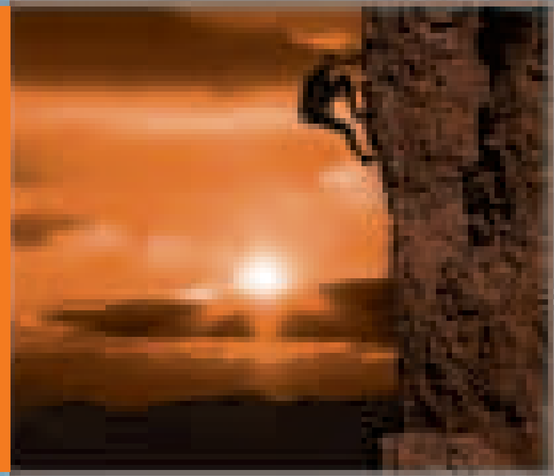
BANK ONE

Annual Report 2009

Contents



Cautionary Statement

This report may contain various forward–looking statements with respect to Bank One's financial position, business strategy, plans and management objectives. By their nature forward-looking statements involve risk and uncertainty because they relate to future events and circumstances including, but not limited to domestic market, global economic and business conditions, market risks such as changes in interest and exchange rates, policies and actions of governmental and regulatory authorities. We caution readers of this report not to place undue reliance on our forward looking statements as these factors may cause the future results to differ materially from the plans, goals, expectations or interest expressed in the forward looking statements. Bank One Limited does not undertake to update any forward-looking statement that may be made from time to time by the organisation or on its behalf.

we dare

COMPANY DETAILS

Company Name
BANK ONE LIMITED

Business Name
BANK ONE

Registered Office
16, Sir William Newton Street,
Port Louis,
Mauritius
Telephone: (230) 202 9200
Fax : (230) 210 4712

Swift Code
FSCBMUMU

Company No
40612

Business Registration No
C07040612

Date of Incorporation
26 March 2002

Company Type
Private Company Limited by Shares

Nature of Business
Banking

Other Activities

Insurance Agency
Bank One is licensed by the Financial Services Commission to act as Insurance Agent for Anglo-Mauritius Assurance Society Limited, Albatross Insurance Company Limited and Mauritius Union Assurance Co Ltd.

Distribution of Financial Products
Bank One is licensed under Section 14 of the Financial Services Act 2007 to distribute financial products.

External Auditors
BDO & Co (formerly BDO De Chazal Du Mee)
10, Frères Felix de Valois Street,
Port-Louis,
Mauritius

Corporate Profile

On the 22 February 2008, Bank One Limited ("Bank One" or the "Bank") (www.bankone.mu) was acquired by CIEL Investments Limited (one of the leading financial groups in Mauritius) and I&M Bank Limited (one of the leading banking institutions in Kenya) on a 50-50 shareholding basis. The new shareholders brought with them local and regional market presence and knowledge, domain expertise and financial strength to transform Bank One into a strong regional player.

Bank One focuses on customer needs and on building long-lasting relationships with its customers. It caters both for domestic and international markets, and provides financial solutions to all segments - Retail, Corporate as well as Private. These include transaction and deposit accounts, personal finance, trade finance, corporate finance and capital market services, and a host of other unique banking services.

Bank One operates with fourteen branches throughout the island, has a well distributed network of ATMs and a fully-operational Internet Banking platform. It offers an international debit card as well as VISA credit cards. The Bank has a clientele base of over 39,000, serviced by a trained work-force, in a fully computerised on-line I.T. environment.

Our Mission

To help our clients achieve economic success.

Our Vision

In the next five years, Bank One will be amongst the leading domestic banks, known for its service excellence, and a regional player.

OUR CORE VALUES

Customer Centricity
Authenticity
Team Work
Perspicacity
Competency
Immediacy
Tolerance

BOARD OF DIRECTORS

Chairman
Sarit Suresh RAJA SHAH (Non-Executive)

Members
Jean-Pierre Piat DALAIS (Non-Executive)
Raj DUSSOYE (Executive)
Thierry HUGNIN (Non-Executive)
Arun Shankar MATHUR (Non-Executive)
Kim Foong (Roger) LEUNG SHIN CHEUNG (Independent)
Pratul Hemraj Dharamshi SHAH (Independent)
Jerome DE CHASTEAUNEUF (Alternate Director to Jean-Pierre Dalais)

Secretary to the Board
Kamini VENCADASMY

BOARD COMMITTEES

Audit Committee Members

Pratul SHAH (Chairman)
Roger LEUNG
Jerome DE CHASTEAUNEUF

Secretary
Kamini VENCADASMY

Credit Committee Members

Arun MATHUR (Chairman)
Thierry HUGNIN
Roger LEUNG

Secretary
Kamini VENCADASMY

Risk Management Committee Members

Roger LEUNG (Chairman)
Pratul SHAH
Arun MATHUR

Secretary
Kamini VENCADASMY

Administrative Committee Members

Arun MATHUR (Chairman)
Jean-Pierre DALAIS
Thierry HUGNIN
Roger LEUNG

Secretary
Kamini VENCADASMY

Corporate Governance & Conduct Review Committee Members

Roger LEUNG (Chairman)
Pratul SHAH

Secretary
Kamini VENCADASMY

SENIOR MANAGEMENT

Chief Executive
Raj DUSSOYE

Deputy Chief Executive
Jessie Smiles ARIGALA

Chief Operating Officer
Dhinoo VEERASAWMY

Chief Financial Officer
Danny BALLUCK

Head of Corporate Banking
Vincent HARDY

Head of Retail Banking
Anne Marie KOO TON FAH

Head of International Banking
Rabindranath DABEE

Head of Treasury
Joel VILLENEUVE ANAUDIN

Head of Credit Administration
Valerie DUVAL

Directors' Profile

SARIT SURESH RAJA SHAH
Chairman & Non-Executive Director – Age 41
ssshah@imbank.co.ke

Mr. Sarit Shah was appointed as Director of the Bank on the 22 February 2008 and as Chairman on the 20 March 2009 for a term of one year.

Mr. Sarit Shah holds a Masters Degree from City University London. He is the Executive Director of I&M Bank Limited and also serves on the board of several other companies, including Minard Holdings Limited.

JEAN-PIERRE DALAIS
Non-Executive Director – Age 45
jpd@cielgroup.com

Mr. Jean-Pierre Dalais was appointed as Director of the Bank on the 22 February 2008. He is also a member of the Board Administrative 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, and acts as director for several other companies, including listed companies as detailed in the Corporate Governance Report.

