL
	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**

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. There have been no cancellations or modifications to any of the plans during the year.

(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) Employees (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 Employees (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.

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.

30 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:

	2010			2009			2008		
(a) THE GROUP	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	-	14,730,919	14,730,919	-	3,177,299	3,177,299	-	14,544,718	14,544,718
	-	14,730,919	14,730,919	-	3,177,299	3,177,299	-	14,544,718	14,544,718
Other financial assets held-for-trading									
Government debts securities	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	5,061,737	-	5,061,737
Fund Options Transactions	1,217,900	-	1,217,900	946,854	-	946,854	17,930,946	-	17,930,946
Equity Linked Notes	111,873,855	-	111,873,855	96,403,004	-	96,403,004	127,902,794	-	127,902,794
Index Linked Options	28,364,250	-	28,364,250	19,149,030	-	19,149,030	-	-	-
Index Linked Notes	29,421,900	-	29,421,900	27,506,000	-	27,506,000	-	-	-
Call Option	3,100,000	-	3,100,000	-	-	-	-	-	-
	173,977,905	-	173,977,905	145,905,067	-	145,905,067	150,895,477	-	150,895,477
	541,487,380	14,730,919	556,218,299	249,076,787	3,177,299	252,254,086	150,895,477	14,544,718	165,440,195
Financial liabilities									
Derivative financial instruments:									
Currency call option	-	-	-	-	-	-	-	(11,870,647)	(11,870,647)
Forward foreign exchange contract	-	(38,110,514)	(38,110,514)	-	(1,806,788)	(1,806,788)	-	(3,500,783)	(3,500,783)
	-	(38,110,514)	(38,110,514)	-	(1,806,788)	(1,806,788)	-	(15,371,430)	(15,371,430)
Financial liabilities designated at fair value through profit and loss:									
Commodity Index Options	-	-	-	(1,900,179)	-	(1,900,179)	(5,061,737)	-	(5,061,737)
Fund Options Transactions	(1,217,900)	-	(1,217,900)	(946,854)	-	(946,854)	(17,930,946)	-	(17,930,946)
Equity Linked Notes	(111,873,855)	-	(111,873,855)	(96,403,004)	-	(96,403,004)	(127,902,794)	-	(127,902,794)
Index Linked Options	(28,364,250)	-	(28,364,250)	(19,149,030)	-	(19,149,030)	-	-	-
Index Linked Notes	(29,421,900)	-	(29,421,900)	(27,506,000)	-	(27,506,000)	-	-	-
	(170,877,905)	-	(170,877,905)	(145,905,067)	-	(145,905,067)	(150,895,477)	-	(150,895,477)
	(170,877,905)	(38,110,514)	(208,988,419)	(145,905,067)	(1,806,788)	(147,711,855)	(150,895,477)	(15,371,430)	(166,266,907)

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

(b) THE BANK	2010 Level 1	2010 Level 2	2010 Total fair value	2009 Level 1	2009 Level 2	2009 Total fair value	2008 Level 1	2008 Level 2	2008 Total fair value
Financial assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Derivative financial instruments:									
Forward foreign exchange contract	-	14,730,919	14,730,919	-	3,177,299	3,177,299	-	14,544,718	14,544,718
	-	14,730,919	14,730,919	-	3,177,299	3,177,299	-	14,544,718	14,544,718
Other financial assets held-for-trading									
Government debts securities	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	5,061,737	-	5,061,737
Fund Options Transactions	1,217,900	-	1,217,900	946,854	-	946,854	17,930,946	-	17,930,946
Equity Linked Notes	26,772,719	-	26,772,719	26,481,140	-	26,481,140	27,827,229	-	27,827,229
Index Linked Options	28,364,250	-	28,364,250	19,149,030	-	19,149,030	-	-	-
	56,354,869	-	56,354,869	48,477,203	-	48,477,203	50,819,912	-	50,819,912
	423,864,344	14,730,919	438,595,263	151,648,923	3,177,299	154,826,222	50,819,912	14,544,718	65,364,630
Financial liabilities									
Derivative financial instruments:									
Currency call option	-	-	-	-	-	-	-	(11,870,647)	(11,870,647)
Forward foreign exchange contract	-	(38,110,514)	(38,110,514)	-	(1,806,788)	(1,806,788)	-	(3,500,783)	(3,500,783)
	-	(38,110,514)	(38,110,514)	-	(1,806,788)	(1,806,788)	-	(15,371,430)	(15,371,430)
Financial liabilities designated at fair value through profit and loss:									
Commodity Index Options	-	-	-	(1,900,179)	-	(1,900,179)	(5,061,737)	-	(5,061,737)
Fund Options Transactions	(1,217,900)	-	(1,217,900)	(946,854)	-	(946,854)	(17,930,946)	-	(17,930,946)
Equity Linked Notes	(26,772,719)	-	(26,772,719)	(26,481,140)	-	(26,481,140)	(27,827,229)	-	(27,827,229)
Index Linked Options	(28,364,250)	-	(28,364,250)	(19,149,030)	-	(19,149,030)	-	-	-
	(56,354,869)	-	(56,354,869)	(48,477,203)	-	(48,477,203)	(50,819,912)	-	(50,819,912)
	(56,354,869)	(38,110,514)	(94,465,383)	(48,477,203)	(1,806,788)	(50,283,991)	(50,819,912)	(15,371,430)	(66,191,342)

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.
Derivative products valued using a valuation technique with significant non-market observable inputs are primarily long dated option contracts. These derivatives are traded over the counter and are valued using models which calculate the present value such as credit models (e.g default rate models or credit spread models) and the binomial model for options.The models incorporate various non-observable assumptions which include the credit spread of the reference asset for credit default swaps, and market rate volatilities.

Loans and receivables designated at fair value through profit or loss

For loans and receivables designated at fair value through profit or loss, a discounted cash flow model is used based on various assumptions, including current and expected future credit losses, market rates of interest, prepayment rates and assumptions regarding market liquidity, where relevant.

30 FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

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

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

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than three months), it is assumed that the carrying amount approximates their fair value. This asumption 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.

	30 June 2010		30 June 2009		30 June 2008	
THE GROUP	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	**998,421,458**	**998,421,458**	207,964,884	207,964,884	336,759,156	336,759,156
Due from banks	**1,806,969,731**	**1,806,969,731**	2,751,535,864	2,751,535,864	1,221,291,604	1,221,291,604
Loans and advances to customers	**4,851,153,148**	**4,848,115,341**	2,106,644,479	2,101,991,859	946,761,441	955,418,125
Financial investments held-to-maturity	**846,580,424**	**863,535,543**	638,610,782	634,268,682	372,117,115	372,097,732
Other assets (excluding prepayments)	**14,489,733**	**14,489,733**	209,187,822	209,187,822	12,640,861	12,640,861
	8,517,614,494	**8,531,531,806**	5,913,943,831	5,904,949,111	2,889,570,177	2,898,207,478
Financial liabilities	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Due to banks	**(96,186,070)**	**(96,186,070)**	(142,670,271)	(142,670,271)	(143,028,710)	(143,028,710)
Deposits from customers	**(7,985,565,513)**	**(7,976,151,520)**	(5,027,223,830)	(5,025,808,190)	(2,357,809,589)	(2,387,520,855)
Debts issued	**(115,251,460)**	**(120,144,939)**	(151,235,328)	(163,721,407)	(101,475,191)	(119,122,919)
Current tax liabilities	**(9,324,978)**	**(9,324,978)**	(11,680)	(11,680)	(9,566)	(9,566)
Other liabilities	**(49,757,591)**	**(49,757,591)**	(86,998,049)	(86,998,049)	(2,484)	(2,484)
	(8,256,085,612)	**(8,251,565,098)**	(5,408,139,158)	(5,419,209,597)	(2,602,325,540)	(2,649,684,534)

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

THE BANK	30 June 2010		30 June 2009		30 June 2008	
	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	**998,421,458**	**998,421,458**	207,964,884	207,964,884	336,759,156	336,759,156
Due from banks	**1,806,870,654**	**1,806,870,654**	2,715,056,629	2,715,056,629	1,207,020,927	1,207,020,927
Loans and advances to customers	**4,851,151,148**	**4,848,115,341**	2,106,644,479	2,101,991,859	946,761,441	946,468,455
Financial investments held-to-maturity	**846,580,424**	**863,535,543**	638,610,782	634,268,682	372,117,115	372,097,732
Other assets (excluding prepayments)	**14,412,484**	**14,412,484**	213,764,353	213,764,353	9,573,024	9,573,024
	8,517,436,168	**8,531,355,480**	5,882,041,127	5,873,046,407	2,872,231,663	2,871,919,294

THE BANK	30 June 2010		30 June 2009		30 June 2008	
	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	**(96,186,070)**	**(96,186,070)**	(142,670,271)	(142,670,271)	(143,028,710)	(143,028,710)
Deposits from customers	**(7,985,730,346)**	**(7,976,316,353)**	(5,059,541,818)	(5,058,126,178)	(2,434,596,321)	(2,464,307,587)
Amount due to subsidiary	**(115,251,460)**	**(120,144,939)**	(151,235,327)	(163,781,407)	(101,475,191)	(119,122,919)
Current tax liabilities	**(9,324,978)**	**(9,324,978)**	-	-	-	-
Other liabilities	**(31,611,632)**	**(31,611,632)**	(23,898,388)	(23,898,388)	(23,053,724)	(23,053,724)
	(8,238,104,486)	**(8,233,583,972)**	(5,377,345,804)	(5,388,476,244)	(2,702,153,946)	(2,749,512,940)

