Going BEYOND

ANNUAL REPORT **2012**

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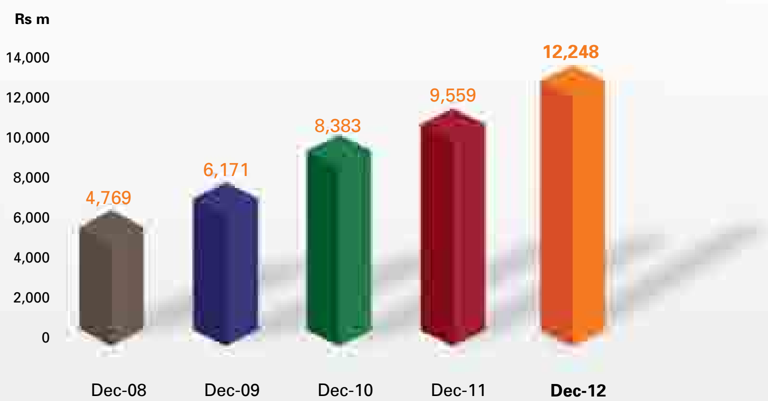
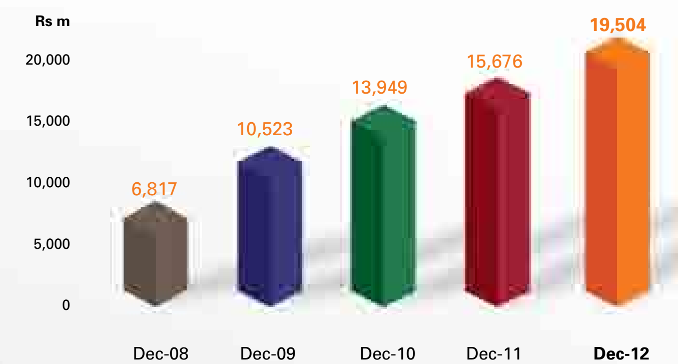
Financial HIGHLIGHTS

Gross Advances



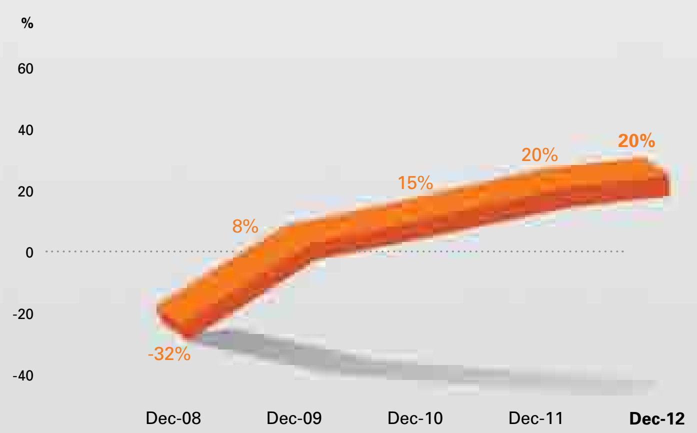
Total Deposits

Total Assets

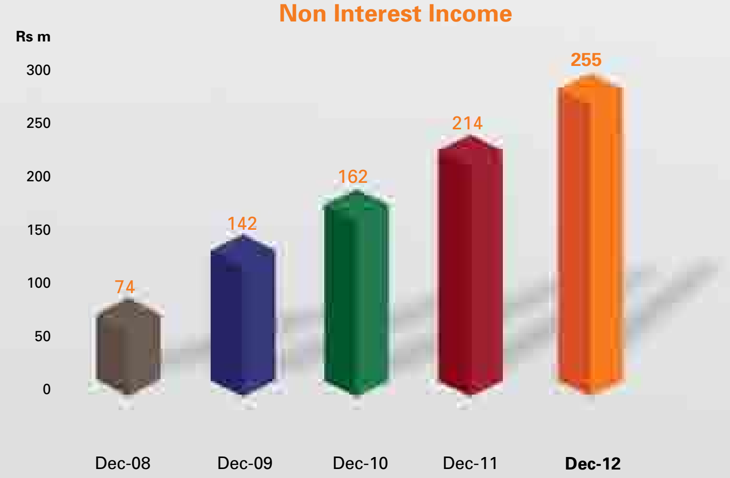


Profit after Tax

Return on Equity



Non Interest Income



Operating Income

Capital Adequacy Ratio Trendline

Bank One is fast expanding. Our core banking capabilities are taking a new dimension as we establish ourselves in Africa and in the Indian Ocean region. The Bank's cross-border capabilities are further enhanced by the physical presence of both I&M Bank and CIEL Group in key East-African countries.

Going beyond BORDERS

Over two million animals migrate from the Serengeti National Park in Tanzania to the greener pastures of the Maasai Mara National Reserve in Kenya from July to October.

Corporate PROFILE

Bank One is a universal bank, providing a range of banking and financial products and services, which include transaction and deposit accounts, personal finance, trade finance, corporate finance and capital market services, and a host of other unique banking services, with tailor-made solutions for Retail Banking, Corporate Banking, Private Banking & Wealth Management, and International Banking.

Bank One operates with sixteen branches throughout Mauritius, has a well distributed network of ATMs and a fully-operational Internet Banking platform. It offers an international debit card, VISA credit cards, as well as VISA prepaid cards. The Bank has a clientele base of over 41,000, serviced by a team of highly experienced professionals, in a fully computerised on-line IT environment.

OUR VISION

To be amongst the leading domestic banks known for its service excellence.

OUR MISSION

To help our clients achieve economic success and financial security.

OUR CORE VALUES

- **Customer Centricity:** Our customers are at the centre of everything we do.
- **Integrity:** We maintain the highest standards of honesty and integrity with our customers and stakeholders.
- **Team Work:** Through collaboration, we create more value for our customers.
- **Efficiency:** Doing the right thing right for the benefit of our clients.
- **Continuous Improvement:** Our processes and ways of doing business are constantly being reviewed and improved to meet the constantly changing needs of our clients.

COMPANY DETAILS

Business Registration No: C07040612

Registered Office
16, Sir William Newton Street,
Port Louis, Mauritius
Tel: (230) 202 9200 Fax: (230) 210 4712
Web: www.bankone.mu

Nature of Business
Bank One is licenced with the Bank of Mauritius to carry out banking business.

The Bank also holds the following licences:

Licence	Issuer
Licence to act as Insurance Agent for Anglo-Mauritius Assurance Society Limited and Mauritius Union Assurance Co Ltd	Financial Services Commission of Mauritius
Licence for distribution of financial products	Financial Services Commission of Mauritius
Investment Advisory Licence	Financial Services Commission of Mauritius
Investment Dealer (Currency Derivatives Segment) Licence	Financial Services Commission of Mauritius
Custodian Licence	Financial Services Commission of Mauritius
Foreign Institutional Investor (FII) Licence	Securities and Exchange Board of India

Bank One is a Member of the Global Board of Trade (GBOT).

Bank One was recently granted a Merchant Acquiring licence by VISA to undertake e-commerce business.

Main Correspondent Banks
Citibank NA
Deutsche Bank AG
Deutsche Bank Trust Company Americas
Bank of Western Australia Ltd (Bank West)
ICICI Bank Limited
Yes Bank Ltd
The Standard Bank of South Africa Ltd
Commerzbank AG
Banque de Commerce et de Placements SA
UBS AG
Banque Française Commerciale Océan Indien
China Construction Bank
DBS Bank Ltd
Absa Bank Ltd
FirstRand Bank Ltd

External Auditors
BDO & Co
10, Frère Felix de Valois Street,
Port Louis, Mauritius

BOARD OF DIRECTORS

Chairman
Jean-Pierre DALAIS (Non-Executive)

Members

Sarit RAJA SHAH (Non-Executive)

Raj DUSSOYE (Executive)

Roger LEUNG SHIN CHEUNG (Independent)

Arun MATHUR (Non-Executive)

Thierry HUGNIN (Non-Executive)

Pratul SHAH (Independent)

Jason HAREL (Independent)

Jérôme DE CHASTEAUNEUF

(Alternate Director to Jean-Pierre DALAIS)

Secretary to the Board & Board Committees
Kamini VENCADASMY

BOARD COMMITTEES

Audit Committee

Pratul SHAH (Chairman)

Roger LEUNG SHIN CHEUNG

Jason HAREL

Credit Committee

Arun MATHUR (Chairman)

Thierry HUGNIN

Roger LEUNG SHIN CHEUNG

Risk Management Committee

Roger LEUNG SHIN CHEUNG (Chairman)

Pratul SHAH

Arun MATHUR

Raj DUSSOYE (As from 11 December 2012)

Administrative & Staff Compensation Committee

Arun MATHUR (Chairman)

Jean-Pierre DALAIS

Thierry HUGNIN

Roger LEUNG SHIN CHEUNG

Conduct Review / Nomination & Remuneration / Corporate Governance Committee

Roger LEUNG SHIN CHEUNG (Chairman)

Pratul SHAH

Jason HAREL

EXECUTIVE MANAGEMENT

Chief Executive Officer
Raj DUSSOYE

Deputy Chief Executive Officer
J. Smiles ARIGALA

Chief Operating Officer
Dhinoo VEERASAWMY

Chief Financial Officer
Danny BALLUCK

Head of International Banking
Rabindranath (Vikram) DABEE

Head of Retail Banking
Anne Marie KOO TON FAH

Head of Corporate Banking
Vincent HARDY

Head of Credit Administration
Valerie DUVAL

Treasurer
R. K GURUMURTHY

HEADS OF DEPARTMENTS & MANAGERS

Head of Credit Risk
Karamchand (Sunil) SATHEBAJEE

Manager – Corporate Affairs & Company Secretary
Kamini VENCADASMY

Internal Auditor
Neelesh SAWOKY

Manager – Compliance & MLRO
Shekhar GANGAPERSAD

Manager – IT
Sanjay GHOORA

Manager – Finance
Ranjeevesingh GOWREESUNKUR

Head of Marketing
Ahmad AUMJAUD

Manager - Operations Department
Yousuf DILLOO

Manager – Credit Administration
Vijay MUNGUR

Manager – Litigations
Lekhraj A. GOPEE

Manager – Trade Finance
Krishen RUGJEE

Manager – HR
Cindy DOVE

Manager – Facilities
Sarvesh SEEBNAUTH

Chairman's REPORT

"Our more than 300 talented team members – who are deeply engaged with our 41,000 customers – pulled together as never before in 2012. They were guided, as always, by our unchanging vision to help our customers to achieve financial success and by our core values: focusing on our customers' needs, honesty in all our dealings, working in teams, doing things right the first time and continuously improving our processes and ways of doing business."

Jean-Pierre DALAIS
Chairman

1. Excellent Results

Despite difficult economic conditions in our export markets, we registered a good performance in 2012. Bank One achieved Profits after Tax of Rs 203m last year, an improvement of 16% on the Rs 175m realised in 2011. Our customers gave us more of their business. Total deposits grew by 22% to reach Rs 17.2bn. Total advances grew by 30% to reach close to Rs 12bn. Gross NPA ratio fell from 4% to 3.4%, while Net NPA ratio stood at 2%. Return on average assets was 1.17%. Many of our business segments continued to show sustainable growth. As a result, we gained market share and further established ourselves as an important player in the banking industry in Mauritius.

Guided by our clients' need for proximity, we opened two new branches – Cascavelle and Grand Baie La Croisette, thereby increasing the number of branches to 16 and extending our coverage countrywide. Our highly secure internet banking platform has had a good adoption rate, especially from our international clients. In order to respond faster to customers' queries by phone, the Bank also implemented a contact centre at Port Louis, handling both inbound and outbound calls. Bank One is now in the process of launching Mobile Banking, starting with SMS alerts, to provide enhanced customer convenience.

2. Burden Sharing

In times when our customers are facing difficulties, Bank One stood by them.

Given the difficult financial market conditions, the authorities have had a particular attention for boosting the SME sector as an engine for job creation and economic growth. In view of contributing to this measure, we, as a responsible lender, have been increasing our small business loans and doing everything we can to support small credit worthy businesses.

Bank One recognises the specific difficulties of the small business segment and was already allowing interest concessions and loan rescheduling prior to the implementation of the SME Financing Scheme by the Government. Under the Bank of Mauritius SME Scheme, which allows low interest rate advances to the SME sector, the Bank exceeded the target allocated to it in 2012 and has already a strong flow for 2013.

The Bank also invested in the NRF Equity Fund Ltd, jointly financed by commercial banks and the Government, to help deleverage the SME Sector. The Bank plays an active role in the NRF Equity Fund Ltd with our Chief Executive being the current chairman of the fund.

The export-oriented sector in Mauritius was also under severe stress during 2012 with the continuous deterioration of the economies to which we export. Unfavourable exchange rates and high interest costs added to the woes of this sector.

The Bank again responded favorably to the Bank of Mauritius' Foreign Currency line of credit, whereby commercial banks borrow foreign currency on a credit line from the Central Bank to lend to export operators at a reduced spread. These foreign currency loans are used by the operators to refinance their Mauritian rupee loans and reduce interest charges as well as mitigating exchange risks. As at December 2012, the Bank had participated in refinancing 3 large operators in the hotel sector.

Following the announcement of the Micro Enterprise Scheme in the 2013 Budget, Bank One has already approved a substantial loan amount to the Micro Enterprise segment with favourable rate of interest.

3. Strategic Priorities

In order to create sustainable value for all stakeholders, the Bank has to adhere to its mission. To better help our customers achieve financial success, Bank One is guided by five strategy priorities, which were defined as part of the process for implementing a Balanced Scorecard.

They are:
1. Grow revenue
2. Enhance productivity
3. Improve customer service
4. Build competency
5. Optimise capital

3.1 Grow Revenue

Domestic Market
We maintain our good performance in the retail market with an increased household penetration. Our 'Nest' home loan scheme, with low interest rates and up to 35 years financing, is successful and contributed towards growing our market share. Our 'Posh' prepaid card, one of the first of this type in the market, was also well received.

Despite the above, we still view our product holding per household as low and we firmly believe there is room for increasing business in the retail market.

We also see opportunity in our Wealth Management Private Banking and Services as our clients are resuming interest in holding foreign investments.

Corporate Banking will remain an area with less growth with fewer projects being implemented due to the local economic slowdown.

International Market
The Bank has been very active in mobilising both assets and liabilities in Africa. Bank One continues to leverage on the presence of I&M Bank in Kenya, Tanzania and Rwanda. I&M Bank has 20 branches in Kenya, 6 in Tanzania and 16 in Rwanda, which gives Bank One an easy access to the East African Market.

The presence of CIEL Group in Tanzania, Uganda and Madagascar also facilitates routing of business to Bank One. The credibility of Mauritius as an international jurisdiction and the Double Taxation Agreement which Mauritius has with many African countries also provide a good platform for many international companies, willing to invest into Africa.

Since inception, Bank One has been and will continue to be Africa-centric. While I&M Bank is further expanding its footprint into East Africa, Bank One is actively exploring physical presence in the region – Madagascar, South Africa, Mozambique, amongst others. Our international banking business is expected to grow from current 45% of the Bank's assets and income to 60% in 3 years.

Non-fund based Business
Besides carrying traditional merchant activity, our Treasury has also diversified into structured products; dealing activity is bound to increase with regional Trade Finance flows getting transacted through Bank One.

The Bank has added e-commerce, under licence from Visa International, as a new stream for fee business in 2012, the benefits of which will be felt in 2013. Bank One is also in the process of introducing POS ('Point of Sale') machines for its SME and corporate clients in 2013, who had to resort to other service providers so far.

3.2 Enhance Productivity

Productivity is about effectiveness (doing the right things) and efficiency (doing things right) in order to reduce the amount of input per output.

The Bank has an ongoing programme for eliminating unnecessary expenses, called "WOW" (War on Wastage). It involves a constant review of all fixed overheads, electricity, travel, and consumable expenses, amongst others. All back office operations are centralised to avoid duplication and build expertise. Each and every business process is looked at to remove complexity and duplication.

Business processes re-engineering is ongoing and has been integrated in the Balance Scorecard as a Key Performance Indicator (KPI) for all support services. As regards human productivity, this is being enhanced through training, coaching and learning from peers.

The Bank completed implementation of a new Management Information System (MIS) in 2012, so that meaningful data is available at fingertips for decision making. An electronic archiving system, called ZEDOC, has also been introduced. This allows paperless and seamless flow of information across board thereby significantly reducing processing time. A Retail Credit Scoring engine, from CRISIL (India) is also going live in beginning of 2013 for automated processing of retail loan applications. The Bank is also completing the implementation of a full-fledged Treasury Module in the first quarter of 2013, which will enable swifter transaction processing and more effective control over Treasury Operations, being an important contributor to the Bank's profits.

3.3 Improve Customer Service - 'Experience One'

'Experience One' is a new initiative started in 2012, looking at ways and means to improve the total experience by clients at each interface with the Bank. Our branches were redesigned accordingly. Our new or relocated branches are all in open space, brightly lit and fitted out in a modern way. All staff have undergone training in 'Customer Care' and mystery shopping is also carried out for constant monitoring. Suggestions/complaints boxes have been placed in all branches and a complaint desk has also been centrally installed along with a hotline system. Clients can also lodge their complaints via voice mail, by sending an SMS or through the Bank's website.

A Service Quality Coordinator monitors all quality issues at the Bank and also manages the complaint system. Quality Service meetings are held on a monthly basis whilst surveys are regularly conducted to monitor the service quality. A Service Quality Index KPI has also been introduced in the Balanced Scorecard since 2013.

3.4 Build Competency

Our people are our brand. When making important decisions, our customers always seek the assistance of a bank that understands their needs and provides viable solutions to them.

Our Team members therefore have to be adequately competent to meet these expectations. The Bank has thus embarked on various internal and external trainings and has sponsored 'front liners' to take professional examinations with the Institute of Financial Services (UK). Eleven of our team members passed the 'Diploma in Retail Banking' in 2012 and are now ready to start a degree course. More will be enrolling for the same course in 2013. The Bank aims to have 80% of its staff with a professional qualification within the next 5 years.

The Bank has also been sending several officers to overseas training in specialist areas such as Risk Management, Audit, Compliance and Operations, Basel III.

3.5 Optimise Capital

The Bank has to judiciously manage capital for optimal returns.

During 2012, the Bank continued to plough back internal profits and paid out dividends of Rs 30m only. Total Capital base as at 31 December 2012 stood at Rs 1.5bn, an increase of Rs 286m over last year. This included Rs 100m of subordinated debt raised in December 2012.

The Capital Adequacy ratio fell marginally from 12% in December 2011 to 11.93% in December 2012 as the Risk-Weighted Assets continued to expand fast. The Bank's capital was adequate to face mild stress conditions as at 31 December 2012.

Going forward, the Bank will need more capital to capture business opportunities which abound in the region and to meet new regulatory requirements under Basel III. The Bank is therefore, engaging strategic consultants in 2013 to map out a comprehensive three-year strategic plan.

4. Award

Bank One won the prestigious PWC Corporate Reporting Award 2013 under the Financial Institutions Category, for its Annual report 2011. This demonstrates Bank One's strong commitment to transparency and to our core value of integrity.

5. Outlook 2013

The Bank will continue to increase its market share in the retail market domestically. The international book is also to grow further as we get access to more markets in Africa.

We will also be looking at establishing a physical presence in regional countries.

Our traditional market economies may still face challenges which will continue to impact on our small island economy. Sub Saharan Africa, our hinterland, will maintain its fast pace growth and should be the key driver of our economic strategies.

Bank One will continue to do well in 2013 as new income streams come alive. Our initiatives for productivity enhancement and capacity building should also start paying dividends.

Acknowledgements

On behalf of the Board of Bank One, I wish to congratulate all members of the Bank One Team for this commendable performance. The motto of 'One Team, One Dream' adopted in 2012, continues to deliver results under able and dedicated leaders around the Chief Executive.

The Board is also thankful to all our customers who have connected to our brand and our values. The Bank promises 'going beyond' to help clients achieve financial success.

The Board also thanks the Bank of Mauritius for its effective supervision and valuable guidance through regular and meaningful meetings with the Governor and the Deputy Governors.

My Chairmanship would not have been possible without the participation of the other members of the Board, and especially the Independent Directors. They all carry decades of experience, some in banking and banking related fields, others in non-banking related sectors, the latter bringing fresh perspectives when looking at issues being discussed at Board level and Board Committees. I salute their immense contribution as they do not hesitate to ask the tough questions and sieve through all the finer details at various Committee levels.

I again congratulate the Bank One Team for their achievements in 2012 and wish Bank One continued success in the years to come.

Jean-Pierre DALAIS
Chairman
1 March 2013

Customer expectations are growing day by day. In order to be competitive, the Bank is constantly listening to its customers and proactively working out strategies so that it exceeds their expectations.

Going beyond EXPECTATIONS

Economic REVIEW

Global Economic Environment 2012

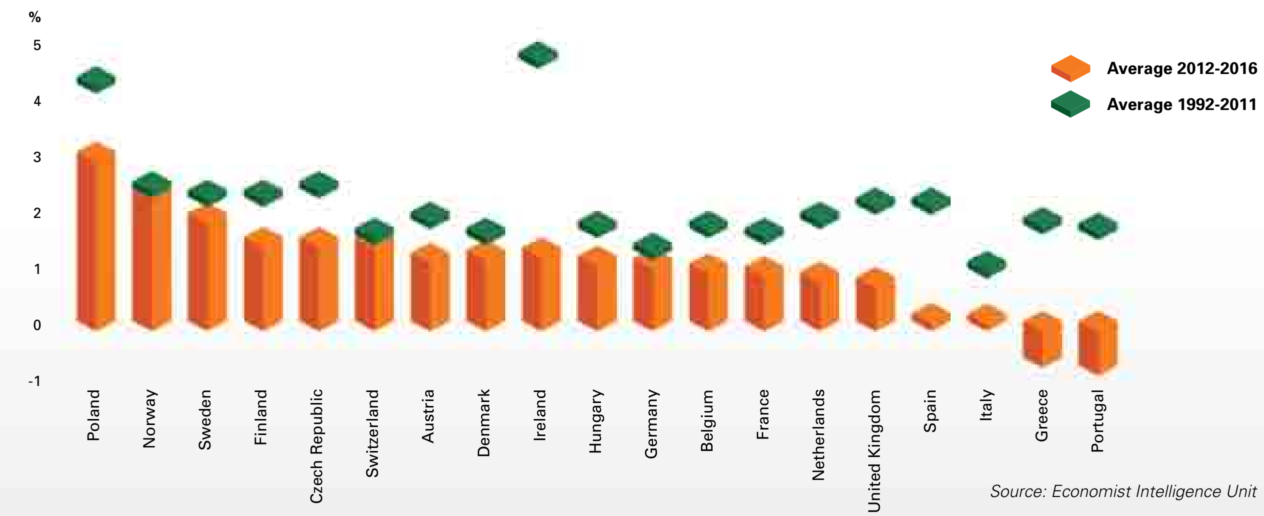
2012 has been a year of weak growth for most developed countries, and one of slowing economic growth for developing nations. Economic conditions improved modestly in third quarter of 2012, with global growth increasing to about 3%. However, a broad set of indicators for global industrial production and trade suggests that global growth did not strengthen further in the fourth quarter. According to IMF, growth for 2012 is 3.2%, as against 3.9% for the year 2011. For 2013, global growth is expected to increase to 3.5%, as the factors underlying soft global activity are expected to subside.

Below are the IMF staff estimates for Global GDP Growth:

			Year over Year		Q4 over Q4		
			Projections		Estimates	Projections	
	2011	2012	2013	2014	2012	2013	2014
World Output	3.9	3.2	3.5	4.1	2.9	3.8	4.0
Advanced Economies	1.6	1.3	1.4	2.2	0.9	2.0	2.1
United States	1.8	2.3	2.0	3.0	1.9	2.4	3.2
Euro Area	1.4	-0.4	-0.2	1.0	-0.7	0.5	1.0
Germany	3.1	0.9	0.6	1.4	0.6	1.3	1.1
France	1.7	0.2	0.3	0.9	0.3	0.3	1.2
Italy	0.4	-2.1	-1.0	0.5	-2.4	0.1	0.4
Spain	0.4	-1.4	-1.5	0.8	-1.9	-0.3	0.8
Japan	-0.6	2.0	1.2	0.7	0.2	2.6	-0.1
United Kingdom	0.9	-0.2	1.0	1.9	0.0	1.4	2.0
Canada	2.6	2.0	1.8	2.3	1.3	2.2	2.3
Other Advanced Economies	3.3	1.9	2.7	3.3	2.0	3.5	3.2
Newly Industrialised Asian Economies	4.0	1.8	3.2	3.9	2.4	3.9	3.8
Emerging Market and Developing Economies	6.3	5.1	5.5	5.9	5.5	5.9	6.2
Central and Eastern Europe	5.3	1.8	3.8	4.1	1.6	3.2	3.1
Commonwealth of Independent States	4.9	3.6	3.8	4.1	2.4	4.3	3.4
Russia	4.3	3.6	3.7	3.8	2.4	4.4	3.4
Excluding Russia	6.2	3.9	4.3	4.7	-	-	-
Developing Asia	8.0	6.6	7.1	7.5	7.3	7.1	7.8
China	9.3	7.8	8.2	8.5	8.1	7.9	8.8
India	7.9	4.5	5.9	6.4	5.4	6.0	6.4
ASEAN-5	4.5	5.7	5.5	5.7	7.7	5.8	5.5
Latin America and the Caribbean	4.5	3.0	3.6	3.9	3.1	4.2	3.6
Brazil	2.7	1.0	3.5	4.0	2.1	4.0	4.1
Mexico	3.9	3.8	3.5	3.5	2.8	4.9	2.5
Middle East and North Africa	3.5	5.2	3.4	3.8	-	-	-
Sub-Saharan Africa	5.3	4.8	5.8	5.7	-	-	-
South Africa	3.5	2.3	2.8	4.1	1.5	4.2	4.1

Europe has spent the better part of the last two years fighting to contain sovereign debt problems that have emerged in Greece, Portugal, Ireland, Spain and Italy. The latest solutions to the Euro crisis have led Euro to strengthen. However, Europe is starting to experience the side effects of the austerity measures implemented to rein in government spending. GDP growth of Spain declined by an annualised 2.8% (q/q) (-1.8% y/y), compared with a 1.2% annualised quarterly decline in Q3. As for the Euro area, GDP contracted 0.4% in 2012 and further contraction of 0.2% in projected for 2013 by IMF. Unemployment rate was 10.7%, with Greece and Spain surpassed 25%.

Below is the Economist Intelligence Unit forecast for the Euro Zone real GDP growth (% Y/Y):



Source: Economist Intelligence Unit

Growth prospects for the world's largest economy (USA) have turned brighter in recent months as the continuing housing market recovery and moderate labour market gains have helped sustain consumer spending. Against a GDP positive growth rate of 2.0% (Q1 2012), 1.3% (Q2 2012), 3.1% (Q3 2012) in the fourth quarter of 2012 (first estimate) contracted by an annual rate of 0.1%. The unemployment rate declined to 7.8% towards the end of 2012, as the average monthly job additions for the fourth quarter remained at a steady 150,000.

UK GDP was estimated to have decreased by 0.3% in the fourth quarter of 2012, which came from the production sector.

The impacts of the recession in Europe and tepid growth in the U.S. are beginning to be felt in other regions of the world, most significantly in Asia. A Reuters poll showed that China's annual economic growth may have quickened to 7.8% in the fourth quarter of 2012, snapping seven straight quarters of weaker expansion, but the recovery is likely to be tepid and the economy may need continued policy support.

The picture is worse in India, declining for the eighth month in a row, exports contracted by 1.92% in December 2012 to USD 24.8bn, widening the country's trade deficit to USD 17.6bn in the same month. GDP growth in October-December quarter of 2012 likely slowed to around 4.8%, mainly hit by cuts in Government spending. India's government said the economy will likely register its slowest annual growth in a decade and expand just 5.0% in the fiscal year ending in March 2013.

The Brazilian economy grew by 1.0% in 2012, as per IMF. Successive rate cuts and other measures by the Central Bank weakened the Brazilian Real during 2012 and prevented further decline in exports. The currency lost more than 8% during the year. The World Bank has cut the Brazilian GDP growth forecast for 2013 to 3.4% from the previous estimate of 4.2%.

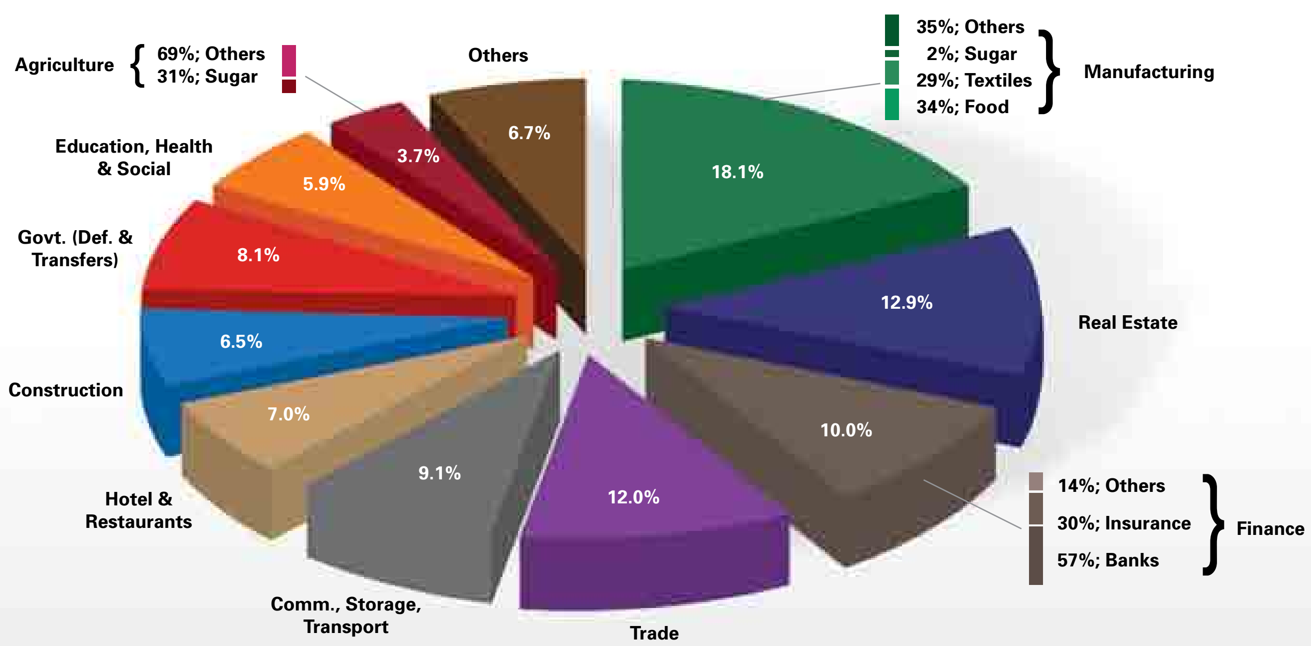
The South African economy continued to trudge along, growing at its slowest pace since the recession in 2009, Bloomberg reports. The economy was severely impacted by violent mining strikes that gripped the nation a few months ago and consequent wage settlements that further exacerbated a weakening in the economy. The GDP growth for 2012 is projected to be 2.3% compared to 3.5% in 2011.

MAURITIUS ECONOMIC OVERVIEW 2012

Against a GDP growth rate of 3.9% in 2011, Mauritius GDP growth rate during the year 2012 has been soft, but generally resilient *vis-a-vis* the adverse global economic conditions.

2011	Q1 2012	Q2 2012	Q3 2012
3.9%	3.2%	3.2%	3.9%

Mauritius: A bird's eye view

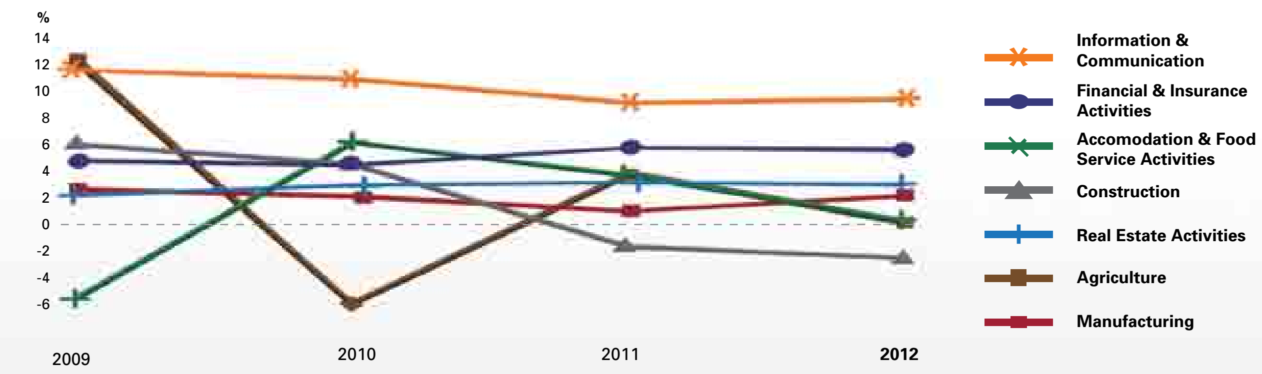


Sectoral breakdown of Mauritian Economy: Outlook for 2012

Yearly Growth Rates in Various Sectors

The graph below shows the year on year sectoral growth rates. It can be noted that in 2011, the highest growth rate has been recorded in the Information & Communication sector (+9.1%) and a negative growth rate has been recorded in the Construction sector (-2.0%). As per the estimates in 2012, Information & Communication sector again has the highest growth rate (+9.3%) and negative growth rate in the Construction sector (-2.9%).

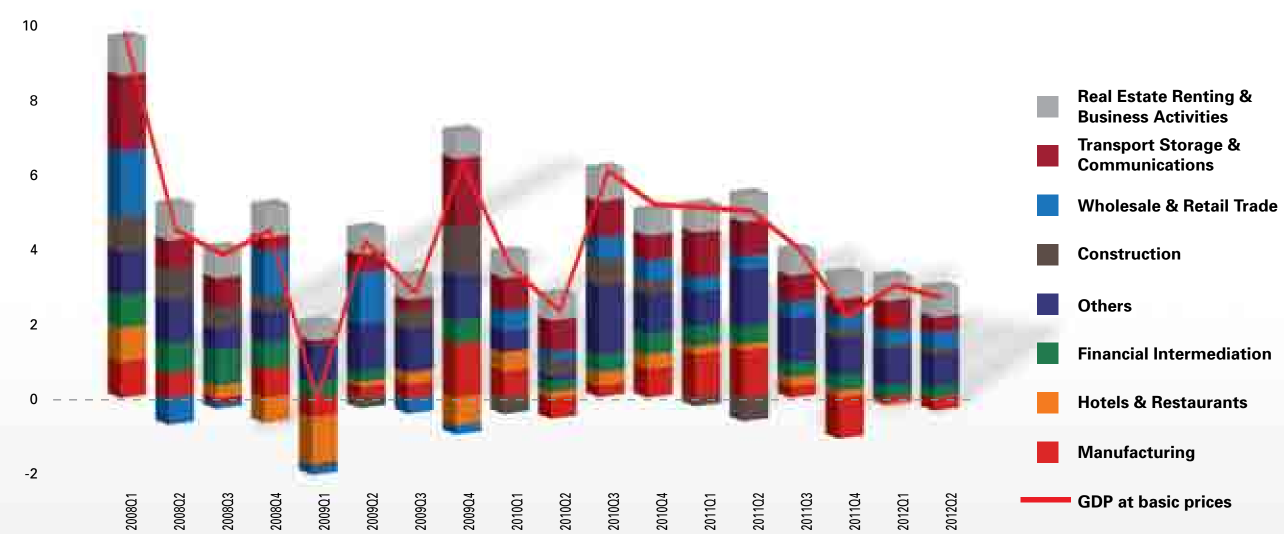
Sectoral Real Growth Rates (% over previous year) - 2009-2012



Source: Statistics Office

Contributions of Major Sectors to Real GDP growth rate:

The major contributors to GDP growth in 2012 Q2 were 'Real Estate, Renting and Business Activities' followed by 'Transport, Storage and Communications', 'Financial Intermediation' and 'Wholesale and Retail Trade'. 'Manufacturing', was the only sector that made a negative contribution as shown in the figure below.



Source: Statistics Mauritius and Bank of Mauritius

Industry Group Analysis

Agriculture, Forestry & Fishing

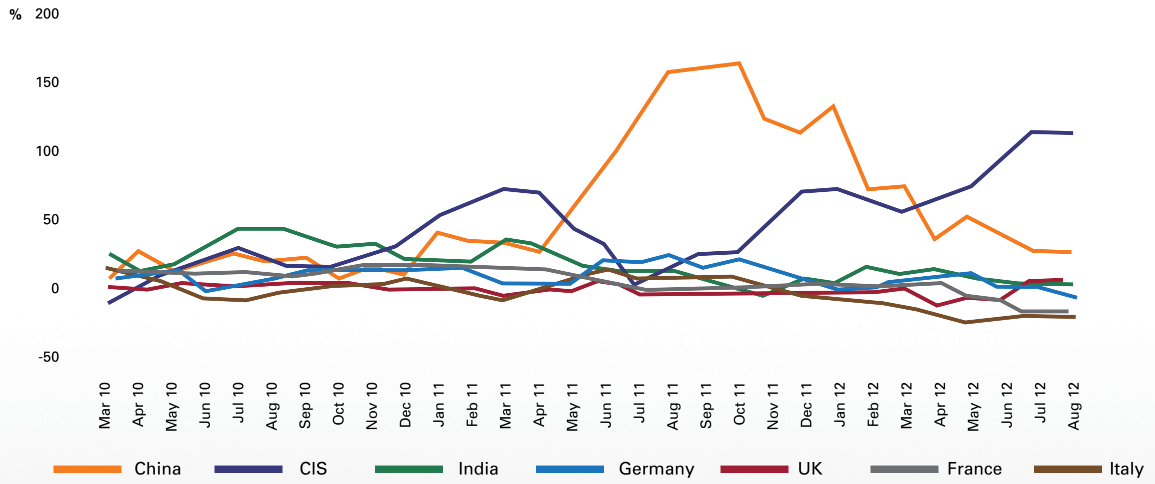
The above sector consists mainly of the Sugarcane sub-sector. As per the Statistics Office, the Sugarcane sub-sector is estimated to record a negative growth of 0.2% in 2012.

Manufacturing
In 2012, Manufacturing recorded its third consecutive quarter of negative growth, with a contraction of 1.6% in Q2, following negative growth of 0.5% in Q1 2012 and 5.2% in Q4 2011.

The Sugar Industry which falls under Manufacturing is estimated to record a negative growth of 6.4% in 2012, compared to a positive growth of 3.8% in 2011. Sugar, once the only Mauritian export, today represents less than 2% of GDP.

Construction
While Real Estate continued to grow appreciably in 2011, Construction slowed during the year 2012. On a year on year basis, the Construction sector recorded a negative growth of 2.0% and is estimated to again grow negatively by 2.9% in 2012.

Accommodation & Food Services Activities
After expanding throughout 2011, Hotels and Restaurants contracted by 1.2% in Q1 2012 and stagnated in Q2, reflecting the weak economic environment in main source markets. A drop in arrivals from several key European markets was noted as shown in the graph below.



Source: Statistics Mauritius

Over the period January to July 2012, tourist earnings totalled Rs 26.6bn, an increase of 9.3% compared to the corresponding period in 2011. Statistics Mauritius revised downwards the initial forecast of 980,000 tourist arrivals for 2012 to 960,000, representing a decrease of 0.5% in tourist arrivals compared to 2011.

Information & Communication Sector (ICT)
The above sector recorded a positive growth of 9.1% in 2011 and is estimated to grow by 9.3% in 2012.

The National Broadband Policy 2012 – 2020 (NBP2012) sets out a strategic vision for a broadband Intelligent Mauritius, branded as “Towards i-Mauritius”, and establishes national goals regarding broadband.

Financial & Insurance Activities
Over the years, Financial & Insurance activities have emerged as one of the most important contributors to the Mauritian economy. The sector has seen a sustained growth from 4.6% in 2009 to 5.6% in 2011. It is estimated to grow at 5.5% during the year 2012.

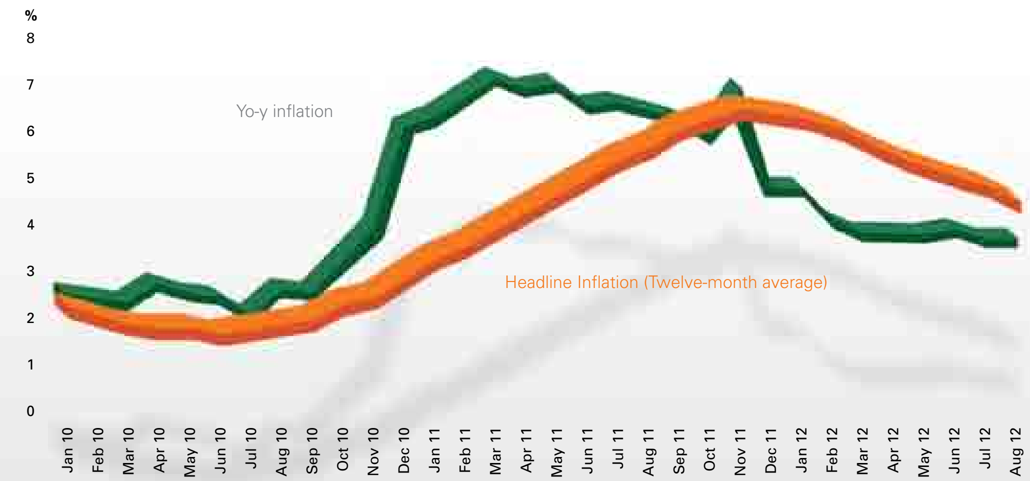
The Banking sector has shown resilience to recent global external shocks and remains a key player in our capital markets. In the second quarter of 2012, the ‘Financial Intermediation’ sector recorded a growth of 4.9%, that is, 1% lower than the first quarter of 2012.

Real Estate Activities
As per the Statistics Office, the Real Estate sector has registered positive growths from 2009 to 2011; 1.9% in 2009, 2.7% in 2010, 2.9% in 2011, and is estimated to grow at 2.8% in 2012. Real Estate has been contributing 0.2% to GDP during the last two years.