RAJ DUSSOYE
Director & Chief Executive Officer – Age 48
raj.dussoye@bankone.mu

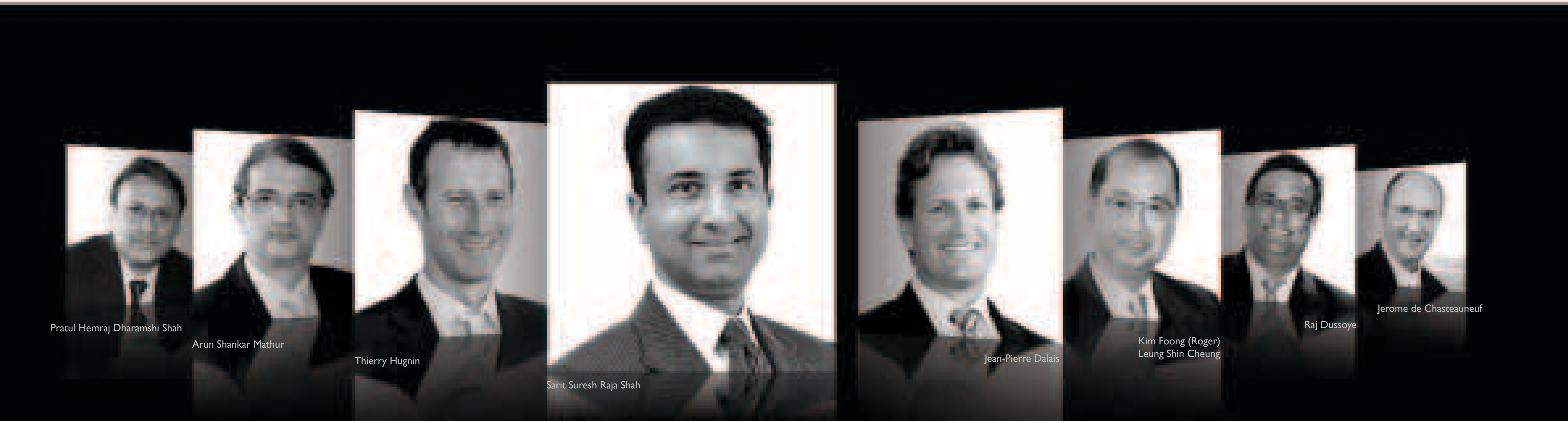
Mr. Raj Dussoye was appointed as Director and Chief Executive Officer of the Bank on the 22 February 2008.

Mr. Dussoye holds an ACIB and MBA from the Herriot-Watt University, Edinburg, Scotland. 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 left the State Bank of Mauritius in August 2007 to join CIEL Group.

THIERRY HUGNIN
Non-Executive Director – Age 44
th@cielgroup.com

Mr. Thierry Hugnin was appointed as Director of the Bank on the 22 February 2008. He is also member of the Board Administrative Committee and of the Board Credit Committee.

After qualifying as a Chartered Accountant in England and Wales in 1993, Mr. Hugnin worked in investment banking in London and Mauritius. He later joined Blakeney Management, a London-based investment boutique, focusing in Africa and the Middle East. He is the Chief Investment Officer and a director of CIEL Capital Limited, which is the Investment Manager of CIEL Investment Limited.



ARUN SHANKAR MATHUR
Non-Executive Director – Age 56
amathur@imbank.co.ke

Mr. Arun Mathur was appointed as Director of the Bank on the 22 February 2008. He is the Chairman of the Board Administrative Committee and of the Board Credit Committee. He is also a member of the Board Risk Management Committee.

Mr. Mathur holds a B.Tech (Hons) degree and started his banking career in 1976 with the State Bank of India. He joined the Grindlays Bank, India in 1982, and worked in their office in Nairobi, Kenya from 1990 to 1994. He then worked for several banks in Eastern Africa until he joined I&M Bank Limited in 2000 and was promoted as CEO in 2002.

KIM FOONG (ROGER) LEUNG SHIN CHEUNG
Independent Director – Age 63
rleung@intnet.mu

Mr. Kim Foong (Roger) Leung Shin Cheung was appointed as Director of the Bank on the 22 February 2008. He is the Chairman of the Risk Management Committee and of the Corporate Governance & Conduct Review Committee. He is also a member of the Board Credit Committee and of the Audit Committee.

Mr. Leung is an Associate of the Chartered Institute of bankers in UK and he 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. He is a director of several other companies, including listed companies as detailed in the Corporate Governance Report.

PRATUL HEMRAJ DHARAMSHI SHAH
Independent Director – Age 55
pratul@nbi.ispkenya.com

Mr. Pratul Shah was appointed as Director of the Bank on the 22 February 2008. He is also the Chairman of the Audit Committee, and a member of the Corporate Governance & Conduct Review Committee and of the Risk Management Committee.

Mr. Pratul Shah is a Fellow of the Association of Chartered Certified Accountants. He is also a member of the Institutes of Certified Public Accountant and Certified Public Secretary of Kenya and was a partner in PricewaterhouseCoopers, Kenya. He holds various directorships in diverse companies in East Africa, in the financial, manufacturing and services sector.

JEROME DE CHASTEAUNEUF
Alternate Director to Mr. Jean-Pierre Dalais – Age 43
jdc@cielgroup.com

Mr. Jerome de Chasteauneuf was appointed as Alternate Director to Mr. Jean-Pierre Dalais on the 22 February 2008. He is also a member of the Audit Committee.

Mr. de Chasteauneuf is a qualified Chartered Accountant of England and Wales. He joined the CIEL Group in 1993 as Project Financier and became Head of Finance in 2000. He is a director of several other companies, including listed companies as detailed in the Corporate Governance Report.

Senior Management's Profile

DANNY BALLUCK
Chief Financial Officer

Mr. Danny Balluck is a Fellow member of the Association of Chartered Certified Accountants. He has more than 15 years of experience in finance, auditing, corporate finance and investment. Prior to joining the Bank in March 2008, he has been working in different sectors of the economy, including textile, financial services and tourism.

VINCENT HARDY
Head of Corporate Banking

Mr. Vincent Hardy holds a Bachelor of Commerce from the University of South Africa, where he specialised in financial management. He worked with Investec Bank, a leading international specialist banking group in the area of specialised finance and lending, where he played a significant role in new business development in the property division, prior to joining Bank One in October 2008 as Head of Corporate Banking.

DHINOO VEERASAWMY
Chief Operating Officer

Dhinoo Veerasawmy holds a degree in Accounting and Management and a MBA from the Poitiers University, France. He has worked in the banking sector for 20 years (17 with BNP Paribas and 3 with Standard Bank), including 10 years at senior management level. He was employed as Head of Operations with Edge Forex Ltd (Ciel Group) before joining the Bank as Chief Operating Officer in 2008.

RAJ DUSSOYE
Please refer to Directors' Profile

JESSIE SMILES ARIGALA
Deputy Chief Executive Officer

Mr. J. Smiles Arigala holds a Master Degree and has been in the banking sector for nearly 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. He has 15 years experience at senior management. 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.

ANNE MARIE KOO TON FAH
Head of Retail Banking

Mrs. Anne Marie Koo 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.

RABINDRANATH DABEE
Head of International Banking

Mr. Dabee is an Associate of the Chartered Institute of Bankers, London. 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 - International Banking in May 2008. He was promoted to Head of International Banking as from January 2009.

JOEL VILLENEUVE ANAUDIN
Head of Treasury

Mr. Joel Anaudin holds a BSc in Economics and Finance, and a Masters with specialisation in International Market. He has a total work experience of 13 years in Treasury Management, including 6 years with BNP Paribas. Before joining the Bank in March 2008 as Head of Treasury, he worked as Head of Dealings at Edge Forex Ltd - a subsidiary of the CIEL Group – offering an extensive range of foreign exchange services and products mainly to large corporations operating in Mauritius.

VALERIE DUVAL
Head of Credit Administration

Mrs. Valerie Duval 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.


We
challenge

Chairman's Report

World Economy
2009 has been a difficult year for the world economy, which experienced the deepest global downturn since the Great Depression of the 1930s. With the financial sector being at the heart of this global downturn, it has endured a severe pummelling. Compounding the world economy's vulnerability and concerns was the fact that some countries, previously thought of as safe harbours for investment, became sovereign risks in 2009. Governments around the world have undertaken massive monetary and fiscal stimuli to arrest the downturn of their respective economies and in turn, that of the global economy. According to IMF, world output declined by 0.8%, principally due to advanced economies (US and E.U) contracting by 3.2%. Emerging and developing economies including Mauritius and sub-Saharan Africa, managed to achieve a positive growth of around 2.1%, whereas key emerging markets of India and China continued to grow at a pace of 5.6% and 8.7% respectively.