31 ADDITIONAL CASH FLOW INFORMATION

	THE GROUP			THE BANK		
(a) Cash and cash equivalents	2010	2009	2008	2010	2009	2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash in hand (Note 12)	11,818,436	14,062,169	6,852,388	11,818,436	14,062,169	6,852,388
Unrestricted balances with the Central Bank (Note 12)	588,303,959	27,424,569	236,238,980	588,303,959	27,424,569	236,238,980
Placements with the Central Bank (Note 12)	127,031,019	-	-	127,031,019	-	-
Short term placements with other banks (Note 13)	1,278,455,705	2,032,255,711	1,162,740,891	1,278,455,705	2,032,255,711	1,162,740,891
Current accounts with other banks (Note 13)	416,020,872	337,768,480	53,316,965	415,921,795	301,289,245	39,046,288
Other amounts due (Note 13)	1,157,472	1,134,652	2,606,748	1,157,472	1,134,652	2,606,748
Bank overdrafts (Note 23)	(47,180)	(5,126,676)	-	(47,180)	(5,126,676)	-
	2,422,740,283	2,407,518,905	1,461,755,972	2,422,641,206	2,371,039,670	1,447,485,295
(b) Change in operating assets						
Net change in mandatory balances with the Central Bank	(104,789,898)	(72,810,358)	(93,667,788)	(104,789,898)	(72,810,358)	(93,667,788)
Net change in medium term interbank placement	269,041,339	(377,750,021)	(2,627,000)	269,041,339	(377,750,021)	(2,627,000)
Net change in derivative financial instruments	1,977,479	(1,956,610)	(138,279,877)	5,077,478	(4,604,311)	(38,204,312)
Net change in loans and advances	(2,761,183,771)	(1,166,807,100)	(952,279,440)	(2,761,183,771)	(1,166,807,100)	(952,279,440)
Net change in financial investments - held-to-maturity	(207,317,227)	(260,237,114)	(368,501,500)	(207,317,227)	(260,237,114)	(368,501,500)
Net change in other financial assets held-for-trading	(258,608,712)	(102,203,363)	-	(258,608,712)	(102,203,363)	-
Net change in other assets	(8,075,124)	5,297,389	(13,803,375)	(3,428,342)	(2,346,979)	(10,735,538)
	(3,068,955,914)	(1,976,467,177)	(1,569,158,980)	(3,061,209,133)	(1,986,759,246)	(1,466,015,578)
(c) Change in operating liabilities						
Net change in due to banks	(41,404,705)	(5,485,115)	143,028,710	(41,404,705)	(5,485,115)	143,028,710
Net change in derivative financial instruments	(3,706,968)	1,129,898	138,439,678	(3,706,968)	3,777,599	38,364,113
Net change in amount due to subsidiary	-	-	-	(35,983,867)	49,760,136	101,475,191
Net change in debts issued	(35,983,868)	49,760,137	101,475,191	-	-	-
Net change in due to customers	2,949,798,191	2,633,437,861	2,332,051,726	2,917,645,036	2,588,969,117	2,408,838,458
Net change in other liablities	(55,189,767)	(29,135,080)	116,133,129	7,713,244	844,664	23,053,724
	2,813,512,883	2,649,707,701	2,831,128,434	2,844,262,740	2,637,866,401	2,714,760,196
(d) Non-cash items included in profit/loss before tax						
Net unrealised (gain)/loss on derivative financial instruments	23,379,595	(1,370,511)	666,911	23,379,595	(1,370,511)	666,911
Net unrealised loss on held-for-trading financial assets	(5,729,043)	(968,357)	-	(5,729,042)	(968,357)	-
Depreciation of equipment	2,804,560	2,294,902	1,682,832	2,792,710	2,283,447	1,682,204
Amortisation of intangible assets	4,233,538	3,582,925	2,716,670	4,233,538	3,582,925	2,716,670
Equipment written off	298,100	1,050,589	-	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)	(2,705)	-	(15,148)	(2,705)
Net interest (receivable)/payable	(7,399,693)	25,482,134	19,003,563	(7,399,693)	25,482,134	19,003,563
Employee shares scheme	4,172,446	5,632,775	-	4,172,446	5,632,775	-
Share of net profit in a joint venture	(1,263,493)	-	-	-	-	-
Provision for portfolio impairment	31,593,782	11,161,755	8,656,684	31,593,782	11,161,755	8,656,684
	52,513,318	48,572,604	32,723,955	53,764,962	48,561,149	32,723,327

32 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	2010			2009			2008		
(a) THE GROUP	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
ASSETS	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and balances with Central Bank	998,421,458	-	998,421,458	207,964,884	-	207,964,884	336,759,156	-	336,759,156
Due from banks	1,806,969,731	-	1,806,969,731	2,751,535,864	-	2,751,535,864	1,221,291,604	-	1,221,291,604
Derivative financial instruments	14,730,919	173,977,905	188,708,824	5,077,478	144,004,888	149,082,366	14,544,718	150,895,477	165,440,195
Other financial assets held-for-trading	367,509,475	-	367,509,475	103,171,720	-	103,171,720	-	-	-
Loans and advances to customers	3,484,889,420	1,366,263,728	4,851,153,148	1,459,473,811	647,170,668	2,106,644,479	716,132,087	230,629,354	946,761,441
Investment in joint venture	-	39,649,308	39,649,308	-	-	-	-	-	-
Financial investments held-to-maturity	451,364,532	395,215,892	846,580,424	501,769,807	136,840,975	638,610,782	372,117,115	-	372,117,115
Equipment	-	13,408,600	13,408,600	-	11,307,572	11,307,572	-	12,831,757	12,831,757
Intangible assets	-	15,048,060	15,048,060	-	13,580,739	13,580,739	-	18,336,068	18,336,068
Deferred tax assets	-	2,228,541	2,228,541	-	3,272,492	3,272,492	-	7,035,360	7,035,360
Other assets	16,588,108	-	16,588,108	210,494,775	-	210,494,775	13,803,375	-	13,803,375
TOTAL ASSETS	7,140,473,643	2,005,792,034	9,146,265,677	5,239,488,339	956,177,334	6,195,665,673	2,674,648,055	419,728,016	3,094,376,071
LIABILITIES									
Due to banks	96,186,070	-	96,186,070	142,670,271	-	142,670,271	143,028,710	-	143,028,710
Derivative financial instruments	38,110,514	170,877,905	208,988,419	3,706,967	144,004,888	147,711,855	15,371,430	150,895,477	166,266,907
Deposits from customers	7,603,366,353	382,199,160	7,985,565,513	4,730,003,749	297,220,081	5,027,223,830	2,087,438,524	270,371,065	2,357,809,589
Debts issued	-	115,251,460	115,251,460	45,416,969	105,818,359	151,235,328	-	101,475,191	101,475,191
Current tax liabilities	9,324,978	-	9,324,978	11,680	-	11,680	9,566	-	9,566
Deferred tax liabilities	-	-	-	-	2,055	2,055	-	2,484	2,484
Other liabilities	38,008,282	11,249,309	49,257,591	85,843,971	1,154,078	86,998,049	115,947,374	185,755	116,133,129
TOTAL LIABILITIES	7,784,996,197	679,577,834	8,464,574,031	5,007,653,607	548,199,461	5,555,853,068	2,361,795,604	522,929,972	2,884,725,576

32 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (cont'd)

(b) THE BANK	2010			2009			2008		
	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
ASSETS	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and balances with Central Bank	998,421,458	-	998,421,458	207,964,884	-	207,964,884	336,759,156	-	336,759,156
Due from banks	1,806,870,654	-	1,806,870,654	2,715,056,629	-	2,715,056,629	1,207,020,927	-	1,207,020,927
Derivative financial instruments	14,730,919	56,354,869	71,085,788	5,077,478	46,577,024	51,654,502	14,544,718	50,819,912	65,364,630
Other financial assets held-for-trading	367,509,475	-	367,509,475	103,171,720	-	103,171,720	-	-	-
Loans and advances to customers	3,484,889,420	1,366,263,728	4,851,153,148	1,459,473,811	647,170,668	2,106,644,479	716,132,087	230,629,354	946,761,441
Investment in subsidiary	-	25,000,000	25,000,000	-	1,000,000	1,000,000	-	1,000,000	1,000,000
Financial investments held-to-maturity	451,364,532	395,215,892	846,580,424	501,769,807	136,840,975	638,610,782	372,117,115	-	372,117,115
Equipment	-	13,387,240	13,387,240	-	11,285,287	11,285,287	-	12,798,017	12,798,017
Intangible assets	-	15,048,060	15,048,060	-	13,580,739	13,580,739	-	18,336,068	18,336,068
Deferred tax assets	-	2,205,826	2,205,826	-	3,272,492	3,272,492	-	7,035,360	7,035,360
Other assets	16,510,859	-	16,510,859	215,071,306	-	215,071,306	10,735,538	-	10,735,538
TOTAL ASSETS	7,140,297,317	1,873,475,615	9,013,772,932	5,207,585,635	859,727,185	6,067,312,820	2,657,309,541	320,618,711	2,977,928,252
LIABILITIES									
Due to banks	96,186,070	-	96,186,070	142,670,271	-	142,670,271	143,028,710	-	143,028,710
Derivative financial instruments	38,110,514	56,354,869	94,465,383	3,706,967	46,577,024	50,283,991	15,371,430	50,819,912	66,191,342
Deposits from customers	7,603,531,186	382,199,160	7,985,730,346	4,762,321,737	297,220,081	5,059,541,818	2,164,225,256	270,371,065	2,434,596,321
Amount due to subsidiary	-	115,251,460	115,251,460	-	151,235,327	151,235,327	-	101,475,191	101,475,191
Current tax liabilities	9,324,978	-	9,324,978	-	-	-	-	-	-
Other liabilities	31,611,632	-	31,611,632	22,744,310	1,154,078	23,898,388	22,867,969	185,755	23,053,724
TOTAL LIABILITIES	7,778,764,380	553,805,489	8,332,569,869	4,931,443,285	496,186,510	5,427,629,795	2,345,493,365	422,851,923	2,768,345,288

33 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 balance sheet they do contain credit risk and are therefore part of the overall risk of the Group and the Bank.