To promote Real Estate, the government has adopted the following strategies:

- Amendment of the legislation to allow foreigners and expatriates, who hold a Permanence Residence Permit, to purchase a property in Mauritius.
- Exemption of registration duty to first home buyers on the purchase of a home within a housing estate comprising of at least 5 units, at a maximum price of Rs 2.5m.

Inflation
Subdued domestic demand and credit growth have helped to keep inflation in Mauritius relatively low over the past 24 months. Pressure on food prices might rise in the coming months, which in addition to higher credit growth, a weaker rupee exchange rate, and higher fuel prices can put pressure on consumer prices.



Source: Statistics Mauritius and Bank of Mauritius

The IMF had previously forecast that Mauritius is expected the annual average inflation to stand at 5.7% in 2013.

Monetary Policy
During the year 2012, Monetary Policy remained accommodative against the backdrop of weak global economic conditions and deepening euro area crisis. The Monetary Policy Commission (MPC) held four regular meetings during the year 2012 and, to support economic activity, cut the Repo rate by 50 basis points such that it stood at 4.90% as at March 2012. The rate then remained flat during the rest of the year 2012.

Exchange Rates
The Exchange Rate of the rupee *vis-a-vis* the three major currencies, that is, USD/EURO/GBP generally was in sync with the international rate fluctuations, and demand and supply situation locally. It generally operated within a more stable range than the other international currencies. Rupee strengthened against the US Dollar during early part of the year 2012 by reaching 28.27 in April 2012, but subsequently lost ground to the USD by reaching 31.27 by July 2012. However, by the end of the year 2012, it closed at 30.25 against Euro and it ranged between 35.59 - 40.95 during the year.

Business Confidence

After an increase of 0.6 point in Q2 2012, the Mauritius Chamber of Commerce and Industry (MCCI) business confidence indicator decreased significantly by 11.3 points in Q3 2012 to 88.1, its lowest level since its launch in 2010. The fall in the index was driven by declines in confidence in all the following sectors: services, manufacturing and distributive trade. The major factors that reportedly led to the marked deterioration in the index were the perceived strength of the rupee, increased number of taxes and unfair competition.

Global Competitiveness Report 2012 -2013

World Economic Forum (www.weforum.org) in its Global Competitiveness report for 2012 - 2013, rated Mauritius very high at the 15th rank out of 144 countries, for the "Soundness of Banks ".

Outlook for 2013

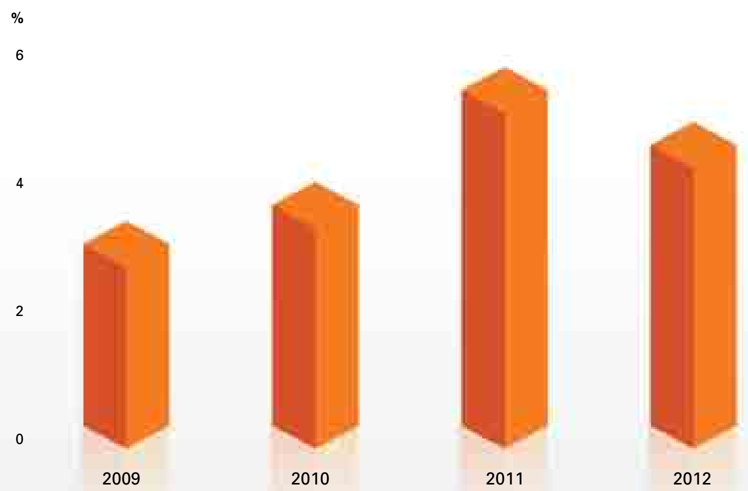
IMF is more positive about the growth rates for Mauritius for the year 2013. As per their outlook, the economy is expected to grow by 3.7% in 2013, compared to 3.2% in 2012.

The current Monetary Policy is also perceived to be broadly appropriate but the authorities should stand ready to tighten monetary conditions if inflation accelerates. A neutral fiscal stand in 2013 similar to 2012 is recommended along with a good balance of Fiscal and Monetary Policy. Notwithstanding the positive tone from IMF, it is felt that necessary caution would be required, if the Euro Zone crisis persists as a drag on the key export sector. The adverse impact on the economy would be deeper.

PERFORMANCE OF THE BANKING SECTOR

The Banking sector activities continued to expand at a relatively reasonable pace in 2012, despite global and domestic economic concerns.

Total Assets in the Banking sector in Mauritius has registered positive growth during the last years as depicted in the graph below:



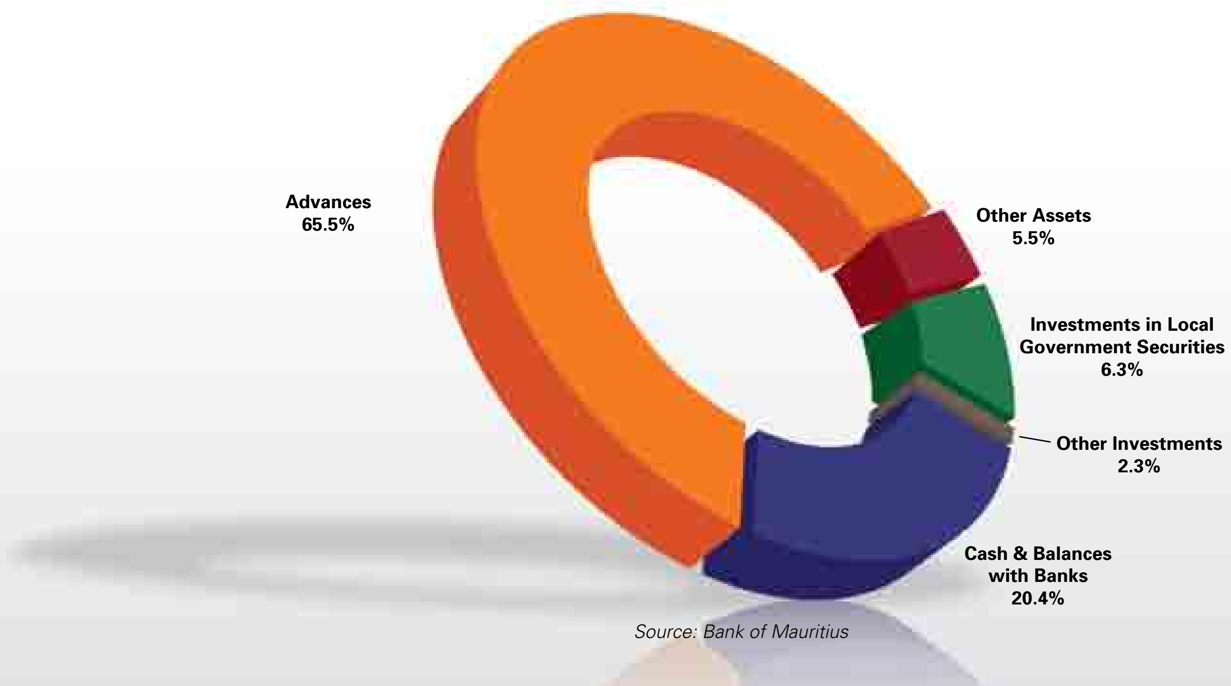
Source: Axys Stockbroking Ltd.

For the eleven months ended November 2012, the on-balance sheet assets expanded to Rs 955,980m, from Rs 882,962m (December 2011). Growth rate during the current year (2012) for 11 months period was good at 8.3%, compared to a growth rate of 2.3% for the 12 months period ended December 2011.

However, off-balance sheet assets grew only by 2% to Rs 84,546m at end of November 2012, for 11 months period compared to a rise of 14.4% during the 12 months period ended December 2011.

The Banking sector has grown at around 5.9% in 2011 and is expected to grow at a rate of 4.9% in 2012.

Distribution of Banks' Total Assets as at June 2012



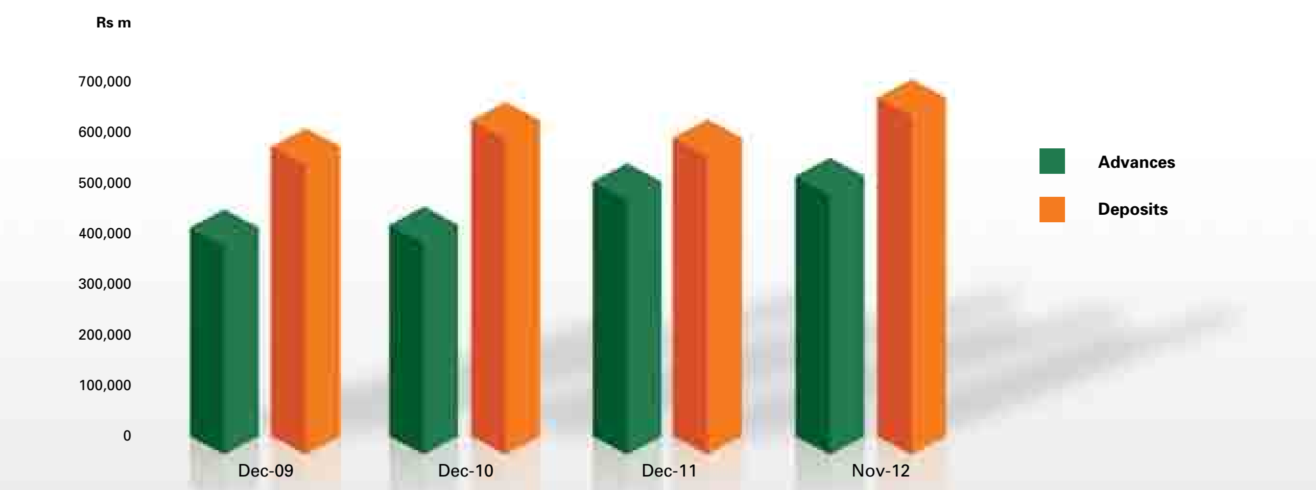
Source: Bank of Mauritius

Banks continue to favour Advances and, Cash & Balances with banks as the two major components of their assets.

Total advances fell by 0.3% to Rs 556,243m for the eleven months ended November 2012 compared to a growth rate of 11% for the year ended December 2011; this was mainly on account of the drop in 'Loans outside Mauritius' from Rs 304,526m (December 2011) to Rs 270,566m (November 2012). However, the 'Loans and Advances' in the Domestic sector has gone up from Rs 215,502m (December 2011) to Rs 240,003m (November 2012) at a growth rate of 11.36%, showing the commitment of the banking sector to the domestic economy. The ratio of advances to total assets fell slightly from 63.2% as at end of December 2011 to 58.2% as at end of November 2012.

The deposit base of banks grew by 9% to Rs 668,824m at end of November 2012 as compared to a fall of 3.1% for the year ended December 2011. Segment B deposits increased by 11% as at end of November 2012, while Segment A deposits increased by 5.6%.

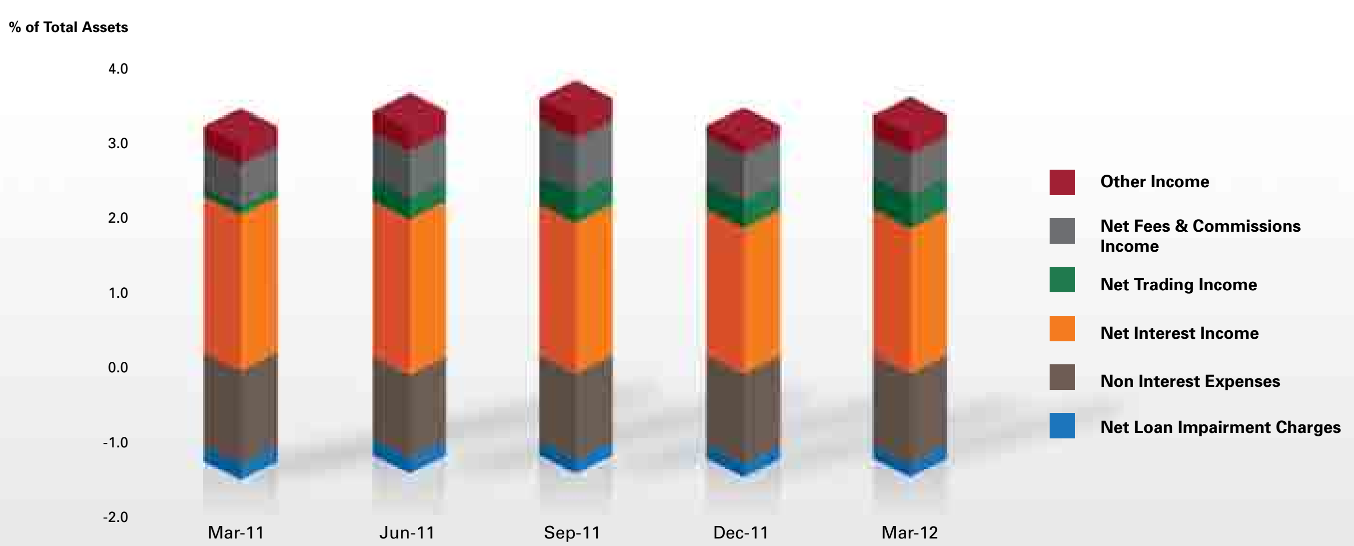
Growth of the total deposits and advances (rounded in millions) in the banking industry from December 2010 to November 2012:



Source: Bank of Mauritius

Revenue and Expenses

Net Interest Income remains the dominant source of revenue for the banking sector. The other components of income decreased slightly to 0.2% of total assets as at end of March 2012, compared to 0.4% recorded a year earlier in 2011 as shown in the figure below.



Components of Revenue and Expenses; Source: Bank of Mauritius

As a percentage of total assets, Net Interest Income decreased from 2.3% as at end of March 2011 to 2.0% as at end of March 2012.

Non Performing Loans (NPLs)

The asset quality of the banking sector as a whole remained relatively good in the first six months of 2012, despite domestic and international economic uncertainties. At end of March 2012, the ratio of NPLs to total loans stood at 2.6%, compared to 2.4% at end of March 2011. Effectively, at end of March 2012, NPLs arising on credit extended in Mauritius edged up to 4.6%, from 4.5% in the previous quarter, while NPLs recorded on credit granted outside Mauritius also went up from 0.6% in Q4 2011 to 1.0% in Q1 2012.

Main policy actions taken by the Central Bank during 2012

- The Special Line of Credit in Foreign Currency was put into place to rescue economic operators directly affected by the mismatch between the currencies in which their earnings were denominated, mostly Euros and to restructure their Euro-generated debt;

- The Cheque Truncation System, which provides for the Bulk Clearing System for low-value electronic transactions, was launched;

- The coverage of the Mauritius Credit Information Bureau was broadened to include insurance companies, non-bank deposit taking institutions, and utility providers, as well as the Central Bank itself so that a comprehensive picture of the total indebtedness of borrowers is available to decrease the level of non-performing loans in the industry;

- Guideline on Corporate Governance was issued incorporating the latest developments in international best practices;

- To maintain financial stability, the Central Bank is now envisaging to implement Basel III. The higher capital requirements of the Basel III framework will further enhance the ability of banks to properly function under conditions of stress;

- The Deposit Insurance Scheme is finalised and is in its implementation stage. This will act as a safety-net to reinforce the stability of the financial system;

- The Central Bank issued guidelines on mobile banking. It is a subset of e-banking where customers access a range of banking products, such as fund transfer, via electronic channels of hand-held devices. Since mobile phones are a conglomeration of several functionalities, they pose a real challenge to regulators of mobile payment in terms of supervision, oversight and customer protection.

Conclusion

The banking system has been resilient, with adequate capital to withstand adverse economic shocks. The Capital Adequacy ratio has been comfortably maintained above the minimum requirement of 10%. Banks' Capital Adequacy ratio increased to 16% of Risk-Weighted Assets as at end of March 2012. As at that date, the Capital Adequacy ratio of the banking sector (excluding the branches of foreign-owned banks operating in Mauritius) could absorb losses of more than 20% of the prevailing level of activities.

Banks continued to record robust profits despite the prevailing challenging economic conditions. Quarterly reports have indicated that the annualised pre-tax profits of banks – which constitute the sum of pre-tax profits for the four last quarters - reached Rs 16.9bn at the end of March 2012, compared to Rs 14.3bn at the end of March 2011. The increase in profits was due in part to the exceptional gains recorded by a few banks and the lower bad and doubtful debt charges. However, even when those exceptional gains are excluded, the level of profits in the sector stood above pre-crisis level.

Banking is a personalised service industry and customers expect competent, knowledgeable and solutions-oriented bank officers while dealing with the Bank. **Bank One** has put at the client's service a team of young experienced and dedicated professionals. Training, talent development and the bettering of the performance of individuals and groups are at the heart of our organisation culture.

Going beyond OURSELVES

Corporate governance REPORT

Corporate governance is the process and structure used to direct and manage the business and affairs of a company with the objective of ensuring its safety and soundness, and enhancing shareholder value.

At Bank One, we believe that effective corporate governance practices are essential to achieving and maintaining public trust and confidence in the banking system, which are critical to the proper functioning of the banking sector and economy as a whole.

The Board of Bank One is fully committed to attaining and sustaining the highest standards of corporate governance.

COMPLIANCE STATEMENT

For the year under review, Bank One has complied with the Code of Corporate Governance for Mauritius (the "Code") in all aspects, save for the following:

- Recommendation to have two executives on the Board: The Board is of view that the spirit of the Code is met through the attendance and participation of the Deputy Chief Executive Officer and of other Senior Executives during Board deliberations;
- Disclosure of the remuneration paid to the Executive Director: the Board has agreed not to disclose the remuneration of the Chief Executive Officer / Executive Director due to its commercially sensitive nature. However, the CEO is not remunerated for also serving on the Board and Board Risk Management Committee; his remuneration package includes his salaries, performance bonus and other benefits pertaining to his functions as CEO.

The Board made a comprehensive review of the Bank's policies, procedures and practices to ensure compliance with the new guideline on Corporate Governance Guideline issued by the Bank of Mauritius on the 2 August 2012. The said Guideline shall become effective, for Bank One, as from the next Annual Meeting of Shareholders, scheduled on the 1 March 2013. Compliance aspects of the new Guideline on Corporate Governance (the "Guideline") are further covered throughout the report.

SHAREHOLDERS

Significant Shareholders and Common Directors

Direct/Indirect holders of 10% or more in Bank One, together with the common directors, as at 31 December 2012, are given below:

Shareholding

As at 31 December 2012, the Bank's Stated Capital was Rs 551,456,000, divided into 5,514,560 ordinary shares of no par value, held as follows:

Shareholder	Issued and fully paid shares	Holding
CIEL Investment Limited *of Ebene Skies, Rue de l'Institut, Ebene, Mauritius*	2,757,280	50%
I&M Bank Limited *of I&M Bank House, 2nd Ngong Avenue, Nairobi, Kenya*	2,757,280	50%
Total issued and fully paid shares	**5,514,560**	

Issue of Shares & Share Transfers

No shares were issued or transferred during the period under review.

Shareholders' Profile

CIEL Investment Limited
Ebene Skies, Rue de l'Institut, Ebene, Mauritius

CIEL Investment Limited (CIL) is an investment company holding interests in a number of companies operating in various sectors of the Mauritian economy, the main ones being involved in tourism and leisure, financial services, property, healthcare and life sciences. CIL is part of the CIEL Group, which is one of the leading business groups in Mauritius, and the company is listed on the Development and Enterprise Market of the Stock Exchange of Mauritius Limited.

As at 31 December 2012, its stated capital was made up of 1,063,073,525 no par value ordinary shares worth Rs 1,918,355,000. On that same date, there were 2,062 shareholders registered on the registry after consolidation of multi portfolios and excluding the treasury shareholder.

CIL's net profits for the year ended 31 March 2012 stood at Rs 97 m and its net asset value was Rs 4.3 bn. At Group level, the profit after tax was Rs 489 m and the net asset value of the CIL Group amounted to Rs 6.6 bn for the same year.

I&M BANK Limited
I&M Bank House, 2nd Ngong Avenue, Nairobi, Kenya

I&M Bank Limited ("I&M Bank") is a Kenyan registered Bank that possesses a rich heritage in banking. With a network of 20 branches and 24-hour ATMs covering the major financial and commercial centres in Kenya, and access to around 3,000 ATMs across the country as part of other networks, I&M Bank is a dominant player in the Kenyan market. It offers a wide range of commercial banking and financial products and services, and prides itself on introducing innovative products and services based on the needs of its customers. I&M Bank was recently ranked overall 4th best bank in the Kenyan Banking Industry out of 43 banks by the 2012 Banking survey.

I&M Bank is also well-established in Tanzania, with 6 branches located in key commercial centres of the country. In July 2012, I&M Bank completed its acquisition of Banque Commerciale du Rwanda Limited, thereby establishing its presence in Rwanda with a network of 16 branches across the country.

As at 31 December 2012, based on the audited consolidated financial statements for I&M Bank, the customer advances portfolio stood at USD 1,021m, deposits amounted to USD1,299m, while the profit before tax stood at USD 66.6m.

I&M Bank's total assets stood at USD 1,682 m as at 31 December 2012, as against USD 1,271m as at 31 December 2011 *(at the then prevailing exchange rate)*, and its total shareholders' equity stood at USD 207m as at 31 December 2012.

Bank's Constitution

Bank One was incorporated as a private company on the 26 March 2002. It went through a major rebranding exercise and changed its name to Bank One on the 08.08.08, after its takeover by the current shareholders in February 2008.

A new constitution, in conformity with the Companies Act 2001, was adopted by the Shareholders on the 29 December 2010 and amended by special resolution dated 7 July 2011, essentially to allow for the issue of redeemable shares.

Other material clauses of the Bank's constitution include the following:

- Share transfers are subject to pre-emptive rights;
- The Board may, if authorised by the Shareholders, issue Shares that rank equally with or in priority to, or in subordination to the existing Shares with the requirement that the Shares be first offered to existing Shareholders;
- The Board shall consist of not less than 7 and not more than 10 Directors;
- Any Shareholder shall be entitled to appoint 1 Director for each 20% of the issued share capital held by it, and shall be entitled to remove such Directors by written notice to the Bank;

- The Shareholders may also, in addition to the Directors appointed pursuant to the above, appoint a minimum of 2 and a maximum of 4 Independent Directors;

- The Chairman of the Board shall be elected by a majority of the Shareholders from one of the Directors for a term of one year;

- The Chief Executive Officer shall be appointed by the Board. He may also be appointed by the Board to act as Director. However, his appointment as Director shall cease automatically upon the termination of his office as Chief Executive Officer;

- The quorum for a Shareholders' meeting shall be 2 Shareholders, holding each not less than 35% of the voting rights;

- The quorum for a Board meeting shall be 4 Directors, comprising of at least one Director nominated by each Shareholder holding at least 20% of the issued share capital of the Company.

Aspects of Shareholders' Agreement affecting Governance

Until last year, the election of the Chairman has been rotating on an annual basis between the Shareholders. For purpose of aligning with the new Guideline on Corporate Governance, the Shareholders have agreed to amend the Shareholders' Agreement to provide for the appointment of the Chairman by majority amongst Independent Directors.

Dividend Policy

The Bank will distribute a reasonable part of its profits, to the extent permitted by law and the Bank of Mauritius' Guidelines and in accordance with sound financial principles, provided its financial situation allows such distribution.

The Board declared a final dividend of Rs 30m for the financial year 2011, which was paid in April 2012. Dividend payout ratio was 17%.

Shareholder Relations and Communication

The Bank communicates to its Shareholders through its website (www.bankone.mu), annual reports and annual meetings of Shareholders. The website is regularly updated with quarterly, half-yearly and audited annual financial statements, as well as products and corporate events.

Shareholders are also able to follow closely the affairs of the Bank on a quarterly basis through their representatives, being present at Board and Board Committee levels.

Any other corporate issues relevant to the Shareholders are immediately brought to their attention by the Company Secretary upon instruction from the Board of Directors.

The key events and Shareholder communication of the Bank are set out below:

Events	Date
Financial year end	31 December 2012
Annual Meeting of Shareholders	1 March 2013
Release of full year results 2012	March 2013
Release of 1st quarter results 2013	May 2013
Release of 2nd yearly results 2013	August 2013
Release of 3rd quarter results 2013	November 2013

BOARD OF DIRECTORS

For the year under review, Bank One was headed by a unitary board, comprised of 8 Directors under the chairmanship of Mr. Jean-Pierre Dalais, a Non-Executive Director. The other Board members counted 6 Non-Executive Directors, including 3 qualifying as Independent under the new Guideline on Corporate Governance, and 1 Executive Director, namely the Chief Executive Director - Mr. Raj Dussoye. Their individual profiles are given below.

The functions and responsibilities of the Board Chairman and of the Chief Executive are separate to ensure proper balance in power, increased accountability and greater capacity of the Board for independent decision-making. The current Chairman was elected amongst the Non-Executive Directors nominated by CIEL Investment Limited pursuant to an agreement between the Shareholders. However, as an improvement to corporate governance practices in the Bank and given the requirements of the new Guideline on Corporate Governance, the Shareholders have agreed that the next Chairman of the Board be appointed on a mutual basis amongst the Independent Directors.

The Directors of Bank One have a broad range of skills, expertise and experience from banking, financial, commercial to legal, thereby enabling the Board to discharge its duties and responsibilities effectively. As required by the new Guideline on Corporate Governance, the Board has established an additional process to ensure that the Directors satisfy, on a continuing basis, the 'fit and proper person test' as laid down in the guideline issued by Bank of Mauritius on Fit and Proper Person Criteria with reference to competence, qualifications, experience and integrity.

The appointment of an additional Independent Director shall also be discussed at the next Annual Meeting of Shareholders scheduled on the 1 March 2013 to satisfy the requirements of the Banking Act 2004 and of the new Guideline on Corporate Governance.

All Directors stand for re-election on a yearly basis but, with the coming into effect of the new Guideline on Corporate Governance, Non-Executive Directors shall be subject to a cooling-off period of 2 years after having served an aggregate period of 6 years on the Board, unless waived by the Bank of Mauritius.

Board of DIRECTORS

Members of the Board of Directors & their Profile

Jean-Pierre DALAIS
Non-Executive Director and Chairman (Age 49)

Mr. Jean-Pierre Dalais is a director of the Bank since the 22 February 2008. He was appointed as Chairman of the Board on the 7 March 2012, until the next Annual Meeting of Shareholders in 2013. He is also a member of the Board Administrative & Staff Compensation Committee.

Mr. Dalais holds an MBA from the International University of America. He started his career with Arthur Andersen, both in Mauritius and France, and joined the CIEL Group in the 1990s. He is the Chief Executive Officer of CIEL Investment Limited since 2001. He also acts as director for several other companies in the financial services sector, and in the property and hotel industry sectors.

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius:
- IPRO Growth Fund Ltd
- Phoenix Beverages Limited
- Sun Resorts Limited

Sarit S. RAJA SHAH
Non-Executive Director (Age 44)

Mr. Sarit Shah is a director of the Bank since the 22 February 2008.

Mr. Sarit Shah holds a Master's Degree in Internal Audit & Management from the City University of London. He started his career with Biashara Bank of Kenya and was then appointed as executive director of I&M Bank Limited in 1993 to date. He also serves on the board of other companies in the financial services sector.

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius: None.

Raj DUSSOYE
Director & Chief Executive Officer (Age 51)

Mr. Raj Dussoye is a director and the Chief Executive Officer of the Bank since the 22 February 2008. He is also a member of the Board Risk Management Committee since the 11 December 2012.

Mr. Dussoye is an Associate of the Chartered Institute of Bankers (UK) and holds an MBA from the Herriot-Watt University (Edinburgh). He started his career in 1982 at the State Bank of Mauritius, where he has had a broad based experience. In July 2003, he was posted to India as CEO and Executive Vice President of SBM, India. He joined the CIEL Group in August 2007 and was appointed CEO of Bank One in February 2008.

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius: None.

Kim Foong (Roger) LEUNG SHIN CHEUNG
Independent Director (Age 66)

Mr. Kim Foong (Roger) Leung Shin Cheung is a director of the Bank since the 22 February 2008. He is the Chairman of the Risk Management Committee and of the Conduct Review / Nomination & Remuneration / Corporate Governance Committee. He is also a member of the Board Credit Committee, of the Audit Committee and of the Board Administrative & Staff Compensation Committee.

Mr. Leung is an Associate of the Chartered Institute of Bankers (UK) and is also a Fellow of the Mauritius Institute of Directors. He retired from Barclays Bank in September 2005 as Regional Corporate Director. He has been trustee of the Barclays Employees' Pension Fund and a director of the Barclays Leasing Company (Mauritius) Limited. He presently works as consultant in business restructuring and performance optimisation.

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius:
- VIVO Energy Mauritius Ltd
- The Mauritius Development Investment Trust Co. Ltd

Arun S. MATHUR
Non-Executive Director (Age 59)

Mr. Arun Mathur is a director of Bank One since 22 February 2008. He is the Chairman of the Board Administrative & Staff Compensation Committee and the Board Credit Committee. He is also a member of the Board Risk Management Committee.

Mr. Mathur holds a B.Tech (Hons) degree. He started his banking career in 1976 with the State Bank of India and joined Grindlays Bank (India) in 1982. Whilst at Grindlays Bank, he was seconded to their Nairobi office in Kenya from 1990 to 1994. He then worked for several banks in Kenya until he joined I&M Bank Limited in 2000 and was promoted as CEO in 2002. He also sits on the boards of I&M Bank (T) Ltd (Tanzania) and BCR Ltd (Rwanda).

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius: None.

Thierry HUGNIN
Non-Executive Director (Age 46)

Mr. Thierry Hugnin is a director of the Bank since the 22 February 2008. He is also member of the Board Credit Committee and of the Board Administrative & Staff Compensation Committee.

Mr. Hugnin holds a Master's Degree in Business and Technology from Paris Dauphine University. After qualifying as Chartered Accountant in England and Wales in 1993, Mr. Hugnin worked in the investment banking sector in London and Mauritius. He later joined Blakeney Management, a London-based investment boutique, focusing on Africa and the Middle East. Since 2004, Mr. Hugnin is the Chief Investment Officer and a director of CIEL Capital Limited, which is the Investment Manager of CIEL Investment Limited.

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius:
- Sun Resorts Limited

Pratul H. D. SHAH
Independent Director (Age 58)

Mr. Pratul Shah is a director of the Bank since the 22 February 2008. He is also the Chairman of the Audit Committee, and a member of the Conduct Review / Nomination & Remuneration / Corporate Governance Committee and of the Risk Management Committee.

Mr. Shah is a Fellow of the Association of Chartered Certified Accountants. He is also a member of the Institute of Certified Public Accountants and Institute of Certified Public Secretaries of Kenya.

Mr. Shah trained with PriceWaterhouseCoopers - Kenya and qualified in 1976, and was admitted to partnership in 1984. He is currently an independent consultant advising clients on strategy, corporate restructuring, change management, corporate finance and tax planning.

He also holds directorships in diverse companies in East Africa in the financial, manufacturing and services sectors.

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius: None.

Paul Jason HAREL
Independent Director (Age 41)

Mr. Jason Harel is a director of the Bank since 1 January 2011. He is also a member of the Audit Committee and of the Conduct Review / Nomination & Remuneration / Corporate Governance Committee.

Mr. Harel is a qualified Barrister and a Chartered Accountant. He has been a senior associate within the banking and finance department of Denton Wilde Sapte in London from 2000 to 2005, specialising in structured finance in addition to workouts. Prior to this, he completed his pupillage with the UK leading tax chambers, Gray's Inn Tax Chambers, and trained as a Chartered Accountant with Kingston Smith in London. Mr. Harel is a co-founder and partner of BLC Chambers, which is ranked by both Global Chambers and International Financial Law Review as being a 1st tier business law practice in Mauritius.

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius:
- Ireland Blyth Limited

Jérôme DE CHASTEAUNEUF
Alternate Director to Mr. Jean-Pierre Dalais (Age 46)

Mr. Jérôme de Chasteauneuf is an alternate Director to Mr Jean-Pierre Dalais since the 22 February 2008.

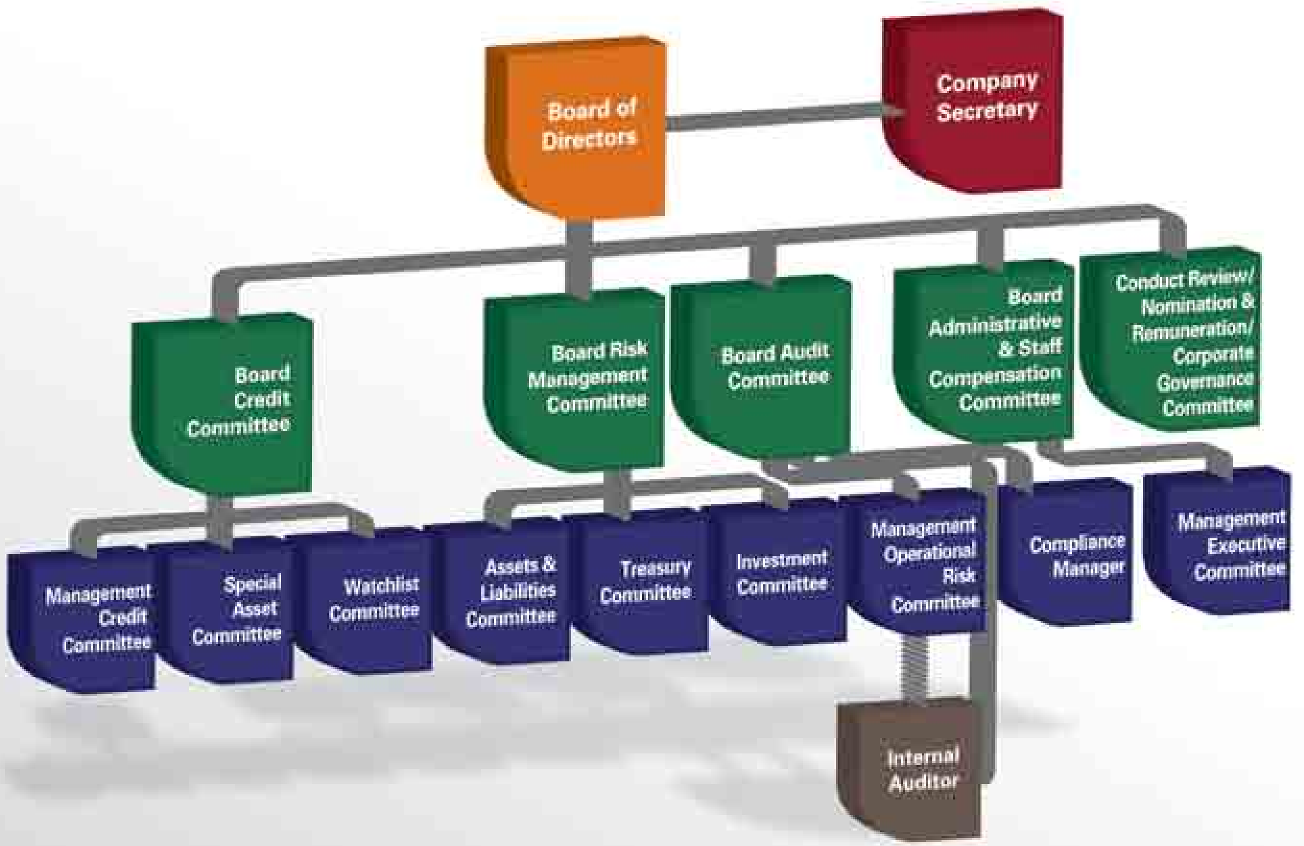
Mr. de Chasteauneuf is registered as a Chartered Accountant with the Institute of Chartered Accountants in England and Wales. He joined the CIEL Group in 1993 as Project Financier and was promoted Head of Finance since 2000. He is closely involved with the CIEL finance group of companies being a board member of Mauritius International Trust Co. Ltd, Investment Professionals Ltd and The Kibo Fund LLC.

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius:
- Harel Mallac Ltd
- IPRO Growth Fund Ltd

Corporate Governance Framework

The Board of Bank One is entrusted with the necessary powers for directing and supervising the management of the business and affairs of the Bank as per the constitution of the Bank and to the extent permitted by law. It discharges some of its responsibilities directly, whilst others are discharged through committees of the Board and, the day-to-day management and operation of the Bank's business being delegated to Senior Management.

The Board of Bank One has set up a governance framework and committee structure, as illustrated below, to assist in fulfilling its obligations in an efficient manner, whilst being aware that it remains responsible for the overall stewardship of the Bank:



Board Charter

The roles and responsibilities of the Board are set out in a Board Charter, in line with the Code and the new Guideline on Corporate Governance, and are summarised below:

- To set the Bank's vision, mission and values;
- To approve the objectives, strategies and business plans of the Bank;
- To determine appropriate policies and processes to ensure the integrity of the Bank's Risk Management practices and internal controls, communication policy, director selection, orientation and evaluation;
- To retain full and effective control over the Bank and be responsible for the appointment and monitoring of Management in its implementation of the approved plans and strategies;
- To monitor and evaluate the implementation of strategies, policies and performance measurements;
- To ensure that effective internal controls systems are in place to safeguard the Bank's assets;
- To ensure compliance with laws and regulations, including Risk Management and corporate governance practices and disclosure requirements;
- To ensure adequate succession planning;
- To ensure adoption of good corporate governance practices;
- To ensure effective communication with shareholders; and
- To always exercise leadership, enterprise, integrity and judgement in directing the Bank.

Conduct of Meetings

The Board and the Board Committees have 4 scheduled meetings per year, save for the Board Credit Committee which is required to meet at least 10 times in a year. In addition, special meetings may be called from time to time as determined by the needs of the business or at the request of any Director/Committee Member (as applicable). The Board Charter and Terms of reference of the various Board Committees have been reviewed to tally with the requirements of the new Guideline on Corporate Governance, including ensuring that the interval between any 2 meetings of the Board/Board Committee is not more than 110 days.

Board meetings/Meetings of Board Committees are convened by giving appropriate notice to the Directors/ Members. Detailed agenda, as determined by the relevant Chairman in conjunction with the Chief Executive Officer and the Company Secretary, as well as Management Reports and such other papers, are circularised in advance to the Directors/Members to enable them to reach informed and focused decisions at meetings. Decisions of the Board may also be taken by way of resolutions in writing, agreed and signed by all the Directors for urgent matters.

The minutes of the proceedings of meetings are recorded by the Company Secretary and are circularised to all Directors/Members upon the clearance of the concerned Chairman. The minutes of each Board Meeting/Meeting of Board Committee are tabled at the next meeting for approval, following which they are signed by the relevant Chairman and the Company Secretary prior to being entered in the Minutes Book.

The minutes of all meetings of Board Committees are tabled at Board Meetings to enable all Directors to be aware of discussions and deliberations of Board Committees, whilst not being a member thereto.

Director Induction and Board Access to Information & Advice

On appointment to the Board and/or Board Committees, Directors/Members receive a comprehensive induction pack from the Company Secretary.

All Directors have access to the advice and services of the Company Secretary, who is responsible for providing guidance to the Directors as to their duties, responsibilities and powers. They also have access to Senior Executives to obtain information on items to be discussed at Board Meetings or meetings of Board Committees or on any other area they consider to be appropriate.

The Board and its Committees also have the authority to secure the attendance at meetings of third parties with relevant experience and expertise as and when required.

Evaluation of Board Performance

The Board adopted a mechanism to evaluate its performance as well as its procedures, practices and administration on an annual basis. The first Board Evaluation exercise was carried out for the year 2011. We note that such evaluation is now mandatory pursuant to the new Guideline on Corporate Governance.

Under the current Board Evaluation mechanism, Directors and Senior Executives rate the Board as a whole on a number of relevant criteria, such as the size and composition of the Board, the conduct and proceedings of Board meetings, the role and responsibilities of the Board, Directors' and Chairman's contribution to the Bank's strategy. The results and comments are then structured into an action plan to address the areas requiring improvement and to enable the Board to deliver its responsibilities more efficiently and effectively. Progress on the plan is also monitored at the Nomination & Remuneration Committee level.

The Board Evaluation for the year 2012 was carried out in February 2013. The results were discussed at the Nomination & Remuneration Committee meeting of the 28 February 2013 and at the Board Meeting of the 1 March 2013.

Directors' Interests in Shares

None of the Directors holds shares in the Bank's capital.

BOARD COMMITTEES

The Board has set up 5 Committees to assist in the discharge of its duties, namely the Audit Committee, the Risk Management Committee, the Credit Committee, the Administrative & Staff Compensation Committee, and the Conduct Review / Nomination & Remuneration / Corporate Governance & Committee. The role, schedule of meetings and delegated responsibilities of each committee are clearly set in respective terms of reference.

The composition of each Board Committee as well as their terms of reference was reviewed by the Board in December 2012 to align with the new Guideline on Corporate Governance; essentially, the Chief Executive was appointed on the Board Risk Management Committee and the scope of the functions of the Corporate Governance & Conduct Review Committee was broadened to encompass those of a Nomination & Remuneration Committee.

The revised terms of reference and membership of the Board Committees are summarised below;

Audit Committee

The members of the Audit Committee are:

Chairman	Pratul SHAH (Independent)
Other Members	Roger LEUNG SHIN CHEUNG (Independent) Jason HAREL (Independent)

In line with the new Guideline on Corporate Governance, all the Members are the Audit Committee have a financial background and are fully conversant with both International Auditing Standards and International Financial Reporting Standards.

The Committee meets at least every quarter. Its main responsibilities are:

- To review the financial statements of the Bank before they are approved by the Board;
- To set up and oversee the overall standard for financial reporting and internal controls within the Bank;
- To review and assess the quality of the work done by the professionals responsible for financial reporting and internal control;
- To review such transactions as could adversely affect the sound financial condition of the Bank;
- To make recommendations regarding the appointment of the external auditor;
- To engage in discussions with external and internal auditors on the quality and acceptability of the control environment and reporting structures;
- To ensure that the Bank complies with regulatory requirements, including prudential requirements and any other reporting obligations.