2010 looks more promising for the global economy, with world output expected to recover and rise by 4%. Recovery is expected to remain sluggish in advanced economies whereas in many emerging and developing economies, activities are expected to be relatively vibrant sustained by internal demand. India and China, the new engines of growth of the world economy, are expected to thunder ahead at rates of 7.3% and 9.6% respectively.

Mauritian Economy
In what has been a year characterised by considerable turbulence and uncertainty for the global economy, the timely action by the Government of Mauritius through fiscal stimulus package and parallel monetary-easing measures by the Bank of Mauritius, has ensured that the Mauritian economy remained resilient and managed to grow by around 2.8% in 2009 (Central Statistics Office – CSO - estimates). The CSO is also predicting a growth rate of 4.3 % for 2010 and back to 5% and above as from 2011.

Mauritius is well poised to achieve such growth targets with high infrastructure expenditure programme planned as from 2010 and, as the world economies improve, the island's tourism, manufacturing and other service industries should fare better in the coming months.

Banking Sector
The island's banking sector proved remarkably resilient during stormy times for the global financial sector. Difficult market conditions in 2009 resulted in banking sector assets declining marginally by 0.4% while banking deposits still maintained a growth of 2.1% in 2009. Despite slower credit off take, total credit also increased by 3.2%.

In terms of overall profitability, total bank profits increased by 11.3% during 2009 indicative of a sound and robust banking sector.

Prudent risk management, non-exposure to overseas toxic assets, proper management of assets and liabilities of banks, and the diligent supervision and guidance provided by the Bank of Mauritius helped ensure that our banking sector weathered these difficult times and remained stable.

Bank One – We Dare
During a year when many were focussed on survival, We, Bank One, Dared – to innovate and to invest in our people, our technology and, ultimately, in products and services for our esteemed customers. The result is that, for Bank One, it has been an eventful year with numerous achievements, key among them:

- Commencement of Leasing Services in March 2009 and as a result of this being the first bank in the country to offer leasing activities under a banking licence;
- Launch of Moneygram Services in April 2009;
- Introduction of MoneyTree, an innovative one-of-its-kind savings product in May 2009, which has since then elicited enormous positive response;
- Launch of ONE CLICK, Bank One's internet banking platform in September 2009 with a Grid Card, being the first with such security features for internet banking in Mauritius;

- Launch of VISA Credit Cards in November 2009, offering a bouquet of 5 different cards each designed to suit the specific needs of our various customers; and
- Opening our new branch at Volcy Pougnet Street, Port Louis, taking our branch network to 14.

2009 also saw us invest in our people with a major Customer Service Training carried out in collaboration with Four Seasons – one of the global leaders in the hospitality industry. Earlier in the year, Bank One had also embarked on a Cultural Change Programme in conjunction with external consultants. This was in addition to the several technical and professional training courses attended by staff across various departments and functions.

Performance
The turnaround of the Bank which commenced in 2008, continued into 2009 with the Bank reporting a robust growth in all areas. Total assets recorded a growth of 54%, from Rs 6.8bn in December 2008 to Rs 10.5bn in December 2009; Deposits have increased from Rs 6.1bn to reach Rs 9.4bn, an increase of Rs 3.3bn or 55%; the Bank has increased its customer advances portfolio by Rs 1.4bn, from Rs 4.7bn to Rs 6.1bn, reflecting a 29% growth.

Credit quality also continued to improve, with Net NPL to Net Loan ratio displaying a satisfactory level of improvement from 4% one year ago to 2.4% this year. We have also enhanced our domestic market share.

2009 has been the first full year of operations under new Shareholders / Management and the Bank has been able to generate profits of Rs 38.5m, which the Directors and the Shareholders consider to be an encouraging performance.

Capital Management
Capital adequacy ratio improved from 10.03% in December 2008 to 11.42% in December 2009, measured under Basel II Guidelines. Total capital increased to Rs 709m at end of December 2009, compared to Rs 532m at December 2008, representing an increase of Rs 177m.

This increase in capital includes:
(i) New capital injection of Rs 60m by the Shareholders; and
(ii) Investment of USD 6m in Tier II subordinated Debt by Proparco in middle of 2009.

The new capital in the Bank reinforces the confidence of the investors in the future of the Bank.

Outlook for 2010
While the global economy appears to be on a healthier platform, its problems are hardly over, and uncertainty on various fronts continues to dominate. Navigating in these waters will certainly prove to be challenging, but I have every confidence that Bank One will successfully rise up to this challenge with a combination of Daring tempered with Caution.

Taking full cognisance of the promising and yet uncertain economic climate, in 2010, the Bank will keep building on the robust foundations already laid. We shall continue to enhance our operational platforms and deliver new and improved products and services to our customers, while continuously working towards achieving world-class service quality, so that the Bank One experience will always be a unique experience. At all times, our responsibility to our esteemed customers and sensitivity to their needs shall remain paramount.

Acknowledgements
The Board is very appreciative of the dedicated service put by the staff members under the able guidance of the CEO and the Management team. Bank One is today reckoned as a young, dynamic and innovative bank with service excellence and a highly engaged staff force. Besides the good performance, the general enthusiasm and high spirit of our staff, is a source of great confidence to the Board.

We also take this opportunity to thank the Government of Mauritius and The Bank of Mauritius, for their guidance and encouragement at all times. We are, indeed, grateful to our correspondent banks, both local and overseas, for the support extended to the Bank. And, of course, we remain very grateful to our valued customers who have given us an opportunity to serve them.