	THE GROUP AND THE BANK		
	2010	2009	2008
Contingent liabilities	Rs.	Rs.	Rs.
Financial guarantees	**600,291,212**	349,799,270	201,855,987
Letters of credit	**55,379,486**	28,859,754	2,182,164
	655,670,698	378,659,024	204,038,151
Commitments			
Undrawn commitments to lend	**1,217,896,110**	901,787,408	535,405,000
Total	**1,873,566,808**	1,280,446,432	739,443,151

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		
	2010	2009	2008	2010	2009	2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Within one year	**9,946,602**	6,691,219	6,658,399	**9,946,602**	6,691,219	6,658,399
After one year but not more than five years	**9,029,953**	14,094,919	20,710,899	**9,029,953**	14,094,919	20,710,899
	18,976,555	20,786,138	27,369,298	**18,976,555**	20,786,138	27,369,298

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.

34 RELATED PARTY DISCLOSURES

Compensation of key management personnel of the Group and the Bank	THE GROUP			THE BANK		
	2010	2009	2008	2010	2009	2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Short-term employee benefits	**26,510,503**	39,516,775	29,926,960	**26,510,503**	39,516,775	29,926,960
Share-based payments	**3,810,494**	5,223,748	-	**3,810,494**	5,223,748	-
	30,320,997	44,740,523	29,926,960	**30,320,997**	44,740,523	29,926,960

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	2010		2009		2008	
	Balances as at 30 June 2010	Income from / (expense) to	Balances as at 30 June 2009	Income from / (expense) to	Balances as at 30 June 2008	Income from / (expense) to
Key management personnel of the Bank:	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Loans and advances	**2,270,753**	**(1,555,671)**	9,880,983	(1,258,692)	1,511,348	48,338
Deposits from customers:						
- Term deposits	**(16,648,816)**	**556,705**	(5,188,923)	(159,685)	(3,080,517)	(43,602)
- Savings and current accounts	**(11,454,135)**	**104,682**	(21,601,078)	(231,405)	(3,178,210)	(120,934)
	(28,102,951)	**661,387**	(26,790,001)	(391,090)	(6,258,727)	(164,536)
Directors' fees	-	**(1,838,904)**	-	(1,519,932)	-	(1,750,000)
	(28,102,951)	**(1,177,517)**	(26,790,001)	(1,911,022)	(6,258,727)	(1,914,536)

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.
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**

(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.
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
2008					
Holding company	16,375,068	-	-	-	458,325
Fellow subsidiaries	22,114,576	15,542,549	64,717	167,340,197	174,311,060
	38,489,644	15,542,549	64,717	167,340,197	174,769,385
(b) THE BANK					
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
2008					
Holding company	16,375,068	-	-	-	458,325
Subsidiary company	5,420,000	2,324,584	105,720	5,556,604	201,254,606
Fellow subsidiaries	22,114,576	15,542,549	64,717	167,340,197	174,311,060
	43,909,644	17,867,133	170,437	172,896,801	376,023,991

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 2010, the Group and the Bank have not made any provision for doubtful debts relating to amounts owed by related parties (2009 and 2008: nil). At 30 June 2010, none of the facilities granted to related parties was non-performing (2009 and 2008: nil).

The total on and off balance sheet exposure to the related parties amounted to Rs 221,671,716 (2009: Rs 240,000,000 and 2008: Rs 504,100,000) representing 3% (2009: 5% and 2008: 16%) of the Group's total exposure.
The credit exposure to the six related parties with the highest exposure amounted to Rs 221,671,716 (2009: Rs 240,000,000 and 2008: Rs 400,000,000) representing 37% (2009: 55% and 2008: 190%) 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.

35 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 is accountable for the risk exposures relating to his or her responsibilities. The Group and the Bank is 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.

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 processess and policies.

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 2010 was Rs 959,065,000 (2009: Rs 799,168,500 and 2008: Rs 723,273,031) 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		
	2010	2009	2008	**2010**	2009	2008
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.
Financial assets						
Due from banks						
Placement with other banks	**1,389,791,387**	2,412,632,732	1,165,367,891	**1,389,791,387**	2,412,632,732	1,165,367,891
Current accounts	**416,020,872**	337,768,480	53,316,965	**415,921,795**	301,289,245	39,046,288
Other amounts due	**1,157,472**	1,134,652	2,606,748	**1,157,472**	1,134,652	2,606,748
	1,806,969,731	2,751,535,864	1,221,291,604	**1,806,870,654**	2,715,056,629	1,207,020,927
Derivative financial instruments	**188,708,824**	149,082,366	165,440,195	**71,085,788**	51,654,502	65,364,630
Loans and advances to customers						
Retail and personal	**376,960,447**	255,940,561	83,160,000	**376,960,447**	255,940,561	83,160,000
Business	**2,217,148,239**	1,471,073,262	830,491,149	**2,217,148,239**	1,471,073,262	830,491,149
Entities outside Mauritius	**2,272,925,722**	380,435,275	37,940,659	**2,272,925,722**	380,435,275	37,940,659
Credit cards	**35,530,961**	19,013,820	3,826,317	**35,530,961**	19,013,820	3,826,317
	4,902,565,369	2,126,462,918	955,418,125	**4,902,565,369**	2,126,462,918	955,418,125
Other assets (excluding prepayments)	**14,489,733**	209,187,822	12,640,861	**14,412,484**	213,764,353	9,573,024
	6,912,733,657	5,236,268,970	2,354,790,785	**6,794,934,295**	5,106,938,402	2,237,376,706

35 RISK MANAGEMENT (cont'd)

(b) CREDIT RISK (cont'd)

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		
	2010	2009	2008	2010	2009	2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Mauritius	**3,825,268,056**	3,420,399,360	1,445,402,244	**3,821,991,730**	3,388,496,656	1,327,988,165
France	**67,015,024**	397,163,076	724,953,280	**67,015,024**	397,163,076	724,953,280
United Kingdom	**761,893,347**	572,622,247	161,859,911	**647,370,311**	475,194,383	161,859,911
United States of America	**328,367,036**	178,634,721	5,528,209	**328,367,036**	178,634,721	5,528,209
India	**1,518,621,622**	194,344,295	-	**1,518,621,622**	194,344,295	-
Other	**411,568,572**	473,105,271	17,047,141	**411,568,572**	473,105,271	17,047,141
	6,912,733,657	5,236,268,970	2,354,790,785	**6,794,934,295**	5,106,938,402	2,237,376,706

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		
	2010	2009	2008	2010	2009	2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Agriculture	**172,525,776**	174,404,106	64,781,607	**170,293,235**	174,404,106	64,781,607
Construction, insfractructure and real estate	**469,884,476**	301,261,090	118,542,229	**469,884,476**	301,261,090	118,542,229
Financial and business services	**3,773,064,742**	3,220,189,243	1,627,218,532	**3,665,898,775**	3,086,282,144	1,509,804,453
Government	**108,975,178**	1,545,365	2,423,974	**108,975,178**	1,545,365	2,423,974
Information, communication and technology	**326,817,530**	69,523,345	6,493,053	**326,817,530**	69,523,344	6,493,053
Manufacturing	**590,226,084**	189,980,673	98,910,618	**589,465,880**	189,980,673	98,910,618
Personal	**401,865,343**	197,970,831	88,053,201	**401,862,510**	197,970,831	88,053,201
Tourism	**552,251,491**	401,975,882	140,097,064	**545,884,221**	401,975,882	140,097,064
Traders	**463,077,136**	356,537,769	208,270,507	**462,037,074**	356,537,769	208,270,507
Others	**54,045,901**	322,880,666	-	**53,815,416**	327,457,198	-
	6,912,733,657	5,236,268,970	2,354,790,785	**6,794,934,295**	5,106,938,402	2,237,376,706

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.

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:

	High Grade (1-3)	Standard Grade (4-5)	Past due but not impaired	Individually impaired	Total
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	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)	14,489,733	-	-	-	14,489,733
	6,649,012,951	192,819,831	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
	4,972,297,484	149,082,366	114,388,856	500,264	5,236,268,970
30 June 2008	Rs.	Rs.	Rs.	Rs.	Rs.
Due from banks	1,221,291,604	-	-	-	1,221,291,604
Derivative financial instruments	-	165,440,195	-	-	165,440,195
Loans and advances to customers	948,918,125	6,500,000	-	-	955,418,125
- Corporate lending	625,721,826	-	-	-	625,721,826
- Business banking	235,874,451	6,500,000	-	-	242,374,451
- Private/ personal	87,321,848	-	-	-	87,321,848
Other assets (excluding prepayments)	12,640,861	-	-	-	12,640,861
	2,182,850,590	171,940,195	-	-	2,354,790,785

35 RISK MANAGEMENT (cont'd)

CREDIT RISK (cont'd)

Credit quality per class of financial assets

The table below shows the credit quality by class of asset for loan-related statement of financial position lines, based on the Bank's credit rating system:

THE BANK	Neither past due nor impaired				
	High Grade (1-3)	Standard Grade (4-5)	Past due but not impaired	Individually impaired	Total
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**
	6,648,836,625	**75,196,795**	**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
	5,031,555,577	51,654,502	23,228,059	500,264	5,106,938,402
30 June 2008	Rs.	Rs.	Rs.	Rs.	Rs.
Due from banks	1,207,020,927	-	-	-	1,207,020,927
Derivative financial instruments	-	65,364,630	-	-	65,364,630
Loans and advances to customers	948,918,125	6,500,000	-	-	955,418,125
- Corporate lending	625,721,826	-	-	-	625,721,826
- Business banking	235,874,451	6,500,000	-	-	242,374,451
- Private/ personal	87,321,848	-	-	-	87,321,848
Other assets (excluding prepayments)	9,573,024	-	-	-	9,573,024
	2,165,512,076	71,864,630	-	-	2,237,376,706

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 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**
30 June 2009	Rs.	Rs.	Rs.	Rs.	Rs.
Loans and advances to customers	9,869,923	7,590,845	1,915,466	3,851,825	23,228,059
- Corporate lending	-	1,511,474	1,799,421	3,523,134	6,834,029
- Business banking	8,575,035	4,445,363	116,045	286,860	13,423,303
- Private and personal	1,294,888	1,634,008	-	41,831	2,970,727
	9,869,923	7,590,845	1,915,466	3,851,825	23,228,059

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 2010 amount to Rs 383,345,500 (2009: Rs 432,131,000 and 2008: Nil) and Rs 24,378,567 (2009: Rs 197,513 and 2008: Nil)respectively .