Board Risk Management Committee

The Board Risk Management Committee is composed of the following Directors:

Chairman	Roger LEUNG SHIN CHEUNG (Independent)
Other Members	Pratul SHAH (Independent) Arun MATHUR (Non-Executive) Raj DUSSOYE (Executive) (As from 11 December 2012)

The Committee meets at least quarterly and has the following main duties:

- To review and monitor various risk indicators and external development, including legal and regulatory matters, which may have a significant impact on the Risk Management, the reporting of emerging risks and the Bank's overall risk profile;
- To review the Assets Liabilities Management Committee report;
- To review the Bank's Impairment Measurement and Income Recognition policies and where necessary, make recommendations to the Board for changes in the level and in the adequacy of provision for non-performing accounts;
- To review the Disaster Recovery and Business Continuity plans;
- To determine the country and Bank exposure / risk tolerance limits;
- To ensure the adequacy of the Bank's insurance cover and policy;
- To review the Bank's Risk Management policies on an annual basis or as and when required, to keep pace with any changes to the risk profile (including growth) of the Bank, and make recommendations accordingly to the Board. When reviewing the Credit Risk Policy, the Committee also focuses on delegation of powers for sanctioning credit.

Board Credit Committee

The Board Credit Committee is comprised of the following Directors:

Chairman	Arun MATHUR (Non-Executive)
Other Members	Roger LEUNG SHIN CHEUNG (Independent) Thierry HUGNIN (Non-Executive)

The Committee meets at least 10 times a year or as frequently as required by the business. The duties of the Committee are summarised below:

- To approve loan applications and Internet Payment Service Provider / Merchant applications beyond the discretionary limits of the Management Credit Committee;
- To review lending and credit decisions by Management Credit Committee and Bank officers in exercise of the powers delegated;
- To review the Bank's Credit portfolio on an ongoing basis with a view to consider all issues that may materially impact on the present and future quality of the Bank's Credit Risk Management;
- To ensure compliance with Guidelines issued by Bank of Mauritius on Credit Risk Management;
- To review all non-performing advances on a continuous basis and guide the Management on recovery actions as appropriate;
- To review the overall lending policy of the Bank;
- To review and approve the Bank's panel of various professional firms.

Board Administrative & Staff Compensation Committee

The members of the Board Administrative & Staff Compensation Committee are:

Chairman	Arun MATHUR (Non-Executive)
Other Members	Roger LEUNG SHIN CHEUNG (Independent) Thierry HUGNIN (Non-Executive) Jean-Pierre DALAIS (Non-Executive)

The Committee has four scheduled meetings per year and has the following main responsibilities:

- To review and decide on staffing issues such as recruitments at Executive level (other than the CEO and DCEO), promotion, salary reward systems and incentives for staff and Management (other than the CEO and DCEO) within the approved annual budget (except for the performance bonus which is approved at Board level), and grievance procedure;
- To consider and decide upon matters under the Human Resources Policy of the Bank to ensure/promote harmonious staff relations at all times;
- To review and approve requests for purchase, acquisitions, disposals and write-offs of fixed assets (capital expenditure or disposals) over and above the financial powers delegated to the Management;
- To review and approve requests for revenue expenditure, including adhoc unbudgeted expenditure in excess of the financial powers delegated to the Management;
- To review and consider matters related to appointment of consultants, opening of bank accounts with other banks and financial institutions, and granting of powers of attorneys to Bank officials;
- To review the Bank's policies related to HR and expenditure on an annual basis or as and when required, and make recommendations accordingly to the Board.

Conduct Review Committee / Nomination & Remuneration / Corporate Governance Committee

The composition of the Conduct Review / Nomination & Remuneration / Corporate Governance Committee is given below:

Chairman	Roger LEUNG SHIN CHEUNG (Independent)
Other Members	Jason HAREL (Independent)
	Pratul SHAH (Independent)

The Committee meets at least on a quarterly basis. Its main responsibilities are as follows:

- To review and approve credit exposure to Related Parties;
- To establish policies and procedures in compliance with the guideline issued by the Bank of Mauritius on Related Party Transactions;
- To review and make recommendations to the Board on the appointment, remuneration and compensation of Directors and of the Bank's key personnel (CEO and DCEO);
- To establish formal, clear and transparent selection criteria for prospective Directors and evaluation of criteria for current Directors;
- To assess the effectiveness of the Board and direct the process of renewing and replacing Board members;
- To advise the Board on all aspects of corporate governance and recommend the adoption of best practices for the Bank;
- To monitor the implementation of the Bank's Corporate Social Responsibility activities in accordance with applicable guidelines;
- To review the Bank's policies on related party transactions and CSR on an annual basis or as and when required, and make recommendations accordingly to the Board.

Attendance to Board Meetings & Meetings of Board Committees during the year 2012

The following table shows Members' attendance at meetings of the Board and Board Committees for the financial year ended 31 December 2012:

	Board of Directors	Board Committees				
		Audit Committee	Risk Management Committee	Administration & Staff Compensation Committee	Credit Committee	Conduct Review/ Nomination & Remunaration/ Corporate Governance Committee
No. of meetings held during the year	**4**	**4**	**4**	**4**	**12**	**4**
Jean-Pierre DALAIS	4	N/A	N/A	4	N/A	N/A
Sarit Raja SHAH	4	N/A	N/A	N/A	N/A	N/A
Arun MATHUR	4	N/A	4	4	12	N/A
Thierry HUGNIN	3	N/A	N/A	4	8	N/A
Raj DUSSOYE*	4	N/A	N/A	N/A	N/A	N/A
Roger LEUNG	4	4	4	4	12	4
Pratul SHAH	4	4	4	N/A	N/A	4
Jason HAREL	4	4	N/A	N/A	N/A	4

**Mr. Raj Dussoye was appointed on the Board Risk Management Committee on the 11 December 2012. The said Committee did not meet after his appointment but he generally attended meetings of Board Committees during the year under review, although not being a member thereto. The Deputy Chief Executive was also present at Board Meetings and meetings of the Board Committees during the year.*

Statement of Remuneration Philosophy

As per the policy which has been approved by the Shareholders upon recommendations of the Corporate Governance Committee (now renamed the Conduct Review/Nomination & Remuneration/Corporate Governance Committee), all Directors, except for the Executive Director, are remunerated as follows:

- Chairman: a fixed fee of Rs 80,000 per year and an attendance fee of Rs 80,000
- Other Directors: a fixed fee of Rs 60,000 per year and an attendance fee of Rs 60,000.

In addition, the members of Board Committees, excluding the Executive Member, are entitled to the following fees:

- **Board Credit Committee:**
  - Chairman: Rs 48,000 per year and an attendance fee of Rs 16,000
  - Other members: Rs 36,000 per year and an attendance fee of Rs 12,000
- **Other Committees:**
  - Chairman: Rs 40,000 per year and an attendance fee of Rs 40,000
  - Other members: Rs 24,000 per year and an attendance fee of Rs 24,000

The Executive Director/Member is not remunerated for serving on the Board and Board Risk Management Committee. His remuneration package includes his salaries, performance bonus and other benefits pertaining to his functions as CEO, which the Board has agreed not to disclose due to the commercially sensitive nature of this data.

Remuneration and benefits paid by the Bank to the Directors (other than the Executive Director/Member) during the financial year 2012 were as follows:

	Rs
Jean-Pierre DALAIS	500,000
Sarit Raja SHAH	320,000
Arun MATHUR	860,000
Thierry HUGNIN	492,000
Jérôme DE CHASTEAUNEUF	96,000
Jason HAREL	540,000
Roger LEUNG SHIN CHEUNG	1,120,000
Pratul SHAH	740,000
Total	**4,668,000**

Directors' Service Contracts

Mr. Raj Dussoye, Director and Chief Executive Officer of the Bank, has a service contract with the Bank expiring in August 2013. It contains no material clause for compensation on termination of contract.

Executive MANAGEMENT

Dhinoo VEERASAWMY
Chief Operating Officer

Dhinoo holds a Degree in Accounting & Management and an MBA from Poitiers University, France. Before joining the Bank as Chief Operating Officer in 2008, he was employed as Head of Operations with Edge Forex Ltd (CIEL Group) and had worked in various fields of banking for 20 years (17 years with BNP Paribas and 3 years with Standard Bank), including 10 years at Senior Management level.

EXECUTIVE MANAGEMENT

The conduct of business is entrusted to the Executive team of the Bank, which operates within the business strategy, risk tolerance and appetite, and policies set by the Board, whilst adhering to the regulatory framework.

The Bank's Executive Management has set up various committees, namely the Management Executive Committee, the Management Credit Committee, the Management Operational Risk Committee, the Asset and Liability Committee, the Special Asset Committee, the Treasury Committee, the Investment Committee and the Watchlist Committee for oversight and monitoring of the various risk areas and to deliberate on key issues for informed decision making.

Danny BALLUCK
Chief Financial Officer

Danny is a Fellow Member of the Association of Chartered Certified Accountants. He is also a member of the Mauritius Institute of Professional Accountants. He has more than 15 years of experience in finance, auditing, corporate finance and investment. He has been working in different sectors of the economy, including textile, financial services and tourism. Prior to joining Bank One, he was the CFO of Investment Professionals Limited (CIEL Group) an investment management services company.

Members of the Executive Management & their Profile

Raj DUSSOYE
Chief Executive Officer

His profile is provided under Directors' Profiles.

Jessie SMILES ARIGALA
Deputy Chief Executive Officer

Smiles holds a Master Degree and has been in the banking sector for over 30 years. He acquired a global experience, having worked in India, Japan, Kenya, Tanzania and Mauritius. He started his career with the State Bank of India and has experience in all areas of banking, such as Treasury, International Banking, Corporate Banking, Retail Banking, Operations and Risk Management. He has 18 years' experience at Senior Management level. He was the CEO of Diamond Trust Bank Tanzania Ltd before joining the Bank in April 2008 as DCEO. He is also responsible of the overall Risk Management of the Bank.

Vincent HARDY
Head of Corporate Banking

Vincent holds a BCom with specialisation in Financial Management from the University of South Africa. Prior to returning to Mauritius, Mr. Hardy worked for the special operations services of the Fuel Logistics Group (Pty) Ltd, where he headed up the company's Hewlett Packard logistics division. In 2005, he joined a leading international specialist banking group, Investec Bank (Mauritius) Limited, in the area of specialised finance and lending where he played a significant role in new business development in the property division focusing in South Africa and Mauritius. Mr. Hardy was appointed Head of Corporate Banking of Bank One Limited in October 2008.

Rabindranath (Vikram) DABEE
Head of International Banking

Vikram is an Associate of the Chartered Institute of Bankers, London and holder of an MBA from the University of Leicester, UK. He has 25 years banking experience in Retail, Corporate and International Business segments. He started his career at State Bank of Mauritius. He held the position of Portfolio Leader – Business Banking before joining the Bank as Senior Relationship Manager in the International Banking division in May 2008. He was promoted as Head of International Banking in January 2009.

Anne Marie KOO TON FAH
Head of Retail Banking

Anne Marie has a Diploma in Business Management and has been in the banking sector since 1982. She started her career with the State Bank of Mauritius and joined the South East Asian Bank Ltd in 1989. She left in March 2008 as Assistant Vice President - Retail Sales and Services to join the Bank as Head of Retail Banking.

Valérie DUVAL
Head of Credit Administration

Valérie holds a Bachelor of Law and was called to the Bar in 1995. Before joining Bank One, she held the function of Claims Manager at La Prudence Mauricienne Assurances and Swan Insurance Co Ltd respectively, thereby acquiring a strong experience of 13 years in the insurance sector. She joined the Bank in July 2008 as Head of Credit Administration and also acts as internal legal advisor on legal matters pertaining to the affairs of the Bank.

Ramachandra Krishnamurthy GURUMURTHY
Treasurer

R. K. Gurumurthy holds a Master's Degree in Commerce and is a rank holder in CAIIB. Having started his career with the State Bank Group in India, he has worked in global financial centres in various organisations. He started his dealing career in 1993 and his last assignment was as Head of Trading and ALM in a large European bank.

Senior Management's Interests in Shares
None of the existing Senior Management officers holds shares in the Bank's capital.

Auditors' Fees and Fees for Other Services
Fees paid to BDO & Co during the financial year 2012 amounted to Rs 1.811m and related fully to audit work. Tax fees amounting to Rs 86,250 were paid to DCDM Financial Services during the year under review.

Management Agreements with Third Parties
There is currently no management agreement between the Bank and any of its Directors or any company owned or controlled by them.

Executive Phantom Share Option Scheme
The Board has approved a Phantom Share Option Scheme for the Executives of the Bank in December 2012. It shall be effective as from 2013.

In essence, the Scheme is a long-term incentive, based on the appreciation of the Bank's NAV per share, with the objective of attracting, retaining and rewarding Executives who are able to contribute significantly to the performance and growth of the Bank, and incidentally for increasing long-term shareholder value.

Phantom Shares will be granted to the beneficiaries selected from the pool of Executives at the discretion of the Board, depending on the Bank's performance as well as the beneficiaries' individual performance and contribution to the Bank.

At the time of redemption, the Executive shall be entitled to the difference between the grant value and the value of the Phantom Shares, which shall be based on the latest audited NAV. Redemption of 20% of the value may be allowed at the applicable NAV after completion of every year from date of allotment, so that in a maximum of 5 years' vesting period, the total amount is redeemed for every allotment. However, an Executive may redeem the entire balance amount after completing 3 years.

Apart from the above Scheme, Bank One has no other employee share ownership plan.

Related Party Transactions
The Bank is governed by the Bank of Mauritius' guideline on Related Party Transactions, January 2009 ("Related Party Transactions Guideline").

Related parties, whether body corporate or natural persons, fall into two main groups:

(i) those that are related to the Bank because of ownership interest; and

(ii) those that related otherwise, such as Directors and Senior Officers who may also have some ownership interest in the Bank.

In line with the above Guideline, the Board has adopted a policy which sets out the rules governing the identification of related parties, the terms and conditions applicable to transactions entered into with them, and reporting procedures to the Conduct Review Committee and to the Board. The Bank also maintains a register of related parties, which is updated on a yearly basis and as and when notifications are received from the Shareholders, Directors and Senior Officers.

All exposures to related parties are approved by the Conduct Review Committee, which ensures that market terms and conditions are applied to such transactions.

Credit exposure to related parties for the year under review is given under note 33 of the Financial Statements.

Corporate Social Responsibility (CSR)
During the year under review, the Bank allocated the full amount of its CSR contribution, that is Rs 290,000, derived from its profits for the year 2011, to "Fondation Nouveau Regard" ("FNR").

FNR is the vehicle for the CIEL Group's social action. It is a non-profit making organisation created in November 2004 by the CIEL Group with the main objective of fighting against poverty and exclusion, and is duly accredited (N/1105) with the National CSR Committee.

The Bank also supports small projects and environmental initiatives throughout the organisation by encouraging the use of electronic forms of communication. Workflows are constantly being reviewed to both improve productivity and energy efficiency. A document management system (Zedoc) was implemented last year and has contributed to reducing the use of paper in our offices. Electronic bank statements for customers were also recently introduced as another paperless initiative.

The Bank's CSR contribution from profits for the year 2012 stands at Rs 372,000.

Charitable Donations & Political Funding

Apart from the above contribution to FNR, no other charitable donations or political funding were made during the period under review.

Conflict of Interest, Code of Ethics & Business Conduct

The Bank is committed to the highest standards of integrity and ethical conduct in dealing with all its stakeholders. Staff at all levels adheres to the Corporate Values and to the Code of Banking Practice, as well as the Bank's Code of Ethics.

Staff is also able to raise concerns on any improper conduct or unethical behaviour without fear of reprisal through the Bank's Whistleblowing Policy.

In December 2012, the Board reviewed the Bank's procedures dealing with conflicts of interest and adopted a comprehensive policy to provide guidance on what constitutes a conflict of interest and how it will be managed and monitored by the Bank in line with the applicable laws. This Policy is directed not only to Directors and Senior Officers of the Bank but also to all employees who can influence the decisions and actions of the Bank.

Health & Safety

The Bank is committed to providing a healthy, safe and secure working environment. It has put in place policies and practices that comply with applicable regulatory guidelines and requirements.

Over the year under review, the Bank showed its commitment to promote a protected environment for its employees and customer by enhancing its security standards. Health and safety was a major concern and the Bank spared no efforts to provide the appropriate training and acquire the highest quality equipment to minimise severity of any emergency situation such as fire occurrence, bomb threats or any event of the like.

A complete review of the Bank's safety policies and procedures was carried out and shared with the staff. Appropriate trainings (First Aid, Safety Awareness and Fire Fighting) were organised with the assistance of the Health and Safety Officer and an Emergency Response Team was set up composed of the Deputy Chief Executive Officer, the Chairperson of the Health and Safety Committee, the Facilities Manager and the Human Resources Manager.

The Bank will continue its efforts to enhance its standards in the safety field and continue to reassess and update its policies where and when necessary.

Promoting Sustainability

At Bank One, we envisage long-term business success, while contributing towards economic and social development, a healthy environment and a stable society.

The Bank's Social & Environmental Management Policy broadly outlines the principles guiding the management of social and environmental issues within the context of the Bank's business objectives. All project financing are accordingly reviewed and evaluated against the requirements stipulated in the policy; our benchmarks being relevant to local legislation and international best practice. Any project involving an excluded activity will not be considered. However, if the project passes the exclusionary test, its level of Social and Environmental Risk will be assessed and mitigation measures identified, which will be put as conditions to the financing of the project.

This 1 March 2013

Kamini VENCADASMY, ACIS
Company Secretary

Company secretary's CERTIFICATE

In my capacity as Company Secretary, I hereby confirm that, to the best of my knowledge and belief, the Bank has filed with the Registrar of Companies, as at 31 December 2012, all such returns as are required under the Companies Act 2001.

This 1 March 2013

Kamini VENCADASMY, ACIS
Company Secretary

Bank One is fully committed to attaining and sustaining the highest standards of corporate governance with the aim of increasing long-term value for the shareholders. The Bank is taking various initiatives to ensure that both its short-term and long-term objectives are achieved.

Going beyond PROMISE

Management discussion & ANALYSIS

HIGHLIGHTS

Bank One continues to make good progress against the key elements of its medium and long-term strategies by delivering a profit after tax of Rs 203m. These results are encouraging as 2012 was another year of lower economic growth and sustained concerns about the euro zone. The domestic economy continues to be impacted by the crisis as reflected by the slower growth recorded in key sectors of our economy.

The profit of Rs 203m represents a reasonable growth of 16% over last year (FY2011 – Rs 175m), and is in line with our expectations with positive contribution from core businesses.

The Bank delivered 20% Return on average equity as projected, at the same level as last year, amidst a deteriorating economic environment.

Interest Income improved by 10% to reach Rs 904m; this increase is largely attributable to the increase in loan portfolio. The domestic market was characterised by a strongly competitive environment, especially on the mortgage loans while yields on Treasury Bills and other government papers continue to fall in a declining interest rate environment.

Interest Expense increased by 8%, on the back of growth in deposit base with increase of 17% and 28% in Segment A and Segment B respectively. The Bank continues to monitor deposit base and have adequate arrangements put in place to deal with any unexpected demands and market fluctuations.

Net Interest Income improved to Rs 397m with growth of 7% and 27% from Segment A and Segment B respectively.

Non Interest Income was up by 17% to reach Rs 250m contributed mainly by treasury operations and net fees and commission. The ratio of Non Interest Income to Total Income stood at 39% as at December 2012. The Bank is continuously working towards income diversification and in that respect, has started e-commerce business in December 2012, the benefits of which will be reflected in 2013.

Non Interest Expenses increased by 15% or Rs 49m in line with the increase in business volumes and related to investment in logistics and capacity building. The cost to income ratio has been maintained at 58%. The Bank remains committed to its cost discipline and cost to income ratio target, while selectively investing in growth and service related areas.

Total Assets increased to Rs 19.4bn, representing a growth of 24% while the return on average total assets was maintained at 1.2%

Total Deposit base improved to Rs 17bn, growth of 22% contributed by all business lines. The Bank raised Rs 3bn of deposits during the year with Rs 800m in rupee and Rs 2.2bn in foreign currency respectively. Liquidity in the domestic rupee market continued to be high throughout 2012 and the Bank did not need to focus on rupee deposit mobilisation. Nevertheless, efforts were put in attracting more low costs deposits to maintain a low cost deposit ratio of 43% in 2012.

Loan book increased to Rs 12.2bn, an increase of Rs 2.7bn or 28% with major contribution from International Banking operations and Retail Banking. Rupee lending has been mostly driven by mortgage loans and SME lending while corporate business remained stagnant due to low credit off take. During the year Bank One continued to show its support and commitment towards the SME Sector. The Bank disbursed additional loans to the SMEs under The Bank of Mauritius SME Financing Scheme. The Bank also participated in the Bank of Mauritius programme for conversion of debts into foreign currency lines to export-oriented units, especially in the hotel sector.

Loan to deposit ratio continues to improve year on year and reached 72% in December 2012 with 83% in rupee and 61% in foreign currency.

Although delinquency increased in the domestic Corporate Sector, the Bank's total impaired advances were maintained at Rs 417m. Delinquencies were largely offset by some significant recoveries. The overall credit performance across all business lines are supported by a conservative and well balanced approach in terms of Credit Risk. The NPA ratio to total advances improved from 4.4% to 3.4% while the Net NPA ratio stood at 2%.

The Bank is adequately capitalised with a Capital Adequacy ratio of 11.18% as at 31 December 2012. In January 2013, the Bank raised additional subordinated debt of Rs 100m to support business growth. Tier 1 ratio closed at 7.6%, through retained earnings during the year. Currently capital, funding and liquidity positions remain strong and adequate to meet stressful conditions.

On 23rd October 2012, the Bank of Mauritius circulated a discussion paper on Basel III implementation, proposing to implement Basel III in a phased manner starting July 2013 to July 2019. The Capital Adequacy ratio under Basel III is expected to be increased to 10.625% in 2016 and further to 11.25% in 2017, and finally to 12.5% in 2019. The Bank is gearing itself to comply with the Basel III guidelines.

During 2013, Bank One will continue to tap business opportunities in Eastern and Southern African markets while consolidating its foothold in the domestic market.

PERFORMANCE AGAINST OBJECTIVES

Objectives for Year 2012	Performance in Year 2012	Objectives for Year 2013
Return on Average Equity (ROE)		
The risks of weaker growth and slower economic activity loom over market in 2012, return on average equity to be flat at 20%.	Return on Average Equity of 20% achieved as targeted.	Economic environment in year 2013 will continue to be under strong influence of the global economic crisis, especially the euro zone which is our main export market. This will continue to impact on our business. ROE is projected to remain flat at 20%.
Return on Average Assets (ROAA)		
ROAA to improve to 1.4%.	Actual ROAA was at 1.17% slightly below our objective and below last year's level, due to heavy price competition.	ROAA to improve sensibly to 1.3%
Deposits Growth		
Total deposit base to grow by 29%.	Total deposit base grew by 22% with recorded growth of 17% and 28% in Segment A and Segment B respectively.	Total deposit base to grow by 29%.
Segment A – Due to continued excess liquidity situation, total deposits to grow by 15%.	While the objective on deposit growth on Segment A was fully achieved, the Segment B growth was below expectation given the prolonged difficult economic situation impacting on the international business operations. However, given the current economic context under which banks have operated, the growth of 28% is satisfactory.	Segment A –Projected growth of 15%, driven to a large extent by Retail segment. New marketing incentives and new branches will contribute to this objective
Segment B – Expected growth of 48%. The Bank will continue to leverage on the presence of the shareholder's in certain key markets in Eastern Africa and will also develop new relationship in the southern African countries and in the region.		Segment B – Expected growth to be at 20%. The Bank will intensify its presence in the target markets with a focus in countries where our shareholders are present and additional support from our new rep office in South Africa.
Loans and Advances Growth		
Segment A – 25% growth with business activity to pick up in second half of 2012.	Growth of 24% and 49% achieved as targeted	Target growth of 23% in the loan book.
Segment B – Growth of 48% is projected with selective lending.		Segment A – increase of 28% to be driven by Retail and SME segment while corporate segment to remain low key.
		Segment B – With the prolonged slowdown in economic activity and higher risk in certain sectors, deployment to be made in a very prudent manner with, growth of around 22%.
Asset Quality		
Together with the pursuance of the recovery actions and strict Risk Management practices the gross impaired ratio is expected to improve to 2.8%.	Gross impaired advances stood at Rs 417m as at Dec 2012, at the same level as Dec 2011. Impaired ratio to total advances improved from 4.4% to 3.4%. Despite being below our initial target the progress made was satisfactory though certain important recoveries and realisation of assets got delayed.	Gross and net impaired ratio is expected to drop to below 2% and 1% respectively while coverage ratio to improve to 90%, based on expected recoveries.
Net impaired ratio to drop to 1%	Net impaired ratio stood at 2.0%	
Coverage ratio to improve to 90%	The coverage ratio was reduced from 85% as at Dec 2011, to 72%. Uncovered portion is backed by collaterals for which the recoverable value is at a comfortable level.	
Cost to Income Ratio		
Increased efficiency and cost control will be a key component in the priorities of Bank One in 2012 and the cost to income ratio is expected to drop below 55%.	Cost to Income ratio remained at 58%, same level as 2011.	Target to reduce the cost to income ratio below 55% will be maintained for 2013.
Capital Adequacy Ratio		
Capital adequacy ratio to be maintained above 11%.	Capital adequacy ratio of 11.18% at end of 2012.	Capital adequacy ratio to be maintained above 11% and the Bank will be initiating steps to comply with the Basel III capital requirements.

FINANCIAL ANALYSIS | Income Statement for the year ended 31 December 2012

	Year ended Dec-12 Rs 000	Year ended Dec-11 Rs 000	Year ended Dec-10 Rs 000
Net interest income	396,646	356,190	292,162
Net fee and commission income	107,057	103,735	94,555
Net trading income	135,291	109,804	57,416
Other operating income	8,462	396	10,278
Operating income	647,456	**570,125**	**454,411**
Non interest expense	(381,141)	(331,842)	(291,469)
Operating profit before exceptional items	266,315	238,283	162,943
Profit on sale and recovery of assets	4,378	-	59,322
	270,693	238,283	222,265
Allowance for credit impairment	(46,025)	(35,615)	(26,421)
Profit before tax	**224,668**	**202,668**	**195,844**
Income tax expense	(21,300)	(27,380)	(27,556)
Profit for the year	**203,368**	**175,288**	**168,288**

FINANCIAL HIGHLIGHTS | Net Interest Income

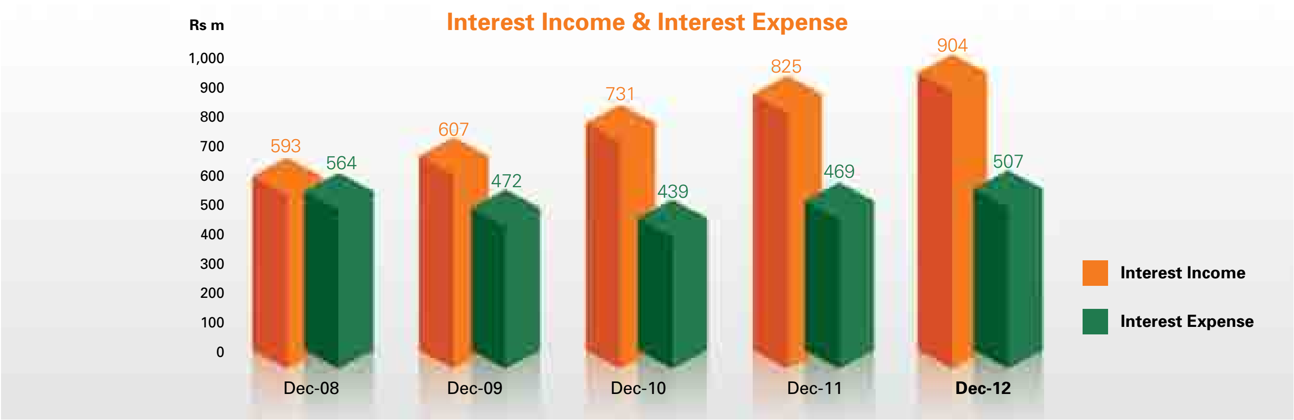
	Year ended Dec-12 Rs 000	Year ended Dec-11 Rs 000	Year ended Dec-10 Rs 000
Interest Income			
Loans and Advances to customers and banks	762,657	697,201	609,774
Investment Securities	120,765	109,985	98,084
Placements	20,423	18,309	23,428
	903,845	**825,495**	**731,286**
Interest Expense			
Deposits from customers	476,990	444,072	422,010
Borrowings from banks	2,117	41	402
Other	28,092	25,193	16,712
	507,199	**469,306**	**439,124**
Net Interest Income	396,646	356,190	292,162
Average Interest Earning Assets (Rs m)	13,537	10,943	9,829
Average Interest Bearing Liabilities (Rs m)	11,997	10,333	8,611
Interest Income/Average Interest Earning Assets	6.68%	7.54%	7.44%
Interest Expense/Average Interest Earning Liabilities	4.23%	4.54%	5.10%
Net Margin	2.46%	3.00%	2.34%
Core Revenue	636,797	569,730	444,133

Interest income improved from Rs 825m to Rs 904m for the year, representing an increase of 10%. This increase is mainly attributable to the growth in the interest earning assets by 20% in Segment A and 49% in Segment B. The earnings asset mix has been maintained at 2011 level with 82% in Loans and Advances and 18% in placements and investments in Securities.

The return on average earning assets on the rupee book went down and was marked by mainly the decrease in the repo rate and aggressive price competition on mortgage loans coupled with decreasing yields on government securities thus impacting on the interest margin.

However, the satisfactory performance on the foreign currency transactions, improvement in the deposit mix with better low cost deposit ratio and better yields in our main currencies contributed to mitigate the impact on the total interest margin. As at 31 December 2012 the foreign currency component of the total assets improved from 42% in 2011 to 44%.

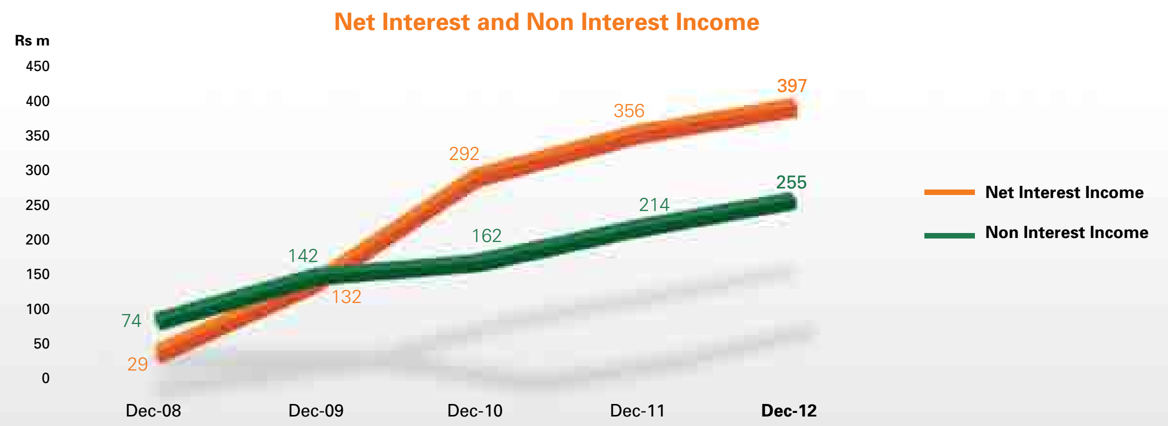
Interest expense increased to Rs 507m, representing an increase of 8% compared to last year. This increase reflected the impact of the growth in Segment A deposit book by 17% despite decrease in repo rate of 50bps and Segment B deposit book of 28%.



Non Interest Income

	Year ended Dec-12 Rs 000	Year ended Dec-11 Rs 000	Year ended Dec-10 Rs 000
Net Fees and Commission	107,057	103,736	94,555
Net Trading Income	135,291	109,900	57,416
Other Operating Income	8,462	299	10,278
	250,810	213,935	162,249

In line with the increase in the business activities, Non Interest Income expanded by Rs 36m or 17% and represented 39% of total revenue. The increase is driven primarily by strong performance from Segment B operations which contributed 65% of the total Non Interest Income. Despite the persisting difficult global economic environment, the Treasury Department managed to deliver a remarkable performance contributing 53% of the Bank`s Non Interest Income.



Non Interest Expense and Cost Management

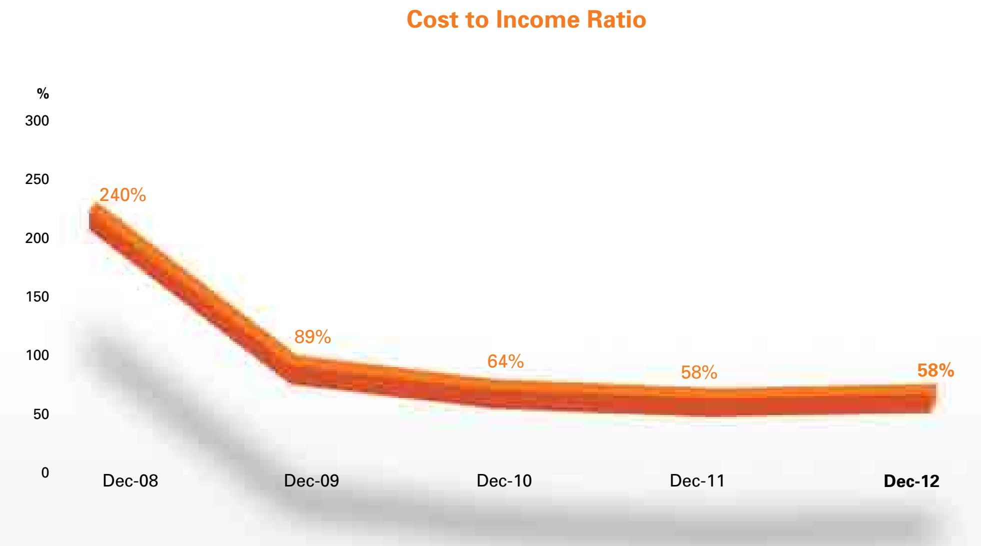
	Year ended Dec-12 Rs 000	Year ended Dec-11 Rs 000	Year ended Dec-10 Rs 000
Personnel Expenses	232,913	203,078	172,935
Depreciation and Amortisation	35,648	35,043	34,640
Other Expenses	112,580	93,720	83,893
	381,141	331,841	291,468

Non Interest Expenses increased by 15% to reach Rs 381m in 2012. This increase is predominantly due to increase in personnel related costs and also expenses to meet increase in business volumes.

Personnel expenses increased by 14% compared to 17% in 2011. This increase is attributable to new recruits in line with business expansion, new salary scales which came into effect in April 2012 following a new collective agreement with the Union, annual statutory salary increase, performance related bonus and capacity building including training and HR development.

Other expenses increased by Rs 19m or 20% largely as a result of opening of new branches and growing business volumes. While the Bank managed to contain the costs in certain operational areas, additional costs were incurred in strategic areas like premises, marketing and business promotions with a view to offer better service to our clients.

Despite the increase in the expenses by 15%, the Bank was able to contain the cost to income ratio to 58% same level of 2011.



DISCUSSION BY LINE OF BUSINESS

Retail Banking

Performance
Retail Banking has witnessed a good performance in 2012 as it continued its upward trend despite economic slowdown and increased competition from other financial institutions. Advances which grew by 50% in 2011 recorded a growth of 52% in 2012, increasing from Rs 2,209m to Rs 3,347m. The housing segment posted an increase of 84% over the year while the consumer segment also grew appreciably by 64%. Demand for SME financing continues to be slow in the present difficult economic context and this is reflected in the lower growth in the SME segment which has moved by 14%.

Excess rupee liquidity continues to prevail in the market but nevertheless deposits show a growth of 4.5%.

This performance has been rendered possible by our competitive offers and the continuous review and improvement of our product and services.

Product Offering
The Bank One Nest Home Loan, with its attractive rates and conditions, has been particularly successful despite fierce competition from other financial institutions and has been the driver of our growth in advances.

Women empowerment continues to be an important mission for Bank One and we will continue to reward women who have particularly shone in the fields of education, entrepreneurship, arts and culture, social and sports through our EMMA Awards which is an annual awaited event.

Our educational loan – Bank One Graduates – offers competitive rates and long repayment periods to finance students who wish to pursue tertiary studies both locally and overseas. Bank One will also be participating in the Educational Loan Scheme of the Ministry of Finance to help needy students pursue higher studies.

Our prepaid visa card, branded as 'POSH' card was well received in the market as an innovative way for travel expenses as well as providing for pocket money by parents to students abroad.

All Bank One cards – Debit, Credit and Prepaid, issued under the VISA brand, are now chip-enabled and are 'verified by visa', which adds a new layer of security and comfort against possible online frauds.

The Bank is also involved in financial leasing since 2009, both to individuals and to corporate entities. Assets financed include motor vehicles, both new and second hand, heavy duty equipment, IT equipment, aircrafts and boats, amongst others. The Bank generally finances 80% of the value of the equipment, amortised over residual lifetime of the asset, not exceeding 7 years. The interest rate depends on the risk profile of the borrowing entity and on the residual value on maturity of the asset financed. Finance leases are particularly relevant to the SME sector as it relieves them of providing external collateral.

SME Banking

Bank One has fully participated in the SME Financing Scheme launched by the Government in support of the SME sector. Along the same lines, we have signed a Guarantee Scheme for SMEs with the Agence Française de Développement (AFD) under their ARIZ scheme whereby ARIZ guarantees 50% of the SME loans on a portfolio basis.

Our team of SME specialists works closely with and provides advisory services to our clients on a regional basis. We believe that SME banking should be on a one-to-one basis and work continuously towards the improvement of our products to cater for the changing needs of our clients. Participation in SME fairs has increased the awareness of the Bank among SMEs.

The Bank is also currently negotiating for a credit line with international financial Institutions for financing SMEs especially women entrepreneurs.

Service Quality
In an endeavour to improve the level of service to our customers, a continuous and particular focus has been maintained in the sphere of Service Quality. Initiatives during 2012 included:

- Set up of a centralised system through a help desk, with a dedicated officer to look after clients' feedback and complaints. We do not pretend to be perfect. We however, admit a mistake where we make one, we apologise for it, fix it fast and take steps so that it never happens again. All complaints are resolved at the earliest and are closely monitored. An analysis of the findings is presented on a monthly basis to the Management during the Quality Service Meetings. The Management is strongly committed in ensuring that all complaints are dealt with spontaneously and that actions are taken promptly;

- Set up of a Contact Centre to provide better and faster service to our customers. The staff has been trained to give first hand information to clients and as a result potential leads are referred to the Branches at their convenience. On another level, our service capacity has been enhanced by attending client requests such as balance enquiries, transaction information and any other requests related to account;

- Review of various processes under Business Process Re-engineering (BPR). In some cases, BPR has resulted into improvement in cycle time by 40% ensuring a faster and more efficient service delivery to customers. BPR remains a continuous exercise;

- Training sessions in Customer Care Skills to both retail and back office staff in view of upgrading their knowledge, skills and abilities. Front liners were consequently assessed on the level of skills displayed through mystery shopping exercises over the phone and physical observation. Coaching sessions were then held on a one-to-one basis, so as to help enhance their ability to provide better service and cementing the relationship with the customer;

- Introduction of the Balanced Scorecard, which reinforces Management's determination to continuously improve service quality all across the Bank. The performance measures and indicators adopted from the point of view of the different perspectives, namely: Financial, Customer, Internal Process and Learning and Growth ensures a well-defined strategy translated into goals and objectives that can be monitored to track progress.

Channels
The Bank has continued with the policy of proximity with its customers by opening two branches in 2012 – one in the west at the Cascavelle Shopping Centre in March 2012 and a second one in the north at the Grand Baie La Croisette Shopping Mall in December 2012. The opening of these two branches brings the total of our branches to 16 and enables us to better service our existing clients and reach a larger share of the market through improved visibility in these regions.

With a view to provide increased convenience to our clients, we have in 2012 started the replacement of our existing fleet of ATMs. The new ATMs have improved performance through less down time, better quality print and voice interface.

Our Contact Centre is now fully operational with a well-trained team which aims to provide a faster response to the queries of our clients by phone.

The Bank has started its e-commerce business and will soon become a POS acquirer and provide POS facilities to all its customers.

Marketing
Door-to-door marketing remains a strong feature of our marketing strategy as it enables us to be closer to our clients and be better aware of their needs. Traditional media like the press, radio, billboards were also used for our regular product marketing campaigns.

The Bank participated in education fairs as well as forum organised for the SMEs to better promote our products, in particular, our educational loans and SME products.

Through clever designing and focused targeting, Bank One brand has been increasingly acquiring mind share over the last few years.

Outlook

Retail banking, with special focus on the housing loan market and SMEs, is well positioned to capture further market share as product offerings are expanded or augmented. Reasonably strong performance is expected in 2013 as well.

Corporate Banking

Covering principally large corporate client segments, Corporate Banking has well positioned itself and demonstrated a high level of resilience as the lingering impact of global economic conditions continued to challenge key sectors of the Mauritian economy in 2012.

Keeping in mind the moderation of credit demand on the back of the persisting uncertainty, the overall performance of Corporate Banking for the year has exceeded expectations with lending portfolio having recorded close on 10% growth to reach Rs 4.2bn, up from Rs 3.8bn last year. This steady balance sheet growth reflects the dedication and efforts of a focused sales team in acquiring new clients and encouraging existing clients to utilise more of our products and services by providing the right financial solutions and insights to help them achieve their financial objectives.

The Bank has also contributed to the national effort of making lending more affordable to operators particularly in export-oriented and tourism sectors through participation in the Bank of Mauritius Special Line of Credit initiative which drastically helped to reduce loan pricing and mitigate currency exposures. The lower yield on these products does, however, continue to affect loan revenue.

Corporate deposits have grown by 44% compared to a year ago reflecting Bank One's attractiveness to the market as well as the prevailing rupee market liquidity which impacted positively on funding costs. Rupee lending margins however continued to face downward pressure throughout the year on the back of intense competition and weakened demand for credit while unfavourable exchange rates and reduction in business activity levels continued to impact on Non Interest Income flows which trimmed down marginally compared to last year.

A number of key initiatives, such as new card services, are planned for the coming year in support of growing the corporate customer base and cross-selling across business segments. Although the year ahead looks challenging, Corporate Banking will face 2013 with a full-spectrum service offering and skilled team well-positioned to achieve earnings growth.