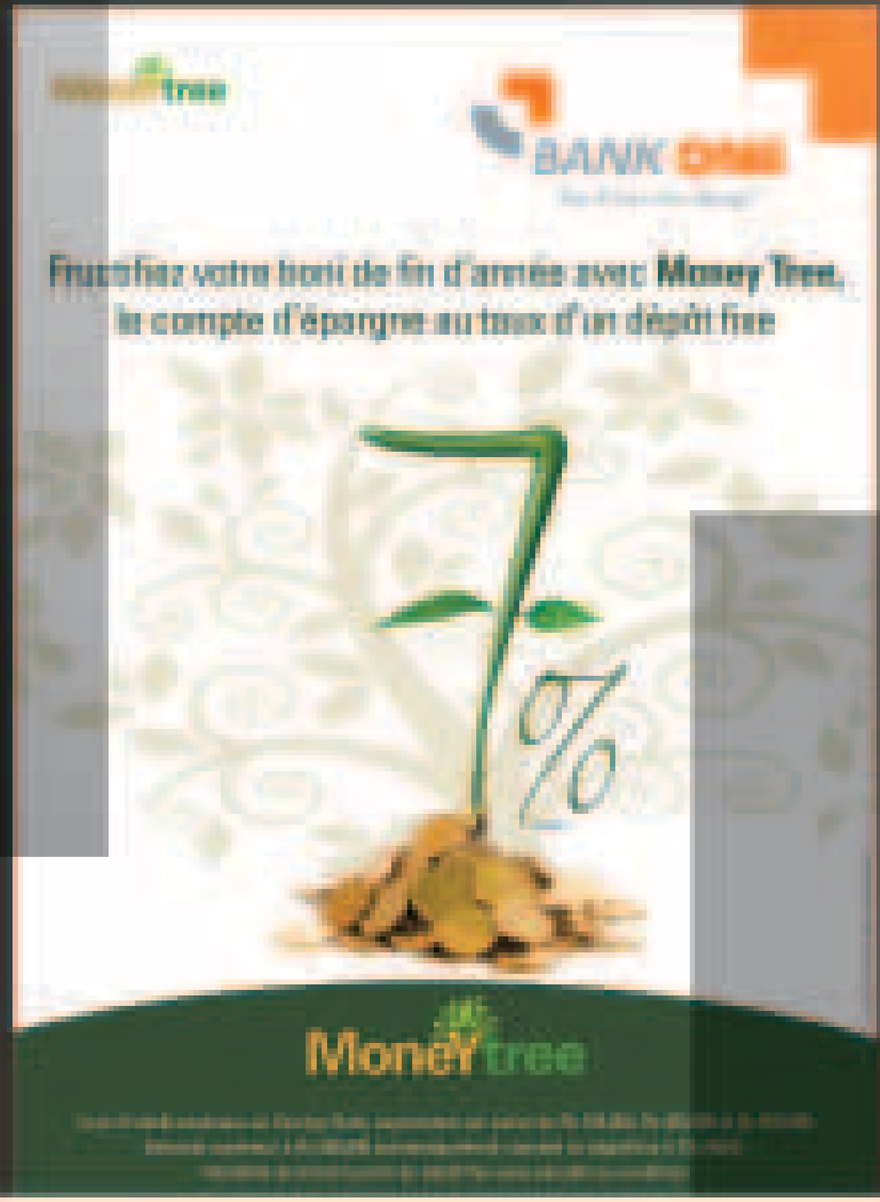
Finally, I would like to thank my fellow Board Members for their invaluable contribution towards the progress of Bank One.

Merci et à bientôt!

Sarit S. Raja Shah
Chairman

2 March 2010

Bank One Products



Corporate Governance Report

STATEMENT ON CORPORATE GOVERNANCE

The Board of Bank One is fully committed to attaining and maintaining the highest standards of corporate governance. This is ensured through the following established practices:

- Independent functioning of the Board;
- Clear demarcation of responsibilities of the Board and Management;
- Implementation of a comprehensive Risk Management Policy;
- Implementation of well-designed internal control and management information system to ensure integrity of data and information;
- Maintaining a high level of integrity in dealing with the public; and
- Monitoring of Senior Management.

BOARD OF DIRECTORS

The Board has a unitary structure and functions independently of Management. The members of the Board possess established expertise and experience in banking, finance and commerce at both local and international levels. Their profiles are found on pages 8 to 9 of the Annual Report.

The Board is composed of 4 Non-Executive Directors, 2 Independent Directors and 1 Executive Director, and responds to the current needs of the Shareholders and to the actual size of the Bank. The appointment of an additional Independent Director is also under consideration.

Directors are elected or re-elected at the Annual Meeting of the Shareholders. The existing Directors will stand for re-election at the next Annual Meeting of the Shareholders to be held on the 2 March 2010.

The Board Charter sets out the roles and responsibilities of the Board, which are broadly to:

- Set the Bank's vision, mission and values;
- Determine the strategy and policy of the Bank and its subsidiaries to achieve those objectives;
- Monitor and evaluate the implementation of strategies, policies and performance measurements;
- Exercise leadership, enterprise, integrity and judgment in directing the Bank;
- Identify and assess key risk areas of the business and ensure measures are taken to mitigate those risks;
- Ensure that effective internal controls systems are in place to safeguard the Bank's assets;
- Ensure compliance with all local laws and regulations, including risk management and corporate governance practices and disclosure requirements;
- Assess auditors' work both internal and external;
- Approve important capital investment of the Bank, including new products and services;
- Ensure that capital is fully optimised;
- Review and monitor investment in information technology and strategic assets, and ensure that they are prioritised according to Bank's strategy;
- Evaluate performance and review compensation of Senior Management and Directors;
- Ensure adequate succession planning;
- Ensure adoption of good corporate governance practices; and
- Ensure effective communication with Shareholders.

Given the current shareholding structure and size of the Bank, all matters relating to Board appointments and remuneration of Directors are discussed at full Board level, which submits its recommendations to the Shareholders. However, no director will participate in discussions regarding his own package.

The Chairman is not involved in the day-to-day running of the business and is not a full-time employee of the Bank. The main roles of the Chairman are to:

- Preside over meetings, encourage participation of Directors in board matters and mediate differences of opinion;
- Participate in the nomination of Directors to ensure that the Board has the right mix of competencies, skills, objectivity and expertise;
- Evaluate the performance of Directors collectively and individually;
- Ensure adequate succession planning for the Directors and management;
- Ensure that all relevant information on financial and operating matters are placed before the Board to enable Directors to reach informed decisions;
- Ensure adoption of good corporate governance practices; and
- Maintain relations with the Shareholders of the Bank and ensure that information is clearly communicated to them through appropriate disclosure.

The Chief Executive Officer also sits on the Board but is not a member of any Board Committee. His main responsibilities are to:

- Develop and recommend to the Board a long-term strategy and vision for the Bank that would generate adequate shareholder value;
- Develop and recommend to the Board annual business plans and budgets that support the long-term strategy of the Bank;
- Provide to the Board all relevant financial and operating information to enable them to assess performance;
- Strive to achieve the Bank's financial and operating goals;
- Serve as the chief spokesman for the Bank on all operational issues, further to discussion with the Board on the division of responsibilities for communication with Shareholders and other stakeholders;
- Maintain a positive and ethical work climate that is conducive to attracting retaining and nominating a diverse group of top-quality employees at all levels of the Bank; and
- Foster a corporate culture that promotes ethical practices, offers equal opportunities, encourages individual integrity and fulfils social responsibility objectives.

The Deputy Chief Executive Officer, whilst not being a member of the Board, attends to all Board Meetings. One of his main duties is to assist the CEO in ensuring that the Board is frequently and adequately apprised of the operations of the Bank through the presentation of relevant board papers.

BOARD COMMITTEES

The Board has set up 5 Committees, to which it has delegated some of its duties. The minutes of proceedings of the meetings of the Board Committees are tabled at Board Meetings.

Audit Committee

The main responsibilities of the Audit Committee are as follows:

- Set up and oversee the overall standard for financial reporting and internal controls within the Bank;
- Review and assess the quality of the work done by the professionals responsible for financial reporting and internal control;
- Make recommendations regarding the appointment of the external auditor; and
- Engage in discussions with external and internal auditors on the quality and acceptability of the control environment and reporting structures.

Board Risk Management Committee

The Board Risk Management Committee has the following main duties:

- Review the Bank's policy for the management of risks in the areas of credit, market, interest, liquidity, operational and technological;
- Review the disaster recovery and business continuity plans for the Bank;
- Review / monitor various risk indicators and external development, including legal and regulatory matters, which may have a significant impact on risk management, the reporting of emerging risks and the Bank's overall risk profile;
- Review / discuss business risks that can influence the financial statements;
- Review the Assets and Liabilities Management Committee report;
- Review and approve new products and services;
- Determine the country and bank exposure / risk tolerance limits;
- Review the Credit Policy and allied matters.