Collateral repossessed

During the year, the Bank did not take possession of any collateral (2009: Nil and 2008: 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

	2010	2009	2008
	Rs.	Rs.	Rs.
Loans and advances to customers			
- Corporate lending	**41,392,414**	99,708,000	-
- Business banking	**21,612,688**	38,415,455	-
- Private/ personal	**13,392,608**	1,964,000	-
	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.

35 RISK MANAGEMENT (cont'd)

(b) CREDIT RISK (cont'd)

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances that are not individually significant and for individually significant loans and advances where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

Given that the Group and the Bank do not have a credit risk loss history, management has applied the minimum portfolio provision rate of 1% as prescribed by the Bank of Mauritius and is of the opinion that it reflects the loss probability for the market in which the Group and the Bank operate.
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.

	2010	2009	2008
	Rs.	Rs.	Rs.
Financial guarantees	600,291,212	349,799,270	201,855,987
Letters of credit	55,379,486	28,859,754	2,182,164
Other undrawn commitments to lend	1,217,896,110	901,787,408	535,405,000
	1,873,566,808	1,280,446,432	739,443,151

(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.

Analysis of financial assets and liabilities by remaining contractual maturities (cont'd)

	30 June 2010								
THE GROUP	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
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

35 RISK MANAGEMENT (cont'd)

(c) LIQUIDITY RISK AND FUNDING MANAGEMENT (cont'd)

Analysis of financial assets and liabilities by remaining contractual maturities (cont'd)

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

THE GROUP	30 June 2009								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
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

35 RISK MANAGEMENT (cont'd)

(c) LIQUIDITY RISK AND FUNDING MANAGEMENT (cont'd)

Analysis of financial assets and liabilities by remaining contractual maturities (cont'd)

	30 June 2009								
THE BANK	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
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

	30 June 2008								
THE GROUP	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
ASSETS	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and balances with the Central Bank	336,759,156	-	-	-	336,759,156	-	-	-	336,759,156
Due from banks	53,316,965	1,165,347,639	-	2,627,000	1,221,291,604	-	-	-	1,221,291,604
Derivative financial instruments	-	14,544,718	-	-	14,544,718	150,895,477	-	150,895,477	165,440,195
Loans and advances to customers	-	619,817,604	10,003,151	86,311,332	716,132,087	227,602,628	3,026,726	230,629,354	946,761,441
Financial investments held-to-maturity	-	239,690,115	-	132,427,000	372,117,115	-	-	-	372,117,115
Other assets (excluding prepayments)	-	12,640,861	-	-	12,640,861	-	-	-	12,640,861
Total	390,076,121	2,052,040,937	10,003,151	221,365,332	2,673,485,541	378,498,105	3,026,726	381,524,831	3,055,010,372
LIABILITIES									
Due to banks	-	143,028,710	-	-	143,028,710	-	-	-	143,028,710
Instruments	-	2,901,080	-	12,470,350	15,371,430	150,895,477	-	150,895,477	166,266,907
Deposits from customers:									
-Current account	721,543,449	-	-	-	721,543,449	-	-	-	721,543,449
-Savings account	511,290,807	-	-	-	511,290,807	-	-	-	511,290,807
-Time deposits	-	426,221,653	226,621,845	201,760,770	854,604,268	270,371,065	-	270,371,065	1,124,975,333
	1,232,834,256	426,221,653	226,621,845	201,760,770	2,087,438,524	270,371,065	-	270,371,065	2,357,809,589
Debts issued	-	-	-	-	-	101,475,191	-	101,475,191	101,475,191
Current tax liabilities	-	-	-	9,566	9,566	-	-	-	9,566
Deferred tax liabilities	-	-	-	-	-	2,484	-	2,484	2,484
Other liabilities	5,521,524	99,918,676	-	10,507,174	115,947,374	185,755	-	185,755	116,133,129
Total	1,238,355,780	672,070,119	226,621,845	224,747,860	2,361,795,604	522,929,972	-	522,929,972	2,884,725,576
Net liquidity gap	(848,279,659)	1,379,970,818	(216,618,694)	(3,382,528)	311,689,937	(144,431,867)	3,026,726	(141,405,141)	170,284,796

35 RISK MANAGEMENT (cont'd)

(c) LIQUIDITY RISK AND FUNDING MANAGEMENT (cont'd)

Analysis of financial assets and liabilities by remaining contractual maturities (cont'd)

	30 June 2008								
THE BANK	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Subtotal over 12 months	Total
ASSETS	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and balances with the Central Bank	336,759,156	-	-	-	336,759,156	-	-	-	336,759,156
Due from banks	39,046,288	1,165,347,639	-	2,627,000	1,207,020,927	-	-	-	1,207,020,927
Derivative financial instruments	-	14,544,718	-	-	14,544,718	50,819,912	-	50,819,912	65,364,630
Loans and advances to customers	-	619,817,604	10,003,151	86,311,332	716,132,087	227,602,628	3,026,726	230,629,354	946,761,441
Investment in subsidiary	-	1,000,000	-	-	1,000,000	-	-	-	1,000,000
Financial investments held-to-maturity	-	239,690,115	-	132,427,000	372,117,115	-	-	-	372,117,115
Other assets (excluding prepayments)	-	9,573,024	-	-	9,573,024	-	-	-	9,573,024
Total	375,805,444	2,049,973,100	10,003,151	221,365,332	2,657,147,027	278,422,540	3,026,726	281,449,266	2,938,596,293
LIABILITIES									
Due to banks	-	143,028,710	-	-	143,028,710	-	-	-	143,028,710
Instruments	-	2,901,080	-	12,470,350	15,371,430	50,819,912	-	50,819,912	66,191,342
Deposits from customers:									
-Current account	798,330,181	-	-	-	798,330,181	-	-	-	798,330,181
-Savings account	511,290,807	-	-	-	511,290,807	-	-	-	511,290,807
-Time deposits	-	426,221,653	226,621,845	201,760,770	854,604,268	270,371,065	-	270,371,065	1,124,975,333
	1,309,620,988	426,221,653	226,621,845	201,760,770	2,164,225,256	270,371,065	-	270,371,065	2,434,596,321
Amount due to subsidiary	-	-	-	-	-	101,475,191	-	101,475,191	101,475,191
Other liabilities	57,823	12,302,972	-	10,507,174	22,867,969	185,755	-	185,755	23,053,724
Total	1,309,678,811	584,454,415	226,621,845	224,738,294	2,345,493,365	422,851,923	-	422,851,923	2,768,345,288
Net liquidity gap	(933,873,367)	1,465,518,685	(216,618,694)	(3,372,962)	311,653,662	(144,429,383)	3,026,726	(141,402,657)	170,251,005

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 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
30 June 2008	Rs.	Rs.	Rs.	Rs.
Contingent liabilities	-	64,393,171	139,644,980	204,038,151
Commitments	492,841,967	42,563,033	-	535,405,000
Total	492,841,967	106,956,204	139,644,980	739,443,151

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.

(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 income statement and equity.

The sensitivity of the income statement 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.