International Banking

Started in 2008, International Banking continues to be one of the most profitable lines of business of the Bank, contributing around 25% to Bank's revenue and 45% to Bank's assets. International Banking focuses on serving Segment B clients through a dedicated and competent team of professionals. It offers deposit accounts in various currencies and carries cross border lending. Deposits are sourced through management companies in Mauritius as well as leveraging on the presence of our Shareholders in various African countries. In terms of deployment, the Bank is actively involved in Trade Finance, Structured Asset Finance and Project lending.

During 2012, total deposits grew by 28%, reaching nearly $ 250m whereas assets growth was 50%, mainly with tenor in the range of short to medium term on account of economic vulnerabilities. Amongst our clients are large trading and listed companies which are very active regionally. Bank One is therefore strongly supportive of regional trade.

Significant part of international banking assets is also in Bank exposure, including some African Banks, Middle East Banks, Indian Banks, Chinese Banks and some European Banks. Credit Risk is well diversified.

Since inception, International Banking has had a focused approach in doing business with Africa. Our partner's growing presence in East Africa, namely in Kenya with 20 branches, 6 branches in Tanzania and 16 branches in Rwanda, is a clear advantage in further increasing our footing in Africa. We are also looking at establishing representative offices in South Africa to facilitate and strengthen trade flows within Africa. Further opportunities are also being explored which will lead to enhanced regional activities and business expansion for the division. Our strategic intent for the medium term is that International Banking should contribute towards 60% of the Bank's assets, liabilities and profit.

Private Banking & Wealth Management

The Private Banking & Wealth Management unit has been strengthened in the course of 2012 by the recruitment of additional staff with the aim of offering better comprehensive advice and a broad range of financial solutions to high net worth clients. Using financial planning techniques, the Bank offers a distinct value proposition, combining a global reach with a structured advisory process and access to a broad range of sophisticated products and services through our collaboration with international partners and specialised investment management companies with whom we have agreements.

Conditions in Year 2012 were challenging, particularly with the issues surrounding the euro zone dominating the markets. Despite that we have continued to focus on developing and consolidating our relationship with our Private Banking clients locally and in the region and assisting them in their decision making process.

After the successful launch of the NEO Capital Protected Fund in 2011, the first ever rupee capital protected fund linked to the Mauritian Stock Exchange, Private Banking is in the midst of launching the NEO Africa Fund in 2013. The latter's focus will be on tradable stock of market leader companies found on the continent, principally Sub-Saharan Africa thus providing investors with the opportunity to participate in Africa's growth story. These initiatives are central to our aspirations of becoming a key player in the region.

Private Banking will continue to expand in terms of quality delivery and personalised services. As a registered financial investment products distributor with the Financial Services Commission since 2008, the Private Banking unit will continue to develop key global partnerships to expand its global research capabilities and structured product offerings. Our goal is to continue to propose tailored investments solutions which address each client's unique requirements and investment goals amidst the continuous and changing economic environment.

Treasury Business

The Treasury Business Unit achieved in 2012 a total income of Rs 135m. This represents a 23% growth over the previous year. Considering the general gloomy environment among banks and business segments, Treasury Business fared reasonably well.

The focus was in widening client base and providing competitive exchange rates to SME and mid segment corporates. Margin continues to be tight due to increasing competition and a general contraction of business volumes against a backdrop of global slowdown. This trend will remain for a few more quarters.

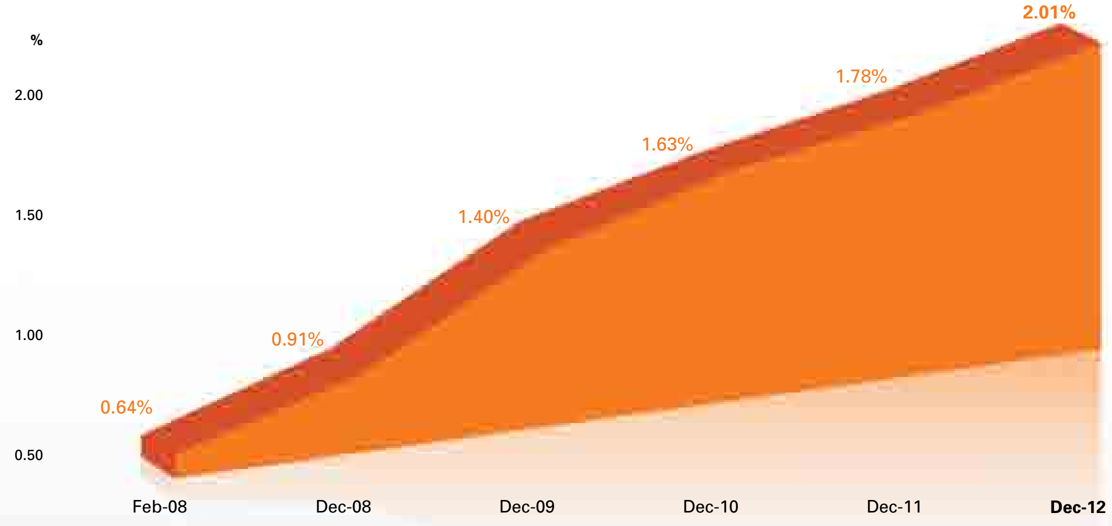
For the year ahead, we anticipate a pickup in corporate sentiment in the latter half as Europe shows some signs of revival and emerging markets have avoided a hard landing. The focus will be to improve share of business among the exporter segment, which will help improve the Bank's pricing power to a predominantly importer-driven business profile. The Bank has built expertise in new treasury products and this will enable us to service the top segment of corporates also, who are product savvy.

The Bank is about to go live on total treasury automation which will provide better control over processes and free up resources for sales activity.

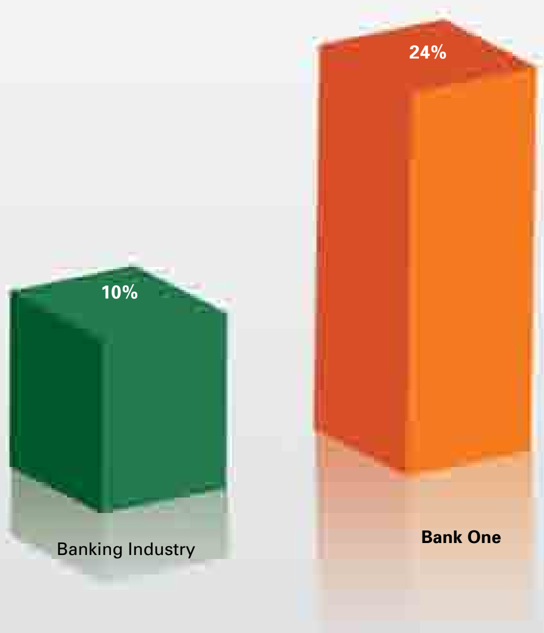
Market SHARE

31 December 2012

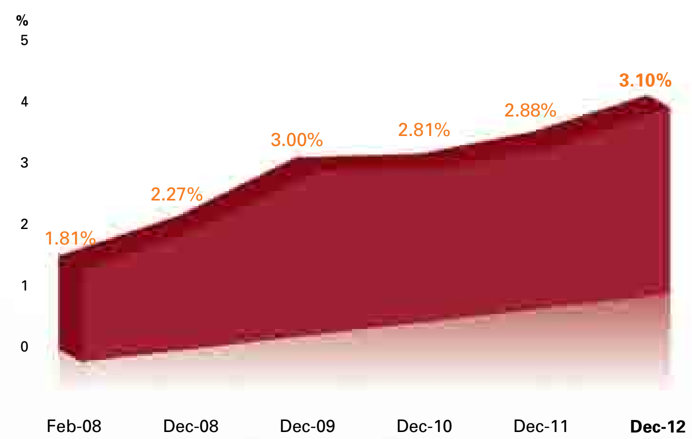
Total Assets



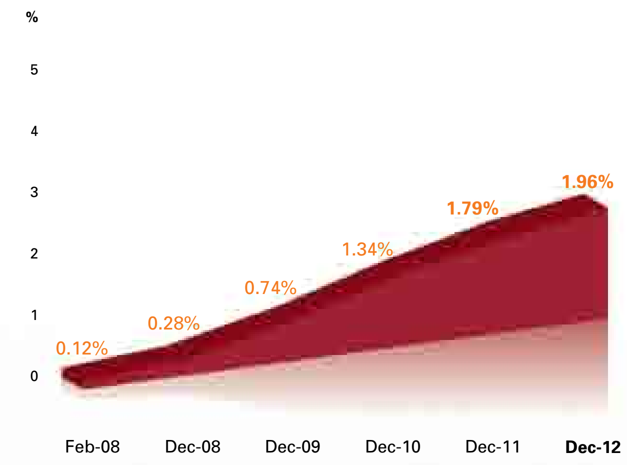
Growth 2012 - Total Assets



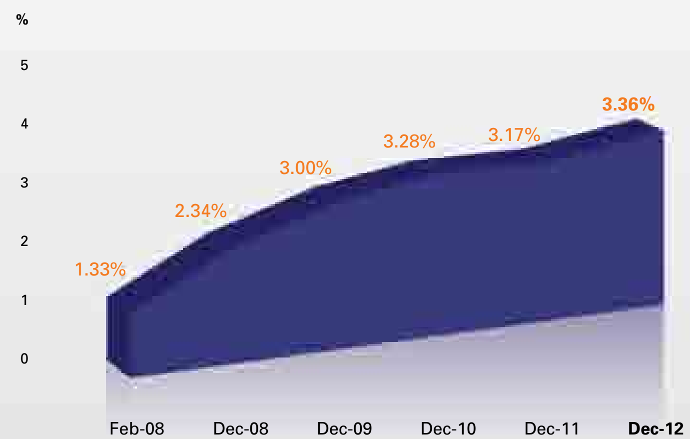
Deposit Base - Segment A



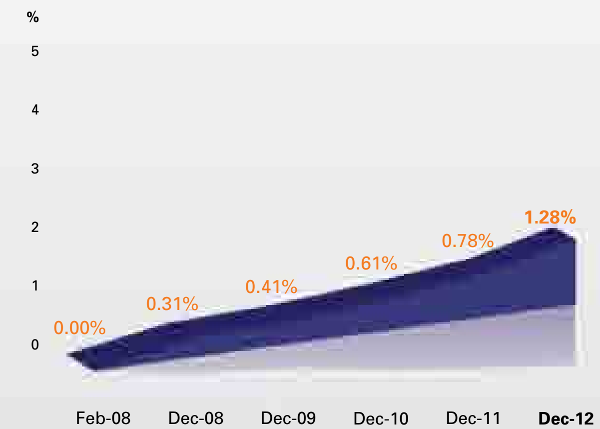
Deposit Base - Segment B



Advances Book - Segment A



Advances Book - Segment B



HUMAN CAPITAL MANAGEMENT

Bank One has invested in its human resources in 2012 through the introduction of various programmes aimed at attracting, developing, motivating and retaining talent to achieve superior performance. As such, the overall performance and remuneration philosophy is directly proportional to the strategic intent and core values of the Bank.

The Board is responsible for the Remuneration Policy of the Bank. It exercises its authority through the quarterly Board Administrative & Staff Compensation Committee. At the Management level, the Human Resources Committee and the Executive Committee assist the Board in ensuring that the provisions of the remuneration packages are competitive and in line with the market. The Human Resources Department ensures that all staff undergo a proper induction programme and that their welfare are properly addressed so that the workforce is fully engaged and encouraged for long-term sustainable performance. Along with the above, the Bank fully complies with the Occupational Health and Safety Act to ensure that a safe working environment is presented to all staff. Our Health and Safety Committee, which comprises of Chief Operating Officer as Chairperson, representatives from Management that include HR Manager, Facilities Manager and Compliance Manager and also four Employee representatives as well as a Health & Safety Officer, meets monthly and ensures all health & safety items are monitored and addressed.

In 2012, a number of key positions were filled through internal promotions as well as by drafting in external specialist talent. The Bank has also developed a Phantom Share option for its Executives, which is becoming operational in 2013. The aim of the scheme is to provide to Executives the possibility of sharing in the success and running of the organisation. The amount of Phantom Shares to be allotted will be given to the Executives in addition to their Performance Bonus, which amount is subject to the Bank's performance as well as their performance and contribution to the Bank.

Employee Engagement

Our overall performance structure is driven by the philosophy that a fully engaged workforce increases productivity and business performance. Our engagement survey in November 2012, confirms that on an average 78% of the staff are positively engaged compared to 71% in 2009. It is also interesting to note that there has been an increase in the level of participation from staff in the survey. 88% of the Bank's staff participated in our recent engagement survey as opposed to 71% in 2009. This substantiates the fact that Bank One employees are emotionally and intellectually committed in delivering high value added banking services. Such strong engagement and degree of loyalty from staff is the result of a number of initiatives driven by the Bank. Our reward and recognition philosophy has remained at the heart of the Bank's Culture in 2012. Team efforts were recognised through departmental awards given during the annual award ceremony held during our 2012 Annual Party. Individual efforts from staff in raising their academic qualification levels by completing relevant courses like MBAs and ACCAs were also publicly recognised through appreciation letters and financial incentives. The Bank also financed fully the studies for staff who successfully passed the UK Diploma in Retail Banking Code of Conduct and rewarded them through a financial token of appreciation in 2012.

Employee Development

The Bank has arranged a number of both internal and external professional trainings in 2012. For some highly technical training, overseas trainers were sought. The Bank also recruited a Quality Service Coordinator at the start of 2012 who has been providing training to all employees with regards to customer service, improving service quality in the Bank and coordinating the business re-engineering programme to improve operational efficiency and turnaround times.

Personal development training was also devised for members of our CEO's club to help them develop their leadership potential. Eleven members of the staff successfully completed the Diploma in Retail Banking from the International School of Finance (UK) in 2012, the cost of which was fully borne by the Bank. The Bank is exploring into financing a banking degree programme for them in 2013.

As part of our leader's development programme, our annual 360 degree feedback exercise was also launched in 2012. Both our Executives and Managers were assessed by their Line Managers, Direct Reports as well as from Peers. The results were shared with the concerned staff and same will be used in their 2012 appraisals. Such a tool is used annually by the Bank to assess the personal and interpersonal behavioural competencies of our leaders.

Remuneration Philosophy

The Remuneration Philosophy of Bank One is based on performance and productivity which covers performance against set targets, behavioural indicators, recognising special skills and targets. The Bank has, amongst its workforce, employees both on a fixed term and a permanent basis. Salaries are reviewed annually and increases allowed based on performance as well as compensating for any increase in cost of living. Performance bonus is also paid annually taking into account the individual employee achievement, performance of the line of business to which the employee belongs as well as the overall performance of the Bank. The annual performance appraisal process for deciding on annual increments and performance bonuses is carried on a two tiered level basis with a final moderation from Top Management to ensure fairness and avoid unnecessary bias. The Bank is an equal opportunity employer and provides employment and career advancement opportunities to people from all walks of life. The Bank prides itself in having a good number of women in the Top Management team.

The Collective Agreement with the union was concluded and renewed in April 2012 to the satisfaction of all the concerned parties. The Bank's salaries and benefits were aligned to better reflect market rates.

One Team One Dream & Balanced Scorecard

As a major initiative in 2012, the Bank introduced the Balanced Scorecard (BSC) as a strategic tool to improve overall performance. According to the principles of the BSC, strategy cannot be thought of based solely on the financial aspects of the business. We will bring good value to our shareholders only if our customers benefit from an experience that meets or exceeds their expectations and for that to happen our internal processes have to be sound and robust, which in turn will not be possible if we do not build our skills, competencies and culture from within to improve our processes as we continue to learn and grow. The BSC therefore views the Bank from four perspectives: Financial, Customer, Internal and Learning and Growth.

Development and Implementation of the BSC

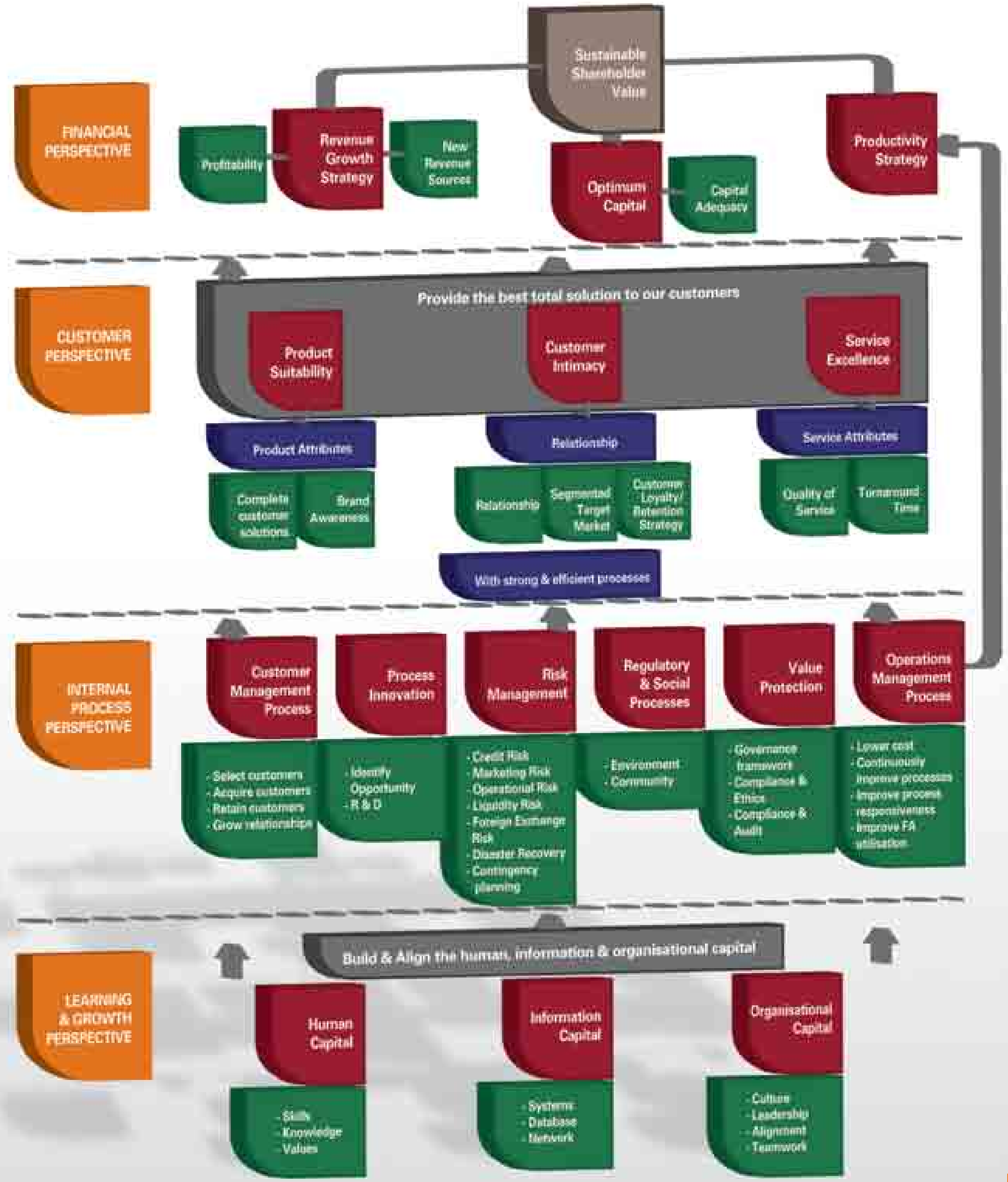
A workshop was held on 13 October 2012 with all Senior Management team gathered to discuss on the leading themes of the scorecard as follows:

The answers to these questions resulted in constructing our strategy map for the Bank. The main themes retained:

1. Grow domestically and regionally and create sustainable value to our shareholders;
2. Strengthen our relationship with our customers through excellence of service;
3. Constant re-engineering of our internal processes to meet customer's changing expectations due to growing competition;
4. Enhance our competencies and skills to bridge the gap between current and future competencies.

- On 26 November 2012, the whole Bank was rallied at a meeting to educate and initiate the staff to the concept of the BSC. What essentially came out during the session was that for the Balanced Scorecard to be successful a collective effort was required from each and everyone at the Bank and everyone's contribution was of fundamental significance. It was unanimously agreed that to make it all happen, we have to work together in ONE direction, as ONE team with ONE goal in mind to realise our dream, around the theme of ONE TEAM ONE DREAM.
- The Board held on 11 December 2012 approved the Bank's Scorecard and its implementation in a phased manner.

BANK ONE BALANCED SCORECARD STRATEGY MAP



The objectives and measures chosen for our scorecard were derived from the Bank's Mission and Vision and translated into targets, initiatives and ultimately into personal objectives.

STRATEGIC OUTCOMES

- Satisfied Shareholders
- Delighted Customers
- Efficient & Effective Process
- Motivated & Prepared Workforce

- Upon approval of the Bank's Scorecard, a number of surveys, both internal and external have been carried out during the period December 2012 to January 2013 based on a sample size of 10% of the Bank's total number of customers for Retail Banking, Private Banking, Corporate Banking and International Banking. These surveys will enable us develop our Customer Satisfaction Index (CSI), Quality Service Index, Loyalty Index and our Net Promoter Score, which will serve as measures in the Business Units Scorecards.
- A Brand Awareness survey is also being conducted with the public at large to gauge perception of mindshare.

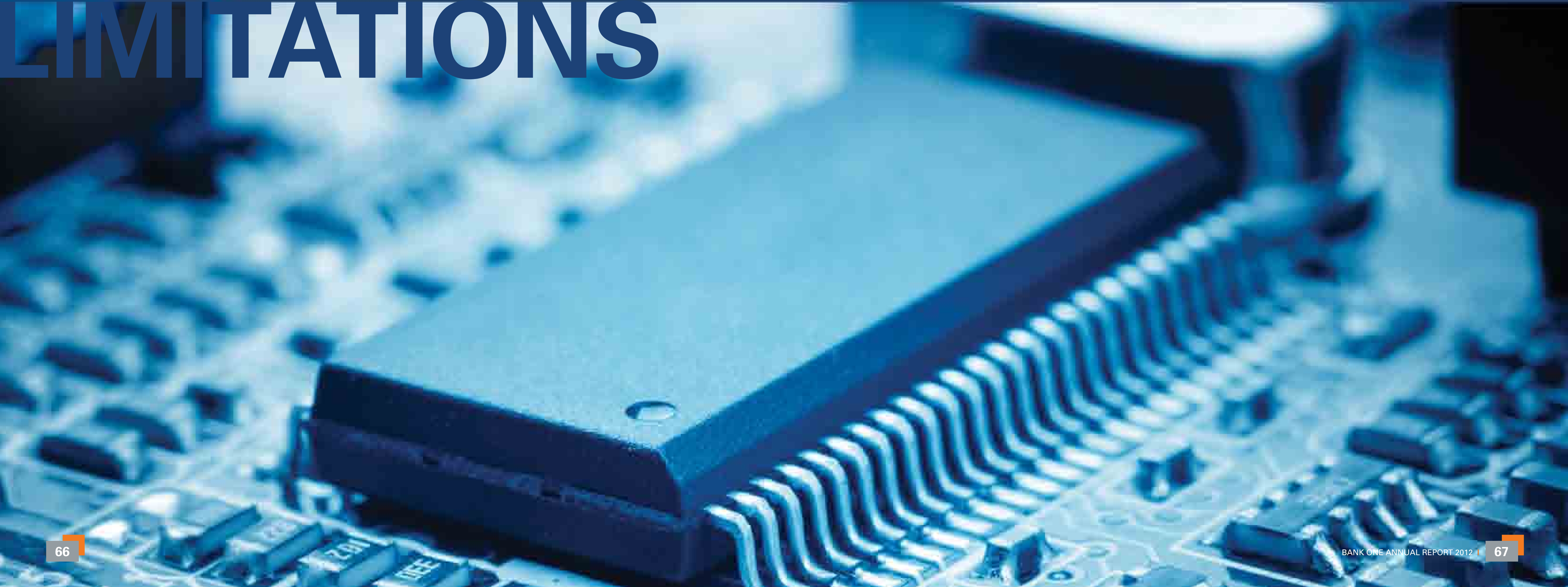
A Management System

What gets measured gets done!
The BSC provides a dashboard where metrics can be monitored clearly and objectively. It brings together the financial, customer, internal process and people into one performance monitoring system. While this helps the Management understand the linkages between these areas, efforts remain focused on achieving specific targets. The Balanced Scorecard therefore not only acts as a measurement system, but also as a management system that tracks results to help the organisation progress towards achieving its objectives.

For a start, the Balanced Scorecard has been worked out at Bank level, then at Business Units level and consequently at Shared Support Units level. The metrics defined will allow to measure performance up to team level and individual level.

Technology is at the heart of banking operations. **Bank One** therefore endeavours to keep abreast with latest technological innovations. The Bank has introduced One Click Internet Banking, SMaSh Mobile Banking and CASH@ONCE 24-hour ATM service to make our client's banking simple and easy, yet secure and confidential.

Going beyond LIMITATIONS



Risk management REPORT

Bank One defines risk as the danger of possible losses or profits foregone due to internal or external factors. Risk Management normally distinguishes between quantifiable risks - those to which a value can normally be attached in financial statements or in regulatory capital requirements – and non-quantifiable risks such as Reputational and Compliance Risks.

Risk Management Organisation

Risk Management is an essential component of all Bank One business processes and is designed to support Corporate Management. Risks are identified, measured and then managed and monitored in line with the Bank's risk tolerance.

Risk Management Process

IDENTIFY	• Understand the principal risks fundamental to achieving Bank One's strategy. • Establish the risk appetite. • Establish and communicate the Risk Management Framework including responsibilities, authorities and key controls.
ASSESS	• Establish the process for analysing business-level risks. • Agree and implement measurement and reporting standards and methodologies.
CONTROL	• Establish key control processes and practices, including limit structures, provisioning requirements and reporting standards. • Monitor controls and adherence to risk direction and limits. • Provide early warning of control or appetite breaches. • Ensure that Risk Management practices and conditions are appropriate for the business environment.
REPORT	• Interpret and report on risk exposures, concentrations and risk-taking outcomes. • Interpret and report on sensitivities and key risk indicators. • Communicate with external parties.
MANAGE	• Review and challenge all aspects of Bank One's risk profile. • Assess new risk-return opportunities. • Advise on ways to optimise Bank One's risk profile. • Review and challenge Risk Management practices.

Responsibility for implementing the Risk Policy guidelines laid down by the Board of Directors for quantifiable risks throughout the Bank, lies with the Bank's Management through the Risk function. The Risk function regularly reports to the Board and the Risk Management Committee of the Board on the overall risk situation within the Bank.

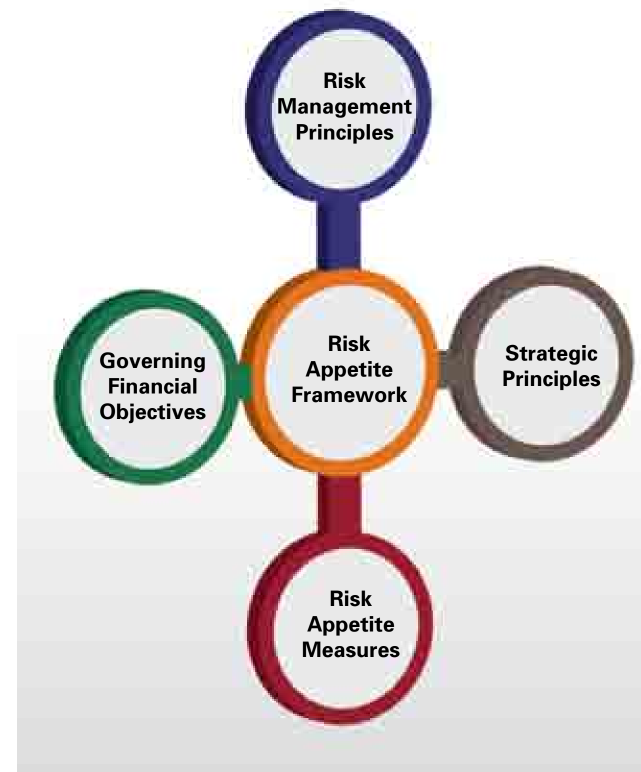
Based on this approach, the Board sets limits for the amount of Credit Risk, Market Risk, Operational Risk, Country Risk, and overall risk, within the prudential guidelines covering these risks, to both maintain sound operations and generate stable earnings. Other non-quantifiable risks like Compliance Risk, Strategic Risk and Reputational Risk are assessed and monitored on a qualitative basis.

The Board monitors the risk exposures on a quarterly basis, through various Board Committees. Moreover, the various Management Committees meet once a month to comprehensively measure, evaluate and monitor the occurrence and management of each type of risk. Market Risks, with underlying volatility, are monitored on a much more frequent basis.

The Risk Management function is split between Credit Risk Management, Market Risk Management, Operational and Compliance Risk and Capital Management. They all have a bank-wide focus and report directly to the Deputy Chief Executive Officer who also acts as Chief Risk Officer.

Risk Strategy and Risk Management

The Risk strategy provides quantitative and qualitative guidance to set limits and guidelines on the types of risk taking activities the Bank is prepared to take in pursuit of its strategic and financial objectives. The Bank controls risk-taking activities within the tolerances established by the Central Bank and the Board. The scope of the Risk strategy is defined by "risk tolerance". The overall Risk strategy covers all material quantifiable and unquantifiable risks. It is detailed further in the form of sub-risk strategies for individual risk types, which are then specified and made operational through policies, regulations and instructions/guidelines.



Risk Management Principles
Provide the qualitative foundation of the risk appetite framework.

These principles include:

- Promotion of a robust risk culture;
- Accountability for risk by the business lines;
- Avoidance of excessive risk concentrations; and
- Ensuring risks are clearly understood, measurable and manageable.

Strategic Principles
Provide qualitative benchmarks to guide the Bank in its pursuit of the Governing Financial Objectives and to gauge broad alignment between new initiatives and the Bank's risk appetite.

Strategic principles include:

- Placing emphasis on the diversity, quality and stability of earnings;
- Focusing on core businesses by leveraging competitive advantages; and
- Making disciplined and selective strategic investments.

Governing Financial Objectives
Focus on long-term Shareholder value. These objectives include sustainable earnings growth, maintenance of adequate capital in relation to the Bank's risk profile and availability of financial resources to meet financial obligations on a timely basis at reasonable prices.

Risk Appetite Measures
Risk appetite measures provide objective metrics that determine risk and articulate the Bank's risk appetite. They provide a link between actual risk-taking activities and the Risk Management principles, strategic principles and governing financial objectives described above. These measures include capital and earnings ratios, market and liquidity risk limits, and credit and operational risk targets.

The Bank seeks to achieve an appropriate balance between risk and reward in its business, and continues to build and enhance the Risk Management capabilities that assist in delivering growth plans in a controlled environment. The Bank seeks to limit adverse variations in earnings and capital by managing risk exposures within agreed levels of risk appetite.

Bank One is focused on achieving growth within appropriate risk/control boundaries. Balance is the KEY to Bank One's success & PEOPLE provide that balance.

The Challenge is to bring together disparate parts to form a cohesive whole

Portfolio monitoring and effective controls, using technical skills and a macro view of the system process/institution built around a shared cultural approach

Risk Management Policies and Controls

Risk Management is focused on the following major areas:

The Risk Management Framework

The Bank has put in place a comprehensive Risk Management Framework to understand and manage the risks it faces in conducting its banking operations.

The responsibilities of the Board in relation to risk control are:

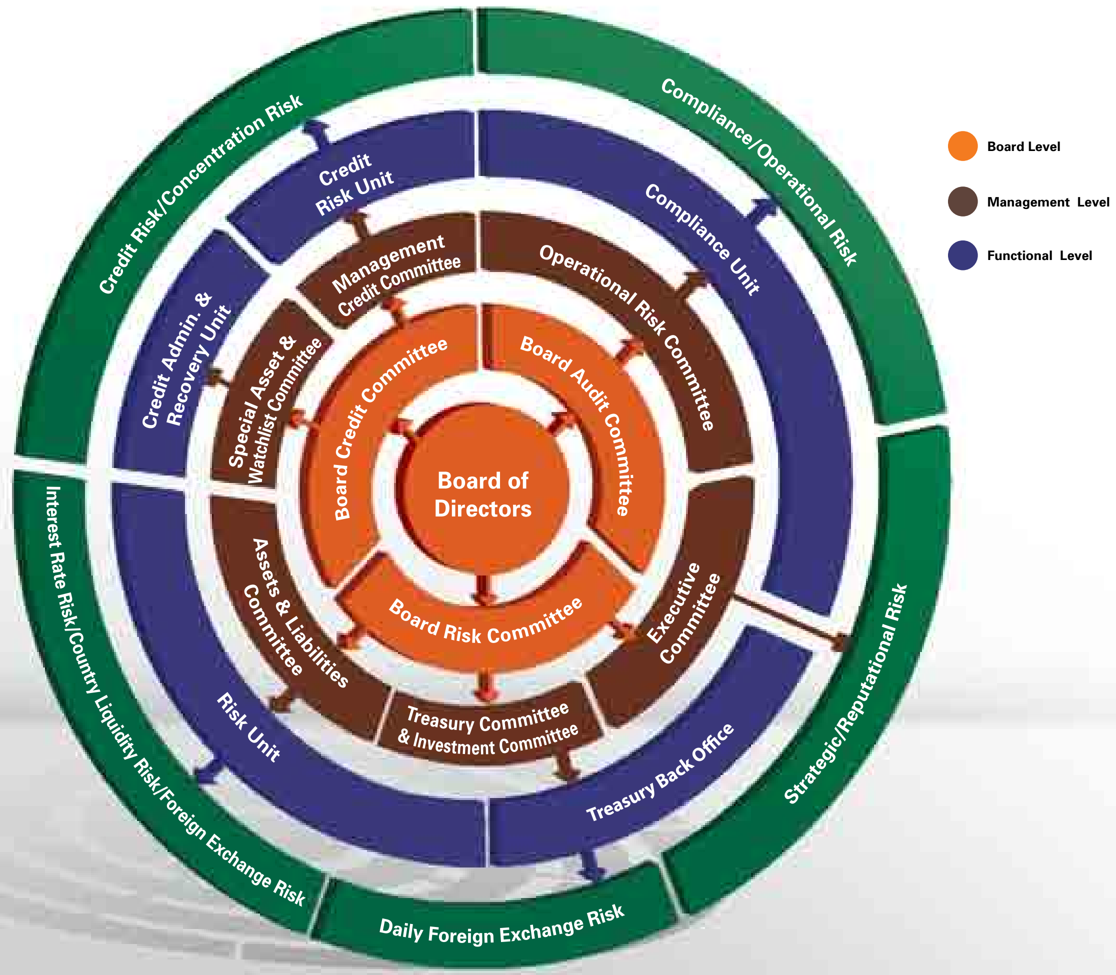
- To approve the overall strategy and policies to ensure that credit and other risks are properly managed at both the transaction and portfolio level;
- To review all risk policies at least on an annual basis;
- To manage risk, both financial and non-financial, conducted through operational and administrative control systems, including the functioning of the Audit Committee;
- To review Key Performance Indicators (against forecasts), operational statistics and policy compliance; and
- To analyse financial performance against budgets and variations in key non-financial measures.

Implementation of the risk policies is delegated to the Management. Through different Management Committees, the Management oversees and guides the management of different risks which are more particularly dealt with by the centralised Functional Risk Unit which operates independently from line functions and acts as a Risk Support Unit.

Functional Risk Units (FRU)

Bank One has adopted a centralised Risk Management Framework. The Risk Management Units are responsible for ensuring that policies and mandates are established for the Bank as a whole. These include Credit Risk Management Unit, Compliance Unit, Treasury Back Office and Risk Unit which are headed by experienced and qualified personnel to the extent possible. The FRUs monitor and report the risk positions to the Board via the different Risk Committees and Management Committees, set standards for financial risks and data integrity and ensure that the financial risks are considered in the product planning and pricing process. FRUs review and recommend all credit and risk exposure policies for the Bank. In determining risk policies, FRUs take into account the guidelines issued by Bank of Mauritius and general business direction and risk environment.

Risk Management Framework



CREDIT RISK

The Bank's main Credit Risk is that borrowers or counterparties may default on their payment obligations due to the Bank. These obligations arise from the Bank's lending and investment activities, and trading of financial instruments.

Credit Risk Management Framework

The Bank has a comprehensive Risk Governance Structure which promotes sound Risk Management for optimal risk–reward trade-off.

Under its Credit Policy, the Board delegates its credit sanctioning powers to the Board Credit Committee, the Management Credit Committee, the Chief Executive Officer, the Deputy CEO, the Head of Credit Risk and the Deputy Head of Credit Risk.

The Head of Credit Risk is responsible for monitoring the Credit Risk exposure of the Bank and reports to the Board Credit Committee monthly.

Credit Risk Management Process

Credit Risk Management Process at Bank One provides for a centralised management in view of the size of the business. Overall credit process includes comprehensive credit policy, judgemental credit underwriting, risk measurement, credit training programmes, continuous loan review and audit process. The Credit Policy, which is approved by the Board, defines the credit environment, risk appetite, risk exposure limits and parameters for risk taking. The Credit Policy is subject to compulsory annual review. The Policy is updated with ad hoc reviews and addendums to take into account changes in the environment.

Credit Risk Measurement

(a) Loans and advances

In measuring Credit Risk on loans and advances to customers and to banks and other financial institutions at a counterparty level, the Bank considers:

(i) current exposures to the counterparty; and

(ii) the likely loss on the defaulted obligations after considering recovery and collateral realisation (the "loss given default"). The Bank assesses "probability of default" on internally designed judgemental rating. The Bank assesses the credit quality of corporate clients using an internal rating tool. It is developed internally and combines general credit analysis and judgements of credit officers, and is reviewed, where available, by comparison with externally available data.

The Bank's rating scale has 6 grades which are segmented into four broad rating classes. The credit ratings are broadly categorised as follows:

(i) RR1 covers scores from 40 to 50
(ii) RR2 covers scores from 36 to 40
(iii) RR3 covers scores from 30 to 35
(iv) RR4 covers scores from 26 to 29
(v) RR5 covers scores from 20 to 25
(vi) RR6 covers scores < 19

Credit exposures migrate between rating classes as the assessment of credit quality on the borrower and business environment changes. The rating tool is kept under review and upgraded as necessary. The Bank is examining solutions for rating of corporate exposures from approved rating agencies.

Credit quality of personal clients is assessed using established criteria in credit policies and external market data from Mauritius Credit Information Bureau (MCIB). Loans to individuals are monitored on portfolio basis primarily based on their delinquency status. The Bank has developed and is implementing retail credit scoring for assessing personal credits, from CRISIL Ltd (India), a subsidiary of Standards & Poor (India).

These Credit Risk measurements operate to control and monitor credit performance of borrowers through on-going credit review, loan classification, collection, credit risk mitigation including realisation of collateral, and provision of impairment on problem loans as required by the Bank's Credit Policy and procedures and regulatory guidelines.

(b) Credit related commitments

Credit related commitments include bank guarantee, documentary letter of credit, standby letter of credit and undrawn commitment on legally bound facilities. Their Credit Risk is similar to loans except for documentary letters of credit which are usually short-term and self-liquidating and carry a low level of credit risk and capital charge, as defined under Bank of Mauritius guidelines.

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct lending.

Commitments to extend credit include unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to Credit Risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term of maturity of credit commitments because longer-term commitments generally have a greater degree of Credit Risk than shorter-term commitments.

	As at 31 Dec-12 Rs 000	As at 31 Dec-11 Rs 000
Credit related commitments	1,763,922	1,700,675

(c) Bank placements & lending to banks

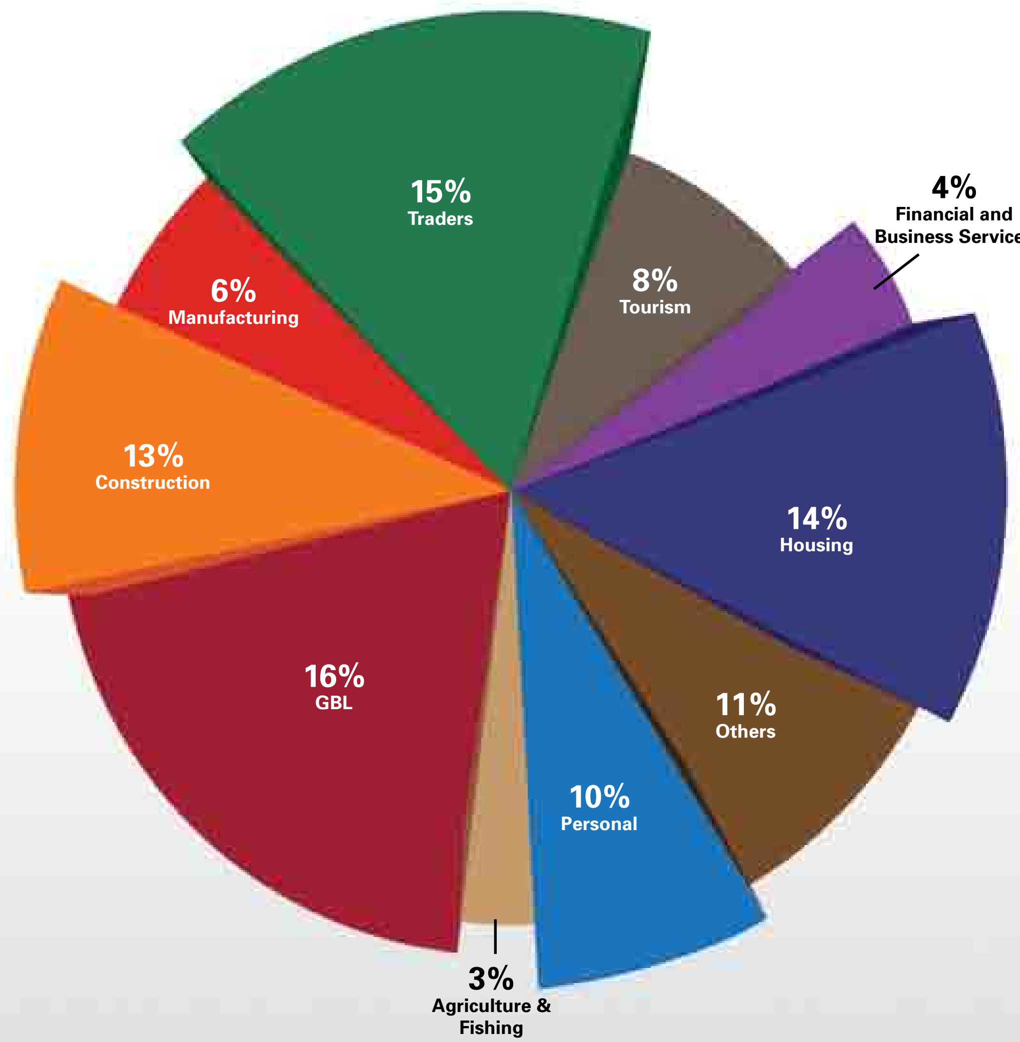
For bank placements or lending to banks, external credit ratings from international credit rating agencies such as Standard & Poor's, Moody's and Fitch are used to assist in the credit risk exposures on top of internal credit analysis. The instruments provide a better credit quality, help to diversify risk exposures and income streams, and to maintain a readily available source of liquidity for the Bank from time to time.