Board Credit Committee

The Board Credit Committee assists the Board in fulfilling its primary responsibilities by performing the following main functions:

- Deliberate and consider loans applications beyond the discretionary limits of the Management Credit Committee;
- Review lending by Management Credit Committee and Bank Officers in exercise of the powers delegated;
- 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;
- Ensure compliance with guidelines issued by The Bank of Mauritius on Credit Risk Management;
- Conduct loan reviews independent of any person or committee responsible for sanctioning credit;
- Review all non-performing advances on a continuous basis; and
- Review and approve the Bank's panel of various professional firms together with their professional indemnity cover.

Board Administrative Committee

The Board Administrative Committee has the following main responsibilities:

- Consider and decide upon matters under the Human Resources policy of the Bank to ensure/promote harmonious staff relations in the Bank at all times;
- 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 team of the Bank;
- Review and approve requests for revenue expenditure including adhoc unbudgeted expenditure in excess of the financial powers delegated to the Management of the Bank; and
- 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.

Corporate Governance & Conduct Review Committee

The main functions of the Corporate Governance & Conduct Review Committee are as follows:

- Establish policies and procedures to comply with the requirements of the guideline issued by The Bank of Mauritius on Related Party Transactions;
- Review and approve credit exposure to Related Parties;
- Advise the Board on all aspects of corporate governance and recommend the adoption of best practices for the Bank;
- Monitor the implementation of the CSR programme in accordance with applicable guidelines.

Board and Committee Attendance for the financial year 31 December 2009

The following tables show the record of attendance at meetings of the Board and of its Committees for the financial year 2009:

Board of Directors

Sittings	20.03.09	17.07.09	06.11.09	18.12.09
Directors				
Sarit Shah (appointed as chairman with effect from close of meeting dated 20.03.09)	✓	✓	✓	✓
Jean-Pierre Dalais	*	✓	✓	✓
Arun Mathur	Excused	✓	✓	✓
Thierry Hugnin	✓	✓	✓	✓
Raj Dussoye	✓	✓	✓	✓
Pratul Shah	✓	✓	✓	✓
K.F. (Roger) Leung Shin Cheung	✓	✓	✓	✓

* Mr. Jean-Pierre Dalais chaired the meeting.

Audit Committee

The Audit Committee met 4 times during the period under review:

Sittings	19.03.09	06.05.09	15.07.09	04.11.09
Members				
Pratul Shah (Chairman)	✓	✓	✓	✓
K.F. (Roger) Leung Shin Cheung	✓	✓	✓	✓
Jerome de Chasteauneuf	✓	✓	✓	✓

BOARD COMMITTEES (Cont'd...)

Board and Committee Attendance for the financial year 31 December 2009 (Cont'd...)

Risk Management Committee

The Board Risk Management Committee met 4 times during the period under review:

Sittings	19.03.09	16.07.09	04.11.09	16.12.09
Members				
K.F. (Roger) Leung Shin Cheung (Chairman)	✓	✓	✓	Excused
Pratul Shah	✓	✓	✓	*
Arun Mathur	Excused	✓	✓	✓

* Mr. Pratul Shah chaired the meeting in the absence of Mr. Leung.

Board Credit Committee

The Board Credit Committee met 8 times during the period under review:

Sittings	27.01.09	27.02.09	08.04.09	21.05.09	16.07.09	04.09.09	05.11.09	18.12.09
Members								
Arun Mathur (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓
Thierry Hugnin	✓	✓	✓	✓	✓	✓	✓	✓
K.F. (Roger) Leung Shin Cheung	✓	✓	✓	✓	✓	✓	✓	✓

Board Administrative Committee

The Board Administrative Committee met 4 times during the period under review:

Sittings	20.03.09	17.07.09	05.11.09	18.12.09
Members				
Arun Mathur (Chairman)	*	✓	✓	✓
Jean-Pierre Dalais	✓	✓	✓	✓
Thierry Hugnin	✓	✓	✓	✓
K.F. (Roger) Leung Shin Cheung	✓	✓	✓	✓

* Mr. Sarit Shah attended and chaired the meeting as alternate member to Mr. Arun Mathur.

Board Corporate Governance & Conduct Review Committee

The Corporate Governance & Conduct Review Committee met 4 times during the period under review:

Sittings	19.03.09	15.07.09	04.11.09	18.12.09
Members				
K.F. (Roger) Leung Shin Cheung (Chairman)	✓	✓	✓	✓
Pratul Shah	✓	✓	✓	✓

BOARD COMMITTEES (Cont'd...)

Directorships in Listed Companies as at 31 December 2009

Jean-Pierre Dalais

Name of Listed Companies	Particulars of Directorships
Ciel Investment Limited (DEM)	Director
Constance Hotel Services Ltd (DEM)	Director
Constance La Gaiete Limited (DEM)	Alternate Director
Deep River Investment Limited (DEM)	Director
Hotelest Ltd (DEM)	Director
IPRO Growth Fund (Official Market)	Director
Phoenix Beverages Limited (Official Market)	Alternate Director
Sun Resorts Limited (Official Market)	Alternate Director

Kim Foong (Roger) Leung

Name of Listed Companies	Particulars of Directorships
Shell Mauritius Ltd (Official Market)	Director
The Mauritius Development Investment Trust Co. Ltd (Official Market)	Director

Jerome de Chasteauneuf

Name of Listed Companies	Particulars of Directorships
CIEL Textile Limited (DEM)	Alternate Director
Constance Hotel Services Limited (DEM)	Director
Swan Insurance Company Limited (Official Market)	Director
Anglo Mauritius Society Ltd (DEM)	Director

Directors' Interests in Shares

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

Directors' Remuneration

Remuneration and benefits received by the Directors during the financial year 2009 were as follows:

	Rs
Kim Foong (Roger) Leung Shin Cheung	841,194
Pratul Hemraj Dharamshi Shah	604,608

Directors' Service Contracts

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

Senior Management's Interests in Shares

None of the existing Senior Management Officers holds shares in the Bank's capital.

Related Party Transactions

The Bank is governed by the Guideline on Related Party Transactions issued by the Bank of Mauritius in January 2009.

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.