35 RISK MANAGEMENT (cont'd)

(d) MARKET RISK (cont'd)

(i) Interest Rate (cont'd)

THE GROUP

Currency	Change in Basis points	2010 Net effect on profit and equity Rs.	2009 Net effect on profit and equity Rs.	2008 Net effect on profit and equity Rs.
AUD	+50	18,091	(49,028)	(11,352)
	-50	(18,091)	49,028	(48,689)
EUR	+50	(1,191,838)	(17,952)	799,719
	-50	1,191,838	17,952	(696,482)
GBP	+50	372,056	(23,302)	(3,329)
	-50	(372,056)	23,302	9,399
MUR	+100	748,727	3,962,725	(65,962)
	-100	(748,727)	(3,962,725)	65,962
USD	+50	(3,087,501)	99,639	521,306
	-50	3,087,501	(99,639)	(483,794)

THE BANK

Currency	Change in Basis points	2010 Net effect on profit and equity Rs.	2009 Net effect on profit and equity Rs.	2008 Net effect on profit and equity Rs.
AUD	+50	18,091	(49,046)	(15,116)
	-50	(18,091)	49,046	(44,925)
EUR	+50	(1,191,838)	(17,952)	799,719
	-50	1,191,838	17,952	(696,482)
GBP	+50	372,056	(23,302)	(3,329)
	-50	(372,056)	23,302	9,399
MUR	+100	748,727	3,962,725	(65,962)
	-100	(748,727)	(3,962,725)	65,962
USD	+50	(3,087,501)	89,524	521,306
	-50	3,087,501	(89,524)	(483,794)

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	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

35 RISK MANAGEMENT (cont'd)

(d) MARKET RISK (cont'd)

(i) Interest rate risk (cont'd)

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

THE GROUP

	2008							
	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	336,759,156	-	-	-	-	-	-	336,759,156
Due from banks	1,221,291,604	54,316,608	1,162,740,891	-	2,627,000	-	-	-
Derivatives - Foreign Exchange	662,970,297	-	456,222,697	206,747,600	-	-	-	-
Loans and advances to customers	946,761,441	213,471,063	406,794,833	-	105,835,098	227,739,190	-	-
Financial investments held-to-maturity	372,117,115	-	236,074,900	86,857,600	45,569,000	-	-	-
Total assets	3,539,899,613	267,787,671	2,261,833,321	293,605,200	154,031,098	227,739,190	-	336,759,156
LIABILITIES								
Due to banks	143,028,710	-	143,028,710	-	-	-	-	-
Derivatives - Foreign Exchange	662,970,297	-	456,222,697	206,747,600	-	-	-	-
Deposits from customers	2,357,809,589	1,309,620,989	563,301,865	216,261,501	192,311,748	270,371,065	-	-
					-	-	-	
Total liabilities	3,163,808,596	1,309,620,989	1,162,553,272	423,009,101	192,311,748	270,371,065	-	-
Total interest sensitivity gap	376,091,017	(1,041,833,318)	1,099,280,049	(129,403,901)	(38,280,650)	(42,631,875)	-	336,759,156

35 RISK MANAGEMENT (cont'd)

(d) MARKET RISK (cont'd)

(i) Interest rate risk (cont'd)

THE BANK

	2010							
	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
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	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	11,318,159,266	2,122,062,957	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	7,985,730,346	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)	1,314,692,802	3,053,183	(186,943,521)	363,802,709	26,204,859	998,421,458

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

35 RISK MANAGEMENT (cont'd)

(d) MARKET RISK (cont'd)

(i) **Interest rate risk (cont'd)**

THE BANK	2008							
	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	336,759,156	-	-	-	-	-	-	336,759,156
Due from banks	1,207,020,927	40,045,931	1,162,740,891	-	2,627,000	-	-	-
Derivatives - Foreign Exchange	662,970,297	-	456,222,697	206,747,600	-	-	-	-
Loans and advances to customers	946,761,441	213,471,063	406,794,833	-	105,835,098	227,739,190	-	-
Financial investments held-to-maturity	372,117,115	-	236,074,900	86,857,600	45,569,000	-	-	-
Total assets	3,525,628,936	253,516,994	2,261,833,321	293,605,200	154,031,098	227,739,190	-	336,759,156
LIABILITIES								
Due to banks	143,028,710	-	143,028,710	-	-	-	-	-
Derivatives - Foreign Exchange	662,970,297	-	456,222,697	206,747,600	-	-	-	-
Deposits from customers	2,434,596,321	1,309,620,989	563,301,865	216,261,501	192,311,748	270,371,065	-	-
Amount due to subsidiary	101,475,191	-	-	-	-	99,321,507	-	-
Total liabilities	3,342,070,519	1,309,620,989	1,162,553,272	423,009,101	192,311,748	369,692,572	-	-
Total interest sensitivity gap	183,558,417	(1,056,103,995)	1,099,280,049	(129,403,901)	(38,280,650)	(141,953,382)	-	336,759,156

(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 2010 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 MUR, 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 MUR would have resulted in an equivalent but opposite impact.

THE GROUP

	2010				2009			
Currency	% 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
		Assets	Liabilities			Assets	Liabilities	
		Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
AUD	+5%	2,446,152	(2,416,784)	29,368	+5%	4,159,229	(4,054,961)	104,268
	-5%	(2,446,152)	2,416,784	(29,368)	-5%	(4,159,229)	4,054,961	(104,268)
EUR	+5%	99,163,261	(99,226,486)	(63,225)	+5%	20,327,574	(20,092,457)	235,117
	-5%	(99,163,261)	99,226,486	63,225	-5%	(20,327,574)	20,092,457	(235,117)
GBP	+5%	27,660,793	(27,634,385)	26,408	+5%	17,699,556	(16,966,177)	733,379
	-5%	(27,660,793)	27,634,385	(26,408)	-5%	(17,699,556)	16,966,177	(733,379)
USD	+5%	162,367,446	(161,359,781)	1,007,665	+5%	114,796,344	(111,837,620)	2,958,724
	-5%	(162,367,446)	161,359,781	(1,007,665)	-5%	(114,796,344)	111,837,620	(2,958,724)

	2008			
Currency	% Change in Currency rate	Effect on profit of change in currency on		Sensitivity of net interest income and equity
		Assets	Liabilities	
		Rs.	Rs.	Rs.
AUD	+5%	9,085,947	(8,727,219)	358,728
	-5%	(9,085,947)	8,727,219	(358,728)
EUR	+5%	12,141,253	(5,886,647)	6,254,606
	-5%	(12,141,253)	5,886,647	(6,254,606)
GBP	+5%	9,199,234	(8,984,141)	215,093
	-5%	(9,199,234)	8,984,141	(215,093)
USD	+5%	37,222,836	(18,363,103)	18,859,733
	-5%	(37,222,836)	18,363,103	(18,859,733)

35 RISK MANAGEMENT (cont'd)

(d) MARKET RISK (cont'd)

(ii) Currency risk

THE BANK

Currency	2010 % Change in Currency rate	2010 Effect on profit of change in currency on Assets	2010 Effect on profit of change in currency on Liabilities	2010 Sensitivity of net interest income and equity	2009 % Change in Currency rate	2009 Effect on profit of change in currency on Assets	2009 Effect on profit of change in currency on Liabilities	2009 Sensitivity of net interest income and equity
		Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
AUD	+5%	2,431,978	(2,416,784)	15,194	+5%	4,155,931	(4,054,961)	100,970
	-5%	(2,431,978)	2,416,784	(15,194)	-5%	(4,155,931)	4,054,961	(100,970)
EUR	+5%	99,163,261	(99,226,486)	(63,225)	+5%	20,327,574	(20,092,457)	235,117
	-5%	(99,163,261)	99,226,486	63,225	-5%	(20,327,574)	20,092,457	(235,117)
GBP	+5%	27,660,793	(27,634,385)	26,408	+5%	17,699,556	(16,966,177)	733,379
	-5%	(27,660,793)	27,634,385	(26,408)	-5%	(17,699,556)	16,966,177	(733,379)
USD	+5%	162,366,400	(161,359,781)	1,006,619	+5%	112,926,704	(108,694,493)	4,232,211
	-5%	(162,366,400)	161,359,781	(1,006,619)	-5%	(112,926,704)	108,694,493	(4,232,211)

Currency	2008 % Change in Currency rate	2008 Effect on profit of change in currency on Assets	2008 Effect on profit of change in currency on Liabilities	2008 Sensitivity of net interest income and equity
		Rs.	Rs.	Rs.
AUD	+5%	8,327,324	(8,267,100)	60,224
	-5%	(8,327,324)	8,267,100	(60,224)
EUR	+5%	12,141,253	(5,886,647)	6,254,606
	-5%	(12,141,253)	5,886,647	(6,254,606)
GBP	+5%	9,199,234	(8,984,141)	215,093
	-5%	(9,199,234)	8,984,141	(215,093)
USD	+5%	37,222,836	(18,363,103)	18,859,733
	-5%	(37,222,836)	18,363,103	(18,859,733)

(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.

36 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 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 I
	2010	2009	2010	2009	2008
	Rs.	Rs.	Rs.	Rs.	Rs.
Tier 1 capital	**606,883,796**	420,970,544	**651,449,177**	420,341,216	191,246,896
Tier 2 capital	**14,147,176**	19,818,439	**21,471,830**	19,318,439	-
Total capital	**621,030,972**	440,788,983	**672,921,007**	439,659,655	191,246,896
Risk-weighted assets	**5,253,792,852**	3,557,909,650	**5,131,790,234**	3,428,556,650	1,385,509,221
	%	%	%	%	%
Capital adequacy ratio	**11.82**	12.39	**13.11**	12.82	13.73

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.

37 COMPARATIVE FIGURES

The current and last years' consolidated financial statements cover the full 12 months from 1 July 2009 to 30 June 2010 and 1 July 2008 to 30 June 2009 respectively as compared to the 18 months period from 12 January 2007, date of incorporation, to 30 June 2008. As a result, the comparative amounts in the statements of comprehensive income, statements of cash flows and statements of changes in equity are not comparable.

38 EVENTS AFTER REPORTING DATE

On 13 July 2010, approval was obtained from the South African Reserve Bank for the Bank to acquire 48 shares sin AfrAsia Corporate Finance Ltd representing 30% of the issued capital of the latter company and amounting to Rs 4,285,000.

The investment was not equity accounted in the financial statements since the acquisition occurred after the reporting date.