Risk Limit Control and Mitigation Policies

The Bank has an established framework to manage, control and limit concentration of Credit Risk wherever they are identified in particular, to individual counterparties, groups, industries and countries.

The Bank structures the level of Credit Risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on an on-going basis and are subject to at least a quarterly review. Limits on the level of Credit Risk by industry sector and by country are approved by the Board.

Sectorwise Distribution
Loan Portfolio Mix - Bank



The exposure to any one borrower or counterparty including banks is further restricted by sub-limits covering on and off-balance sheet exposures. Actual exposures against limits are monitored daily.

Exposures to Credit Risk are also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by regular review and revision of these limits where appropriate.

Concentration of risk from large exposures to individual customers or related groups are managed by setting limits as a percentage of the capital base as defined by the Bank of Mauritius guidelines, and exposures to industry sectors and countries/regions under the Credit Policy to achieve a balanced portfolio. These are reviewed monthly by the Board Credit Committee and quarterly by the Board.

Sectorwise Credit Exposure (Rs 000)

	2012			2011		
Sectors	Fund Based Facilities Rs 000	Non-Fund Based Facilities Rs 000	Total Rs 000	Fund Based Facilities Rs 000	Non-Fund Based Facilities Rs 000	Total Rs 000
Agriculture & Fishing	435,025	2,007	437,032	316,415	2,007	318,422
Manufacturing	644,249	20,646	664,895	576,888	6,089	582,977
Export Enterprise Certificate Holders	52,007	8,850	60,857	81,784	16,094	97,878
Tourism	1,043,661	30,835	1,074,496	1,115,457	19,197	1,134,654
Transport	397,719	230	397,949	164,560	230	164,790
Construction	3,330,729	327,649	3,658,378	2,182,556	331,664	2,514,220
Traders	1,842,311	219,268	2,061,579	1,907,722	336,513	2,244,235
Information Communication and Technology	351,050	386	351,436	223,254	95	223,349
Financial and Business Services	438,015	10,940	448,955	570,589	11,060	581,649
Global Business Licence Holders	1,942,222	91,559	2,033,781	1,033,484	487,932	1,521,416
Infrastructure	-	-	-	1,026	300	1,326
State and Local Government	-	-	-	1,000	-	1,000
Public Nonfinancial Corporations	17,236	250	17,486	21,585	5,646	27,231
Health Development Certificate Holders	308	-	308	483	-	483
Freeport Certificate Holders	21,488	35	21,523	4,706	-	4,706
Modernisation & Expansion Enterprise Certificate Holders	-	-	-	-	-	-
Personal 1	1,186,153	76,960	1,263,113	920,724	74,150	994,874
Professional 2	69,639	-	69,639	35,811	44	35,855
Education	59,137	15	59,152	48,014	15	48,029
Media, Entertainment and Recreational Activities	36,452	220	36,672	40,669	1,193	41,862
Others	380,812	35,382	416,194	312,532	42,998	355,530
Total	**12,248,213**	**825,232**	**13,073,445**	**9,559,259**	**1,335,227**	**10,894,486**

CONCENTRATION RISK

The Bank seeks to diversify its Credit Risk by limiting exposure to single borrower or group of related borrowers. Concentration of Credit Risk is governed by guidelines on Credit Concentration Limits issued by Bank of Mauritius. Management monitors risk concentration daily. Large credit concentrations (concentration in excess of 15% of Bank's capital base) are reported to the Board Credit Committee on a monthly basis and to the Board on a quarterly basis.

Top 6 large exposures represented 127.02% of capital base as at 31 December 2012 as compared to 156.8% as at 31 December 2011.

The Bank`s top six credit exposures as at December 2012

Group	Exposure Rs m	% of Capital Base
1	356	23.70
2	339	22.57
3	310	20.62
4	307	20.46
5	301	20.06
6	294	19.61

Traditionally, a distinction is made between concentration of loans to individual borrowers *(single borrower concentration)* and an uneven distribution across sectors of the industry or geographical regions *(sector wise concentration).*

A further category consists of risks arising from a concentration of exposures to enterprises connected with one another through bilateral business relations (say a Group of related Companies) with the resultant danger of contagion effects, in the event of default of one of these borrowers.

This classification of concentration risk in the credit portfolios into three categories essentially matches those detailed in the Basel II Framework.

Moreover, the framework defines concentration in respect of individual collateral providers or certain kinds of collateral as a further risk category and classifying this as an indirect concentration risk as they have an impact only in the event of default.

As a prudential measure aimed at better Risk Management and avoidance of concentration of Credit Risks, Bank One has fixed limits on its exposure to the following:

- to individual borrowers
- to group borrowers
- to specific industry or sectors and credit portfolio

HHI and Concentration Risk Level

The most well-known and commonly used approach available to assess concentrations is the Herfindahl-Hirschman Index (HHI).

The Herfindahl-Hirschman Index (HHI) is a simple model-free approach for quantifying undiversified idiosyncratic risk. The HHI is defined as the sum of the squares of the relative portfolio shares of all depositors. Well-diversified portfolios with a very large number of very small firms have an HHI value close to zero whereas heavily concentrated portfolios can have a considerably higher HHI value. The following table relates the HHI with the level of risk:

HH Index	Level of Risk
<1,000	Low Risk
1,000 - 1,800	Moderate Risk
>1,800	High Risk

Individual Exposures
The HH Index for the portfolio of top 10 Individual Borrowers stood at **1083** as at 31 December 2012 which is well within the threshold of 'Lower Moderate Risk'.

Group Exposures
The HH index for the portfolio of top 10 Group Borrowers stood at **1042** as at 31 December 2012, indicating 'Lower Moderate Risk'. These exposures are monitored very closely at Board Credit Committee.

Industry Exposures
The Bank's total exposure to any industry as at December 2012 has not exceeded limits set under the Credit Policy. The HH index for industry Exposure as at 31 December 2012 was **1503**, showing moderate industry concentration risk.

Depositors Concentration
The HH index for the portfolio of top 10 depositors stood at **1215** as at 31 December 2012, which is well within the threshold of 'Moderate Risk'.

Geographical Sectors

Advances to customers by geographical area are classified according to the location of the counterparties after taking into account the transfer of risk. In general, risk transfer applies when an advance is guaranteed by a party located in an area which is different from that of the counterparty.

At 31 December 2012, over 70% of the Bank's Advances to customers, including related impaired advances and overdue advances, categorised on the basis of the geographical location of the borrower were classified under Mauritius. HH index for cross border exposure was **1788** indicating moderate risk.

The following table analyses the cross border exposure of the Bank in relation to loans and advances, investment in securities and balances as well as placements with banks:

	Banks and other financial institutions Rs 000		Others Rs 000		Total Rs 000	
	2012	2011	2012	2011	2012	2011
Africa and Middle East	696,169	1,035,735	1,636,994	968,316	2,333,163	2,004,051
North and South America	1,121,211	625,052	-	-	1,121,211	625,052
Europe	2,016,210	1,326,875	273,149	82,072	2,289,359	1,408,947
Asia Pacific	553,491	567,805	1,250,710	659,788	1,804,201	1,227,593
Total	**4,387,081**	**3,555,467**	**3,160,853**	**1,710,176**	**7,547,934**	**5,265,643**

58% of cross border exposure is on banks and financial institutions with ratings of investment grade.

ECAI Rating

Standard & Poor's Ratings Services ("Standard & Poor's"), Moody's Investors Services ("Moody's") and Fitch Ratings are the external credit assessment institutions ("ECAIs") that the Bank uses for the assessment of its credit risk exposures to banks, sovereigns, public sector entities, as well as exposures to rated corporates.

Maximum exposure	2012 Rs 000	2011 Rs 000
Credit risk exposure relating to on-balance sheet assets are as follows:		
Cash and balances with banks	3,290,464	2,379,273
Placements with banks	1,025,324	807,761
Derivative financial instruments	12,984	5,094
Loans to individuals		
- Mortgages	1,718,779	922,565
- Others	2,804,786	2,016,715
Loans to corporate entities		
- Term loans and overdrafts	6,286,355	4,046,733
Loans to entities outside Mauritius	1,438,293	2,454,639
Advances to banks	-	118,606
Other assets	1,243,963	1,056,137
Available-for-sale securities & held to maturity securities	1,567,109	1,814,166
Credit risk exposures relating to off-balance sheet items as follows:		
Financial guarantees and other credit related contingent liabilities	825,233	3,032,053
Loan commitments and other credit related commitments	1,763,922	1,700,675
At 31 December	**21,977,212**	**20,354,417**

CREDIT QUALITY

Impairment and Provisioning Policies

Impairment provisions are recognised for financial reporting purposes under International Accounting Standard (IAS 39) and Bank of Mauritius guidelines based on objective evidence of impairment.

Objective evidence, under IAS 39 is based on the following criteria amongst others:

- Significant financial difficulty of borrower;
- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity to debt ratio, net income percentage of sales);
- Breach of loan covenants and conditions;
- Initiation of Bankruptcy proceedings or high probability of Bankruptcy or other insolvency proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral;
- Diversion of funds;
- Loss of confidence in borrower's integrity.

The Bank's policy requires the assessment of individual credits that are above materiality thresholds on a monthly basis.

Impairment allowances on individually assessed accounts are determined by an evaluation of the possible loss at balance sheet date on a case-by-case basis and are applied to all individual accounts. The allowance is arrived at after deducting present value of future cash flows and discounted net realisable value of collateral from the carrying value of the loan. Net realisable value of collateral is based on an independent valuation from a qualified appraiser. These valuations are updated every 3 years or earlier where warranted.

In 2012, the Bank has also adopted a prudent approach in respect of long outstanding legacy impaired accounts, so that independent of collateral, all such legacy accounts will be fully provided by December 2015. This provisioning is being done on a monthly basis.

Collection and Recovery Process

Collection and recovery functions are housed under Credit Administration, reporting to an executive head. These are separate from Sales function for more independence and focus. Past due triggers of one month are picked up by sales personnel and collection initiated by phone calls or meetings. Past due trigger of 2 months and above are picked up by the Centralised Collection Team, which will make phone calls and meetings. The Team also assesses whether there is a need to reschedule accounts and makes recommendations for categorising into a Watch List. Past due 3 months and above triggers are received at Recovery Team level and objective assessment initiated for impairment. The Recovery Team also initiates action for recovery, including restructuring, negotiated settlement and amicable sale of specific assets, amongst others. The Bank's philosophy is to work out through negotiations and has recourse to legal action only if negotiations have failed.

Loan reviews are carried monthly at Management level through the Collection Committee to review loan arrears, the Watch List Committee for Watch List Accounts and the Special Assets Committee for Impaired Accounts.

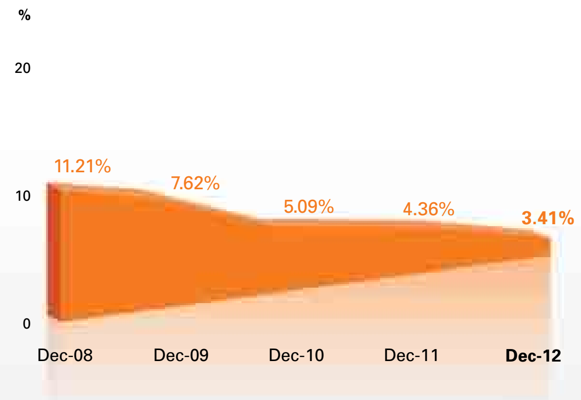
The findings are reported monthly to the Board Credit Committee and quarterly to the full Board.

Credit Quality

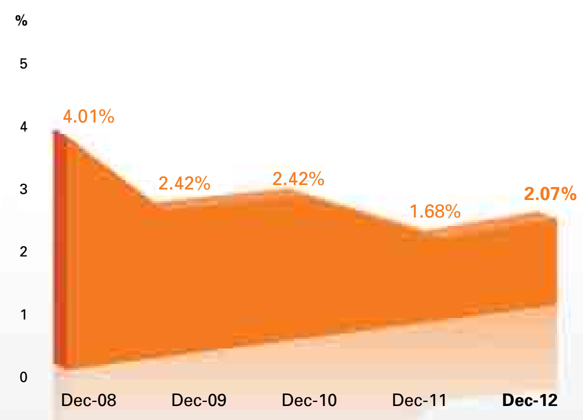
During year 2012, the Bank has registered some delinquent accounts, which did not have any negative impact in the Non Performing Loans (NPLs) figures because of some recoveries on the other side. The Bank's credit quality is continuously improving. The gross NPL ratio was reduced to 3.41% as compared to 4.36% in year 2011 which demonstrates the effectiveness of the monitoring system put in place by the Bank.

Net impaired ratio is now 2.07%. This is mainly due to the fact that the percentage cover of NPL has decreased from 62.77% to reach a level of 40.69%. The remaining portion of NPL is adequately secured by collaterals held by the Bank.

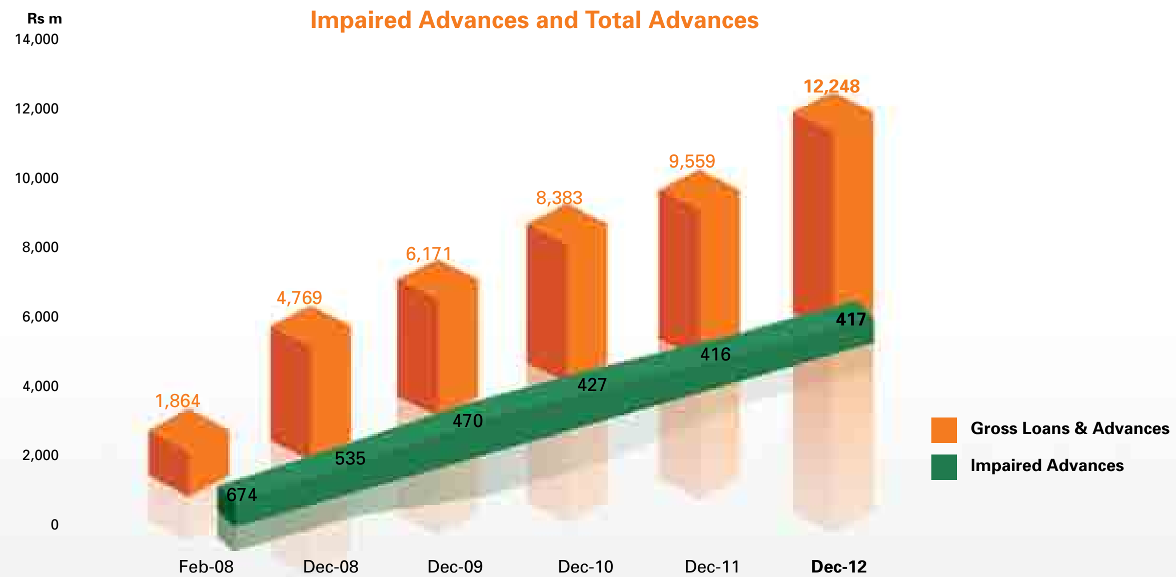
Impaired Loans to Gross Loans



Net Impaired Loans to Net Loans



Impaired Advances and Total Advances



Loans and Advances

Loans and advances are summarised as follows:

Bank	31 December 2012 Loans & Advances to Customers Rs 000	31 December 2012 Loans & Advances to Banks Rs 000	31 December 2011 Loans & Advances to Customers Rs 000	31 December 2011 Loans & Advances to Banks Rs 000
Neither past due nor impaired	10,994,102	-	8,454,996	118,606
Past due but not impaired	836,879	-	569,227	-
Impaired	417,232	-	416,429	-
Gross advances	12,248,213	-	9,440,652	118,606
Less: allowance for impairment	(300,628)	-	(352,778)	(1,359)
Net	**11,947,585**	-	**9,087,874**	**117,247**

Loans and Advances past due but not impaired

Bank as at 31 December 2012	Individual (Retail Customers)	Corporate Entities	Total Loans and Advances to Customers
	Retail & Mortgages	Loans & Overdrafts	Total
Past due up to 1 month	71,574	102,796	174,370
Past due more than 1 month and up to 3 months	195,250	179,500	374,750
Past due more than 3 months and up to 6 months	61,234	226,525	287,759
Total	**328,058**	**508,821**	**836,879**

The past due and not impaired accounts are those due to committed cash flows which are marginally delayed but would be received within short periods.

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Impaired Advances	417,232	416,429	427,001
Impaired Advances/Gross Advances	3.41%	4.36%	5.09%
Net Impaired to Net Advances	2.07%	1.68%	2.42%
Allowance for Impairment Loss	300,628	354,137	317,123
Provisions Coverage	72.05%	85.04%	74.27%

Credit Risk Mitigation

In order to mitigate the Credit Risk and where appropriate, the Bank obtains collateral to support the credit facility. Credit Risk limit for each financial institution is approved by the Board Risk Committee and the Board with reference to the financial strength and credit rating of each counterparty. The acceptable types of collateral and their characteristics are established within the credit policies, as are the respective margins of finance.

Irrespective of whether collateral is taken, all decisions are based upon the customers' or counterparty's credit profile, cash flow performance and ability to repay.

The Bank employs a range of policies and practices to mitigate Credit Risk. The most traditional of these is the taking of security for advances.

The Bank implements guidelines on the acceptability of specific classes of collateral for Credit Risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business such as premises, stock and debtors and;
- Pledge of financial instruments such as debt securities, equities and Bank deposits.

Longer term finance and lending to corporate entities are generally secured and individual credit facilities are generally unsecured except for mortgages. In addition, in order to minimise credit loss, the Bank endeavours to seek additional collateral from the counterparty as soon as impairment indicators are noticed on individual loans and advances.

Repossessed assets

Property collateral repossessed as at financial year ending 2012 amounted to Rs 1.660m in our books which reflects their current market value.

In year 2008, the book value of the properties repossessed amounted to a total amount of Rs 26m, representing 18 immoveable properties. The Bank has been able to dispose of most of these properties gradually and is left with only 2 properties as at end 2012. No further properties were repossessed over this period.

The Bank's policy regarding the repossessed assets is to dispose of them as soon as practicable in line with the banking legislation.

MARKET RISK & ALCO

Market Risk is the risk that our earnings, capital or ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates and foreign exchange rates.

Market Risk exposure for different types of transactions is managed within risk limits and guidelines approved by the Board and monitored through the Asset and Liability Management Committee ("ALCO") and Treasury Committee. Risk limits are set by products and by different types of risks. The risk limits comprise a combination of notional, stop loss, sensitivity and Value-at-Risk ("VaR") controls. All trading positions are subject to daily mark-to-market valuation. Risk Unit, as an independent Risk Management and control unit, identifies, measures, monitors and controls the risk exposures against approved limits and initiates specific actions to ensure the overall and the individual Market Risks of the overall trading portfolio and the individual trading instruments are managed within an acceptable level. Any exceptions have to be reviewed and sanctioned by the appropriate level of Management or Board.

The launch of every new product is governed by a New Product Approval process stipulated under Risk Policy in which the relevant business units, supporting functions and Risk Unit review the critical requirements, risk assessment and resources plan. The Internal Audit function performs regular independent review and testing to ensure compliance with the Market Risk policies and procedures by Treasury, Risk Unit other relevant units.

The Bank applies different Risk Management policies and procedures in respect of the Market Risk arising from its trading and banking books.

Market Risk Arising from the Trading Book

In the Bank's trading book, Market Risk is associated with trading positions in foreign exchange, debt securities, and derivatives.

Market Risk Measurement Technique

As part of the management of Market Risk, the Bank measures Market Risks using various techniques commonly used by the industry and control Market Risk exposures within major risks limits set out by the Board. The major measurement techniques used to measure and control Market Risk are outlined below.

(i) Value-at-Risk

The Bank applies a "Value-at-Risk" methodology ("VaR") to its trading portfolio to estimate the Market Risk positions held and the maximum losses expected, based on a number of assumptions for various changes in market conditions. The Board sets limits on the value of risk that are acceptable for the Bank which are monitored on a daily basis.

VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the "maximum" amount the Bank might lose, but only to a certain level of confidence which for the Bank is 99% for a one day holding period. There is therefore a specified statistical probability that actual loss could be greater than the VaR estimate. The VaR model assumes a certain "holding period" until positions can be closed. It is also based on the current mark-to-market value of the positions, the historical correlation and volatilities of the Market Risk factors over one year. The Bank applies these historical correlation and volatilities in rates, prices, indices, etc. directly to its current positions. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VaR calculation.

There are three main ways of calculating VaR:

- Historical Approach
- Variance Covariance Method
- Monte Carlo Simulation

Historical Approach

Historical simulation is the most transparent method of calculation of VaR. This involves running the current trading portfolio across a set of historical price changes to yield a distribution of changes in portfolio value, and computing a percentile (the VaR). The benefits of this method are its simplicity to implement, and the fact that it does not assume a normal distribution of asset returns. Drawbacks are the requirement for a large market database, and the computationally intensive calculation.

Variance Covariance Method

The variance covariance, or delta-normal, model was popularised by J.P Morgan (now J.P. Morgan Chase) in the early 1990s when they published the RiskMetrics Technical Document. This method assumes the returns on risk factors are normally distributed, the correlations between risk factors are constant and the delta (or price sensitivity to changes in a risk factor) of each portfolio constituent is constant. Using the correlation method, the volatility of each risk factor is extracted from the historical observation period. Historical data on investment returns is therefore required.

Monte Carlo Simulation

It simulates a situation on the basis of current and past (historical) data. In the simulation process, it computes an equation (mathematical model) thousands or millions of times, each time injecting random numbers to come up with a range of possibilities or outcomes of possible actions. As with historical simulation, Monte Carlo simulation allows to use actual historical distributions for risk factor returns rather than having to assume normal returns. Monte Carlo simulation furnishes the decision-maker with a range of possible outcomes and the probabilities they will occur for any choice of action.

Bank One has adopted the Historical Approach method for the computation of VaR. Moreover, the future implementation of Finacle Treasury module by end of March 2013 will automate the computation of VaR on a daily basis.

The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

As VaR constitutes an integral part of the Bank Market Risk control regime, VaR limits are established and reviewed by the Board annually for all trading portfolio operations and allocated to business units.

The quality of the VaR model is continuously monitored by back-testing the VaR results for trading books. All back-testing exceptions are investigated, and all back testing results are reported to Senior Management.

(ii) Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Risk Unit include: risk factor stress testing, where stress movements are applied to each risk category, and ad hoc stress testing, which includes applying possible stress events to specific positions or regions. The results of the stress tests are reviewed by Senior Management in each business unit and by the Board of Directors. The stress testing is tailored to the business and typically uses scenario analysis.

Market Risk Arising from the Banking Book

In the banking book, Market Risk is predominantly associated with positions in debt securities.

Market Risk Measurement Technique

Within the Risk Management Framework and policies established by the Board, various management action triggers are established to provide early alert to the Management on the different levels of exposures of the banking book activities to Foreign Exchange Risk, Interest Rate Risk, and Liquidity Risk. Sensitivity analysis and stress testing covering shocks and shifts in interest rates on the Bank's on- and off- balance sheet positions, liquidity drift under institution-specific and general market crisis scenarios are regularly performed to gauge and forecast the Market Risk inherent in the banking book portfolios. The Investment Committee monitors the debt securities book on a weekly basis reporting quarterly to the Board Risk Management Committee and the full Board.

VaR methodology is not currently being used to measure and control the Market Risk of the banking book.

(i) Foreign Exchange Risk

The Bank has limited net foreign exchange exposure as foreign exchange positions and foreign currency balances arising from customer transactions are normally matched against other customer transactions or transactions with the market. The net exposure positions, both by individual currency and in aggregate, are managed by the Treasury of the Bank on a daily basis within established foreign exchange limits.

The following limits have been stipulated by the Bank of Mauritius regarding Net Open Position that should be managed by the Bank:

- Open Position (Overnight Limit): Not to exceed 15% of Tier 1 Capital
- Open Position per Currency (Overnight Limit): Not to exceed 10% of Tier 1 Capital

As at 31 December 2012, the Bank was well within the above limits.

The Risk Department which is independent of trading operations measures the daily Foreign Exchange Risk through the Value-at-Risk (VaR) calculations at 99% confidence level and estimates the potential loss arising from adverse movements in the market environment and ensures limits are being respected. Bank One is active in three currencies, namely; USD, EUR and GBP. Other currencies are traded rarely. A report to the ALCO underlying any breach in limits is prepared on a monthly basis and submitted to Board Risk Management Committee on a quarterly basis.

Accordingly as at 31 December 2012, the Value-at-Risk limits against the actual potential loss are given in the table hereunder.

VaR Limit v/s Actual Position Dec 2012	USD	EUR	GBP
VaR limit	Rs 1m	Rs 1.5m	Rs 1m
Actual potential loss	Rs 151k	Rs (132k)	Rs 134k

(ii) Interest Rate Risk

Cash flow Interest Rate Risk, is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value Interest Rate Risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on board, the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins and Net Interest Income may increase or decrease as a result of such changes or in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored by Risk Unit and reported monthly to Asset and Liabilities Management and quarterly to Board Risk Committee.

The framework adopted by the Bank to measure Interest Rate Risk exposures arising from its banking book positions is consistent with that set forth by the Bank of Mauritius for reporting Interest Rate Risk exposures which consists principally of Interest Rate Sensitivity Analysis and stress testing. In this framework, deposits without a fixed maturity are assumed to be repayable and to reprice on the next working day, whereas loan prepayments are not considered when allocating loan balances into respective interest repricing time bands.

Interest Rate Sensitivity Analysis

A detailed analysis of the Interest Rate Sensitivity Analysis as at 31 December 2012 is given in note 2 (f) of the Financial Statements.

The immediate impact of changes in interest rates is on Bank's earnings through its Net Interest Income (NII). When viewed from this perspective, it is known as **'earnings perspective'**. The risk from the earnings perspective can be measured as changes in the Net Interest Income (NII) or Net Interest Margin.

A long-term impact of changing interest rates is on the Bank's Value or Net Worth as the economic value of Bank's assets, liabilities and off-balance sheet positions get affected due to variation in Market interest rates. This perspective is known as **'economic value' perspective.**

Earnings at Risk methodology is used at Bank One to assess the impact of various interest rate change scenario on Net Interest Income over a 12 months horizon, as required under Bank of Mauritius and Basel II guidelines.

Earnings at Risk Analysis as at 31 December 2012

Interest Movement	Impact on earnings on a/c of interest basis Rs m
+25 bps	-2.183
-25 bps	+2.183
+50 bps	-4.365
-50 bps	+4.365
+75 bps	-6.548
-75 bps	+6.548
+100 bps	-8.730
-100 bps	+8.730
+200 bps	-17.461
-200 bps	+17.461

If interest rates move up by 200bps, the Bank would lose Rs 17.46m in its Net Interest Income; conversely if rates move down by 200 bps, the Bank would gain Rs 17.46m. In the current economic context, the Bank's view is that interest rate is likely to remain flat with a downward bias which will benefit the Bank. Excluded in the above calculations, is the positive impact of re-pricing of maturing high cost term deposits, at more favourable rates which would further add to bottom line.

The Bank is also well positioned to absorb potential interest shocks. Should interest rates move up by 200 bps, Net Interest Income drop would represent 1.16% of Capital base, well within the outlier limit of -10%, recommended under Basel II and approved by the Board.

In addition, the Bank's investments in debt securities are also exposed to other price risks. Consequently, the value of such investments could change significantly depending on a variety of factors including liquidity risk, market sentiment and other events that might affect individual or portfolios of exposures.

LIQUIDITY RISK

Liquidity Risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

Liquidity Risk Management Process

The Bank manages its liquidity on a prudent basis to ensure that a sufficiently cash reserves ratio relative to the statutory minimum is maintained throughout the year. The average cash reserves ratio of the Bank during the year was well above the 7% minimum ratio set by the Bank of Mauritius.

Treasury is responsible for the daily management of liquidity reporting weekly on liquidity planning to Treasury Committee. The monitoring and reporting take the forms of cash flow measurements and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets. The cash flow projections also take into account unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

The Asset and Liability Management Committee ("ALCO") reviews monthly, or on ad hoc basis if required, the Bank's current loan and deposit mix and changes, funding requirements and projections, and monitors the liquidity ratio and maturity mismatch. Appropriate limits on liquidity/ cash reserve ratio and maturity mismatch are set and sufficient liquid assets are held to ensure that the Bank can meet all short-term funding requirements.

The Bank's funding comprises mainly deposits of customers, and term borrowings. Short-term interbank deposits are taken on a limited basis and the Bank is a net lender to the interbank market.

Stress tests are also carried to ensure adequate liquidity are available under stressed conditions, contingent plans are also reviewed to prepare for any extremely liquidity scenario.

The table in note 2(g) of page 135 of the Financial Statements analyses the Bank's assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting to the contractual maturity date or, where applicable the earlier callable date.

The Bank monitors liquidity gaps on both static as well as dynamic basis. Under the dynamic scenario, Bank arranges assets and liabilities into different maturity ranges according to Bank of Mauritius guidelines, taking into account the historical behavioural pattern of these assets and liabilities.

Stress testing and scenario analysis, such as 25% or 50% Deposits run off, as well as Bank specific crisis and Market crisis scenarios, form an important part of the Bank's liquidity management process.

As at 31 December 2012, the Bank's liquidity was comfortable even in stressful conditions of 25% to 50% of deposits run-off.

OPERATIONAL RISK

Operational Risk is defined as *'the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk'* (Basel Committee on Banking Supervision).

The primary aim of Bank One is the early identification, prevention and mitigation of Operational Risks. The Bank has an Operational Risk Framework, as set in its Operational Risk Management Policy, to ensure that Operational Risks within the organisation are properly identified, assessed and controlled in a structured, systematic and consistent manner. Furthermore, all major Operational Risk issues are reported and discussed at the monthly Operational Risk forum (Management Operational Risk Committee) and quarterly to the Board Risk Management Committee. The Policy is reviewed annually by the Board.

The framework and standards adopted by Bank One for Operational Risk capital computation follow the Basel II Basic Indicator Approach. However, in line with the Bank of Mauritius requirements and as part of our preparation for the Advanced Measurement Approach under Basel II, a comprehensive loss events and incidents database has been established to monitor Operational Risk.

Risk and Control Self-Assessment (RCSA) is a tool used by Bank One for comprehensively identifying and assessing Operational Risks. The outcome of this exercise together with explanations and action plan is communicated to the Board Risk Management Committee on a quarterly basis.

In order to manage Operational Risk, Bank One has implemented an organisational structure which calls for high levels of ethics and integrity across all levels of the enterprise whereby every employee is responsible for the management of Operational Risk. Additional encumbrance is placed on managers and control units to ensure that there is adherence to policy and procedures regarding operational controls.

Processes and procedures are regularly updated to cater for changes in systems and introduction of new products and activities. Appropriate levels of authority are delegated to employees based on their capability and experience. There is also adequate segregation of duties between origination, authorisation and execution of transactions to ensure better controls. The Bank's IT Security Policy lays down the processes and procedures in order to protect the organisation's core and critical systems against misuse and external threat. Penetration Testing is carried out by external consultants every year to ensure all systems are adequately protected against internal and external intrusion.

Training and regular communication targeting all employees to keep them abreast of developments in their areas of operation are means used by the Bank to embed an Operational Risk awareness culture throughout the organisation.

In line with regulatory requirements, a Money Laundering Reporting Officer scrutinises all transactions above a certain threshold or having an unusual pattern and makes sure that all suspicious transactions are reported to the relevant authorities. Furthermore, the Compliance Team ensures that the Bank complies with all regulatory requirements and internal policies and procedures. The Compliance Report is submitted to the Management Operational Risk Committee and the Board Risk Committee on a quarterly basis.

As a solution to Operational Risk arising from external events that could affect business continuity, the Bank has implemented a disaster recovery site (DRS) located in the centre of the island. All data and applications are replicated and the site can be activated in case the primary operation centre is not accessible. Under the Business Continuity Plan, branches outside Port Louis would be used as fall-back operation sites in case of disaster affecting the primary site. Testing of communication between branches and the disaster recovery site are carried out a least once a year.

As part of the Operational Risk Management Framework, the Bank makes use of insurance to mitigate the risk of high impact loss events.

Monitoring and Measuring Operational Risk

The Bank tracks internal loss data by category on an ongoing basis; the gross loss is taken after any insurance recovered.

Capital charge for Operational Risk is provided in line with the Bank of Mauritius guidelines. Under the Basic Indicator Approach the capital charge is taken at 10 times 15% of average gross income over the past 3 years.

Taking into account the Bank's size and the scale and complexity of its operations, exposure to Operational Risk is considered to be at an acceptable level and adequate systems are in place to detect, manage, monitor and mitigate Operational Risk.

Key Elements of Operational Risk Framework

Operational Risk Heat Map as at 31 December 2012

Initiatives

In August 2012, the Bank has launched a project to implement a front-to-back system to automate processing of treasury operations. The system supplied by Infosys, has in-built controls which will considerably bring down Operational Risk due to human errors and unauthorised employee activity. As per the project plan, the go-live is expected by end of February 2013.

The Bank has also teamed up with the International Faculty of Finance (London) tailor-made training on Operational Risk for banks to staff members.

COUNTRY RISK

When the Bank engages in international lending or incurs a cross border exposure, it undertakes not only customary Credit Risk but also Country Risk.

Country Risk is defined as the risk that arises from uncertainties in economic, social and political factors such as deteriorating economic conditions, political and social upheavals, nationalisation or appropriation of assets, government repudiation of external indebtedness, exchange controls, currency devaluation, other external conditions such as natural disaster, etc, in the countries in which the Bank has granted credits, made investments or undertaken contingent liabilities with residents of those countries in such a way that affects the level of risk or creditworthiness of business undertaking in those countries. Such occurrences may cause the debtors or counterparties to be unable to repay their debts or decline to fulfill their contractual obligations and may affect the financial status and operations of the Bank. Country Risk is the primary factor that differentiates International Lending from Domestic Lending.

The objective is to provide a framework for effective identification, assessment and measurement of Country Risk and for provisions thereof.

Responsibility for ensuring the effective management of the Bank's Country Risk does not solely rest with Senior Management, but is also a responsibility of every staff associated with International Lending and Monitoring Exposure of the Bank.

Country Risk Management Framework

The framework provides a definition of Country Risk and details the principles of how Country Risk is to be managed for all types of international exposures in the Bank. The Management has the overall responsibility to ensure that this framework is adopted to effectively manage Country Risks.

Prior to undertaking any type of international exposure, potential risks are identified and evaluated. Responsibilities for these risks and controls are assigned and appropriate action taken (mitigation, acceptance or avoidance of the risks) in accordance with the statutory guidelines.

Risk Management Unit

- Implement and monitor compliance with the Country Risk Management Policy, including defining the model to quantify the provision required for Country Risk in line with the Policy of the Bank.
- Monitor, assess and support Country Risk Management practices.
- Assist the Management in anticipating Country Risk exposures.
- Report to the Management on the state of risk and risk practices.
- Continuously research and analyse the social, political and economic developments in the various countries where the Bank has exposures.
- Prepare and submit quarterly reports to Board Risk Committee through the Management.

Assessment of Country Risk

In assessing the risk of a country, the Bank considers both quantitative and qualitative factors of the country.

In developing quantitative assessments of the risk of a country, the Bank takes into account the size and maturity profile of its external borrowing as well as its macroeconomic variables (including forecasts), fiscal, monetary, exchange rate and financial sector policies and relevant statistics.

Factors typically used in qualitative assessments of Country Risk include the quality of the policy-making function, social and political stability and the legal and regulatory environment of the country.

Bank One also conducts its own Country Risk assessment, instead of relying entirely on external assessment.

The results of Country Risk analysis to be integrated closely with the process of formulating marketing strategies, approving credits, assigning country ratings, setting country exposure limits and provisioning.

Country Exposure Limits

The Bank uses ratings by External Credit Rating Agencies (Standard & Poor's, Moody's and Fitch). The model inputs are updated on a quarterly basis to reflect economic and political changes in countries. The countries and sovereigns are rated as high, medium or low risk. In certain specific cases, while using the ratings by the above-mentioned ECRAs, additional inputs are used, to arrive at the internal rating.

Country exposure limits and sub limits (if any) are reviewed and approved by the Board Risk Committee (BRC) on a quarterly basis. Interim reviews are also conducted and submitted to BRC on anytime during the year, in urgent response to substantive changes if any, in a country's risk profile.

Risk-weighted exposures in any single country should not exceed 250% of the Bank's capital base. However, exceptions to this can be obtained with specific approval from the full Board. Total cross border risk-weighted exposures for the Bank should not exceed 500% the capital base of the Bank. As at 31 December 2012, the Bank was well within these limits.

The Bank sets exposure limits for individual countries (particularly for countries in emerging markets) and sublimits to manage and monitor Country Risk. Country exposure limits apply to all on- and off- balance sheet exposures to foreign obligors.

Measurement of Country Risk

The system of measurement is based on the size and complexity of its international lending operations, and is detailed enough to permit an adequate analysis of the different types of risk.

On the balance sheet exposures normally include loans and advances, investment in shares and securities (except those excluded from total (gross) capital in the Capital Adequacy ratio computation) and funds in foreign bank accounts including nostro accounts.

Off-balance sheet exposures, such as letters of credit, acceptances and other legally binding commitments to lend to foreign clients are converted into credit equivalents on the basis of the conversion factors set out in the BOM guidelines on "standardised approach to Credit Risk".

As counterparties may be more exposed to local country conditions than others, the following criteria for measuring risk for different exposures are adopted;

- Banking Sector
- Public Sector exposures
- Private Sector exposures

Monitoring & Reporting of Country Exposures

Management reviews the country exposures and the country specific strategy through Risk Department regularly and submits quarterly reports to the Board Risk Committee.

Bank gathers in a timely manner, information about developments in exposed countries that may have a bearing on the Country Risk assessment, for example, rating agencies. Particular attention is paid to potential contagion risk in the region.

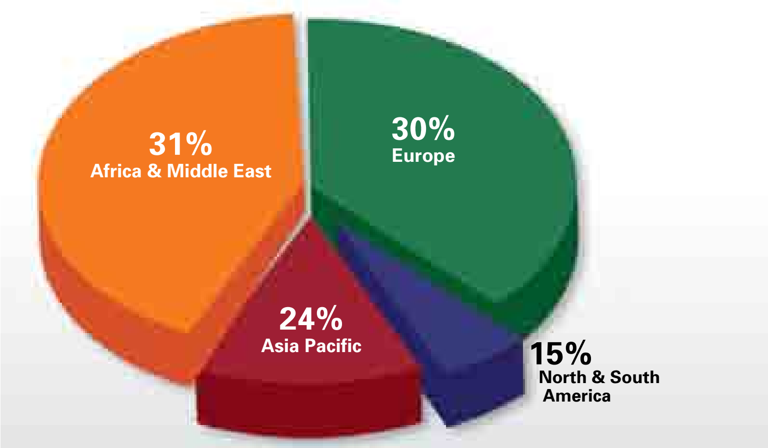
Country Risk Provisioning

Provisioning Policy and Approach

Aggregate exposures to a particular country, for the purpose of computing the allowance for Country Risk, include loans and advances, investment in shares and securities (excluding equity investments), funds in foreign bank accounts and non-fund based facilities converted into credit equivalents on the basis of conversion factors as per the Guideline on Standardised Approach to Credit Risk.

Risk weights for claims on sovereigns in currency other than their local currency, as provided in BOM guidelines on "Eligible Capital" are used as reference for determining the "Country Risk Ratings".

Country Risk Exposures by Region as at 31 December 2012 are as under.



For the financial year ended 31 December 2012, the Bank made provision of Rs 4m for Country Risk, included in the portfolio of provisions, as per internal policy approved by the Board.

COMPLIANCE RISK

Compliance Risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformity with, the laws, rules, regulations, prescribed practices, internal policies and procedures, or ethical standards. Compliance Risk also arises in situations where the laws or rules governing certain bank products or activities of the Bank's clients may be ambiguous or untested. This Risk exposes the institution to fines, civil money penalties, payment of damages, and the voiding of contracts.

Compliance Risk is sometimes also referred to as Integrity Risk, because a Bank's reputation is closely connected with its adherence to principles of integrity and fair dealing.

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 service.

Philosophy

The Board approves and periodically reviews, through Board Audit Committee and Board Risk Management Committee, the compliance framework and strategies in the Bank and assumes overall accountability for compliance performance.

The Bank's Compliance Risks are centrally managed by an independent compliance function. The establishment of an independent compliance function in the Bank is in line with international best practice. The Compliance function operates from the Head Office, which is manned by dedicated Compliance Officers whose main job in the Bank is "Compliance". Highlights of the scope of coverage of the Compliance function include:

- Regulatory Compliance;
- Anti-Money Laundering and Combating the Financing of Terrorism, including Know Your Customer (KYC) and Know Your Customer's Business (KYB) principles;
- Corporate Governance Compliance Monitoring;
- The Chief Compliance Officer also reports to the Audit Committee of the Board where all compliance reports are reviewed quarterly.

Compliance Risk Indicators

Compliance Risk is measured in respect to the potential adverse impact of the finding and the probability that the adverse event will occur. The factors which are taken into consideration for the determination of the probability are the source of the threat, capability of the source, the nature of the vulnerability and the effectiveness of the current controls.

The Risk is colour coded and described as high, medium and low.