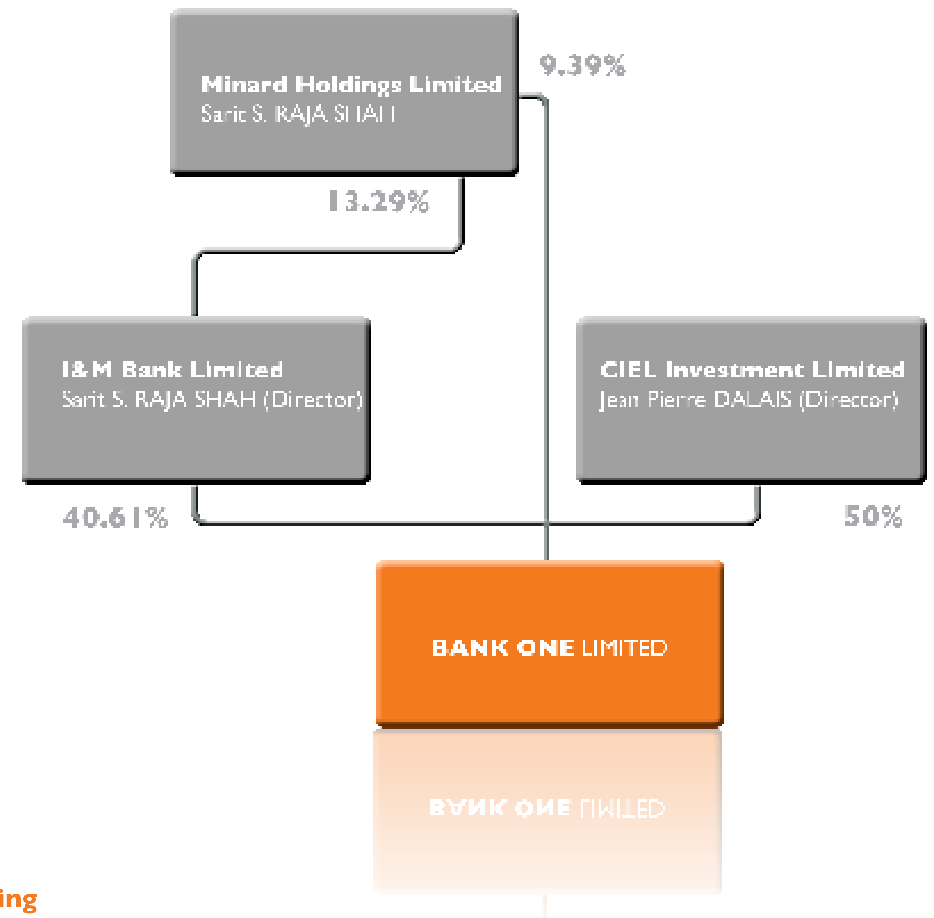
In line with the Guideline, the Board has adopted a policy which sets out the rules governing the identification of related parties, the terms and conditions applicable to transactions entered into with them, and reporting procedures to the Conduct Review Committee and to the Board. All related party transactions are reviewed at the level of the Conduct Review Committee, which ensures that market terms and conditions are applied to such transactions.

Please refer to note 32 to the Financial Statements for credit exposure to related parties as at 31 December 2009.


heights
new
We reach

SHAREHOLDERS

The Holding Structure and Common Directors at each level



Shareholding

As at 31 December 2009, the Bank's Stated Capital amounted to Rs 491,456,000, divided into 4,914,560 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	**2,457,280**	**50.0%**
I&M Bank Limited Of I&M Bank House, 2nd Ngong Av., Nairobi, Kenya	**1,996,017**	**40.61%**
Minard Holdings Limited Of I&M Bank House, 2nd Ngong Av., Nairobi, Kenya	**461,263**	**9.39%**
Total issued & fully paid shares	**4,914,560**	

Allotments during the period under review

The following shares were issued and allotted during the financial year 2009

Allotees	Date of issue / allotment	Class of shares	No. of shares	Amount Rs
CIEL Investment Limited	**20.03.09**	**Ordinary**	**1,110,000**	**111,000,000**
I&M Bank Limited	**20.03.09**	**Ordinary**	**1,110,000**	**111,000,000**

An offer was made on the 18 November 2009 to the existing Shareholders to subscribe to 600,000 new Ordinary Shares. On the 24 and 25 November 2009, CIEL Investment Limited and I&M Bank Limited respectively agreed to subscribe to 300,000 Ordinary Shares each; Minard Holdings Limited having waived its pre-emptive rights in favour of I&M Bank Limited. The 600,000 new Ordinary Shares, were issued and allotted accordingly on the 15 February 2010, thereby increasing the Bank's Stated Capital from Rs 491,456,000 to Rs 551,456,000.

Shares transferred during the period under review

There was no share transferred during the financial year 2009. However, procedures have been initiated by Minard Holdings Limited in November 2009 for the transfer of all its shareholding in Bank One to I&M Bank Limited.

The shareholding structure of the Bank as at 2 March 2010 and post share transfer is given below:

Shareholders	As at 2 March 2010		Post Share Transfer	
	No. of shares	Holding	No. of shares	Holding
CIEL Investment Limited	**2,757,280**	**50%**	**2,757,280**	**50%**
I&M Bank Limited	**2,296,017**	**41.63%**	**2,757,280**	**50%**
Minard Holdings Limited	**461,263**	**8.37%**	**Nil**	**Nil**
	5,514,560		**5,514,560**	

SHAREHOLDERS (Cont'd...)

Shareholders' Profile

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

CIEL Investment Limited (CIL) is part of the CIEL Group, which is one of the leading financial and business groups in Mauritius.

CIL is quoted on the Development and Enterprise Market. As at 31 December 2009, its stated capital was made up of 903,613,000 no par value ordinary shares worth Rs 1.92bn and its portfolio of investments totalised Rs 5.7bn, composed of investments across a number of sectors, such as tourism, property development, financial services and life sciences amongst others. CIEL Group's profit after tax for the 9 months' ended 31 December 2009 stood at Rs 1.12bn.

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

I&M Bank Limited ("I&M Bank") is a privately owned bank that possesses a rich heritage in banking. With a network of 15 branches and 16 ATMs covering the three major cities in Kenya and access to approximately 1,450 ATMs across the country as part of other networks, I&M Bank is a dominant player in the Kenyan market.

Over the last few years, I&M Bank has won several awards in Kenya, including 'The Most Efficient Bank' in 2007 and 2008, and for Product Innovation in 2009.

Two leading European AAA rated development financial institutions, PROPARCO and DEG, own approx 22% of I&M Bank, while the rest is held by a consortium of Kenyan investment companies. In addition, I&M Bank enjoys excellent relationship with International Finance Corporation and benefits greatly in terms of trade finance capabilities, staff training, product development and risk management practices.

As at 31 December 2009, I&M Bank's customer advances portfolio was USD 330m and its deposits amounted to USD 467m. Its profit before tax stood at just under USD 25m at 31 December 2009.

I&M Bank's total assets increased to approximately USD 600m as against USD 489m in 2008, and its total Shareholders Equity stood at USD 100m as at 31 December 2009.

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

Minard Holdings Limited is an investment company, registered in Kenya. It holds a significant interest in I&M Bank Limited.

Material Clauses of the Constitution
Any change in the ownership of shares in the capital of the Bank is subject to pre-emptive rights.

Aspects of Shareholders' Agreement Affecting Governance
In terms of the Shareholders' Agreement, the Chairmanship of the Board rotates between CIEL Investment Limited and I&M Bank Limited on an annual basis.

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.

Shareholder Relations and Communication
Shareholders are apprised of financial conditions of the Bank on a monthly basis. Any other corporate issues relevant to the Shareholders are immediately brought to their attention by the Company Secretary.

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

Auditors' Fees and Fees for Other Services
Auditors' fees and fees for other services paid to BDO & Co (formerly BDO De Chazal Du Mee) during the financial year 2009 were as follows:

	Rs
Audit Fees	1,150,000
Quarterly High Level Review	115,000
Internal Control Review	258,750
Tax Advisory	86,250

Third Party Agreements
There are currently no third party agreements affecting the governance of the Bank by the Board.

Corporate Social Responsibility (CSR)
The Board has adopted a CSR Policy, which sets out the framework for managing the Bank's CSR activities in line with prevailing legislation and the guidelines issued by the National CSR Committee.

By virtue of sections 50K and 50L of the Income Tax Act, the Bank is committed to allocating 2% of its preceding year's profit towards CSR activities. However, income derived from transactions with non-residents and corporation holding a Global Business Licence is excluded from the CSR contribution.

With a view to create synergies, the Bank has decided to implement its CSR programme through an accredited Special Purpose Vehicle (SPV). In this regard, the Bank will be routing its CSR activities through "Fondation Nouveau Regard".