39 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 2010			Year ended 30 June 2009			Year ended 30 June 2008		
THE GROUP	Notes	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest income	I	272,265,185	50,894,733	323,159,918	231,410,914	32,350,931	263,761,845	72,014,562	9,410,675	81,425,237
Interest expense	II	(190,685,549)	(24,965,370)	(215,650,919)	(180,561,566)	(22,290,243)	(202,851,809)	(61,944,936)	(5,741,377)	(67,686,313)
Net interest income		81,579,636	25,929,363	107,508,999	50,849,348	10,060,688	60,910,036	10,069,626	3,669,298	13,738,924
Fees and commission income	III	20,677,315	33,216,187	53,893,502	14,393,736	5,050,187	19,443,923	10,394,592	2,996,067	13,390,659
Fees and commission expense	III	(6,276,145)	(3,295,669)	(9,571,814)	(3,874,945)	(1,234,917)	(5,109,862)	(584,840)	(351,831)	(936,671)
Net fees and commission income	III	14,401,170	29,920,518	44,321,688	10,518,791	3,815,270	14,334,061	9,809,752	2,644,236	12,453,988
Net trading income	IV	66,588,821	12,316,431	78,905,252	63,393,527	17,328,439	80,721,966	4,998,894	23,141,666	28,140,560
Other operating income		-	-	-	3,839,112	-	3,839,112	103,178	-	103,178
Total operating income		162,569,627	68,166,312	230,735,939	128,600,778	31,204,397	159,805,175	24,981,450	29,455,200	54,436,650
Net allowance for credit impairment	V	(10,154,826)	(21,809,046)	(31,963,872)	(8,047,439)	(3,114,316)	(11,161,755)	(8,282,454)	(374,230)	(8,656,684)
Net operating income		152,414,801	46,357,266	198,772,067	120,553,339	28,090,081	148,643,420	16,698,996	29,080,970	45,779,966
Personnel expenses		(69,253,396)	(21,063,559)	(90,316,955)	(58,747,400)	(13,969,373)	(72,716,773)	(37,630,549)	(15,286,109)	(52,916,658)
Depreciation of equipment		(2,141,399)	(651,311)	(2,792,710)	(1,844,782)	(438,665)	(2,283,447)	(1,196,263)	(485,941)	(1,682,204)
Amortisation of intangible assets		(2,971,173)	(903,688)	(3,874,861)	(2,602,727)	(618,895)	(3,221,622)	(1,828,691)	(742,843)	(2,571,534)
Other operating expenses		(41,136,078)	(12,511,620)	(53,647,698)	(37,299,702)	(8,869,371)	(46,169,073)	(25,644,696)	(10,417,270)	(36,061,966)
Total operating expenses		(115,502,046)	(35,130,178)	(150,632,224)	(100,494,611)	(23,896,304)	(124,390,915)	(66,300,199)	(26,932,163)	(93,232,362)
Profit/(loss) before tax		36,912,755	11,227,088	48,139,843	20,058,728	4,193,777	24,252,505	(49,601,203)	2,148,807	(47,452,396)
Tax (expense)/income		(10,527,105)	(265,146)	(10,792,251)	(3,695,343)	(67,525)	(3,762,868)	7,035,360	-	7,035,360
Profit/(loss) for the year/period		26,385,650	10,961,942	37,347,592	16,363,385	4,126,252	20,489,637	(42,565,843)	2,148,807	(40,417,036)

		Year ended 30 June 2010			Year ended 30 June 2009			Year ended 30 June 2008		
	Notes	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
ASSETS										
Cash and balances with Central Bank	VI	992,939,450	5,482,008	998,421,458	202,828,084	5,136,800	207,964,884	336,759,156	-	336,759,156
Due from banks	VII	1,126,492,560	680,378,094	1,806,870,654	1,471,010,218	1,244,046,411	2,715,056,629	72,606,748	1,134,414,179	1,207,020,927
Derivative financial instruments	VIII	14,504,477	56,581,311	71,085,788	2,782,082	48,872,420	51,654,502	14,544,718	50,819,912	65,364,630
Other financial assets held-for-trading	IX	367,509,475	-	367,509,475	103,171,720	-	103,171,720	-	-	-
Loans and advances to customers	X	2,490,809,320	2,360,343,828	4,851,153,148	1,662,832,241	443,812,238	2,106,644,479	879,784,369	66,977,072	946,761,441
Investment in subsidiary	XII	25,000,000	-	25,000,000	1,000,000	-	1,000,000	1,000,000	-	1,000,000
Financial investments held-to-maturity	XI	846,580,424	-	846,580,424	638,610,782	-	638,610,782	372,117,115	-	372,117,115
Equipment	XIII	13,387,240	-	13,387,240	11,285,287	-	11,285,287	12,798,017	-	12,798,017
Intangible assets	XIV	15,048,060	-	15,048,060	13,580,739	-	13,580,739	18,336,068	-	18,336,068
Deferred tax assets		2,205,826	-	2,205,826	3,272,492	-	3,272,492	7,035,360	-	7,035,360
Other assets	XV	9,933,971	6,576,888	16,510,859	215,063,602	7,704	215,071,306	10,411,025	324,513	10,735,538
TOTAL ASSETS		5,904,410,803	3,109,362,129	9,013,772,932	4,325,437,247	1,741,875,573	6,067,312,820	1,725,392,576	1,252,535,676	2,977,928,252
LIABILITIES AND EQUITY										
Due to banks	XVI	96,138,890	47,180	96,186,070	137,453,595	5,216,676	142,670,271	143,028,710	-	143,028,710
Derivative financial instruments	VIII	34,089,890	60,375,493	94,465,383	1,806,788	48,477,203	50,283,991	15,371,430	50,819,912	66,191,342
Deposits from customers	XVIII	5,078,364,867	2,907,365,479	7,985,730,346	3,458,454,284	1,601,087,534	5,059,541,818	2,028,276,429	406,319,892	2,434,596,321
Amount due to subsidiary	XVII	115,251,460	-	115,251,460	151,235,327	-	151,235,327	101,475,191	-	101,475,191
Current tax liabilities		9,324,978	-	9,324,978	-	-	-	-	-	-
Other liabilities	XIX	25,200,308	6,411,324	31,611,632	23,859,730	38,658	23,898,388	23,049,565	4,159	23,053,724
TOTAL LIABILITIES		5,358,370,393	2,974,199,476	8,332,569,869	3,772,809,724	1,654,820,071	5,427,629,795	2,311,201,325	457,143,963	2,768,345,288
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT										
Issued capital				653,977,649			653,977,649			250,000,000
Retained earnings/ (revenue deficit)				17,420,193			(19,927,399)			(40,417,036)
Other reserves				9,805,221			5,632,775			-
TOTAL EQUITY				681,203,063			639,683,025			209,582,964
TOTAL LIABILITIES AND EQUITY				9,013,772,932			6,067,312,820			2,977,928,252

39 SEGMENTAL REPORTING (cont'd)

	2010			2009			2008		
	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	7,629,031	15,178,856	22,807,887	20,432,169	10,682,785	31,114,954	11,677,912	8,892,943	20,570,855
Loans and advances to customers	234,907,053	35,715,877	270,622,930	182,725,602	21,668,146	204,393,748	54,240,568	517,732	54,758,300
Financial investments held-to-maturity	29,729,101	-	29,729,101	28,253,143	-	28,253,143	6,096,082	-	6,096,082
	272,265,185	50,894,733	323,159,918	231,410,914	32,350,931	263,761,845	72,014,562	9,410,675	81,425,237
II INTEREST EXPENSE	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Due to banks	1,571,559	5,796	1,577,355	2,139,754	66,664	2,206,418	1,653,711	107,633	1,761,344
Deposits from customers	176,547,857	24,959,574	201,507,431	167,635,465	22,223,579	189,859,044	58,137,541	5,633,744	63,771,285
Due to subsidiary	12,566,133	-	12,566,133	10,786,347	-	10,786,347	2,153,684	-	2,153,684
	190,685,549	24,965,370	215,650,919	180,561,566	22,290,243	202,851,809	61,944,936	5,741,377	67,686,313
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	17,133,035	32,997,207	50,130,242	13,499,226	3,414,424	16,913,650	120,416	1,985,103	2,105,519
Structuring fees received	-	-	-	-	-	-	5,710,258	-	5,710,258
Other fees received	3,544,280	218,980	3,763,260	894,510	1,635,763	2,530,273	4,563,918	1,010,964	5,574,882
Total fees and commission income	20,677,315	33,216,187	53,893,502	14,393,736	5,050,187	19,443,923	10,394,592	2,996,067	13,390,659
Fees and commission expense									
Amortisation of intangible assets	(253,591)	(105,086)	(358,677)	(361,303)	-	(361,303)	(145,136)	-	(145,136)
Other fees	(6,022,554)	(3,190,583)	(9,213,137)	(3,513,642)	(1,234,917)	(4,748,559)	(439,704)	(351,831)	(791,535)
Total fees and commission expense	(6,276,145)	(3,295,669)	(9,571,814)	(3,874,945)	(1,234,917)	(5,109,862)	(584,840)	(351,831)	(936,671)
Net fees and commission income	14,401,170	29,920,518	44,321,688	10,518,791	3,815,270	14,334,061	9,809,752	2,644,236	12,453,988