Approach

The approach to Compliance Risk in Bank One is as follows:

1. Establish appropriate framework covering proper management oversight, system controls and other related matters;
2. Establishing written guidance to staff on the appropriate implementation of policies and procedures and other documents such as compliance manuals, internal codes of conduct and practice guidelines;
3. Periodical review of changes in law and regulations in order to ensure that the Bank addresses the risk arising from such changes;
4. Monitoring of compliance with existing rules and regulations while mitigating the effects of any unintentional non-compliance;
5. Ensure to conduct periodical compliance training to compliance function and to educate all staff with respect to compliance with the applicable laws, rules and standards;
6. Productive dialogue with regulators in order to ensure effective two-way communication; and
7. Assist Management in promoting a culture of integrity, including actions to raise staff awareness on fraud prevention and Anti-Money Laundering and Combating the Financing of Terrorism.

Role & Responsibilities of Compliance Manager

The Compliance Manager, who also assumes the function of Money Laundering Reporting Officer (MLRO) and is independent from the business activities of the Bank. The Compliance Officer identifies, assesses, monitors and reports on the Bank's Compliance Risk thus assists Management in discharging their compliance accountabilities.

The main accountabilities are:

1. To assign a robust compliance structure, processes and advisory services in order to ensure line management's compliance with current laws, regulations and supervisory requirements;
2. To establish a compliance culture that contributes to the overall objective of prudent Risk Management;
3. To set policies and standards on compliance issues for the Bank on a proactive basis and foster the development of a bank-wide compliance culture;
4. To assess the appropriateness of internal procedures and guidelines, promptly following up on any identified deficiencies in the policies and procedures and, where necessary, formulate proposals for amendments, to ensure that they are in line with regulatory guidelines;
5. To undertake investigations into breaches, potential breaches or regulatory issues when considered necessary and in conjunction with Audit when appropriate;
6. To report to the Management and the Board Committee all breaches or potential breaches he is aware of;
7. To establish and manage the Compliance function of the Bank and ensure that it is operating in accordance with the requirements of the procedures, guidelines and manuals;
8. To provide training to business areas in the procedures and practices to activate compliance with relevant Laws and Regulations;
9. To ensure that there is no conflict of interest existing between the Compliance function and other internal control functions.

In regard to the Bank's Anti-Money Laundering and Combating Financing of Terrorism obligations, the Compliance function is duty-bound to ensure that the Bank has put in place adequate processes and, that these processes are being appropriately implemented and that adequate training is given to staff.

Compliance Report

During 2012, the Bank was not the subject of investigation for any serious fraud or money laundering from Central Bank or any other Regulatory Authority.

STRATEGIC RISK

Strategic Risk is the risk of losses of the organisation as a result of mistakes made (imperfections) in taking decisions defining the strategy of the Bank's activity and development (strategic management) and resulting non-consideration or insufficient consideration of possible threats to the Bank's activity, inadequate or insufficiently substantiated definition of prospective business lines where Bank could gain advantage over its competitors, absence or incomplete provision of necessary resources (financial, material and technical, human) and organisational measures (managerial decisions) that must provide the achievement of strategic objectives.

The major goal of Strategic Risk Management is to maintain the risks taken by the Bank at levels determined in accordance with its strategic tasks and to ensure safety of assets and capital by minimisation of possible losses.

The Bank uses the following methods of Strategic Risk Management:

- Business planning;
- Financial planning;
- Monitoring of approved plans implementation;
- Market analysis;
- Readjustment of plans.

Strategic Risk generally may bring significant immediate or future negative impact on the financial and market positions of the Bank. The Board of Directors, assisted by Senior Management, is directly responsible for the management of Strategic Risk. Board of Directors set the strategic goals and key direction of the Bank, ensures business strategies are developed to achieve these goals, oversee the strategic development and implementation to secure compatibility with the strategic goals, review business performance, ensure proper resources are available to achieve the Bank's objectives, and authorises the Management to take appropriate action.

The business strategy of the Bank, covering a five year planning cycle has been defined and documented, and approved by the Board. This strategy document is reviewed once a year and forms the basis of the annual business budget and operating plan of the Bank. To support the Bank's five year business strategy, detailed strategies are developed and documented separately by function, in the areas of product development, marketing and sales, human resources development and information and communication technology, amongst others.

Bank One closely monitors the Strategic Risk, through the regular review of various factors that create significant immediate or future negative impact, as detailed hereunder, and monitors and mitigates the risk through the periodical close scrutiny by the Senior Management and Board of the Bank.

The Bank undertakes a detailed Analysis of the Strategic Risks using 5 Key Risk Indicators: Industry, Competition, Strategic Plans, Access to Capital Markets and Management.

As at 31 December 2012, Strategic Risk was considered as Low Risk level.

Strategic Risk Score

Key Risk Indicator	Weight	Max Score	Rated Score	Weighted Score
Industry	15%	40	20	7.5
Competition	25%	16	7	10.9
Strategic Plans	30%	32	20	18.8
Access to Capital Markets	15%	16	10	9.4
Management	15%	16	13	12.2
Total	**100%**	**120**	**70**	**58.8**

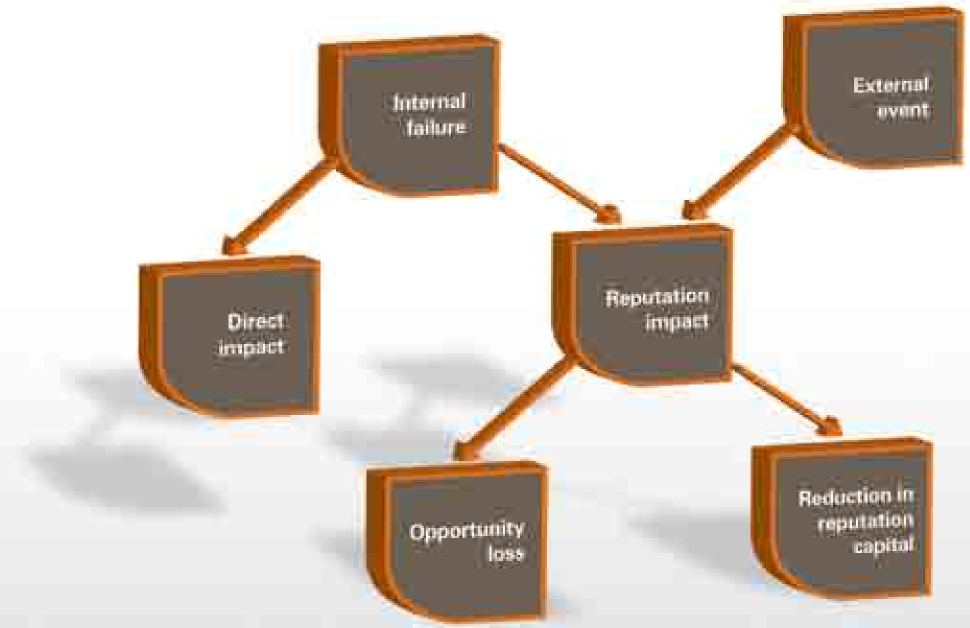
REPUTATION RISK

1. Introduction

1.1. Reputation is market, public and stakeholder's perception of the Management and the financial stability of the Bank. Stakeholders include Customers, Shareholders, the Board of Directors and the society at large. The media in its own right could also have a perception, either good or bad, of an organisation. Reputation is as an intangible asset, like goodwill, but more difficult to measure and quantify. Consistently strong earnings, an active and perceptive Board of Directors, a committed Senior Management with ethical principles, loyal and committed workforce, and a strong customer base are just a few examples of positive factors that contribute to a Bank's good reputation.

1.2. In comparison to any other form of business, 'Reputation' has the maximum value in the financial services sector, just as a major source of funds in banks is depositors' money. The risk arising from problems in such financial intermediation can lead to high external costs and may have systemic implications. The Regulator, concerned with the safety, soundness and integrity of the financial system, frequently keeps recalibrating the guidelines to stress on the importance of holding intact this 'Reputation', which does form the basis of trust and on which platform transactions take place.

Impact of the Internal and External Reputational Risk, is depicted as under.



2. Identification

2.1. Reputation Risk is the current or prospective loss in the value of Bank's business with regard to (i) its earnings and capital; and (ii) its image and trust. This Risk may result in financial loss, costly litigation and decline in customer base. In banking, Reputation Risk has a far higher consequence on the system than any other industry. It is, therefore, imperative to identify the plausible sources and monitor their efforts on a regular basis.

2.2. Towards this end, following are some identified sources of Reputation Risk:

- Non-compliance with regulation/legal obligations
- Exposure of unethical practices
- Security breaches (for e.g., sensitive data leaks, hacking of customer financial data, phishing in internet banking services, etc)
- Failure to deliver minimum standards of service and product quality to customers
- Poor crisis management
- Failure to hit financial performance targets
- Risk by association with partners/alliances with poor reputation
- Failure to address issues of public concern proactively (for e.g., climate change)
- Workforce unrest or very high mobility of workforce

3. Assessment

3.1. The subjective nature of Reputation Risk poses challenges in appropriate quantification. By its nature and definition, the Risk originates in the perceptions of the Bank's stakeholders: the customers, the employees and the shareholders.

3.2. To arrive at a measure of Reputation Risk, the following methods can be considered:

- Quantitative Index: The losses may be estimated by analysing the data pertaining to (i) decrease in revenue through customer defection and revenue erosion; and (ii) increase in direct monetary costs comprising accounting write-offs associated with a reputation-sensitive event, increased compliance costs, regulatory fines and legal settlements as well as indirect costs related to loss of reputation such as higher financing costs, contracting costs and opportunity costs.
- Market Survey: A study to elicit views and record feedback on how the Bank is perceived can be conducted periodically among the customers, the employees and the shareholders to assess the likely effects of certain events on these perspectives and consequent fallout.

Until such index is in place, Bank One continues to monitor Reputational Risk on a qualitative basis through Heat Map

4. Internal Controls

4.1. Grievance Mechanism

4.1.1. The customers can approach any of the Branches or the Head Office, in case of any grievance. Bank One has also created the position of "Quality Service Coordinator" (QSC) for receiving and addressing all complaints from clients. A dedicated "Hot Line" (+230 202 9203) and email (complaints@bankone.mu) are provided for clients to directly report their grievances to the QSC. Bank also provided specially designed "Feedback" boxes at all Branches and Head Office for this purpose.

4.1.2. To ensure expeditious redress, grievances received at Head Office and branches, the QSC takes up the issues, directly with the concerned branches/respective departments at Head Office and the Management. In a majority of cases, grievances are settled without delay. Instances of delay occur because an investigation is in progress or an instrument is lost/misplaced in transit or response from external agencies is awaited.

4.1.3 The Bank has also a Complaints Committee, chaired by the CEO, where complaints are reviewed individually to ensure resolution as well as addressing gaps to avoid recurrences.

4.2. Communication

Preserving a strong reputation revolves around effectively communicating and building relationships. Communication between the Bank and its stakeholders is the foundation on which a strong reputation stands. Timely and accurate financial reports, adequate publicity in print and electronic media including web-based platforms, and excellent customer service have been important tools for reinforcing the Bank's credibility and obtaining the trust of its stakeholders.

4.3. Corporate Governance

Reputation Risk is effectively managed through exercise of strong corporate governance practices. The Bank's Board of Directors and Senior Management actively support Reputation Risk awareness by demanding accurate and timely management information and subjecting to same to critical scrutiny.

5. Monitoring & Reporting

Monitoring for Reputation Risk is a centralised function, as it encompasses almost all spheres of the business and the organisation. However, consistent monitoring and reporting are in place for all major sources of the Risk, such as frauds, system failures, customer service. The Board has an oversight over these sources through quarterly reports submitted by the Risk Unit to the Board Risk Management Committee. This effectively reduces the chances of reputation loss occurrences to a minimal level.

An assessment was made based on positions held as at 31 December 2012. The Residual Risks have been maintained at a constant, comfortable and manageable level. Areas which have been reported as 'Medium, Medium/High Risk' are being closely monitored:

i) People - Conflicting employee and corporate culture
Internally, Bank One brand is more visible with various artifacts. The Bank One identity is being carefully nurtured. The Bank organised a fun day on 22 September 2012 to reinforce team spirit and 'One Team, One Dream' event on 26 November 2012. Furthermore, the end of year party held on 15 December 2012 was well attended and a big success. Attrition rate has dropped significantly in 2012 with no loss of key personnel. Adopting a prudent approach, rating is currently being maintained at Medium Risk, with potential upgrades in the next quarters.

ii) Process - Failure to protect customer privacy
Maximum care is taken to maintain confidentiality of customer information. No case of information leakage reported in 2012. Due to inherent risk of information leakages; e.g. by staff, 3rd parties, service providers, rating is kept at Medium Risk.

iii) Process - Unauthorised disclosures
No occurrences noted. However, following a prudent approach, rating is maintained at its current level.

iv) Business - Poor customer relationships
Complaints are now being handled by the Quality Service Coordinator. Management has created a centralised approach proper handling of all complaints within a stipulated turnaround time and also to improve on service. Rating has thus been maintained at 'Medium Risk'. A recent customer survey on customer satisfaction revealed a general high satisfaction level.

v) Business - Failure of business continuity
Linking of the ATM network through the Disaster Recovery (DR) has been completed in June 2012. Medium Risk rating is being maintained with potential upgrades in the short-term, as and when the business continuity & disaster recovery plans are being tested. Of note, there has been no occurrence of any type of business failures affecting service during review period. ATM downtime has been minimal as network issues have been resolved in 2012 as well as old ATMS being gradually replaced by new ATMS.

vi) Business - Honest mistakes and misjudgement
Rating remains at 'Medium/High Risk' following recent fraudulent cases, although there have not been any significant known occurrences.

vii)External - Fines & penalties imposed by statutory bodies
The Bank has been cautioned by BOM and a fine was imposed on two occasions. These were minor offences and reputational damages have been minimal so far. The rating has been maintained at 'Medium/High Risk'.

viii)External - Adverse media coverage
Rating was downgraded at the previous quarters to 'Medium' level due to internet articles in relation to one account with the Bank. Ratings have been maintained at the same level for this quarter.

Table 6: Reputational Risk Heat Map

6. Capital Assessment

Overall Reputation Risk was maintained at a satisfactory level in 2012.

Based on the above and taking into account improvements in the Reputational Risk mitigating factors, **no additional capital** is envisaged for Reputation Risk.

INTERNAL AUDIT FUNCTION

The role of the Internal Audit Function at Bank One Limited is to provide to the Management, Audit Committee and the Board of Directors independent, objective assurance and consulting services aimed at adding value and improving the Bank's operations.

To this end, Internal Audit follows a disciplined risk based approach to evaluate and improve the effectiveness of Risk Management, control, and governance processes. The overall audit strategy and audit timetable which is encoded in the annual internal audit plan is subject to approval of Audit Committee of the Board.

To fulfill its responsibilities, Internal Audit reviews systems and processes to assess their operating effectiveness and efficiency; evaluates accounting systems and internal controls; evaluates the relevance, reliability & integrity of Management Information Systems; assesses extent of compliance with established policies and regulations; appraises the use of resources with regards to economy, efficiency and effectiveness; assess the means of safeguarding assets. Internal Audit advises and recommends in a consulting capacity on systems of controls, accounting and operational matters. Internal Audit also carries out other assignments such as investigation of suspected fraud cases, specific inspections, follow ups, and other ad hoc reviews as requested by Management and Audit Committee.

Each high risk unit is examined at least twice a year while low risk units are covered at least once a year. Internal Audit findings and recommendations are presented and discussed with the Management at the monthly Operational Risk Committee. High risk issues as well as full audit reports are submitted to the Audit Committee which meets on a quarterly basis. Any issues which require prompt attention are reported immediately to the relevant authorities.

To enable Internal Audit to successfully achieve its objectives, internal auditors at Bank One are well equipped with the right blend of professional & academic qualifications as well as relevant banking and auditing experience. During the year, internal auditors have attended external training sessions meant to enhance their skills and technical abilities.

The Bank's Internal Auditor reports administratively to the Chief Executive Officer and has a functional reporting line to the Audit Committee. However, for more objectivity and transparency, the Internal Auditor, regularly meets the Chairman of the Audit Committee, in the absence of Bank's Management representatives.

MAJOR AUDIT FINDINGS IN 2012

The Audit Team did not report any major significantly high risk issue during 2012.

There were some non-compliance to routine matters which were promptly rectified.

RISK CAPITAL MANAGEMENT

The Bank's Capital Management Policy is to provide sufficient capital for the banking business to achieve its strategic objectives, taking into account the regulatory, economic and commercial environment in which it operates. The Capital Adequacy framework is supported by a Board approved Internal Capital Adequacy Assessment Process (ICAAP), which encompasses capital planning for current and future periods, taking into consideration strategic focus and business plan and assessment of all material risks under stress conditions.

The Bank's objectives when managing capital are:

- To comply to the capital requirements set by the regulator;
- To safeguard the Bank's ability to continue its business as a going concern;
- To maximise returns to shareholders and optimize the benefits to stakeholders;
- To maintain a strong capital base to support the development of its business.

Capital Adequacy ratio measures the Bank's capital to the Risk-Weighted Assets. The minimum capital that is required to hold is based on the Risk-Weighted Assets, the Bank's on-balance sheet, off-balance sheet and Market Risk positions, measured and risk-weighted according to criteria defined by the Bank of Mauritius. The minimum required capital as set by the Bank of Mauritius, under BASEL II guidelines, is a capital to Risk-Weighted Assets of 10%.

Risk-Weighted Assets is the aggregate of the Risk-Weighted Assets for Credit Risk, Market Risk and Operational Risk, and covers both on-balance sheet and off-balance sheet exposures. On-balance sheet exposures are classified according to the obligor or the nature of each exposure and risk-weighted based on the credit assessment rating assigned by an external credit assessment institution recognised by the Bank of Mauritius or other principles as set out in Capital Adequacy rules as stipulated by the Central Bank, taking into account the capital effects of Credit Risk mitigation. Off-balance sheet exposures are converted into credit-equivalent amounts by applying relevant credit conversion factors to each exposure, before being classified and risk-weighted as if they were on-balance sheet exposures.

The Bank's eligible capital as managed by the Bank's Management is divided into two tiers:

- Core capital or Tier 1 Capital: share capital, profit and loss, and reserves created by appropriations of retained earnings. The book value of goodwill and other intangible assets is deducted in arriving at core capital; and
- Supplementary capital or Tier 2 Capital: qualifying perpetual and term subordinated debts, collectively assessed impairment allowances, regulatory reserve, and fair value gains arising on revaluation of holdings of land and buildings and available-for-sale equities and debt securities. Investment in subsidiaries, significant investments in non-subsidiary companies and shares, and investments in other banks' equity are deducted 50% from Tier-1 capital and 50% from supplementary capital to arrive at the eligible capital.

Capital Adequacy and the use of eligible capital are monitored regularly by Management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by Bank of Mauritius for supervisory purposes. The required information is submitted to the Bank of Mauritius on a quarterly basis.

Movement during the year

Total capital base stood at Rs 1.4bn as at 31 December 2012, representing an increase of Rs 186m over last year. Tier 1 capital expanded by Rs 180m contributed to a large extent by retained earnings and Tier 2 capital slightly increased to Rs 445m as at 31 December 2012.

As at 31 December 2012, the total Risk-Weighted Assets was Rs 12.5bn representing an increase of 25% over last year.

Risk-Weighted Assets relating to Operational Risk increased by Rs 195m or 31%. Given that this is primarily determined by the average income over a rolling three-year time horizon, the growth reflects the strong performance of Bank One over that period.

Basel II

Under the BASEL II methodology, Bank of Mauritius has issued guidelines for the measurement of Credit Risk, Market Risk and Operational Risk.

Basel II Accord is structured around three "pillars".

Pillar 1
The basis for the calculation of the regulatory Capital Adequacy ratio is illustrated under this Pillar by setting the definition and calculations of the Risk-Weighted Assets and then calculating the regulatory capital base.

The Bank of Mauritius has set a minimum Capital Adequacy Ratio (CAR) to 10% for all locally incorporated banks.

Approaches adopted for determining regulatory capital requirements

The default approach adopted by Bank One for determining regulatory capital requirements under the Bank of Mauritius Basel II guidelines is as follows:

a) Credit Risk: Standardised approach

b) Market Risk: Standardised approach

c) Operational Risk: Basic Indicator approach

Pillar 2
Pillar II 'The supervisory review process' is intended not only to ensure that banks have adequate capital to support all the risks in their business, but also to encourage banks to develop and use better Risk Management techniques in monitoring and managing their risks.

Pillar II comprises two processes:

- Internal Capital Adequacy Assessment Process (ICAAP), and
- Supervisory review and evaluation process.

The ICAAP incorporates a review and evaluation of Risk Management and capital relative to the risks to which the bank is exposed. Breach of the internal minimum CAR will act as a 'trigger' for remedial action to be taken by the Management with immediate effect thereafter. The Internal minimum CAR represents the capital position which the Bank will maintain the additional buffer over the regulatory minimum CAR to accommodate any capital requirements under Pillar II.

Pillar 3
The purpose of Pillar 3 'Market Discipline' is to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2). Its aim is to encourage market discipline by developing a set of disclosure requirements which allow market participants to assess certain specified information on the scope of application of Basel II, capital, particular risk exposures and risk assessment processes, and hence, the Capital Adequacy of the institution. Disclosures consist of both quantitative and qualitative information and are provided at the consolidated level.

The table below shows the components of Tier I and Tier II capital and the Capital Adequacy ratios for the last three years under Basel II framework.

Capital Structure	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Core Capital (Tier 1 Capital)			
Paid up Capital	551,456	551,456	551,456
Statutory Reserve	85,424	54,918	28,618
Retained Earnings	418,425	275,562	151,574
Less Deductions			
Goodwill	(15,147)	(15,147)	(15,147)
Intangibles	(40,225)	(36,142)	(31,005)
Deferred Tax	(31,873)	(36,983)	(49,461)
Unrealised Cumulative Losses	-	(7,555)	(654)
Less Investments in Capital of Other Banks	(11,833)	(10,453)	(10,453)
Total Tier 1 Capital	**956,227**	**775,656**	**624,928**
Supplementary Capital (Tier 2 Capital)			
Reserves arising from Revaluation of Assets	34,059	34,059	34,059
Portfolio Provision	130,842	92,742	85,390
Subordinated Debt	290,815	323,096	281,376
Less Investments in Capital of Other Banks	(11,834)	(10,453)	(10,453)
Fair Value Gains	1,446	-	-
Total Tier 2 Capital	**445,328**	**439,444**	**390,372**
Total Capital Base	**1,401,555**	**1,215,100**	**1,015,300**
Risk-Weighted Assets for:			
Credit Risk	11,639,715	9,396,664	8,506,388
Market Risk	62,797	79,115	32,471
Operational Risk	833,046	638,009	394,017
Total Risk-Weighted Assets	**12,535,558**	**10,113,788**	**8,932,876**
Capital Adequacy Ratio	**11.18%**	**12.01%**	**11.37%**

Risk-Weighted Assets

Risk-Weighted On-Balance Sheet Items

	Dec-12			Dec-11	Dec-10
	Rs 000	Risk Weight %	Risk Weighted Rs 000	Risk Weighted Rs 000	Risk Weighted Rs 000
Cash in Hand & with Central Bank	1,468,380	0%	-	-	-
Balance and Placements with Banks	3,716,073	20-100%	778,383	626,980	809,876
Balance in Process of Collection	51,016	20%	10,203	42,598	9,351
Treasury Bills and GOM Bills	1,209,935	0%	-	-	-
Other Investment	350,203	20-100%	268,852	264,285	105,263
Fixed Assets and Other Assets	546,685	50-100%	546,685	408,098	397,487
Loans and Advances	12,078,427	0-100%	9,666,897	7,544,990	6,649,510
	19,420,719		**11,271,020**	**8,886,951**	**7,971,487**

Risk-Weighted Off-Balance Sheet Items

	Dec-12				Dec-11	Dec-10
	Rs 000	Credit Conversion Factor (%)	Risk Weight %	Risk Weighted Rs 000	Risk Weighted Rs 000	Risk Weighted Rs 000
Acceptances and Bill of Exchange	211,461	100%	100%	211,461	233,208	173,978
Guarantees, Bonds, etc	300,747	50%	100%	150,374	203,921	341,020
Letter of Credit	34,304	20%	100%	6,861	72,584	19,903
				368,696	**509,713**	**534,901**

Risk-Weighted Exposures

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Risk-Weighted On-Balance Sheet Assets	11,271,020	8,886,951	7,971,487
Risk-Weighted Off-Balance Sheet Exposures	368,695	509,713	534,901
Risk-Weighted on Market Risk	62,797	79,115	32,471
Risk-Weighted on Operational Risk	833,046	638,009	394,017
Total Risk-Weighted Assets	**12,535,558**	**10,113,788**	**8,932,876**

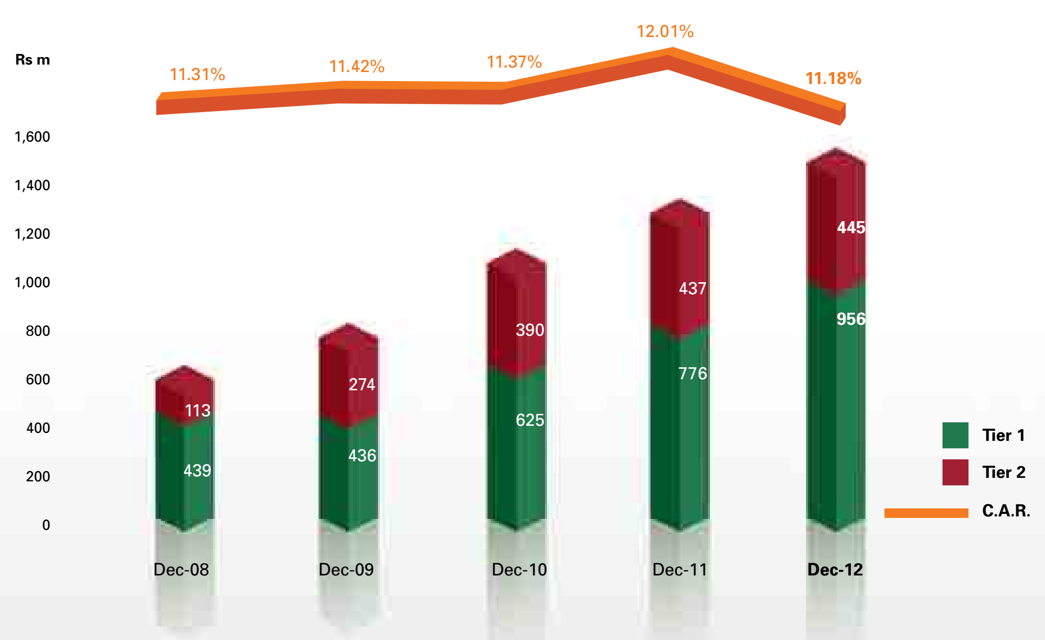
Risk-Weighted Assets for Market Risk

	Dec-12	Dec-11	Dec-10
Foreign Exchange Risk	62,797	79,115	32,471
Interest Rate Risk	-	-	-
Equivalent Risk-Weighted Assets	**62,797**	**79,115**	**32,471**

Risk-Weighted Assets for Operational Risk

	Dec-12	Dec-11	Dec-10
Average Gross Income for last 3 years	555,364	425,339	262,678
Capital Charge	83,305	63,801	39,402
Equivalent Risk-Weighted Assets	**833,046**	**638,009**	**394,017**

Capital Adequacy Ratio Trendline



Supervisory Review Process (SRP)

The guideline on Supervisory Review Process issued by the Bank of Mauritius on April 2010 requires banks to develop and put in place, with the approval of their Board, an Internal Capital Adequacy Assessment Process (ICAAP) commensurate with their size, level of complexity, risk profile and scope of operations. In terms of Principles of Proportionality given in the Bank of Mauritius guidelines, banks are expected to migrate to and adopt progressively sophisticated ICAAP approaches in designing their ICAAP, from simple to moderately complex to complex, based on their activities and Risk Management practices. Looking to the range and complexity of our activities, we have adopted the simple approach.

The SRP rests on four fundamental principles, which enunciate the broad responsibilities of both banks and supervisors with respect to Pillar 1 minimum capital requirements.

Principle 1 – Banks should have a process for assessing their overall Capital Adequacy in relation to their risk profile and a strategy for maintaining their capital levels.

Principle 2 – Supervisors should review and evaluate banks' internal Capital Adequacy assessments and strategies, as well as their ability to monitor and ensure their compliance with regulatory capital ratios. Supervisors should take appropriate supervisory action if they are not satisfied with the result of this process.

Principle 3 – Supervisors should expect banks to operate above the minimum regulatory capital ratios and should have the ability to require banks to hold capital in excess of the minimum.

Principle 4 – Supervisors should seek to intervene at an early stage to prevent capital from falling below the minimum levels required to support the risk characteristics of a particular bank and should require rapid remedial action if capital is not maintained or restored.

The SRP encompasses four elements which emanate from the four principles stated above: the ICAAP, the SREP, the dialogue between the Central Bank and the banks and the supervisory response.

The Internal Capital Adequacy Assessment Process (ICAAP)

The Bank's Risk Management Policy requires the Bank to identify the risks to which it is exposed and to manage and mitigate those risks. Consistent with that, the Bank is expected to have an ICAAP for assessing its overall Capital Adequacy in relation to its risk profile and a strategy for maintaining its capital levels. Its chosen internal capital targets should be well founded and consistent with its overall risk profile and current operating environment.

The essential elements of Bank's ICAAP include:

(a) Policies and procedures designed to ensure that the Bank identifies, measures, and reports all material risks including new risks;

(b) Processes reflecting the size, complexity and business strategy of the Bank that relates capital to the level of risk;

(c) A process that states the Bank's Capital Adequacy goals with respect to risks, taking account of the Bank's strategic focus, business plan and operating environment; and

(d) A process of internal controls, reviews and audit to ensure the integrity of the overall management process.

Internal Assessment of Capital

The Bank's Capital Management framework includes a comprehensive Internal Capital Adequacy Assessment Process (ICAAP) conducted annually and which determines the adequate level of capitalisation for Bank One to meet regulatory norms and current and future business needs, including under stress scenarios.

The ICAAP encompasses capital planning for a certain time horizon, identification and measurement of Material Risks and the relationship between risk and capital. Capital Adequacy and Risk Management is aligned and the Bank's Capital Management framework is complemented by its Risk Management Framework which includes a comprehensive assessment of all material risks.

The Bank formulates its internal capital level targets based on the ICAAP and endeavors to maintain its Capital Adequacy level in accordance with the targeted levels at all times.

As part of ICAAP, the Bank has conducted stress testing under various historical and stress test scenarios to assess the impact of stress on its capital position as at 31 December 2012. The methodology for the stress testing is approved by the Board of Directors. The results of stress testing are reported to the Board of Directors and to the Bank of Mauritius.

Methodology and Assumptions

The Capital Model used in the ICAAP is based upon the Capital to Risk (Weighted) Asset Ratio (CAR) calculations for the Pillar 1 Risks, i.e. Credit, Market and Operational Risk, with additional capital requirements assessed under Pillar 2 for the Risks not covered under Pillar 1 and identified as material to the business of the Bank.

In our case, risk measures under Pillar 1 and Pillar 2 did not differ materially.

Our stress test scenarios include Rs100 m of subordinated debts raised just after year end.

Methodology of Assessment for Material Risks

Type of Risk	Methodology for Assessment
Operational Risk	Risk and Control Self Assessment/Operational Risk Heat Map
Concentration Risk	HH Index and Stress Testing
Country Risk	Quantitative and Qualitative Assessment
Liquidity Risk	Ratio Analysis and Stress Testing
Interest Rate Risk in Banking Book	Gap Analysis and Stress Testing
Compliance Risk	Qualitative Assessment
Reputational Risk	Reputation Heat map

Stress Testing

Stress tests represent an important tool for exploring potential vulnerabilities to exceptional but plausible events. Bank One has designed its own stress tests based on two levels of severity which is consistent to its capabilities, product offerings and risk profiles.

Based on the stress testing framework, which is approved by the Board, Bank One conducts stress tests on its various portfolios and assesses the impact on its capital level and the adequacy of capital buffers for current and future periods. Bank One periodically assesses and refines its stress tests in an effort to ensure that the stress scenarios capture Material Risks as well as reflect possible extreme market moves that could arise as a result of market conditions.

The business and capital plans and the stress testing results of the Bank are integrated into the ICAAP.

The Stress Test Policy of the Bank details:

- Methodology for constructing appropriate and plausible single factor and/or multifactor stress tests;
- Procedure for setting the stress tolerance limits;
- Procedure for monitoring the stress loss limits;
- Remedial actions, if required at the relevant stages in response to stress testing results;
- Authorities designated to activate the remedial actions;
- Need for identification of the responsibilities assigned to various levels/functional units and reporting lines.

Descriptions of Stress Scenarios

Risk Type	Scenario I - Assumptions	Scenario II - Assumptions
Credit Risk	• Downgrade of one notch ratings to all loans to banks portfolios and foreign bonds portfolios.	• Downgrade of two notches ratings to all loans to banks portfolios and foreign bonds portfolios.
	• 50% of the total residential property is affected by an increase in risk weights from 35% to 75% due to a decline in property value.	• An increase in risk weights from 35% to 75% in total residential property portfolio due to a decline in property value.
	• Risk Weight of 100% instead of 75% applied to 50% of the overall regulatory retail portfolio within granularity criterion.	• Risk Weight increase by 25 percentage points by the regulator for all retail loans which are within granularity criterion. (75% to 100%).
	• 3% of corporate portfolio turns to be impaired where specific provision is less than 20% assuming a decline in property value. (R.W from 100% to 150%).	• 5% of corporate portfolio turns to be impaired where specific provision is less than 20% assuming a decline in property value (R.W from 100% to 150%).
	• Assuming 15% of Import LC accepted by the Bank. (R.W from 20% to 100%).	• Assuming 25% of Import LC accepted by the Bank. (R.W from 20% to 100%).
	• Default in 5% of performance bonds/guarantees (R.W from 50% to 100%).	• Default in 10% of performance bonds/guarantees. (R.W from 50% to 100%).
	• All existing impaired accounts which carry a risk weight of 100% are increased to 150% and those carrying 50% to 100%.	• All existing impaired accounts carry risk weight of 150%.
Market Risk	• Increase of 5% in net foreign exchange exposure.	• Increase of a 10% in net foreign exchange exposure.
Operational Risk	• Risk-Weighted Assets for Operational Risk is multiplied by 12 times instead of 10 times (15% of average 3 years Gross Income).	• Risk-Weighted Assets for Operational Risk is multiplied by 15 times instead of 10 times (15% of average 3 years Gross Income).
Country Risk	• Downgrade ratings of countries with moderate & high risk exposures ranging from 1 notch to 3 notches.	• Downgrade ratings of countries with moderate & high risk exposures from 1 notch to 4 notches.
	• No repayment of capital invested and interest from countries falling in GRADE D, (risk of default or already defaulted by Fitch & S&P). Provisioning required in such a case is 100%.	• No repayment of capital invested and interest from countries falling in GRADE D, (risk of default or already defaulted by Fitch & S&P). Provisioning required in such a case is 100%.
Liquidy Risk	• The percentage of cumulative gap to total outflows (up to stress period of 3 months) falls to (-) 20%.	• The percentage of cumulative gap to total outflows (up to stress period of 3 months) falls to (-) 30%.
Interest Rate in Banking Book (IRBB)	• Adverse interest rate shock of 100 bps across all maturity buckets.	• Adverse interest rate shock of 200 bps across all maturity buckets.
IRR Trading Book	• A decrease in our total assets where Interest Rate Risk in trading book will become applicable (just above 5% of total assets) thus results in a capital charge for both general market risk and specific risk.	• A decrease in our total assets where Interest Rate Risk in trading book will become applicable, (just above 5% of total assets) thus results in a capital charge for both general market risk and specific risk.

Stress tests based on two levels of severity (Scenario 1 and 2) have been worked out based on December 2012 figures and the additional capital requirements are given below.

Internal Capital Assessment on Account of Stress Tests (Rs m)

As on 31 December 2012		Capital Requirement		
S. No.	Risk Analysed	Pillar 1 Rs m	Pillar 2 Stress 1 Rs m	Pillar 2 Stress 2 Rs m
1	Credit Risk	1,164	1,258	1,313
2	Market Risk	7	7	8
3	Operational Risk	83	100	125
4	Concentration Risk	-	-	-
5	Country Risk	4	6	6
6	Liquidity Risk	-	-	-
7	Interest Rate Risk	-	7	20
8	Reputation Risk	-	-	-
9	Strategic Risk	-	-	-
10	Compliance Risk	-	-	-
	Total Capital Requirement	**1,258**	**1,378**	**1,472**

The Bank had sufficient capital cushion available as on 31 December 2012 to meet the regulatory requirements, if all the envisaged stress conditions under both scenarios crystallise at the same time.

Capital Requirement under Stress Scenarios

BASEL III

The Basel Committee on Banking Supervision drew up a new set of banking regulations known as Basel III framework. The objective of the reforms is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy.

The Basel III framework includes several key initiatives, which changes the current framework that has been in effect since 2008. The regulation requires higher and better quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk based requirement, measures to promote the build-up of capital that can be drawn down in periods of stress, and the introduction of two global liquidity standards.

The Basel III framework will require banks to comply with the following minimum capital ratios as from July 2013

- Common equity Tier 1 (CET1) capital ratio of 5.5%
- Tier 1 capital ratio of 6.5%
- Total capital ratio of 10%

Besides the changed composition of the capital base, a capital conservation buffer of 2.5% will be established above regulatory minimum requirements. Further, a countercyclical buffer will be implemented as an extension of the capital conservation buffer, which will be developed by each central bank when excess credit growth is judged to be associated with a build-up of system wide risk. Both the capital conservation buffer and the countercyclical buffer should be covered by CET 1 capital. The Basel Committee has, on top of this, proposed that domestic systemically important banks should have additional loss absorbency.

This additional requirement should also be met by CET 1 capital. Risk-weighted amounts will mainly be affected by additional requirements for counterparty Credit Risk and an introduction of an asset correlation factor for exposures towards financial institutions.

In addition to capital requirements the regulation will be supplemented with a non-risk based measure, leverage ratio. The ratio will be calculated as the Tier 1 capital divided by the exposure (on-balance and off-balance sheet exposures, with some adjustments for certain items such as derivatives).

The Basel Committee has developed two new quantitative liquidity standards, as part of the new Basel III framework, i.e., Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The standards aim to set the minimum levels of liquidity for internationally active banks.

Timeframe

On 23 October 2012, the Bank of Mauritius has circulated a discussion paper on Basel III implementation. In this discussion paper, they are proposing to implement Basel III in a phased manner starting July 2013 to July 2019.

The CAR under Basel III is expected to be increased to 10.625% in 2016 and a further increase to 11.25% in 2017 and gradually improving to a final 12.5% in 2019 as per the timetable below.

	2013	2014	2015	2016	2017	2018	2019
	1 July (All dates are as of 1 January)						
Leverage Ratio	Parallel run 2014 - 2017					Migration to Pillar 1	
Minimum CET 1 CAR	5.5%	6.0%	6.5%	6.5%	6.5%	6.5%	**6.5%**
Capital Conversion Buffer	-	-	-	0.625%	1.25%	1.875%	**2.5%**
Minimum CET 1 CAR Plus Capital Conversion Buffer	5.5%	6.0%	6.5%	7.125%	7.75%	8.375%	**9.0%**
Phase-in of deductions from CET 1*	-	20%	40%	60%	80%	100%	**100%**
Minimum Tier 1 CAR	6.5%	7.5%	8.0%	8.0%	8.0%	8.0%	**8.0%**
Minimum Total CAR	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	**10.0%**
Minimum Total CAR plus Capital Conversion Buffer	10.0%	10.0%	10.0%	10.625%	11.25%	11.875%	**12.5%**

Bank One has started to take initiatives and measures to comply with the new Basel III requirements to ensure preparedness prior to cut off dates.

The Bank's Common Equity Tier 1 capital as at 31 December 2012 was 7.6%.

CAMEL RATING

The Bank of Mauritius has been publishing the CAMEL ratings of Banks in Mauritius since March 2011 based on their financial conditions, with a view to improving transparency and market disclosure, and also to improve the overall efficiency and stability of the financial system.

The ratings are based on various criteria including Capital Adequacy, Asset Quality, Management, Earnings and liquidity.

Rating ranges from 1- Strong; 2+ and 2- (satisfactory); 3+ and 3- (fair) ; 4 (marginal) and 5 (unsatisfactory).

Ratings are communicated quarterly to banks individually and published on Bank of Mauritius website in June and December each year.

Bank One was rated at 2+ in December 2011 and has maintained its CAMEL rating at 2- (satisfactory) for the first 3 quarters of 2012.

The Bank is expected to maintain 2- rating for December 2012.

Business is not just about return to Shareholders but also means a return to society. Through its CSR funds, the Bank contributes to various initiatives of Fondation Nouveau Regard. **Bank One** also encourages its employees to participate voluntarily in social activities in order to make a positive contribution for the less fortunate.

Going beyond BUSINESS

Statement of MANAGEMENT'S responsibility for financial reporting

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

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

The Bank's Board of Directors, acting in part through the Audit Committee and Conduct Review Committee and Risk Management Committee, which comprise Independent Directors, oversees Management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant and related party transactions.

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

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

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

This 1 March 2013

Jean-Pierre DALAIS
Chairman of the Board of Directors

Pratul Hemraj Dharamshi SHAH
Director & Chairman of Audit Committee

Raj DUSSOYE
Director & Chief Executive Officer

Report of the AUDITORS to the shareholders of Bank One

Independent Auditors' Report to the Members

This report is made solely to the members of BANK ONE Limited (the "Bank"), as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the Financial Statements

We have audited the financial statements of BANK ONE Limited on pages 118 to 166 which comprise the statement of financial position as at 31 December 2012, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Bank and for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001 and Banking Act 2004, and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements on pages 118 to 166 give a true and fair view of the financial position of the Bank as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

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 advisers and dealings in the ordinary course of business. We have obtained all 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 basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius.

The explanations or information called for or given to us by the officers or agents of the Bank were satisfactory.

Financial Reporting Act 2004

The Directors are responsible for preparing the Corporate Governance Report and making the disclosures required by Section 8.4 of the Code of Corporate Governance of Mauritius ("Code"). Our responsibility is to report on these disclosures. In our opinion, the disclosures in the Corporate Governance Report are consistent with the requirements of the Code.