"Fondation Nouveau Regard" (FNR) is an accredited SPV (N/1105) registered with the National CSR Committee. It was created in November 2004 by the CIEL Group with the objective of helping the underprivileged to recover their dignity and place in the Mauritian Community. Its sphere of actions includes socio-economic development, health, leisure and sports, environment, education and training.

Integrated Sustainability Reporting
The Bank is committed to the highest standards of integrity and ethical conduct in dealing with all its stakeholders. Staffs at all levels adhere to the Corporate Values and to the Code of Banking Practice.

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

Funding
No political or charitable donations were made during the period under review.

Important Events:
- Financial year end: 31.12.09
- Annual Meeting of Shareholders: 02.03.10

Kamini Vencadasmy, ACIS
Company Secretary

2 March 2010

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 2009, all such returns as are required under the Companies Act 2001.

Kamini Vencadasmy, ACIS
Company Secretary

2 March 2010

Bank One Products


We
are
determined

Management Discussion and Analysis

HIGHLIGHTS

The Bank derived profits after tax of Rs 38m for 12 months ended December 2009 as against losses after tax of Rs 121m for 18 months ended December 2008.

The implementation and execution of strategic priorities since the takeover in February 2008 have generated positive results despite operating in a turbulent economic environment due to the unprecedented global crisis.

During the year 2009, Bank One has been able to achieve sustainable monthly profits despite tough market conditions. For the financial year 2009, the Bank earned profits before tax of Rs 42m compared to losses of Rs 144m for the 18 months period ended December 2008.

Net interest income improved substantially from Rs 29m for the 18 months ended December 2008 to Rs 133m for the 12 months ended December 2009, on the back of a better assets and liabilities management.

Non-interest income took a sharp turn and progressed significantly to Rs 142m, derived mainly though treasury operations and fees & commissions. Non-interest expenses were tightly controlled and contained to Rs 243m for the year.

Total assets base crossed the Rs 10bn mark in December 2009 from a level of Rs 6.8bn in December 2008 and Rs 4.4bn since the takeover on February 2008, representing a progress of 54% and 139% respectively.

Deposit base continues to expand and a year on year progress of Rs 3.3bn or 55% was recorded during 2009. This was achieved through the launch of innovative products and increased trust the Bank is enjoying in the domestic market.

A healthy growth was achieved in the loan book with an increase of Rs 1.4bn or 29%.

Non-performing advances continue to decrease and were brought down by Rs 65 m in 2009. The gross NPL ratio was reduced to 7.6% (11% in 2008) from a level of 36% since take-over in February 2008 while the net NPLs to net advances improved from 4% in December 2008 to 2.41% in December 2009.

In order to sustain the growth in business, the Bank has strengthened its capital base by raising USD 6m of subordinated debt as Tier 2 capital from Proparco in June 2009. The shareholders made additional injection of Tier I capital in December 2009. With a capital adequacy ratio of above 11% at end of December 2009, Bank One is well geared up to pursue its growth trajectory.

Income Statement for the Year Ended 31 December 2009

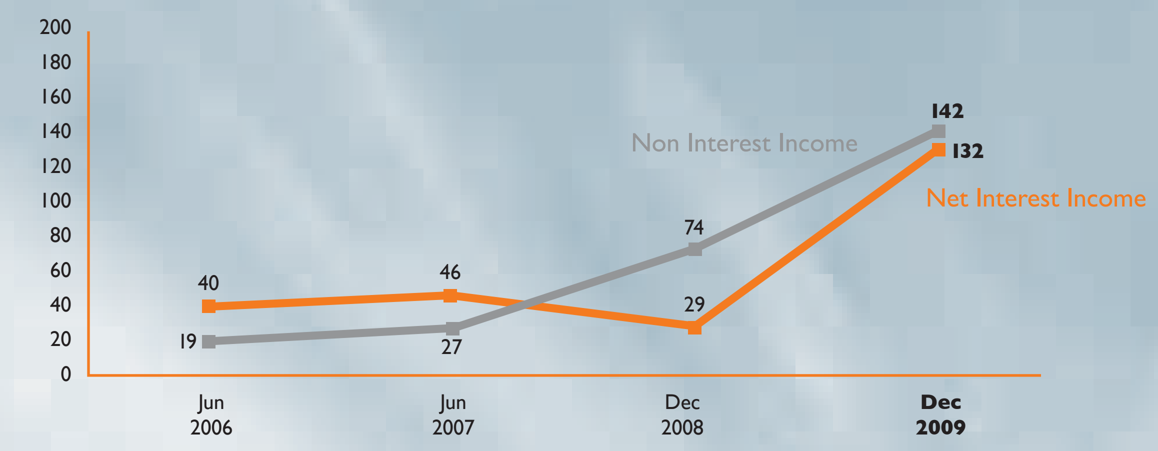
	Year ended Dec-09 Rs 000	18 months ended Dec-08 Rs 000	Year ended Jun-07 Rs 000
Net interest income	132,541	29,369	46,187
Net fees and commission income	63,430	23,620	11,716
Net trading income	65,788	49,588	11,569
Other operating income	13,259	675	3,683
Operating income	275,018	103,252	73,155
Non interest expense	(243,404)	(247,906)	(138,559)
Operating profit/Loss before exceptional items	31,614	(144,654)	(65,404)
Exceptional items		30,190	
Profit/Loss before impairment	31,614	(114,464)	(65,404)
Allowance for credit impairment	10,700	(29,048)	(9,053)
Profit/Loss before tax	42,314	(143,512)	(74,457)
Income tax	(3,826)	22,708	(125,111)
Profit/Loss after tax	38,488	(120,804)	(199,568)