		2010			2009			2008		
		Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
IV	**NET TRADING INCOME**	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Derivative financial instruments	-	-	-	8,280,418	-	8,280,418	4,462,196	-	4,462,196
	Financial investments held-for-trading	8,640,203	-	8,640,203	3,375,221	-	3,375,221	-	-	-
	Foreign exchange	57,948,618	12,316,431	70,265,049	51,737,888	17,328,439	69,066,327	536,698	23,141,666	23,678,364
		66,588,821	12,316,431	78,905,252	63,393,527	17,328,439	80,721,966	4,998,894	23,141,666	28,140,560
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 (Note16(b))	9,784,736	21,809,046	31,593,782	8,047,439	3,114,316	11,161,755	8,282,454	374,230	8,656,684
	Bad debts written off	372,090	-	372,090	-	-	-	-	-	-
	Recoveries of advances written off	(2,000)	-	(2,000)	-	-	-	-	-	
		10,154,826	21,809,046	31,963,872	8,047,439	3,114,316	11,161,755	8,282,454	374,230	8,656,684
VI	**CASH AND BALANCES WITH THE CENTRAL BANK**	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Cash in hand	6,336,428	5,482,008	11,818,436	8,925,369	5,136,800	14,062,169	6,852,388	-	6,852,388
	Current account with the Central Bank	986,603,022	-	986,603,022	193,902,715	-	193,902,715	329,906,768	-	329,906,768
		992,939,450	5,482,008	998,421,458	202,828,084	5,136,800	207,964,884	336,759,156	-	336,759,156
VII	**DUE FROM BANKS**	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Placements with other banks	1,113,500,559	276,290,828	1,389,791,387	1,465,383,092	947,249,640	2,412,632,732	70,000,000	1,095,367,891	1,165,367,891
	Current accounts with other banks	11,866,574	404,055,221	415,921,795	5,619,941	295,669,304	301,289,245	-	39,046,288	39,046,288
	Other amounts due	1,125,427	32,045	1,157,472	7,185	1,127,467	1,134,652	2,606,748	-	2,606,748
		1,126,492,560	680,378,094	1,806,870,654	1,471,010,218	1,244,046,411	2,715,056,629	72,606,748	1,134,414,179	1,207,020,927

39 SEGMENTAL REPORTING (cont'd)

VIII DERIVATIVE FINANCIAL INSTRUMENTS	2010				2009			
	Segment A	Segment B	Total	Nominal Amount	Segment A	Segment B	Total	Nominal Amount
ASSETS	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Derivatives designated at fair value through profit								
Commodity Index Options	-	-	-	-	-	1,900,179	1,900,179	49,820,250
Fund Options Transactions	-	1,217,900	1,217,900	121,771,000	-	946,854	946,854	103,170,000
Equity Linked Notes	-	26,772,719	26,772,719	27,743,750	-	26,481,140	26,481,140	31,165,000
Index Linked Options	-	28,364,250	28,364,250	48,067,500	-	19,149,030	19,149,030	48,540,000
	-	56,354,869	56,354,869	197,582,250	-	48,477,203	48,477,203	232,695,250
Derivatives held for trading								
Forward Foreign Exchange Contracts	14,504,477	226,442	14,730,919	1,171,567,146	2,782,082	395,217	3,177,299	675,915,988
	14,504,477	226,442	14,730,919	1,171,567,146	2,782,082	395,217	3,177,299	675,915,988
	14,504,477	56,581,311	71,085,788	1,369,149,396	2,782,082	48,872,420	51,654,502	908,611,238
LIABILITIES								
Derivatives designated at fair value through profit								
Commodity Index Options	-	-	-	-	-	(1,900,179)	(1,900,179)	49,820,250
Fund Options Transactions	-	(1,217,900)	(1,217,900)	121,771,000	-	(946,854)	(946,854)	103,170,000
Equity Linked Notes	-	(26,772,719)	(26,772,719)	27,743,750	-	(26,481,140)	(26,481,140)	31,165,000
Index Linked Options	-	(28,364,250)	(28,364,250)	48,067,500	-	(19,149,030)	(19,149,030)	48,540,000
	-	(56,354,869)	(56,354,869)	197,582,250	-	(48,477,203)	(48,477,203)	232,695,250
Derivatives held for trading								
Forward Foreign Exchange Contracts	(34,089,890)	(4,020,624)	(38,110,514)	1,276,056,961	(1,806,788)	-	(1,806,788)	675,915,988
Currency Call Option	-	-	-	-	-	-	-	-
Currency Put Option	-	-	-	-	-	-	-	-
	(34,089,890)	(4,020,624)	(38,110,514)	1,276,056,961	(1,806,788)	-	(1,806,788)	675,915,988
	(34,089,890)	(60,375,493)	(94,465,383)	1,473,639,211	(1,806,788)	(48,477,203)	(50,283,991)	908,611,238

VIII DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

	2008			
	Segment A	Segment B	Total	Nominal Amount
	Rs.	Rs.	Rs.	Rs.
ASSETS				
Derivatives designated at fair value through profit				
Commodity Index Options	-	5,061,737	5,061,737	49,820,250
Fund Options Transactions	-	17,930,946	17,930,946	103,170,000
Equity Linked Notes	-	27,827,229	27,827,229	31,165,000
Index Linked Options	-	50,819,912	50,819,912	184,155,250
Derivatives held for trading				
Forward Foreign Exchange Contracts	14,544,718	-	14,544,718	662,970,297
	14,544,718	-	14,544,718	662,970,297
	14,544,718	50,819,912	65,364,630	847,125,547
LIABILITIES				
Derivatives designated at fair value through profit				
Commodity Index Options	-	(5,061,737)	(5,061,737)	49,820,250
Fund Options Transactions	-	(17,930,946)	(17,930,946)	103,170,000
Equity Linked Notes	-	(27,827,229)	(27,827,229)	31,165,000
Index Linked Options	-	-	-	-
	-	(50,819,912)	(50,819,912)	184,155,250
Derivatives held for trading				
Forward Foreign Exchange Contracts	(3,500,783)	-	(3,500,783)	662,970,297
Currency Call Option	(11,870,647)	-	(11,870,647)	207,251,462
Currency Put Option	-	-	-	102,144,250
	(15,371,430)	-	(15,371,430)	972,366,009
	(15,371,430)	(50,819,912)	(66,191,342)	1,156,521,259

39 SEGMENTAL REPORTING (cont'd)

	2010			2009			2008		
	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 securities debt securities	367,509,475	-	367,509,475	103,171,720	-	103,171,720	-	-	-
	367,509,475	-	367,509,475	103,171,720	-	103,171,720	-	-	-

	2010			2009			2008		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
X LOANS AND ADVANCES TO CUSTOMERS	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(a) Remaining term to maturity									
Within 3 months	1,367,944,452	828,441,293	2,196,385,745	984,182,753	78,366,627	1,062,549,380	618,571,737	58,329	618,630,066
Over 3 to 6 months	86,448,304	577,590,898	664,039,202	124,675,870	109,517,672	234,193,542	10,279,159	-	10,279,159
Over 6 to 12 months	292,340,820	383,535,875	675,876,695	125,222,284	37,508,602	162,730,886	94,692,006	-	94,692,006
Over 1 to 5 years	654,747,825	517,436,120	1,172,183,945	385,773,182	176,878,009	562,651,191	161,175,086	67,615,081	228,790,167
Over 5 years	157,189,319	36,890,463	194,079,782	59,318,850	45,019,069	104,337,919	3,026,727	-	3,026,727
	2,558,670,720	2,343,894,649	4,902,565,369	1,679,172,939	447,289,979	2,126,462,918	887,744,715	67,673,410	955,418,125
(b) Credit concentration of risk by industry sectors									
Agriculture and Fishing	170,293,235	-	170,293,235	174,404,107	-	174,404,107	113,972,841	-	113,972,841
Manufacturing	274,963,096	314,502,784	589,465,880	189,980,412	260	189,980,672	99,441,370	-	99,441,370
Tourism	377,876,289	168,007,932	545,884,221	218,637,512	182,633,752	401,271,264	141,286,180	-	141,286,180
Transport	4,120	-	4,120	391	-	391	-	-	-
Construction, infrastructure and real estate	469,884,476	-	469,884,476	301,261,090	-	301,261,090	125,403,787	-	125,403,787
Financial and business services	325,045,734	1,451,294,761	1,776,340,495	183,334,174	140,301,264	323,635,438	134,336,733	13,800,756	148,137,489
Traders	422,639,787	39,300,363	461,940,150	356,508,493	18,944	356,527,437	213,289,990	-	213,289,990
Personal	290,518,918	111,205,592	401,724,510	197,732,665	59,070	197,791,735	57,601,060	29,622,481	87,223,541
Professional	10,767,151	107	10,767,258	5,658,063	-	5,658,063	447,649	-	447,649
Global Business License Holders (GBL)	-	2,907,824	2,907,824	-	-	-	-	-	-
Information, communication and technology	70,087,353	256,675,286	326,762,639	12,927,469	56,566,792	69,494,261	1,965,105	24,250,173	26,215,278
Government	103,546,522	-	103,546,522	-	-	-	-	-	-
Other entities	43,044,039	-	43,044,039	38,728,563	67,709,897	106,438,460	-	-	-
	2,558,670,720	2,343,894,649	4,902,565,369	1,679,172,939	447,289,979	2,126,462,918	887,744,715	67,673,410	955,418,125

X LOANS AND ADVANCES TO CUSTOMERS (cont'd)

	2010			2009			2008		
	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	16,340,699	3,477,740	19,818,439	8,282,454	374,230	8,656,684	-	-	-
Charge for the year	9,784,736	21,809,046	31,593,782	8,058,245	3,103,510	11,161,755	8,282,454	374,230	8,656,684
At end 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

(d) Allowance for credit losses by sector

	2010				TOTAL		
	Gross amount of loans	Non performing loans	Specific provision	Portfolio provision	2010	2009	2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Agriculture and Fishing	170,293,235	-	-	1,692,548	1,692,548	1,738,513	638,455
Manufacturing	589,465,880	-	-	6,027,769	6,027,769	1,888,698	989,723
Tourism	545,884,221	-	-	5,718,357	5,718,357	4,274,802	1,409,136
Transport	4,120	-	-	43	43	4	-
Construction, infrastructure and real estate	469,884,476	-	-	4,407,485	4,407,485	2,522,938	714,951
Financial and business services	1,776,340,495	-	-	3,121,953	3,121,953	2,469,019	2,262,580
Traders	461,940,150	-	-	4,592,722	4,592,722	3,439,825	2,035,379
Personal	401,724,510	1,841,754	1,639,439	5,056,689	6,696,128	1,984,189	512,330
Professional	10,767,258	-	-	105,776	105,776	51,700	34,480
Information, communication and technology	326,762,639	40,236,772	15,798,952	2,858,870	18,657,822	667,537	59,650
Government	103,546,522	-	-	117	117	-	-
Global Business License Holders (GBL)	2,907,824	-	-	28,588	28,588	-	-
Other entities	43,044,039	-	-	362,913	362,913	781,214	-
	4,902,565,369	42,078,526	17,438,391	33,973,830	51,412,221	19,818,439	8,656,684