BDO & Co
Chartered Accountants

Ameenah RAMDIN, **FCCA, ACA**
Licenced by FRC

Port Louis, Mauritius
This 1 March 2013

No one is better than all of us. Bank One believes in teams as performance of the whole organisation is thereby maximised. Besides regularly undertaking various team-building exercises, **Bank One** launched in 2012 a new initiative named “One Team One Dream” aimed at aligning the human capital of the Bank to its vision and strategy.

Going beyond INDIVIDUALS

Financial STATEMENTS
for the year ended 31 December 2012

STATEMENT OF FINANCIAL POSITION as at 31 December 2012

	Note	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
ASSETS				
Cash and cash equivalents	13	4,315,788	3,187,034	3,339,743
Derivative assets held for risk management	14	12,984	5,094	6,258
Loans and advances to banks	15	-	117,247	100,459
Loans and advances to customers	16	11,947,585	9,087,874	7,965,781
Investment securities	17	1,567,109	1,814,166	1,415,166
Property plant and equipment	18	328,909	320,117	322,116
Intangible assets	19	55,371	51,289	46,152
Deferred tax assets	20	31,873	36,983	49,461
Other assets	21	1,143,963	1,056,137	703,478
Total assets		**19,403,582**	**15,675,941**	**13,948,614**
LIABILITIES				
Deposits from customers	22	17,198,221	14,118,085	12,598,708
Derivative liabilities held for risk management	14	3,037	3,406	5,995
Subordinated liabilities	23	330,815	323,096	281,376
Other borrowed funds	24	367,505	-	-
Current tax liabilities	25	10,020	15,307	6,115
Other liabilities	26	359,777	265,978	249,738
		18,269,375	14,725,872	13,141,932
Shareholders' equity				
Stated capital	28	551,456	551,456	551,456
Other reserves		164,326	123,051	103,652
Retained earnings		418,425	275,562	151,574
		1,134,207	950,069	806,682
Total equity and liabilities		**19,403,582**	**15,675,941**	**13,948,614**

These financial statements were approved for issue by the Board of Directors on 1 March 2013

Jean-Pierre DALAIS
Chairman of the Board of Directors

Raj DUSSOYE
Chief Executive Officer

Pratul Hemraj Dharamshi SHAH
Director and Chairman of Audit Committee

The notes on pages 122 to 166 form an integral part of these financial statements. Auditors' report on page 115.

INCOME STATEMENT for the year ended 31 December 2012

	Note	Year ended Dec-12 Rs 000	Year ended Dec-11 Rs 000	Year ended Dec-10 Rs 000
Interest income		903,845	825,496	731,286
Interest expense		(507,199)	(469,306)	(439,124)
Net interest income	3	396,646	356,190	292,162
Fee and commission income		142,481	129,063	114,249
Fee and commission expense		(35,424)	(25,327)	(19,694)
Net fee and commission income	4	107,057	103,736	94,555
Net trading income	5	135,291	109,900	57,416
Other operating income	6	8,462	299	10,278
		143,753	110,199	67,694
Operating income		647,456	570,125	454,411
Net impairment loss on financial assets	7	(46,025)	(35,615)	(26,421)
Personnel expenses	8	(232,913)	(203,078)	(173,235)
Depreciation and amortisation		(35,649)	(35,043)	(34,640)
Other expenses	9	(112,579)	(93,720)	(83,593)
		(427,166)	(367,456)	(317,889)
		220,290	202,669	136,522
Profit on sale and recovery of assets	10	4,378	-	59,322
Profit before income tax		224,668	202,669	195,844
Income tax expense	11	(21,300)	(27,381)	(27,556)
Profit for the year		203,368	175,288	168,288
Earnings per share (Rs)	12	36.88	31.79	30.93

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2012

Profit for the year	203,368	175,288	168,288
Other comprehensive income :			
Net fair value gain/(loss) on available for sale investment securities	10,770	(6,901)	(3,827)
Total comprehensive income for the year	214,138	168,387	164,461

The notes on pages 122 to 166 form an integral part of these financial statements. Auditors' report on page 115.

STATEMENT OF CASH FLOWS for the year ended 31 December 2012

	Note	Year ended Dec-12 Rs 000	Year ended Dec-11 Rs 000	Year ended Dec-10 Rs 000
Cash flows from operating activities				
Profit for the year		203,368	175,288	168,288
Income tax expense recognised		21,300	27,381	27,556
Net movement in derivatives		(8,259)	(1,425)	2,996
Depreciation of property, plant and equipment	18	23,562	25,443	26,965
Amortisation of intangible assets	19	12,087	9,618	7,675
Net change on provision for credit impairment	15(c) & 16(e)	(53,509)	37,014	(85,152)
Gain on sale of land and property, plant and equipment		520	-	(51)
Gain on sale of other assets		(10,099)	(395)	(645)
Others		(23,184)	(3,145)	3,756
Income tax paid		(10,594)	(5,711)	(2,475)
Fair value gain/(loss) on disposal of available for sale securities		2,690	96	(9,582)
Changes in operating assets and liabilities				
(Increase)/decrease in loans and advances				
- to banks		118,606	(17,132)	64,250
- to customers		(2,807,561)	(1,158,763)	(2,276,588)
(Increase) in other assets		(87,826)	(353,934)	(5,024)
Increase in deposits from customers		3,080,136	1,519,377	3,119,196
Increase in other liabilities		84,768	16,353	29,694
Net cash from operating activities		546,005	270,065	1,070,859
Cash flows from/(used in) investing activities				
Purchase of investment securities		(607,649)	(938,658)	(448,066)
Proceeds from sale and redemption of investment securities		855,738	306,600	288,231
Purchase of available for sale investments		(908)	(207,764)	(461,533)
Proceeds from sale of available for sale investments		26,421	428,690	295,549
Purchase of property, plant and equipment	18	(32,656)	(23,557)	(21,286)
Proceeds from sale of property and equipment		822	-	51
Proceeds from sale of non-banking assets		19,645	1,670	3,081
Purchase of intangible assets	19	(16,169)	(14,755)	(6,151)
Net cash from/(used in) investing activities		245,244	(447,774)	(350,124)
Cash flows from financing activities				
Proceeds from subordinated liabilities	23	-	50,000	99,042
Proceeds from other borrowed funds	24	367,505	-	-
Dividend paid	29	(30,000)	(25,000)	-
Net cash from financing activities		337,505	25,000	99,042
Net increase/(decrease) in cash and cash equivalents		1,128,754	(152,709)	819,777
Cash and cash equivalents at beginning of year		3,187,034	3,339,743	2,519,966
Cash and cash equivalents at end of year	13	4,315,788	3,187,034	3,339,743

The notes on pages 122 to 166 form an integral part of these financial statements. Auditors' report on page 115.

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2012

	Stated capital Rs 000	Share capital pending allotment Rs 000	Revaluation surplus Rs 000	Statutory reserve Rs 000	Fair value reserve Rs 000	Retained earnings Rs 000	**Total Rs 000**
Balance as at 1 January 2010	**491,456**	**60,000**	**75,687**	**3,319**	**3,173**	**8,586**	**642,221**
Share capital pending allotment transferred to stated capital	60,000	(60,000)	-	-	-	-	-
Transfer to statutory reserve	-	-	-	25,300	-	(25,300)	-
Profit for the year	-	-	-	-	-	168,288	**168,288**
Other comprehensive income for the year	-	-	-	-	(3,827)	-	**(3,827)**
Balance as at 31 December 2010	**551,456**	**-**	**75,687**	**28,619**	**(654)**	**151,574**	**806,682**
Transfer to statutory reserve	-	-	-	26,300	-	(26,300)	-
Profit for the year	-	-	-	-	-	175,288	**175,288**
Other comprehensive income for the year	-	-	-	-	(6,901)	-	**(6,901)**
Dividend (note 29)	-	-	-	-	-	(25,000)	**(25,000)**
Balance as at 31 December 2011	**551,456**	**-**	**75,687**	**54,919**	**(7,555)**	**275,562**	**950,069**
Transfer to statutory reserve	-	-	-	30,505	-	(30,505)	-
Profit for the year	-	-	-	-	-	203,368	**203,368**
Other comprehensive income for the year	-	-	-	-	10,770	-	**10,770**
Dividend (note 29)	-	-	-	-	-	(30,000)	**(30,000)**
Balance as at 31 December 2012	551,456	-	75,687	85,424	3,215	418,425	1,134,207

In line with Section 21 (1) of the Banking Act 2004, 15% of the net profit for the year has been transferred to a statutory reserve account.

The notes on pages 122 to 166 form an integral part of these financial statements. Auditors' report on page 115.

Notes to the financial STATEMENTS

for the year ended 31 December 2012

1.1 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of BANK ONE Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and instructions, Guidelines and Guidance Notes issued by the Bank of Mauritius, in so far as the operations of the Bank are concerned.

Where necessary, comparatives figures have been amended to conform with changes in presentation, or in accounting policies in the current year. The financial statements are prepared under the historical cost convention except for available for sale financial assets, derivative contracts and land & buildings, which have been measured at fair value.

Standards, Amendments to published Standards and Interpretations effective in the reporting period

Disclosures - Transfers of Financial Assets (Amendments to IFRS 7). These amendments improve the disclosure requirements in relation to transferred financial assets. The amendments are not expected to have any impact on the Bank's financial statements.

Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS1). These amendments replace references to a fixed transition date with 'the date of transition to IFRSs' and set out the requirements for how an entity resumes presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. The amendments are not expected to have any impact on the Bank's financial statements.

Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12), introduces a presumption that investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are recovered entirely through sale for the purposes of measuring deferred taxes. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. This amendment is not expected to have an impact on the Bank's financial statements.

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2013 or later periods, but which the Bank has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income (Effective 1 July 2012)
- IFRS 9 Financial Instruments
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 19 Employee Benefits (Revised 2011)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
- Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)
- IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
- Amendment to IFRS 1 (Government Loans)
- Annual Improvements to IFRSs 2009-2011 Cycle
- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities
- Transition Guidance
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

Where relevant, the Bank is still evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Management to exercise its judgement in the process of applying the Bank's accounting policies. In particular information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised are described in Note 1.2.

(b) Foreign currency translation

Trading transactions denominated in foreign currencies are accounted for at the closing rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities expressed in foreign currencies are reported at the closing rate of exchange ruling at the reporting date. Differences arising from reporting monetary items are dealt with through the Income Statement.

(c) Functional and presentation currency

These financial statements are prepared in Mauritian rupees (Rs.), which is the Bank's functional currency. Except as indicated, financial information presented in Mauritian rupees has been rounded to the nearest thousand.

(d) Derivative financial instruments

Derivative financial instruments include foreign exchange contracts and currency swaps. These are initially recognised in the Statement of Financial Position at cost and subsequently remeasured at their fair value. Fair values of derivatives between two external currencies are based on interest rate differential between the two currencies. Fair values of forwards involving Mauritian rupees are based on treasury bills rate or LIBOR. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The Bank's derivative transactions, while providing effective economic hedges under the Bank's Risk Management policies, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses reported in the Income Statement.

(e) Interest income and expense

Interest income and expense are recognised in the Income Statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter suspended and recognised only upon receipt.

(f) Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

(g) Net trading income

Net trading income comprises net gains on forex trading and translation differences.

(h) Sale and repurchase agreements

Securities sold subject to linked repurchase agreements ('repos') are retained in the Statement of Financial Position as Government securities and Treasury bills and the counterparty liability is included in amount due to other banks or deposits, as appropriate.

Securities purchased under agreements to resell ('reverse repos') are recorded as amount due from other banks or loans and advances, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repos agreements using the effective yield method.

1.1 SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

(i) Investment securities

The Bank classifies its investment securities as held-to-maturity or available-for-sale assets. Management determines the appropriate classification of its investments at the time of the purchase. Investment securities with fixed maturity where the Management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale.

Available for sale investment securities are initially recognised at cost (which includes transaction costs). Available-for-sale listed financial assets are subsequently remeasured at fair value based on quoted bid prices. Fair values for unlisted equity securities are estimated using maintainable earnings or net assets bases refined to reflect the specific circumstances of the issuer. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in Statement of Comprehensive Income. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

Held-to-maturity investments are carried at amortised cost using the effective yield method, less any provision for impairment.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instruments' original effective interest rate. By comparison, the recoverable amount of an instrument measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

Interest earned while holding investment securities is reported as interest income.

All regular way purchases and sales of investment securities are recognised at trade date which is the date that the Bank commits to purchase or sell the asset. All other purchases and sales are recognised as derivative forward transactions until settlement.

(j) Financial Asset - Designation at fair value through profit or loss

The Bank has designated financial assets and liabilities at fair value through profit or loss when either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or;
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

The recoverable amount of an instrument measured at fair value is the present value of the expected future cash flows discounted at the current market rate of interest for a similar financial asset. Changes in the fair value of instruments designated at fair value through profit or loss are recognised in the Income Statement.

Interest earned while holding investment securities is reported as interest income. Dividends receivable are included separately in 'dividend income' when the entities' right to receive payment is established.

(k) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(l) Loans and provisions for loan impairment

Loans originated by the Bank by providing money directly to the borrower (at draw-down) are categorised as loans by the Bank and are carried at amortised cost, which is defined as the fair value of cash consideration given to originate these loans as is determinable by reference to market prices at origination date. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

All loans and advances are recognised when cash is advanced to borrowers. An allowance for loan impairment is established if there is the objective evidence that the Bank will not be able to collect all amounts due according to the original contractual terms of the loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loans.

The loan loss provision also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the end of the reporting date. These have been estimated upon the historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate. When a loan is uncollectible, it is written off against the related provision for impairment; subsequent recoveries are credited to the provision for loan losses in the Income Statement.

If the amount of the impairment subsequently decreases due to an event occuring after the write-down, the release of the provision is credited as a reduction of the provision for loan losses.

(m) Purchase of business

Goodwill represents the excess of the cost of an acquisition over the fair value of the business's assets and liabilities acquired.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

(n) Property, plant and equipment

Property, plant and equipment (except land and building) are carried at historical cost or deemed cost less accumulated depreciation. Land and buildings are stated at revalued amounts. Land is not depreciated.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Revaluation surpluses arising in prior years are credited to reserves. Any subsequent decrease is first charged to reserves. Thereafter, decreases are charged to the Income Statement to the extent that the decrease exceeds any amount formerly held in reserves in respect of the same asset.

Depreciation is calculated to write down the cost or amount of the valuation of such assets to their residual values on a straight-line basis over their estimated useful lives as follows:

Buildings	50 years
Computer and office equipment	3-5 years
Furniture, fixtures	10 years
Motor vehicles	5 years

Land is not depreciated.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are recognised as income or expense in the Income Statement. On disposal of a revalued asset, the associated portion of the Revaluation surplus is released to the Income Statement. Repairs and renewals are charged to the Income Statement when the expenditure is incurred.

(o) Computer software development costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Bank and will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, but not exceeding a period of five years.

1.1 SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

(p) Cash and cash equivalents

For the purposes of the Statement of cash flows, cash and cash equivalents comprise cash and balances with Central Banks and amounts due to and from other banks. A further breakdown of cash and cash equivalents is given in note 13 to the financial statements. Cash and cash equivalents do not include the mandatory balances with Central Bank.

(q) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(r) Employee benefits

The Bank makes contributions to :

(i) a defined benefits plan that provides pension for employees upon retirement and is wholly funded. The assets of the funded plan are held and administered independently by the Anglo Mauritius Assurance Society Limited. The main assumptions made in the actuarial valuation of the pension fund are listed in note 26 to the financial statements.

Changes in the fair value of the defined benefit plan liability are recognised as personnel expense in the Income Statement.

(ii) a defined contribution plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

(s) Deferred tax

Deferred tax is provided for, using the liability method, on all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation of property, plant and equipment, provisions for impairment losses on loans and advances and provisions for employee benefits.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductable temporary differences can be utilised.

The rates enacted or subsequently enacted at the reporting date are used to determine deferred tax.

(t) Borrowings

Borrowings are recognised initially at 'cost', being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective yield method.

(u) Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are disclosed as liabilities with corresponding contra-assets.

(v) Segmental reporting

In accordance with the Bank of Mauritius Guidelines, the Bank's business has been split into Segment A and Segment B:

- Segment B is essentially directed to the provision of international financial services that give rise to foreign source income. Such services may be fund based or non-fund based.
- Segment A relates to banking business other than Segment B business.

Expenditure incurred by the Bank but which is not directly attributable to its income derived from Mauritius or its foreign source income is apportioned in a fair and reasonable manner.

(w) Share Capital

Ordinary shares are classified as equity.

(i) Share issue costs

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(x) Dividend Policy

The Bank will distribute a reasonable part of its profits, to the extent permitted by law and the Bank of Mauritius Guidelines, and in accordance with sound financial principles, provided that its financial situation allows such distribution.

(y) Accounting for leases - where the company is the lessor

Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable, the amount being equal to the net investment in the leases after specific provision for bad and doubtful debts in respect of all identified impaired leases in the light of periodical reviews. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Operating leases

Assets leased out under operating leases are included in plant and equipment in the Statement of Financial Position. They are depreciated over their expected useful lives on a basis consistent with similar assets. Rental income is recognised on a straight line basis over the lease term.

1.2 USE OF ESTIMATES AND JUDGEMENTS

Management discussed the development, selection and disclosure of the Bank's critical accounting policies and estimates, and the application of these policies and estimates.

Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 1.1(l).

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon Management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, the Management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for Country Risks. In assessing the need for collective loan loss allowances, the Management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant input required to fair value on instrument is observable, the instrument is included in level 2.

1.2 USE OF ESTIMATES AND JUDGEMENTS (cont'd...)

Fair value estimation (cont'd...)

If one or more significant inputs is not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

2. FINANCIAL RISK MANAGEMENT

(a) Strategy in using financial instruments

The Bank's activities expose it to a variety of financial risks, market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Bank's overall Risk Management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Bank's financial performance.

Risk Management is carried out by the Risk Department under policies approved by the Board of Directors. The Risk Department identifies, evaluates and monitors Financial Risk in close cooperation with the operating units including Treasury. The Board (Risk Management Committee) provides written principles for overall Risk Management, as well as written policies covering specific areas, such as Foreign Exchange Risk, Interest Rate Risk, Credit Risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

(b) Credit Risk

Credit Risk arises when customers or counterparties are not able to fulfill their contractual obligations under the contract. Credit Risk Management at the Bank is under the responsibility of the Credit Risk Management unit. The Board of Directors has delegated the function of formulating all matters of credit related policy and procedures in the Bank to the Board Credit Committee.

Credit quality of loans and advances

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Neither past due nor impaired	10,994,101	8,573,602	7,424,852
Past due but not impaired	836,879	569,227	531,510
Impaired	417,233	416,429	427,001
Gross	12,248,213	9,559,258	8,383,363
Less allowance for credit impairment	(300,628)	(354,137)	(317,123)
Net	11,947,585	9,205,121	8,066,240
Fair value of collaterals of past due but not impaired	836,879	569,227	531,510
Net impaired loans after specific allowances	247,447	155,034	195,269
Fair value of collaterals of impaired loans	1,451,121	207,403	229,984
Loans and advances renegotiated			
Loans and advances renegotiated	576,582	547,398	64,928
Fair value of collaterals	576,582	547,398	64,928

Maximum exposure to Credit Risk before collateral and other Credit Risk enhancements:

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Credit risk exposures relating to on-balance sheet assets are as follows:			
Balances with banks in Mauritius, banks abroad and inter bank loans	4,315,788	3,187,034	3,339,743
Derivatives financial instruments	12,984	5,094	6,258
Government of Mauritius / Bank of Mauritius Bills	1,195,228	1,335,508	991,561
Corporate bonds	371,881	478,658	423,605
Loans and advances to customers & banks	12,248,213	9,559,258	8,383,363
Other assets	1,143,963	1,056,137	703,478
	19,288,057	**15,621,689**	**13,848,008**
Credit risk exposures relating to off-balance sheet assets are as follows:			
Financial guarantees	1,309,413	1,770,980	1,353,877
Loans commitments and other credit related liabilities	1,763,922	1,700,675	798,686
Total	**22,361,392**	**19,093,344**	**16,000,571**

2. FINANCIAL RISK MANAGEMENT (cont'd...)

Types of collateral and credit enhancements held at year end

Fixed and floating charges on properties and other assets
Privilege D`Inscription
Lien on vehicle/equipment/machinery
Pledge on shares/rent/proceeds of crops
Lien on deposits
Assignment of Life Policy/General Insurance Policy
Bank Guarantee/personal guarantee/Government Guarantee
Nantissement de Parts Sociales dans le capital d'une Société
Leasing of Machinery/Equipment/ Vehicle with the Bank as a Lessor
Pledge of deposits from other Financial Institution/Licenced Deposit Taker

(c) Market Risk

Market Risk arises from activities undertaken in or impacted by financial markets generally. This includes the risk of gain or loss arising from the movement in market price of a financial asset or liability as well as ancillary risks such as Liquidity and Funding Risk.

The Bank has adopted a centralised Risk Management Framework which controls risks on an enterprise wide basis.

Within this framework, the Board of Directors approves the risk strategy, risk policies and prudential limits within which the operations are to be carried out. The Board has also set up the Board Risk Committee to which is delegated some of its main responsibilities to monitor and ensure the effectiveness of the risk process.

Implementation of the policies and business strategies are delegated to Management and the Risk Management Unit. Market Risk is under the control of the Asset and Liability Committee of the Bank.

The Bank is exposed to equity and securities price risk because of investments held and classified as available-for-sale financial asset. If the fair value had increased/decreased by 5%, the impact of increases/decreases in fair value analysis would be Nil (2011: Rs 1.7m).

(d) Capital structure

The minimum Capital Adequacy ratio is fixed at 10% and is calculated as follows:

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Tier 1 Capital	956,228	775,656	624,928
Tier 2 Capital	445,329	439,444	390,372
Total Capital Base	**1,401,557**	**1,215,100**	**1,015,300**
Total Risk-Weighted Assets	**12,535,557**	**10,113,788**	**8,932,876**
Capital Adequacy Ratio	11.18%	12.01%	11.37%

An amount of Rs 100m was contracted as subordinated dept. An approval in principle was received from the Bank of Mauritius on 31 December 2012 but the money was paid in from Anglo Mauritius Assurance Society on 11 January 2013. Should this amount be qualified as Tier 2 at 31 December 2012, the Capital Adequacy Ratio would have been 11.93%.

(e) Currency Risk

Currency Risk is defined as the potential movements in foreign exchanges rates that may adversely affect the Bank's financial condition. Limits are monitored on a daily basis and reported by Treasury Back Office and Risk Management Unit to Management and Bank of Mauritius. Exposure/limits are also reported to ALCO and Board Risk Committee on a monthly and quarterly basis respectively.

Concentration of assets, liabilities and off-balance sheet items

	USD Rs 000	EURO Rs 000	GBP Rs 000	MUR Rs 000	Others Rs 000	Total Rs 000
At 31 December 2012						
ASSETS						
Cash and cash equivalents	1,258,008	380,866	786,973	576,123	1,313,818	4,315,788
Derivative assets held for risk management	6,847	35	6,076	-	26	12,984
Loans and advances to customers	4,015,768	870,889	273,354	7,088,202	-	12,248,213
Investment Securities	160,714	931	-	1,405,464	-	1,567,109
Property, plant and equipment	-	-	-	328,909	-	328,909
Intangible assets	-	-	-	55,371	-	55,371
Deferred tax assets	-	-	-	31,873	-	31,873
Other assets	25,673	2,955	1,476	1,113,855	4	1,143,963
	5,467,010	**1,255,676**	**1,067,879**	**10,599,797**	**1,313,848**	**19,704,210**
Allowance for credit impairment						(300,628)
Total assets						**19,403,582**
LIABILITIES						
Deposits	5,683,740	956,810	1,313,523	8,765,689	478,459	17,198,221
Derivative liabilities held for risk management	319	1,678	-	635	405	3,037
Subordinated liabilities	181,454	-	-	149,361	-	330,815
Other borrowed funds	183,000	183,537	-	-	968	367,505
Current tax liabilities	-	-	-	10,020	-	10,020
Other liabilities	60,568	4,107	4,645	288,972	1,485	359,777
Total liabilities	**6,109,081**	**1,146,132**	**1,318,168**	**9,214,677**	**481,317**	**18,269,375**
Net on-balance sheet position	**(642,071)**	**109,544**	**(250,289)**	**1,385,120**	**832,531**	**1,434,835**
Less allowance for credit impairment						(300,628)
						1,134,207
Currency forwards and swaps						
Contractual/nominal amount	**962,372**	**158,998**	**240,086**	**166,775**	**114,126**	**1,642,357**
Credit commitments	**709,718**	**43,025**	**22,905**	**988,274**	**-**	**1,763,922**

2. FINANCIAL RISK MANAGEMENT (cont'd...)

(e) Currency Risk (cont'd...)

	USD Rs 000	EURO Rs 000	GBP Rs 000	MUR Rs 000	Others Rs 000	Total Rs 000
At 31 December 2011						
Total assets	4,453,063	1,129,265	597,739	9,425,372	424,639	16,030,078
Total liabilities	4,181,725	1,145,763	796,931	8,320,069	281,384	14,725,872
Net on-balance sheet position	271,338	(16,498)	(199,192)	1,105,303	143,255	1,304,206
Less allowance for credit impairment						(354,137)
						950,069
Credit commitments	**435,260**	**296,778**	**58,653**	**909,984**	**-**	**1,700,675**
At 31 December 2010						
Total assets	4,531,037	751,316	371,342	8,511,312	100,730	14,265,737
Total liabilities	4,361,864	720,328	459,099	7,568,799	31,842	13,141,932
Net on-balance sheet position	169,173	30,988	(87,757)	942,513	68,888	1,123,805
Less allowance for credit impairment						(317,123)
						806,682
Credit commitments	**172,298**	**12,369**	**-**	**614,019**	**-**	**798,686**

(f) Interest Rate Risk

Interest Rate Risk is the exposure of the Bank's financial condition to adverse movements in interest rate. Changes in interest rates affect a bank's earnings by changing its Net Interest Income and the level of other interest sensitive income and expenses. It also affects the underlying value of the Bank's assets, liabilities and off-balance sheet items.

The following techniques are being used for measuring Interest Rate Risk:

- Gap Analysis
- Duration

The Gap report is generated by grouping rate sensitive liabilities, assets and off-balance sheet positions into time buckets according to residual maturity or next repricing period, whichever is earlier. All investments, advances, deposits, borrowings, purchased funds that mature within a specified timeframe are interest rate sensitive.

The standard duration approach is adopted to arrive at an approximation of the Bank's exposure to Changes in the Economic value as the Bank size and operations are considered as non complex.

(f) Interest Sensitivity of Assets and Liabilities - Repricing Analysis

	Up to 1 month Rs 000	1-3 months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-3 years Rs 000	>3 years Rs 000	Non Interest Sensitive Rs 000	Total Rs 000
As at 31 December 2012								
ASSETS								
Cash and cash equivalents	859,210	297,343	4,709	-	-	-	3,154,526	4,315,788
Derivative assets held for risk management	-	-	-	-	-	-	12,984	12,984
Loans and advances to customers	463,807	6,564,104	783,294	421,099	1,687,171	2,328,738	-	12,248,213
Investment securities	171,748	155,589	47,544	295,011	446,799	450,418	-	1,567,109
Property, plant and equipment	-	-	-	-	-	-	328,909	328,909
Intangible assets	-	-	-	-	-	-	55,371	55,371
Deferred tax assets	-	-	-	-	-	-	31,873	31,873
Other assets	-	-	-	-	-	-	1,143,963	1,143,963
	1,494,765	**7,017,036**	**835,547**	**716,110**	**2,133,970**	**2,779,156**	**4,727,626**	**19,704,210**
Less allowances for credit impairment								(300,628)
Total assets								19,403,582

2. FINANCIAL RISK MANAGEMENT (cont'd...)

(f) Interest Sensitivity of Assets and Liabilities - Repricing Analysis (cont'd...)

	Up to 1 month Rs 000	1-3 months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-3 years Rs 000	>3 years Rs 000	Non Interest Sensitive Rs 000	Total Rs 000
As at 31 December 2012								
LIABILITIES								
Deposits	1,112,853	7,370,635	1,237,482	1,912,951	323,236	48,302	5,192,762	17,198,221
Derivative liabilities held for risk management	-	-	-	-	-	-	3,037	3,037
Subordinated liabilities	-	249,361	-	-	66,490	14,964	-	330,815
Other borrowed funds	153,468	37,954	3,828	3,828	37,675	130,752	-	367,505
Current tax liabilities	-	-	-	-	-	-	10,020	10,020
Other liabilities	-	-	-	-	-	-	359,777	359,777
Total liabilities	**1,266,321**	**7,657,950**	**1,241,310**	**1,916,779**	**427,401**	**194,018**	**5,565,596**	**18,269,375**
								1,134,207
Interest rate sensitivity gap	**228,444**	**(640,914)**	**(405,763)**	**(1,200,669)**	**1,706,569**	**2,585,138**	**(837,970)**	**1,434,835**
Less allowances for credit impairment								**(300,628)**
								1,134,207
As at 31 December 2011								
Total assets	1,379,539	6,032,402	725,297	780,976	1,724,388	1,870,803	3,516,673	16,030,078
Total liabilities	821,450	7,175,962	1,187,688	1,267,954	369,893	209,200	3,693,725	14,725,872
Interest rate sensitivity gap	**558,089**	**(1,143,560)**	**(462,391)**	**(486,978)**	**1,354,495**	**1,661,603**	**(177,052)**	**1,304,206**
Less allowances for credit impairment								(354,137)
								950,069
As at 31 December 2010								
Total assets	1,679,955	5,803,051	580,054	449,990	1,366,785	1,497,879	2,888,023	14,265,737
Total liabilities	1,186,605	6,460,552	374,740	1,108,234	446,462	334,302	3,231,037	13,141,932
Interest rate sensitivity gap	**493,350**	**(657,501)**	**205,314**	**(658,244)**	**920,323**	**1,163,577**	**(343,014)**	**1,123,805**
Less allowances for credit impairment								(317,123)
								806,682

(g) Liquidity Risk

Liquidity Risk is the risk of financial loss that arises when funds are required to meet repayments, withdrawals and other commitments that cannot be obtained in time due to lack of market liquidity which prevents quick and effective liquidation of positions or portfolios. Different dimensions of Liquidity Risks are:

(i) Funding Risk,
(ii) Time Risk and
(iii) Call Risk.

The Bank uses the maturity Gap Report for Measurement and Management of Liquidity Risk. The Maturity Gap Report slots the inflows and outflows in different Maturity Buckets as defined by the Bank of Mauritius, according to the expected timing of cash flows.

Maturities of Assets & Liabilities:

	Up to 1 month Rs 000	1-3 months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-3 years Rs 000	>3 years Rs 000	Non Maturity Items Rs 000	Total Rs 000
At 31 December 2012								
ASSETS								
Cash and cash equivalents	4,013,736	297,343	4,709	-	-	-	-	4,315,788
Derivative assets held for risk management	11,587	1,397	-	-	-	-	-	12,984
Loans and advances to customers	2,163,106	938,867	763,385	308,120	1,654,982	6,419,753	-	12,248,213
Investment securities	171,748	155,589	47,544	295,011	446,799	450,418	-	1,567,109
Property, plant and equipment	-	-	-	-	-	-	328,909	328,909
Intangible assets	-	-	-	-	-	-	55,371	55,371
Deferred tax assets	-	-	-	-	-	-	31,873	31,873
Other assets	-	-	-	-	-	-	1,143,963	1,143,963
	6,360,177	**1,393,196**	**815,638**	**603,131**	**2,101,781**	**6,870,171**	**1,560,116**	**19,704,210**
Less allowances for credit impairment								**(300,628)**
Total assets								**19,403,582**
LIABILITIES								
Deposits	11,223,572	1,299,998	1,579,744	2,123,958	807,444	163,505	-	17,198,221
Derivative liabilities held for risk management	2,864	-	173	-	-	-	-	3,037
Subordinated liabilities	-	-	-	-	49,487	281,328	-	330,815
Other borrowed funds	153,468	37,954	3,828	3,828	37,675	130,752	-	367,505
Current tax liabilities	-	-	10,020	-	-	-	-	10,020
Other liabilities	-	-	-	-	-	-	359,777	359,777
Total liabilities	**11,379,904**	**1,337,952**	**1,593,765**	**2,127,786**	**894,606**	**575,585**	**359,777**	**18,269,375**
Net liquidity gap	**(5,019,727)**	**55,244**	**(778,127)**	**(1,524,655)**	**1,207,175**	**6,294,586**	**1,200,339**	**1,434,835**
Less allowances for credit impairment								**(300,628)**
								1,134,207

2. FINANCIAL RISK MANAGEMENT (cont'd...)

(g) Liquidity Risk

Maturities of Assets & Liabilities:

	Up to 1 month Rs 000	1-3 months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-3 years Rs 000	>3 years Rs 000	Non Maturity Items Rs 000	Total Rs 000
At 31 December 2011								
Total assets	4,773,600	740,708	786,977	939,345	2,115,525	5,175,011	1,498,912	16,030,078
Total liabilities	7,459,822	1,477,260	1,935,277	2,354,354	810,318	422,863	265,978	14,725,872
Net liquidity gap	(2,686,222)	(736,552)	(1,148,300)	(1,415,009)	1,305,207	4,752,148	1,232,934	1,304,206
Less allowances for credit impairment								(354,137)
								950,069
At 31 December 2010								
Total assets	5,007,864	1,088,259	589,411	554,392	1,824,713	4,058,984	1,142,114	14,265,737
Total liabilities	7,923,605	1,081,573	899,300	1,528,250	967,015	491,566	250,623	13,141,932
Net liquidity gap	(2,915,741)	6,686	(309,889)	(973,858)	857,698	3,567,418	891,491	1,123,805
Less allowances for credit impairment								(317,123)
								806,682

3. NET INTEREST INCOME

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Interest income			
Loans and advances to banks	505	4,417	5,199
Loans and advances to customers	762,152	692,784	604,575
Investment securities	120,765	109,985	98,084
Placements with other banks	20,423	18,310	23,428
Total interest income	903,845	825,496	731,286
Interest expense			
Deposits from customers	(476,990)	(444,071)	(422,010)
Borrowings from banks	(2,117)	(41)	(402)
Subordinated liabilities	(28,092)	(25,194)	(16,712)
Total interest expense	(507,199)	(469,306)	(439,124)
Net interest income	**396,646**	**356,190**	**292,162**
(a) Segment A			
Interest income			
Loans and advances to customers	610,895	595,804	559,058
Investment securities	105,186	86,112	75,200
Placements with other banks	384	988	739
Total interest income	716,465	682,904	634,997
Interest expense			
Deposits from customers	(394,331)	(385,663)	(397,882)
Borrowings from banks	(1,322)	(41)	(402)
Subordinated liabilities	(14,223)	(11,928)	(2,714)
Total interest expense	(409,876)	(397,632)	(400,998)
Net interest income	**306,589**	**285,272**	**233,999**
(b) Segment B			
Interest income			
Loans and advances from banks	505	4,417	5,199
Loans and advances from customers	151,257	96,980	45,517
Investment securities	15,579	23,873	22,884
Placements with other banks	20,039	17,322	22,689
Total interest income	**187,380**	**142,592**	**96,289**
Interest expense			
Deposits from customers	(82,659)	(58,408)	(24,128)
Borrowings from banks	(795)	-	-
Subordinated liabilities	(13,869)	(13,266)	(13,998)
Total interest expense	**(97,323)**	**(71,674)**	**(38,126)**
Net interest income	**90,057**	**70,918**	**58,163**

4. NET FEE AND COMMISSION INCOME

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Fee and commission income			
Retail banking customer fees	48,001	33,740	26,816
Corporate banking credit related fees	20,743	20,466	26,094
International banking customer fees	62,566	60,230	49,107
Guarantees	7,813	10,131	6,725
Other	3,358	4,496	5,507
Total fee and commission income	142,481	129,063	114,249
Fee and commission expense			
Interbank transaction fees	(736)	(2,338)	(2,479)
Other	(34,688)	(22,989)	(17,215)
Total fee and commission expense	(35,424)	(25,327)	(19,694)
Net fee and commission income	**107,057**	**103,736**	**94,555**
(a) Segment A			
Fee and commission income			
Retail banking customer fees	48,001	33,740	26,816
Corporate banking credit related fees	20,743	20,466	26,094
Guarantees	4,186	8,131	5,425
Other	1,330	4,403	5,507
Total fee and commission income	74,260	66,740	63,842
Fee and commission expense			
Interbank transaction fees	(388)	(2,140)	(1,806)
Other	(34,092)	(22,751)	(17,215)
Total fee and commission expense	(34,480)	(24,891)	(19,021)
Net fee and commission income	**39,780**	**41,849**	**44,821**
(b) Segment B			
Fee and commission income			
International banking customer fees	62,566	60,230	49,107
Guarantees	3,627	2,000	1,300
Other	2,028	93	-
Total fee and commission income	68,221	62,323	50,407
Fee and commission expense			
Interbank transaction fees	(348)	(198)	(673)
Other	(596)	(238)	-
Total fee and commission expense	(944)	(436)	(673)
Net fee and commission income	**67,277**	**61,887**	**49,734**

5. NET TRADING INCOME

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Profit arising from dealing in foreign currencies	125,344	108,212	57,153
Net income from derivatives	9,947	1,688	263
	135,291	**109,900**	**57,416**
(a) Segment A			
Profit arising from dealing in foreign currencies	31,281	112	12,310
Net income from derivatives	4,884	1,962	263
	36,165	**2,074**	**12,573**
(b) Segment B			
Profit arising from dealing in foreign currencies	94,063	108,100	44,843
Net income/(expense) from derivatives	5,063	(274)	-
	99,126	**107,826**	**44,843**

6. OTHER OPERATING INCOME

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
(Loss)/gain on sale of available for sale securities	(2,690)	(96)	9,582
Gain on sale of land through compulsory acquisition	10,099	-	-
Other	1,053	395	696
	8,462	**299**	**10,278**
(a) Segment A			
Gain on sale of land through compulsory acquisition	10,099	-	-
Other	1,053	395	696
	11,152	**395**	**696**
(b) Segment B			
(Loss)/gain on sale of available for sale securities	**(2,690)**	**(96)**	**9,582**

7. NET IMPAIRMENT ON FINANCIAL ASSETS

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Provision for bad and doubtful debts	(74,101)	(45,636)	(39,179)
Bad debts written off for which no provisions were made	(160)	-	-
Provisions released during the year	26,486	9,299	8,146
Recoveries of advances written off	1,750	722	4,612
Net Allowance for Credit Impairment	**(46,025)**	**(35,615)**	**(26,421)**
(a) Segment A			
Provision for bad and doubtful debts	(62,063)	(35,842)	(32,149)
Bad debts written off for which no provisions were made	(160)	-	-
Provisions released during the year	26,486	9,299	8,146
Recoveries of advances written off	1,750	722	4,612
Net Allowance for Credit Impairment	**(33,987)**	**(25,821)**	**(19,391)**
(b) Segment B			
Provision for bad and doubtful debts	(12,038)	(9,794)	(7,030)
Net Allowance for Credit Impairment	**(12,038)**	**(9,794)**	**(7,030)**

8. PERSONNEL EXPENSES

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Wages and salaries	(131,808)	(117,179)	(97,678)
Compulsory social security obligations	(5,554)	(4,895)	(3,425)
Contributions to defined benefit plans (note 27)	(4,017)	(3,625)	(3,782)
Deferred contribution plan	(9,736)	(9,663)	(6,133)
Increase in liability for defined benefit plans (note 27)	(3,850)	(2,908)	(2,671)
Other personnel expenses	(77,948)	(64,808)	(59,546)
	(232,913)	**(203,078)**	**(173,235)**
(a) Segment A			
Wages and salaries	(101,568)	(96,674)	(80,512)
Compulsory social security obligations	(4,481)	(4,085)	(2,957)
Contributions to defined benefit plans (note 27)	(3,735)	(3,375)	(3,567)
Deferred contribution plan	(7,549)	(8,168)	(4,416)
Increase in liability for defined benefit plans (note 27)	(3,603)	(2,793)	(2,671)
Other personnel expenses	(62,566)	(55,880)	(50,837)
	(183,502)	**(170,975)**	**(144,960)**
(b) Segment B			
Wages and salaries	(30,240)	(20,505)	(17,166)
Compulsory social security obligations	(1,073)	(810)	(468)
Contributions to defined benefit plans (note 27)	(282)	(250)	(215)
Deferred contribution plan	(2,187)	(1,495)	(1,717)
Increase in liability for defined benefit plans (note 27)	(247)	(115)	-
Other personnel expenses	(15,382)	(8,928)	(8,709)
	(49,411)	**(32,103)**	**(28,275)**

9. OTHER EXPENSES

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Software licensing & other information technology cost	(30,431)	(23,659)	(22,930)
Others	(82,148)	(70,061)	(60,663)
	(112,579)	**(93,720)**	**(83,593)**
(a) Segment A			
Software licensing & other information technology cost	(25,323)	(22,238)	(21,710)
Others	(65,213)	(62,200)	(53,919)
	(90,536)	**(84,438)**	**(75,629)**
(b) Segment B			
Software licensing & other information technology cost	(5,108)	(1,421)	(1,220)
Others	(16,935)	(7,861)	(6,744)
	(22,043)	**(9,282)**	**(7,964)**

10. PROFIT ON SALE AND RECOVERY OF ASSETS

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Financial assets recovered (note 32)	4,378	-	59,322
Segment B			
Financial assets recovered (note 32)	4,378	-	59,322