39 SEGMENTAL REPORTING (cont'd)

(d) Allowance for credit losses by sector (cont'd)

Analysed by Segments	2010				TOTAL		
	Gross amount of loans	Non performing loans	Specific provision	Portfolio provision	2010	2009	2008
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Segment A							
Agriculture and Fishing	170,293,235	-	-	1,692,548	1,692,548	1,738,513	638,455
Manufacturing	274,963,096	-	-	2,884,967	2,884,967	1,888,696	989,723
Tourism	377,876,289	-	-	3,824,922	3,824,922	2,449,047	1,409,136
Transport	4,120	-	-	43	43	4	-
Construction, infrastructure and real estate	469,884,476	-	-	4,407,485	4,407,485	2,522,938	714,951
Financial and business services	325,045,734	-	-	2,532,390	2,532,390	1,773,298	1,888,350
Traders	422,639,787	-	-	4,199,789	4,199,789	3,439,636	2,035,379
Personal	290,518,918	1,841,754	1,639,439	4,451,129	6,090,568	1,984,189	512,330
Professional	10,767,151	-	-	105,774	105,774	51,700	34,480
Information, communication and technology	70,087,353	-	-	295,270	295,270	109,005	59,650
Government	103,546,522	-	-	117	117	-	-
Global Business License Holders (GBL)	-	-	-	-	-	-	-
Other entities	43,044,039	-	-	362,913	362,913	383,673	-
	2,558,670,720	1,841,754	1,639,439	24,757,347	26,396,786	16,340,699	8,282,454
Segment B							
Agriculture and Fishing	-	-	-	-	-	-	-
Manufacturing	314,502,784	-	-	3,142,802	3,142,802	2	-
Tourism	168,007,932	-	-	1,893,435	1,893,435	1,825,755	-
Transport	-	-	-	-	-	-	-
Construction, infrastructure and real estate	-	-	-	-	-	-	-
Financial and business services	1,451,294,761	-	-	589,563	589,563	695,721	374,230
Traders	39,300,363	-	-	392,933	392,933	189	-
Personal	111,205,592	-	-	605,560	605,560	-	-
Professional	107	-	-	2	2	-	-
Information, communication and technology	256,675,286	40,236,772	15,798,952	2,563,600	18,362,552	558,532	-
Government	-	-	-	-	-	-	-
Global Business License Holders (GBL)	2,907,824	-	-	28,588	28,588	-	-
Other entities	-	-	-	-	-	397,541	-
	2,343,894,649	40,236,772	15,798,952	9,216,483	25,015,435	3,477,740	374,230

		2010			2009			June 2008		
		Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
XI	FINANCIAL INVESTMENTS HELD-TO-MATURITY	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Unquoted investments									
	Government of Mauritius debt securities	**846,580,424**	**-**	**846,580,424**	638,610,782	-	638,610,782	322,574,365	-	322,574,365
	Bank of Mauritius Debt Securities	**-**	**-**	**-**	-	-	-	49,542,750	-	49,542,750
		846,580,424	**-**	**846,580,424**	638,610,782	-	638,610,782	372,117,115	-	372,117,115
XII	INVESTMENT IN SUBSIDIARY	**Rs.**	**Rs.**	**Rs.**	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Cost									
	At 30 June	**25,000,000**	**-**	**25,000,000**	1,000,000	-	1,000,000	1,000,000	-	1,000,000

39 SEGMENTAL REPORTING (cont'd)

	Improvement to building	Furniture and fittings	Office equipment	Motor vehicle	Computer equipment	Total
Segment A	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost						
At 12 January 2007	-	-	-	-	-	-
Additions	3,764,665	3,506,320	3,978,325	-	3,278,105	14,527,415
Disposal	-	-	(54,068)	-	-	(54,068)
At 30 June 2008	**3,764,665**	**3,506,320**	**3,924,257**	**-**	**3,278,105**	**14,473,347**
At 1 July 2008	3,764,665	3,506,320	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	**2,896,251**	**3,523,379**	**4,242,804**	**671,292**	**3,834,851**	**15,168,577**
At 1 July 2009	**2,896,251**	**3,523,379**	**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	**2,639,930**	**7,042,346**	**4,631,739**	**700,572**	**4,930,898**	**19,945,485**
Depreciation						
At 12 January 2007	-	-	-	-	-	-
Charge for the period	279,280	255,012	311,590	-	836,322	1,682,204
Disposal	-	-	(6,874)	-	-	(6,874)
At 30 June 2008	**279,280**	**255,012**	**304,716**	**-**	**836,322**	**1,675,330**
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**
Net book values						
At 30 June 2010	**1,915,234**	**6,105,144**	**3,349,304**	**536,680**	**1,480,878**	**13,387,240**
At 30 June 2009	2,393,500	2,932,723	3,491,822	644,931	1,822,311	11,285,287
At 30 June 2008	3,485,385	3,251,308	3,619,541	-	2,441,783	12,798,017

XIV INTANGIBLE ASSETS

	Computer software	Banking software	Other	Total
Segment A	Rs.	Rs.	Rs.	Rs.
Cost				
At 12 January 2007	-	-	-	-
Additions	482,964	15,642,978	4,926,796	21,052,738
At 30 June 2008	482,964	15,642,978	4,926,796	21,052,738
At 1 July 2008	482,964	15,642,978	4,926,796	21,052,738
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	4,551,714	19,880,334
At 1 July 2009	**729,882**	**14,598,738**	**4,551,714**	**19,880,334**
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**	**5,962,257**	**25,295,511**
Amortisation				
At 12 January 2007	-	-	-	-
Charge for the period	115,507	1,531,573	1,069,590	2,716,670
At 30 June 2008	115,507	1,531,573	1,069,590	2,716,670
At 1 July 2008	115,507	1,531,573	1,069,590	2,716,670
Charge for the year	218,963	1,949,387	1,414,575	3,582,925
At 30 June 2009	**334,470**	**3,480,960**	**2,484,165**	**6,299,595**
At 1 July 2009	**334,470**	**3,480,960**	**2,484,165**	**6,299,595**
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**	**3,519,231**	**10,247,451**
Net book values				
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
At 30 June 2008	367,457	14,111,405	3,857,206	18,336,068

39 SEGMENTAL REPORTING (cont'd)

	2010			2009			June 2008		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
XV OTHER ASSETS	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Accrued income	411,654	1,709,259	2,120,913	397,471	-	397,471	6,853,525	324,513	7,178,038
Prepayments	1,608,991	489,384	2,098,375	1,299,249	7,704	1,306,953	1,162,514	-	1,162,514
Issued capital not yet paid	-	-	-	201,988,789	-	201,988,789	-	-	-
Share capital money	-	4,285,000	4,285,000	-	-	-	-	-	-
Other receivables	7,913,326	93,245	8,006,571	11,378,093	-	11,378,093	2,394,986	-	2,394,986
	9,933,971	6,576,888	16,510,859	215,063,602	7,704	215,071,306	10,411,025	324,513	10,735,538
XVI DUE TO BANKS	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Deposits with other banks	96,138,890	-	96,138,890	137,453,595	-	137,453,595	143,028,710	-	143,028,710
Bank overdrafts	-	47,180	47,180	-	5,216,676	5,216,676	-	-	-
	96,138,890	47,180	96,186,070	137,453,595	5,216,676	142,670,271	143,028,710	-	143,028,710
XVII DUE TO SUBSIDIARY	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Funds due to subsidiary in respect of capital guaranteed contracts	115,251,460	-	115,251,460	151,235,327	-	151,235,327	101,475,191	-	101,475,191
XVIII DEPOSITS FROM CUSTOMERS	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Personal									
- Current and savings accounts	618,673,724	474,541,914	1,093,215,638	605,624,175	348,567,775	954,191,950	398,761,275	115,989,540	514,750,815
- Term deposits	934,188,434	318,689,137	1,252,877,571	537,856,165	84,436,984	622,293,149	175,962,074	74,569,266	250,531,340
Business									
- Current and savings accounts	1,175,613,520	1,470,957,658	2,646,571,178	216,579,811	603,304,642	819,884,453	569,654,994	153,068,797	722,723,791
- Term deposits	2,325,778,872	643,176,770	2,968,955,642	1,092,434,996	564,778,133	1,657,213,129	765,942,839	62,692,289	828,635,128
Government institutions									
- Current and savings accounts	4,020,810	-	4,020,810	358,070,837	-	358,070,837	72,146,383	-	72,146,383
- Term deposits	20,089,507	-	20,089,507	647,888,300	-	647,888,300	45,808,864	-	45,808,864
	5,078,364,867	2,907,365,479	7,985,730,346	3,458,454,284	1,601,087,534	5,059,541,818	2,028,276,429	406,319,892	2,434,596,321
XIX OTHER LIABILITIES	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest payable	-	-	-	-	-	-	57,823	-	57,823
Accounts payable and sundry creditors	25,200,308	6,411,324	31,611,632	23,859,730	38,658	23,898,388	22,991,742	4,159	22,995,901
	25,200,308	6,411,324	31,611,632	23,859,730	38,658	23,898,388	23,049,565	4,159	23,053,724

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