11. INCOME TAX EXPENSE

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
RECOGNISED IN THE INCOME STATEMENT			
(a) Current tax expense			
Current period	16,190	15,307	6,115
(Over)/under provision in prior years	-	(404)	1,941
	16,190	**14,903**	**8,056**
(b) Deferred tax expense			
Originated and reversal of temporary differences (note 20)	5,110	12,478	19,500
	21,300	**27,381**	**27,556**
(c) Reconciliation of effective tax rate			
Profit before income tax	**224,668**	**202,669**	**195,844**
Income tax at a rate of 3% & 15% (2011 & 2010: 3% & 15%)	12,837	7,817	8,118
Non-deductible expenses	947	630	590
Income not subject to tax	(215)	-	(2,089)
Special levy on banks	7,346	6,101	5,565
Corporate social responsibility fund	372	92	550
(Over)/under provision in prior years	-	(404)	1,941
Other timing differences	13	13,145	12,881
Total income tax in income statement	**21,300**	**27,381**	**27,556**
Segment A			
Current tax expense			
Current period	**8,846**	**7,165**	**6,527**
Deferred tax expense			
Originated and reversal of temporary differences	**5,494**	**12,766**	**19,962**
Segment B			
Current tax expense			
Current period	**7,344**	**7,738**	**1,529**
Deferred tax expense			
Originated and reversal of temporary differences	**(384)**	**(288)**	**(462)**

12. EARNINGS PER SHARE

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Profit for the year	203,368	175,288	168,288
Weighted average number of ordinary shares	5,514,560	5,514,560	5,440,587
Earnings per share - Basic (Rs)	**36.88**	**31.79**	**30.93**

13. CASH AND CASH EQUIVALENTS

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Cash in hand	239,546	94,788	105,962
Foreign currency notes and coins	21,374	7,168	14,963
Unrestricted balances with central banks (note 1)	338,794	406,118	392,206
Money market placements (note 2)	1,020,615	599,891	657,491
Other bank placements	4,709	207,870	251,038
Balances with banks abroad	2,686,878	1,867,444	1,913,939
Balance with other financial institutions	3,872	3,755	4,144
	4,315,788	**3,187,034**	**3,339,743**

1. Balances with central banks over and above the minimum cash reserve requirement (CRR) as disclosed in note 21.

2. Money market placements are defined as investments maturing within three months.

14. DERIVATIVE ASSETS HELD FOR RISK MANAGEMENT

	Contractual/ Nominal Amount Rs 000	Fair Value Assets Rs 000	Fair Value Liabilities Rs 000
As at 31 December 2012			
Currency forwards	258,034	1,962	815
Currency swaps	1,384,323	11,022	2,222
	1,642,357	**12,984**	**3,037**
As at 31 December 2011			
Currency forwards	526,268	2,215	79
Currency swaps	734,805	2,879	3,327
	1,261,073	**5,094**	**3,406**
As at 31 December 2010			
Currency forwards	291,728	2,728	3,849
Currency Swaps	636,699	3,530	2,146
	928,427	**6,258**	**5,995**

15. LOANS AND ADVANCES TO BANKS

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Outside Mauritius	-	118,606	101,474
	-	118,606	101,474
Less: allowance for credit impairment	-	(1,359)	(1,015)
	-	**117,247**	**100,459**
(a) Segment B			
Outside Mauritius	-	118,606	101,474
	-	118,606	101,474
Less: allowance for credit impairment	-	(1,359)	(1,015)
	-	**117,247**	**100,459**

15. LOANS AND ADVANCES TO BANKS (cont'd...)

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
(b) Remaining term to maturity			
Up to 3 months	-	109,126	101,474
Over 3 months and up to 6 months	-	9,480	-
	-	**118,606**	**101,474**

	Specific allowances for impairment Rs 000	Collective/portfolio allowances & general provisions for impairment Rs 000	Total Rs 000
(c) Allowance for credit impairment			
Balance as at 1 January 2010	-	**1,657**	**1,657**
Release during the year	-	(642)	(642)
Balance as at 31 December 2010	-	**1,015**	**1,015**
Provision for credit impairment for the year	-	344	344
Balance as at 31 December 2011	-	**1,359**	**1,359**
Release during the year	-	(1,359)	(1,359)
Balance as at 31 December 2012	-	-	-

16. LOANS AND ADVANCES TO CUSTOMERS

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Retail customers			
- Credit cards	72,824	65,614	49,004
- Mortgages	1,718,779	998,236	554,074
- Other retail loans	2,731,962	2,325,847	1,728,047
Corporate customers	6,286,355	5,279,232	5,290,733
Governments	-	1,000	2,709
Entities outside Mauritius	1,438,293	770,723	657,322
	12,248,213	9,440,652	8,281,889
Less: allowance for credit impairment	(300,628)	(352,778)	(316,108)
	11,947,585	**9,087,874**	**7,965,781**
Net finance lease receivables included in loans and advances to customers above are as follows:	**262,454**	**197,672**	**119,631**

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

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
(a) Segment A			
Retail customers			
- Credit cards	72,824	65,614	49,004
- Mortgages	1,623,083	922,565	523,454
- Other retail loans	2,363,288	1,951,101	1,565,706
Corporate customers	4,344,132	4,045,733	4,435,922
Governments	-	1,000	2,709
	8,403,327	6,986,013	6,576,795
Less allowance for credit impairment	(262,836)	(329,005)	(301,717)
	8,140,491	**6,657,008**	**6,275,078**
(b) Segment B			
Retail customers			
- Mortgages	95,696	75,671	30,620
- Other retail loans	368,674	374,746	162,341
Corporate customers	1,942,223	1,233,499	854,811
Entities outside Mauritius	1,438,293	770,723	657,322
	3,844,886	2,454,639	1,705,094
Less allowance for credit impairment	(37,792)	(23,773)	(14,391)
	3,807,094	**2,430,866**	**1,690,703**
(c) Remaining term to maturity			
Up to 3 months	3,101,973	2,315,861	2,497,348
Over 3 months and up to 6 months	763,385	587,390	378,028
Over 6 months and up to 12 months	308,120	296,194	482,954
Over 1 year and up to 5 years	3,883,458	3,060,568	1,919,645
Over 5 years	4,191,277	3,180,639	3,003,914
	12,248,213	**9,440,652**	**8,281,889**

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

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
(d) Credit concentration of risk by industry sectors			
Agriculture and fishing	435,025	316,415	281,396
Manufacturing	696,255	658,672	751,921
of which EPZ	*52,007*	*81,784*	*150,145*
Tourism	1,043,661	1,115,457	1,035,824
Transport	397,720	164,560	104,804
Construction	3,330,730	2,182,556	1,769,008
Financial and business services	438,015	451,982	524,439
Traders	1,842,311	1,907,722	1,621,360
Personal	1,186,153	920,724	819,791
of which credit cards	*77,122*	*65,614*	*49,004*
Professional	69,639	35,811	15,317
Global business licence holders	1,942,222	1,033,484	697,640
Others	866,482	653,270	660,389
	12,248,213	**9,440,652**	**8,281,889**
Segment A			
Agriculture and fishing	143,368	161,464	172,895
Manufacturing	581,487	530,176	645,494
of which EPZ	*52,007*	*81,784*	*150,145*
Tourism	847,188	905,950	871,641
Transport	241,898	164,560	104,804
Construction	2,912,398	1,954,479	1,672,050
Financial and business services	355,312	378,833	509,877
Traders	1,775,277	1,770,923	1,557,716
Personal	1,149,210	776,931	689,071
of which credit cards	*77,122*	*65,614*	*49,004*
Professional	69,639	35,811	15,317
Others	327,550	306,886	337,930
	8,403,327	**6,986,013**	**6,576,795**
Segment B			
Agriculture and fishing	291,657	154,951	108,501
Manufacturing	114,768	128,496	106,427
Tourism	196,473	209,507	164,183
Transport	155,822	-	-
Construction	418,332	228,077	96,958
Financial and business services	82,703	73,149	14,562
Traders	67,034	136,799	63,644
Personal	36,943	143,792	130,720
Global business licence holders	1,942,222	1,033,484	697,640
Others	538,932	346,384	322,459
	3,844,886	**2,454,639**	**1,705,094**

Others include the following sectors: Media, Entertainment & Recreational Activities, Education, Modernisation & Expansion Enterprise Certificate Holders, Health Development Certificate Holders, Public Nonfinancial Corporations, State and Local Government, Infrastructure, ICT, Freeport certificate holders and other.

	Specific allowances for impairment Rs 000	Collective/portfolio allowances & general provisions for impairment Rs 000	Total Rs 000
(e) Allowance for credit impairment			
Balance as at 1 January 2010	331,584	69,034	400,618
Provision for credit impairment for the year	30,994	15,342	46,336
Loans written off out of allowance	(122,501)	-	(122,501)
Provisions released	(8,345)	-	(8,345)
Balance at end of December 2010	231,732	84,376	316,108
Provision for credit impairment for the year	55,740	7,007	62,747
Loans written off out of allowance	(6,885)	-	(6,885)
Provisions released	(19,192)	-	(19,192)
Balance at end of December 2011	261,395	91,383	352,778
Provision for credit impairment for the year	50,745	39,459	90,204
Loans written off out of allowance	(112,124)	-	(112,124)
Provisions released	(30,230)	-	(30,230)
Balance at end of December 2012	**169,786**	**130,842**	**300,628**

(f) Investment in finance leases

The amount of investments in finance leases included in the loans and advances to customers

	Up to 1 year Rs 000	1 to 5 years Rs 000	Over 5 years Rs 000	Dec-12 Total Rs 000	Dec-11 Total Rs 000	Dec-10 Total Rs 000
Gross investment in finance leases	18,157	304,815	144,706	467,678	324,172	184,393
Unearned finance income	(13,747)	(138,337)	(50,489)	(202,573)	(124,503)	(63,554)
Present value of minimum lease payments	**4,410**	**166,478**	**94,217**	265,105	199,669	120,839
Allowance for impairment				(2,651)	(1,997)	(1,208)
				262,454	**197,672**	**119,631**

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

	Dec-12					Dec-11	Dec-10
	Gross amount of loans Rs 000	Impaired loans Rs 000	Specific allowances for credit impairment Rs 000	Collective/ portfolio allowances for credit impairment Rs 000	Total allowances for credit impairment Rs 000	Total allowances for credit impairment Rs 000	Total allowances for credit impairment Rs 000
(g) Allowance for credit impairment by industry sectors							
Agriculture and fishing	435,025	11,212	7,547	5,598	13,145	8,544	6,966
Manufacturing	696,255	7,011	5,245	7,291	12,536	47,957	47,642
of which EPZ	*52,007*	*240*	*240*	*623*	*863*	*37,969*	*38,567*
Tourism	1,043,661	57,241	4,482	10,615	15,097	54,416	27,385
Transport	397,720	178	24	4,529	4,553	2,816	2,273
Construction	3,330,730	165,012	23,372	36,087	59,459	63,962	62,188
Financial and business services	438,015	-	-	3,883	3,883	4,118	3,640
Traders	1,842,311	78,378	45,685	20,204	65,889	74,993	84,565
Personal	1,186,153	62,085	53,428	12,095	65,523	49,719	38,000
of which credit cards	*77,122*	*4,298*	*4,289*	*882*	*5,171*	*2,686*	*490*
Professional	69,639	-	-	836	836	382	146
Global business licence holders	1,942,222	-	-	20,913	20,913	11,253	6,473
Others	866,482	36,116	30,003	8,791	38,794	34,617	36,830
	12,248,213	**417,233**	**169,786**	**130,842**	**300,628**	**352,778**	**316,108**
Segment A							
Agriculture and fishing	143,368	11,212	7,547	3,628	11,175	7,867	6,966
Manufacturing	581,487	7,011	5,245	6,693	11,938	47,119	46,878
of which EPZ	*52,007*	*240*	*240*	*623*	*863*	*37,968*	*38,567*
Tourism	847,188	57,241	4,482	8,414	12,896	52,015	25,805
Transport	241,898	178	24	2,783	2,807	2,816	2,273
Construction	2,912,398	158,309	22,489	32,775	55,264	61,745	61,595
Financial and business services	355,312	-	-	3,640	3,640	3,530	3,618
Traders	1,775,277	78,378	45,685	19,905	65,590	73,497	84,005
Personal	1,149,210	62,085	53,428	11,855	65,283	49,317	37,115
of which credit cards	*77,122*	*4,298*	*4,289*	*882*	*5,171*	*2,686*	*490*
Professional	69,639	-	-	836	836	382	146
Others	327,550	36,116	30,003	3,404	33,407	30,717	33,316
	8,403,327	**410,530**	**168,903**	**93,933**	**262,836**	**329,005**	**301,717**

(g) Allowance for credit impairment by industry sectors (cont'd...)

	Dec-12					Dec-11	Dec-10
	Gross amount of loans Rs 000	Impaired loans Rs 000	Specific allowances for credit impairment Rs 000	Collective/ portfolio allowances for credit impairment Rs 000	Total allowances for credit impairment Rs 000	Total allowances for credit impairment Rs 000	Total allowances for credit impairment Rs 000
Segment B							
Agriculture and fishing	291,657	-	-	1,970	1,970	677	-
Manufacturing	114,768	-	-	598	598	838	764
Tourism	196,473	-	-	2,201	2,201	2,400	1,580
Transport	155,822	-	-	1,746	1,746	-	-
Construction	418,332	6,703	883	3,312	4,195	2,217	593
Financial and business services	82,703	-	-	243	243	589	22
Traders	67,034	-	-	299	299	1,497	560
Personal	36,943	-	-	240	240	461	885
Global business licence holders	1,942,222	-	-	20,913	20,913	11,253	6,473
Others	538,932	-	-	5,387	5,387	3,841	3,514
	3,844,886	**6,703**	**883**	**36,909**	**37,792**	**23,773**	**14,391**

17. INVESTMENT SECURITIES

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Held to maturity investment securities	1,543,442	1,759,397	1,030,111
Available for sale investment securities	23,667	54,769	385,055
	1,567,109	**1,814,166**	**1,415,166**
(a) Held to maturity investment securities			
Government bonds	619,166	523,707	476,595
GOM Bills	213,861	308,092	9,993
Treasury Bills / Notes issued by Government of Mauritius	362,201	424,131	395,852
Mauritius Development Loan Stock	-	79,578	109,121
Corporate Bonds	348,214	423,889	38,550
	1,543,442	**1,759,397**	**1,030,111**

17. INVESTMENT SECURITIES (cont'd...)

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
(a) Held to maturity investment securities (cont'd...)			
Segment A			
Government of Mauritius bonds	619,166	523,707	476,595
GOM Bills	213,861	308,092	9,993
Treasury Bills / Notes issued by Government of Mauritius	362,201	424,131	395,852
Mauritius Development Loan Stock	-	79,578	109,121
Corporate Bonds	187,500	-	-
	1,382,728	**1,335,508**	**991,561**
Segment B			
Corporate Bonds	160,714	423,889	38,550
	160,714	**423,889**	**38,550**

Remaining term to maturity :	Up to 3 months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-5 years Rs 000	>5 years Rs 000	Total Rs 000
Government bonds	-	-	200,000	419,166	-	619,166
GOM Bills	104,542	29,558	79,761	-	-	213,861
Treasury Bills / Notes issued by Government of Mauritius	199,128	17,986	-	145,087	-	362,201
Corporate Bonds	-	-	15,250	314,364	18,600	348,214
	303,670	**47,544**	**295,011**	**878,617**	**18,600**	**1,543,442**

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
(b) Available for sale investment securities			
Equity shares in Oriental Commercial Bank Ltd (Kenya)	20,907	20,907	20,907
Corporate Bonds	-	33,862	364,148
Others	2,760	-	-
	23,667	**54,769**	**385,055**

The Bank holds 4,597,210 shares, representing 5.59% shareholding of Oriental Commercial Bank Ltd, incorporated and operating in Kenya.

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Segment A			
Others	1,829	-	-
	1,829	**-**	**-**
Segment B			
Equity shares in Oriental Commercial Bank Ltd (Kenya)	20,907	20,907	20,907
Corporate Bonds	-	33,862	364,148
Others	931	-	-
	21,838	**54,769**	**385,055**

18. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Rs 000	Computer and other equipment Rs 000	Other fixed assets Rs 000	Total Rs 000
Cost or Valuation				
Balance as at 31 December 2009	280,000	146,908	87,265	514,173
Acquisitions	-	6,933	14,353	21,286
Scrapped	-	(1,132)	-	(1,132)
Disposals	-	-	(655)	(655)
Balance as at 31 December 2010	280,000	152,709	100,963	533,672
Acquisitions	-	7,583	15,974	23,557
Scrapped	-	(2,449)	(963)	(3,412)
Disposals	-	(132)	-	(132)
Balance as at 31 December 2011	280,000	157,711	115,974	553,685
Acquisitions	13,285	5,607	13,764	32,656
Scrapped	-	(5,474)	(416)	(5,890)
Disposals	-	-	(3,064)	(3,064)
Balance as at 31 December 2012	**293,285**	**157,844**	**126,258**	**577,387**
Accumulated Depreciation				
Balance as at 31 December 2009	24,095	111,560	50,723	186,378
Depreciation for the year	4,740	14,421	7,804	26,965
Scrapped	-	(1,132)	-	(1,132)
Disposal adjustment	-	-	(655)	(655)
Balance as at 31 December 2010	28,835	124,849	57,872	211,556
Depreciation for the year	4,740	12,373	8,330	25,443
Scrapped	-	(2,449)	(963)	(3,412)
Disposal adjustment	-	(19)	-	(19)
Balance as at 31 December 2011	33,575	134,754	65,239	233,568
Depreciation for the year	4,878	9,511	9,173	23,562
Scrapped	-	(5,440)	(410)	(5,850)
Disposal adjustment	-	-	(2,802)	(2,802)
Balance as at 31 December 2012	**38,453**	**138,825**	**71,200**	**248,478**
Net book value at end of December 2012	**254,832**	**19,019**	**55,058**	**328,909**
Net book value at end of December 2011	**246,425**	**22,957**	**50,735**	**320,117**
Net book value at end of December 2010	**251,165**	**27,860**	**43,091**	**322,116**
Net book value as at 31 December 2012 by segments				
Segment A	248,268	18,820	55,052	322,140
Segment B	6,564	199	6	6,769
	254,832	**19,019**	**55,058**	**328,909**
Net book value as at 31 December 2011 by segments				
Segment A	239,620	22,775	50,727	313,122
Segment B	6,805	182	8	6,995
	246,425	**22,957**	**50,735**	**320,117**
Net book value as at 31 December 2010 by segments				
Segment A	244,447	27,694	43,091	315,232
Segment B	6,718	166	-	6,884
	251,165	**27,860**	**43,091**	**322,116**

The Company's land and building were last revalued in 2005 by independent valuers and subsequent additions are carried at cost. Valuation was made on the basis of Market Value. The revaluation surplus net of deferred income taxed was credited to the revaluation surplus in shareholders' equity .

19. INTANGIBLE ASSETS

	Goodwill Rs 000	Computer Software Rs 000	Total Rs 000
Cost			
Balance as at 31 December 2009	15,147	72,820	87,967
Additions	-	6,151	6,151
Balance as at 31 December 2010	15,147	78,971	94,118
Additions	-	14,755	14,755
Balance as at 31 December 2011	15,147	93,726	108,873
Additions	-	16,169	16,169
Balance as at 31 December 2012	**15,147**	**109,895**	**125,042**
Amortisation			
Balance as at 31 December 2009	-	40,291	40,291
Charge for the year	-	7,675	7,675
Balance as at 31 December 2010	-	47,966	47,966
Charge for the year	-	9,618	9,618
Balance as at 31 December 2011	-	57,584	57,584
Charge for the year	-	12,087	12,087
Balance as at 31 December 2012	**-**	**69,671**	**69,671**
Net book value at end of December 2012	**15,147**	**40,224**	**55,371**
Net book value at end of December 2011	**15,147**	**36,142**	**51,289**
Net book value at end of December 2010	**15,147**	**31,005**	**46,152**
Net book value as at 31 December 2012 by segments			
Segment A	15,147	38,687	53,834
Segment B	-	1,537	1,537
	15,147	**40,224**	**55,371**
Net book value as at 31 December 2011 by segments			
Segment A	15,147	34,113	49,260
Segment B	-	2,029	2,029
	15,147	**36,142**	**51,289**
Net book value as at 31 December 2010 by segments			
Segment A	15,147	29,770	44,917
Segment B	-	1,235	1,235
	15,147	**31,005**	**46,152**

Goodwill represents the excess of the cost paid for the purchase of Edge Forex in 2008 over the fair value of assets acquired.

20. DEFERRED TAX ASSETS

The movement on the deferred income tax account is as follows:

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
At start of year	36,983	49,461	68,961
Income statement charge (note 11)	(5,110)	(12,478)	(19,500)
At end of year	**31,873**	**36,983**	**49,461**
Deferred tax assets			
Allowances for loan losses	40,559	50,105	45,720
Tax losses carried forward	-	-	16,816
Retirement benefit obligation	5,927	5,349	4,913
	46,486	**55,454**	**67,449**
Deferred tax liabilities			
Accelerated capital allowances	2,324	5,892	5,120
Revaluation reserve	12,289	12,579	12,868
	14,613	18,471	17,988
	31,873	**36,983**	**49,461**

21. OTHER ASSETS

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Mandatory balances with central bank*	868,666	734,220	559,686
Balance due in clearing	20,891	177,523	22,664
Accrued interest receivable	46,125	50,578	42,729
Non-banking assets acquired in satisfaction of debts	1,660	10,712	11,987
Contribution to private equity fund	-	1,852	-
Other	206,621	81,252	66,412
	1,143,963	**1,056,137**	**703,478**

*Balances to be maintained with Central Bank as cash reserve requirement.

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Segment A			
Mandatory balances with Central Bank	868,666	734,220	559,686
Balance due in clearing	20,891	177,523	22,664
Accrued interest receivable	36,616	33,940	22,885
Non-banking assets acquired in satisfaction of debts	1,660	10,712	11,987
Contribution to private equity fund	-	1,852	-
Others	77,246	65,963	52,615
	1,005,079	**1,024,210**	**669,837**

21. OTHER ASSETS (cont'd...)

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Segment B			
Accrued interest receivable	9,509	16,638	19,844
Others	129,375	15,289	13,797
	138,884	**31,927**	**33,641**

22. DEPOSITS FROM CUSTOMERS

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
(a) **Deposits comprise the following**			
Retail customers	6,384,973	5,966,307	5,281,957
Corporate	3,087,522	2,236,193	2,491,055
International	7,482,071	5,841,692	4,775,612
Government	243,655	73,893	50,084
	17,198,221	**14,118,085**	**12,598,708**

22. DEPOSITS FROM CUSTOMERS (cont'd...)

			Time deposits with remaining term to maturity				
	Current accounts Rs 000	Savings accounts Rs 000	Up to 3 months Rs 000	Over 3 mths and up to 6 mths Rs 000	Over 6 mths and up to 12 mths Rs 000	Over 1 year and up to 5 years Rs 000	Totals Rs 000
(b) **The table below shows the remaining maturity term for deposits by type of customer**							
At 31 December 2012							
Retail customers	431,184	4,242,681	306,691	175,135	441,660	787,622	6,384,973
Corporate customers	382,443	609,083	759,175	684,326	551,105	101,390	3,087,522
International customers	4,293,466	531,640	801,985	710,523	1,066,520	77,937	7,482,071
Government	94,359	5,863	65,000	9,760	64,673	4,000	243,655
Total	**5,201,452**	**5,389,267**	**1,932,851**	**1,579,744**	**2,123,958**	**970,949**	**17,198,221**
At 31 December 2011							
Retail customers	402,153	2,472,731	709,495	541,414	1,093,366	747,148	5,966,307
Corporate customers	402,040	478,647	407,777	433,551	502,489	11,689	2,236,193
International customers	2,608,723	500,682	946,535	945,005	758,499	82,248	5,841,692
Government	-	2,893	2,000	-	-	69,000	73,893
Total	**3,412,916**	**3,454,953**	**2,065,807**	**1,919,970**	**2,354,354**	**910,085**	**14,118,085**
At 31 December 2010							
Retail customers	301,803	2,164,439	1,177,890	241,037	320,323	1,076,465	5,281,957
Corporate customers	479,906	325,380	780,891	365,008	522,470	17,400	2,491,055
International customers	2,201,328	412,136	1,153,101	285,365	645,458	78,225	4,775,613
Government	-	2,083	2,000	-	40,000	6,000	50,083
Total	**2,983,037**	**2,904,038**	**3,113,882**	**891,410**	**1,528,251**	**1,178,090**	**12,598,708**

23. SUBORDINATED LIABILITIES

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Remaining term to maturity			
Over 1 years and up to 2 years	16,495	-	-
Over 2 years and up to 3 years	32,992	15,808	-
Over 3 years and up to 4 years	132,353	31,616	16,576
Over 4 years and up to 5 years	82,992	130,824	33,152
Over 5 years	65,983	144,848	231,648
	330,815	**323,096**	**281,376**
Segment A			
Over 3 years and up to 4 years	99,361	-	-
Over 4 years and up to 5 years	50,000	99,208	-
Over 5 years	-	50,000	99,042
	149,361	**149,208**	**99,042**
Segment B			
Over 1 years and up to 2 years	16,495	-	-
Over 2 years and up to 3 years	32,992	15,808	-
Over 3 years and up to 4 years	32,992	31,616	16,576
Over 4 years and up to 5 years	32,992	31,616	33,152
Over 5 years	65,983	94,848	132,606
	181,454	**173,888**	**182,334**

Interest rates on subordinated debts vary 7.55% and 9.65%.

24. OTHER BORROWED FUNDS

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Borrowings from Bank of Mauritius	183,537	-	-
Borrowings from banks abroad	183,968	-	-
	367,505	-	-
Segment A			
Borrowings from Bank of Mauritius	183,537	-	-
	183,537	-	-
Borrowings from Bank of Mauritius relates to the special foreign currency line of credit availed to lend to export operators.			
Segment B			
Borrowings from banks abroad	183,968	-	-
	183,968	-	-

Interest rate on the borrowings from Bank of Mauritius is on average 1.4%.
Interest rates on the borrowings from banks abroad vary between 3.5% and 4%.

24. OTHER BORROWED FUNDS (cont'd...)

	Up to 1 year Rs 000	1-2 years Rs 000	2-3 years Rs 000	3-4 years Rs 000	4-5 years Rs 000	>5 years Rs 000	Total Rs 000
Remaining term to maturity :							
Borrowings from Bank of Mauritius	15,110	15,110	22,565	22,565	26,189	81,998	183,537
Borrowings from Banks abroad	183,968	-	-	-	-	-	183,968
	199,078	**15,110**	**22,565**	**22,565**	**26,189**	**81,998**	**367,505**

25. CURRENT TAX LIABILITIES

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Special levy on banks	7,346	6,101	5,565
Corporate social responsibility fund	122	92	550
Income tax	2,552	9,114	-
	10,020	**15,307**	**6,115**

26. OTHER LIABILITIES

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Liability for defined pension plan (note 27)	39,513	35,663	32,755
Bills payable	44,329	22,619	14,284
Other payables	154,067	67,204	72,913
Provision for private equity fund	-	1,852	-
Accrued interest	121,868	138,640	129,786
	359,777	**265,978**	**249,738**
Segment A			
Liability for defined pension plan (note 27)	39,513	35,663	32,755
Bills payable	44,329	22,619	14,284
Other payables	126,743	59,299	33,830
Provision for private equity fund	-	1,852	-
Accrued interest	83,739	115,763	108,693
	294,324	**235,196**	**189,562**
Segment B			
Accrued interest	38,129	22,877	21,093
Other payables	27,324	7,905	39,083
	65,453	**30,782**	**60,176**

27. PENSION OBLIGATIONS

(a) Amounts recognised in the Statement of Financial Position

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Pension obligations under defined benefit plan [note (i)]	39,513	35,663	32,755

(i) The Bank makes contributions to a defined benefits plan that provides pension for employees upon retirement and is wholly funded. The assets of the funded plan are held and administered independently by the Anglo Mauritius Assurance Society Limited.

The following information is based on actuarial valuation report dated 31 December 2012 submitted by the Anglo Mauritius Assurance Society Limited.

(ii) The amounts recognised in the Statement of Financial Position are as follows:

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Present value of funded obligations	79,684	71,564	61,613
Fair value of plan assets	(36,120)	(31,581)	(27,353)
Unrecognised actuarial loss	(4,051)	(4,320)	(1,505)
Liability in the Statement of Financial Position	**39,513**	**35,663**	**32,755**

(iii) The movement in the defined benefit obligation over the year is as follows:

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000	Dec-08 Rs 000
At start of year	71,564	61,613	56,246	47,762	39,621
Current service cost	3,165	2,834	2,678	2,371	2,804
Interest cost	6,895	6,055	5,866	4,972	6,386
Actuarial (losses)/gain	(1,357)	1,798	(90)	4,299	4,314
Benefits paid	(583)	(736)	(3,087)	(3,158)	(5,363)
At end of year	**79,684**	**71,564**	**61,613**	**56,246**	**47,762**

(iv) Movement in the fair value of plan assets of the year is as follows:

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000	Dec-08 Rs 000
At start of year	31,581	27,353	25,347	23,509	22,716
Expected return on plan assets	2,752	2,849	2,561	2,490	3,655
Employer's contribution	4,017	3,625	3,782	4,021	4,004
Scheme expenses	(157)	(145)	(153)	(165)	(172)
Cost of incurring risk benefits	(402)	(348)	(317)	(285)	(527)
Actuarial losses	(1,088)	(1,017)	(780)	(1,065)	(804)
Benefits paid	(583)	(736)	(3,087)	(3,158)	(5,363)
At end of year	**36,120**	**31,581**	**27,353**	**25,347**	**23,509**

27. PENSION OBLIGATIONS (cont'd...)

(a) Amounts recognised in the Statement of Financial Position (cont'd...)

(v) The amounts recognised in the Income Statement are as follows:

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000	Dec-08 Rs 000
Current service cost	3,165	2,834	2,678	2371	2,804
Scheme expenses	157	145	153	165	172
Cost of insuring risk benefits	402	348	317	285	527
Interest cost	6,895	6,055	5,866	4972	6,386
Expected return on plan assets	(2,752)	(2,849)	(2,561)	(2,490)	(3,655)
Actuarial loss/gain recognised	-	-	-	-	(580)
Total included in staff costs	**7,867**	**6,533**	**6,453**	**5,303**	**5,654**
Total expense shown as:					
Contributions (note 8)	4,017	3,625	3,782	4,021	4,004
Increase in liability for defined benefit plans (note 8)	3,850	2,908	2,671	1,282	1,650
At end of year	**7,867**	**6,533**	**6,453**	**5,303**	**5,654**

(vi) Movement in the liability recognised in the Statement of Financial Position:

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000	Dec-08 Rs 000
At 1 January	35,663	32,755	30,084	28,802	27,152
Total expense as above	7,867	6,533	6,453	5,303	5,654
Contributions paid	(4,017)	(3,625)	(3,782)	(4,021)	(4,004)
At 31 December	**39,513**	**35,663**	**32,755**	**30,084**	**28,802**
Actual return on plan assets	**1,971**	**1,832**	**1,781**	**1,425**	**2,851**

(vii) The assets in the plan were:

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000	Dec-08 Rs 000
Local equities	13,659	11,843	10,257	9,505	8,816
Overseas equities	8,195	7,106	6,154	5,703	5,290
Fixed interest	12,444	11,053	9,574	8,872	8,228
Properties	1,822	1,579	1,368	1,267	1,175
Total market value of assets	36,120	31,581	27,353	25,347	23,509
Present value of plan liability	(79,684)	(71,564)	(61,613)	(56,246)	(47,762)
Deficit	(43,564)	(39,983)	(34,260)	(30,899)	(24,253)
Unrecognised actuarial loss	4,051	4,320	1,505	815	(4,549)
Net liability for retirement obligation recognised in the Statement of Financial Position	**(39,513)**	**(35,663)**	**(32,755)**	**(30,084)**	**(28,802)**

27. PENSION OBLIGATIONS (cont'd...)

(a) Amounts recognised in the Statement of Financial Position (cont'd...)

(vii) The principal actuarial assumptions at end of year:

	Dec-12 %	Dec-11 %	Dec-10 %	Dec-09 %	Dec-08 %
Discount rate	8.5	9.25	9.5	10	10
Expected return on plan assets	8.5	9.25	10	11	11
Future long-term salary increase	5	7.75	8	8	8
Future guaranteed pension increase	-	-	-	-	-

(viii) The assets of the plan are invested in Anglo Mauritius' deposit administration fund. The latter is expected to produce a smooth progression of return from one year to the next. The breakdown of the assets above correspond to a notional allocation of the underlying investments based on the long-term strategy of the fund.

As the fund is expected to produce a smooth return, a fairly reasonable indication of future returns can be obtained by looking at historical ones. Therefore, the long-term expected return on asset assumption has been based on historical performance of the fund.

In terms of the individual expected returns, the expected return on equities has been based on an equity risk premium above a risk free rate. The risk free rate has been measured in accordance to the yields on government bonds at the measurement date.

The fixed interest portfolio includes government bonds, debentures, mortgages and cash. The expected return for this asset class has been based on yields of government bonds at the measurement date.

(ix) Expected employer contribution in respect of :
(i) defined benefit plan for year 2013 - Rs.8.3m.
(ii) defined contribution plan - the employer contributes around 10% of the expected salary.

28. SHARE CAPITAL

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Shares at no par value			
Stated capital	551,456	551,456	551,456
At start of year	551,456	551,456	491,456
Issue of shares	-	-	60,000
At end of year	**551,456**	**551,456**	**551,456**

29. DIVIDENDS

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Final dividend for financial year 2011 was paid on 25 April 2012	**30,000**	**25,000**	-

30. CONTINGENT LIABILITIES

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Acceptances on account of customers	61,871	100,998	40,616
Guarantees on account of customers	715,976	748,006	802,628
Letters of credit and other obligations on account of customers	47,387	486,222	411,390
Other contingent items	484,179	435,754	99,243
	1,309,413	**1,770,980**	**1,353,877**
Segment A			
Acceptances on account of customers	40,092	74,192	40,616
Guarantees on account of customers	484,621	550,468	643,184
Letters of credit and other obligations on account of customers	30,772	91,408	363,324
Other contingent items	59,912	81,439	94,185
	615,397	**797,507**	**1,141,309**
Segment B			
Acceptances on account of customers	21,779	26,806	-
Guarantees on account of customers	231,355	197,538	159,444
Letters of credit and other obligations on account of customers	16,615	394,814	48,066
Other contingent items	424,267	354,315	5,058
	694,016	**973,473**	**212,568**

31. COMMITMENTS

	Dec-12 Rs 000	Dec-11 Rs 000	Dec-10 Rs 000
Undrawn credit facilities	**1,763,922**	**1,700,675**	**798,686**
Segment A	**1,006,050**	**954,812**	**659,471**
Segment B	**757,872**	**745,863**	**139,215**

32. CONTINGENT ASSET

The Bank is entitled to net proceeds on recovery of certain assets by the Liquidator of Delphis Bank Limited (in liquidation). These matters are subject to legal court cases and likely to be determined within the next twelve to twenty four months.

33. RELATED PARTIES

	Nature of relationship	2012 Rs 000	2011 Rs 000	2010 Rs 000
Loans and advances	Related companies	199,571	319,407	144,663
	Key management personnel	19,451	20,665	16,821
Deposits	Related companies	218,641	158,777	129,912
	Key management personnel	11,542	4,046	3,281
Interest income	Related companies	19,728	20,650	7,227
	Key management personnel	1,690	1,011	508
Interest expense	Related companies	1,672	2,083	3,504
	Key management personnel	407	182	198
Fees and expenses	Directors	5,467	5,571	2,122
Contingent liabilities	Related companies	-	147,977	230,207

Related company relates to transactions with enterprises in which shareholders, key directors/key management personnel have significant interest as defined in the guideline issued by BOM.

Top 6 related party exposures as at 31 December 2012 amounted to Rs 232 m, representing 24.25% of Tier 1 capital.

Total related party exposure under Category 1 (as defined in the Guideline on Related Party Transactions issued by the BOM in January 2009) was 24.78% of Tier 1 capital against BOM limit of 60%.

No related party credit exposure has been classified as impaired for the last 3 years.

All the above related party transactions were carried out under market terms and conditions with the exception of loans to key management personnel who benefited from preferential rates as applicable to staff.

(a) Key management personnel compensation

	2012 Rs 000	2011 Rs 000	2010 Rs 000
Remuneration and other benefits relating to key management personnel, including directors were as follows:			
Salaries and short-term employee benefits	**55,781**	**47,543**	**40,821**
Post employment benefits	**3,466**	**3,446**	**2,747**

Statement of Financial Position as at 31 December 2012

	Dec-12			Dec-11			Dec-10		
	Bank Rs 000	Segment A Rs 000	Segment B Rs 000	Bank Rs 000	Segment A Rs 000	Segment B Rs 000	Bank Rs 000	Segment A Rs 000	Segment B Rs 000
ASSETS									
Cash and cash equivalents	4,315,788	603,586	3,712,202	3,187,034	511,830	2,675,204	3,339,743	517,275	2,822,468
Derivative assets held for risk management	12,984	5,485	7,499	5,094	1,962	3,132	6,258	6,258	-
Loan and advances to banks	-	-	-	117,247	-	117,247	100,459	-	100,459
Loan and advances to customers	11,947,585	8,140,491	3,807,094	9,087,874	6,657,008	2,430,866	7,965,781	6,275,078	1,690,703
Investment securities	1,567,109	1,384,557	182,552	1,814,166	1,335,508	478,658	1,415,166	991,562	423,604
Property, plant and equipment	328,909	322,140	6,769	320,117	313,122	6,995	322,116	315,232	6,884
Intangible asset	55,371	53,834	1,537	51,289	49,260	2,029	46,152	44,917	1,235
Deferred tax asset	31,873	30,739	1,134	36,983	36,233	750	49,461	48,999	462
Other assets	1,143,963	1,005,079	138,884	1,056,137	1,024,210	31,927	703,478	669,837	33,641
TOTAL ASSETS	**19,403,582**	**11,545,911**	**7,857,671**	**15,675,941**	**9,929,133**	**5,746,808**	**13,948,614**	**8,869,158**	**5,079,456**
LIABILITIES									
Deposits from customers	17,198,221	9,716,150	7,482,071	14,118,085	8,276,394	5,841,691	12,598,708	7,823,096	4,775,612
Derivative liabilities held for risk management	3,037	601	2,436	3,406	-	3,406	5,995	5,995	-
Subordinated liabilities	330,815	149,361	181,454	323,096	149,208	173,888	281,376	99,041	182,335
Other borrowed funds	367,505	183,537	183,968	-	-	-	-	-	-
Other liabilities	359,777	294,324	65,453	265,978	235,196	30,782	249,738	189,562	60,176
Current tax liabilities	10,020	10,020	-	15,307	15,307	-	6,115	6,115	-
	18,269,375	**10,353,993**	**7,915,382**	**14,725,872**	**8,676,105**	**6,049,767**	**13,141,932**	**8,123,809**	**5,018,123**
SHAREHOLDERS' EQUITY									
Stated Capital	551,456	551,456	-	551,456	551,456	-	551,456	551,456	-
Reserves	164,326	161,111	3,215	123,051	130,606	(7,555)	103,652	79,006	24,646
Retained earnings	418,425	(18,267)	436,692	275,562	(54,739)	330,301	151,574	(49,285)	200,859
	1,134,207	**694,300**	**439,907**	**950,069**	**627,323**	**322,746**	**806,682**	**581,177**	**225,505**
TOTAL EQUITY AND LIABILITIES	**19,403,582**	**11,048,293**	**8,355,289**	**15,675,941**	**9,303,428**	**6,372,513**	**13,948,614**	**8,704,986**	**5,243,628**

Income Statements for the year ended 31 December 2012

	Year ended Dec-12			Year ended Dec-11			Year ended Dec-10		
	Bank Rs 000	Segment A Rs 000	Segment B Rs 000	Bank Rs 000	Segment A Rs 000	Segment B Rs 000	Bank Rs 000	Segment A Rs 000	Segment B Rs 000
Interest income	903,845	716,465	187,380	825,496	682,904	142,592	731,286	634,997	96,289
Interest expense	(507,199)	(409,876)	(97,323)	(469,306)	(397,632)	(71,674)	(439,124)	(400,998)	(38,126)
Net interest income	**396,646**	**306,589**	**90,057**	**356,190**	**285,272**	**70,918**	**292,162**	**233,999**	**58,163**
Fee and commission income	142,481	74,260	68,221	129,063	66,740	62,323	114,249	63,842	50,407
Fee and commission expense	(35,424)	(34,480)	(944)	(25,327)	(24,891)	(436)	(19,694)	(19,021)	(673)
Net fee and commission income	**107,057**	**39,780**	**67,277**	**103,736**	**41,849**	**61,887**	**94,555**	**44,821**	**49,734**
Net trading income	135,291	36,165	99,126	109,900	2,074	107,826	57,416	12,573	44,843
Other operating income	8,462	11,152	(2,690)	299	395	(96)	10,278	696	9,582
	143,753	**47,317**	**96,436**	**110,199**	**2,469**	**107,730**	**67,694**	**13,269**	**54,425**
Operating income	647,456	393,686	253,770	570,125	329,590	240,535	454,411	292,089	162,322
Non interest expenses									
Net impairment loss in financial assets	(46,025)	(33,987)	(12,038)	(35,615)	(25,821)	(9,794)	(26,421)	(19,391)	(7,030)
Personnel expenses	(232,913)	(183,502)	(49,411)	(203,078)	(170,975)	(32,103)	(173,235)	(144,960)	(28,275)
Depreciation & amortisation	(35,649)	(34,849)	(800)	(35,043)	(33,879)	(1,164)	(34,640)	(33,423)	(1,217)
Other expenses	(112,579)	(90,536)	(22,043)	(93,720)	(84,438)	(9,282)	(83,593)	(75,629)	(7,964)
	(427,166)	**(342,874)**	**(84,292)**	**(367,456)**	**(315,113)**	**(52,343)**	**(317,889)**	**(273,403)**	**(44,486)**
Operating profit before exceptional items	220,290	50,812	169,478	202,669	14,477	188,192	136,522	18,686	117,836
Profit on sale and recovery of assets	4,378	-	4,378	-	-	-	59,322	-	59,322
Profit before tax	224,668	50,812	173,856	202,669	14,477	188,192	195,844	18,686	177,158
Income tax expense	(21,300)	(14,340)	(6,960)	(27,381)	(19,931)	(7,450)	(27,556)	(26,489)	(1,067)
Profit / (loss) after tax	**203,368**	**36,472**	**166,896**	**175,288**	**(5,454)**	**180,742**	**168,288**	**(7,803)**	**176,091**

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