PERFORMANCE AGAINST OBJECTIVES

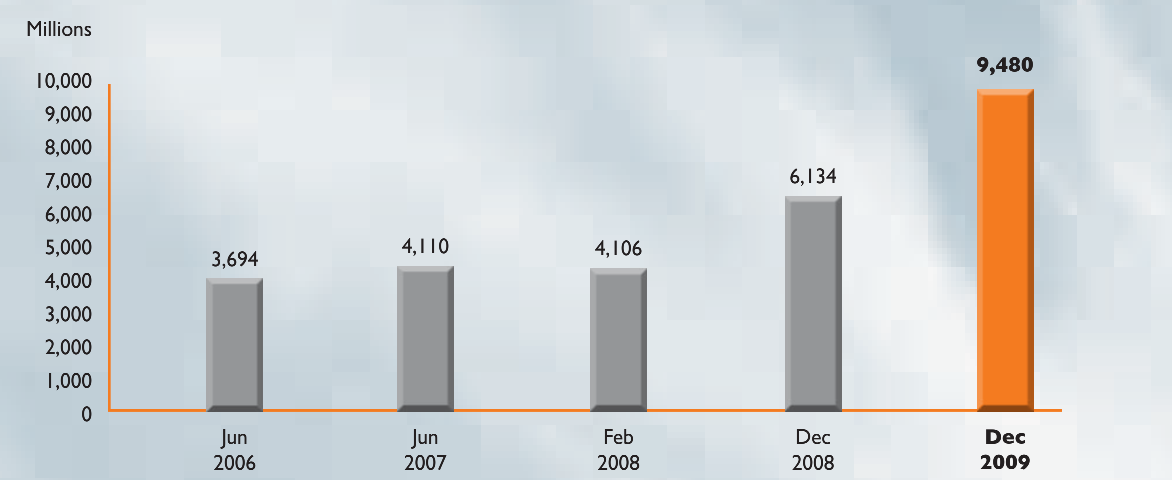
	Objectives 2009	Actual Performance 2009	Objectives 2010
ROE & ROAA	- Return on average equity of 3% excluding exceptional income.	- The Bank managed to generate a return of 7% well above the 3% targeted.	- To exceed a ROE of 10%.
	- Return on average assets of 0.7%.	- Progressed from a negative position to a +0.43%.	- In line with the projected growth in total assets we expect the ROAA to improve to 1%.
Loan Growth	- Segment A loan book to increase by 50% and Segment B to increase by 75%.	- Segment A loan book progressed by 31% on terminal basis but 57 % on average basis; Segment B loan book increased by 21% on terminal basis but 121% on average basis.	- Total loan book to progress by at least 50% with an increase of 55% in Segment A and a 100% increase in Segment B as global markets return to normality.
Deposits Growths	- Segment A deposits to grow by 50% and Segment B by 75%.	- A very satisfactory deposit growth of 39% and 147% in Segment A and Segment B respectively. In the absence of adequate deployment opportunities in Segment A, the Bank had to restrain itself from unwarranted growth in deposits.	- Increase of 23% is expected in Segment A and 75% in Segment B.
Portfolio Quality	- Gross Impaired Advances to be reduced to 5%.	- The Gross Impaired ratio was brought down from 11% to 7% with a progress of 4%. However, the 5% target was not achieved as certain collaterals realisation in compensation to debts outstanding were delayed as property market was stagnating during 2009.	- To bring down the Gross Impaired Advances to 4%.
	- Provision for individually assessed Impaired Loans to Total Impaired Loans to be increased to 75%.	- The ratio improved by 2% to reach 70% compared to a target of 75%.	- We expect an increase in recovery for 2010 and also containment in the level of non-performing advances. Provision on impaired book to increase to 77%.
	- Net Impaired Advances / Net Advances to reduce to 3%.	- Net Impaired ratio was brought down to 2.41% as per the target.	- Net Impaired Advances to Net Advances to be further reduced to 1%.
	- Cost to Income not to exceed 75% .	- Though a substantial improvement was recorded compared to previous year, the Cost to Income ratio decreased to 89% compared to our initial objective of 75%. This is mainly due to underachievement in operating income compared to budget and higher depreciation & amortisation charges as a result of investments in new projects realised in 2009.	- Cost to Income ratio is expected to improve with the increase in profit level to 75%.
Capital Management	- Capital Adequacy Ratio – To maintain at a minimum of 11%.	- The Bank has maintained its capital strength with a CAR of 11.42%. This has been made through injection of both Tier I & Tier II Capital during 2009.	- The Bank will continue to maintain its capital strength and will continue to enhance its capital base to sustain its growth. The objective for 2010 is to maintain Capital Adequacy Ratio of 11%.

FINANCIAL ANALYSIS

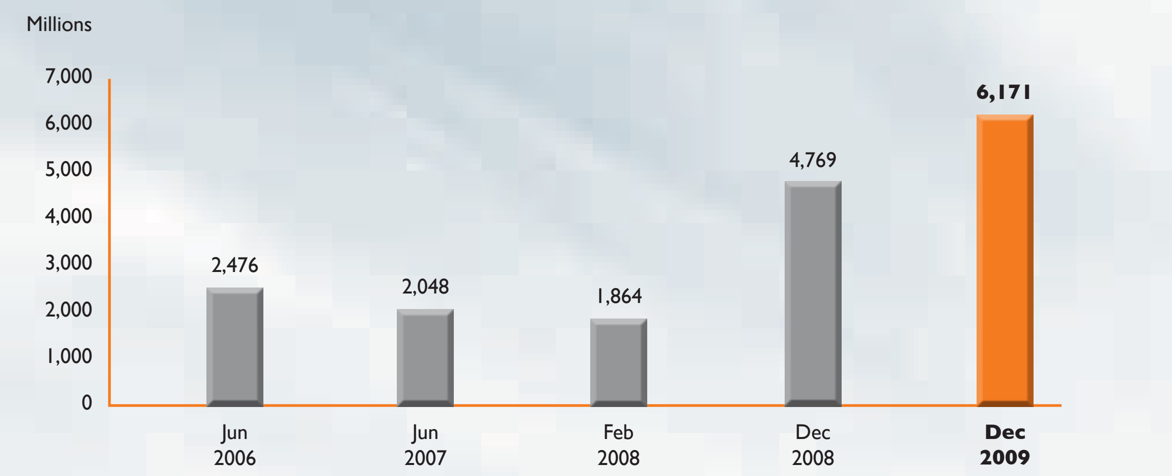
Net Interest Income & Non Interest Income



Total Deposits



Gross Advances



FINANCIAL ANALYSIS (Cont'd...)

Net Interest Income

Net Interest Income for the year amounts to Rs 132m as compared to the Rs 29m realised for the eighteen months ended December 2008. This reflects the results of a better and more efficient assets and liabilities management since the take over in February 2008. The net interest margin improved during 2009 despite fierce competition and excess liquidity in the domestic market

	Year ended Dec-09 Rs 000	18 months ended Dec-08 Rs 000	Year ended Jun-07 Rs 000
Interest Income			
Loans and advances to customers & banks	495,160	337,654	201,913
Securities	91,843	239,971	134,405
Placements and loans to banks	20,292	16,092	6,869
Other	-	-	766
	607,295	593,717	343,953
Interest Expense			
Deposits from customers	466,404	562,720	296,074
Borrowings from Bank	1,633	1,463	1,639
Other	6,717	165	53
	474,754	564,348	297,766
Net Interest Income	132,541	29,369	46,187
Average interest earning assets	7,154,319	4,509,379	4,023,126
Average interest bearing liabilities	8,214,134	4,531,863	3,891,374
Interest income/Average interest earning assets	8.49%	13.17%	8.55%
Interest expense/Average interest bearing liabilities	5.78%	12.45%	7.65%
Net interest income/Total average assets	1.47%	0.59%	1.06%
Core revenue	253,759	94,853	55,631

Non-Interest Income

	Year ended Dec-09 Rs 000	18 months ended Dec-08 Rs 000	Year ended Jun-07 Rs 000
Net fees and commissions	63,430	23,620	11,716
Net trading income	65,788	49,588	11,569
Other operating income	13,259	675	3,683
	142,477	73,883	26,968

to Rs 142m for the year ended December 2009. This growth has been driven by the good performance of both the treasury operations and fees & commissions.

Other fees and commissions increased satisfactorily from Rs 24m for the eighteen months ended December 2008 to Rs 63m for the twelve months ended December 2009, with the increase in volumes and transactions.

Non-Interest Expense and Cost Management

	Year ended Dec-09 Rs 000	18 months ended Dec-08 Rs 000	Year ended Jun-07 Rs 000
Personnel expenses	144,646	125,636	62,777
Depreciation and amortisation	30,422	35,456	22,268
Other expenses	68,336	86,814	53,514
	243,404	247,906	138,559

Non-interest expense amounted to Rs 243m for 2009 compared to Rs 247m for the eighteen months ended December 2008. The Bank has invested in human resources, equipment and software in order to support the growth in the business.

The ratio of personnel expenses to total operating income dropped from 122% to 53%. The cost to income ratio has been brought down significantly from a high level of 240% to 89% during 2009 and the Bank continues to monitor costs to bring this ratio further down to align to industry level.

DISCUSSION BY LINE OF BUSINESS

Retail Banking

Retail Banking clients consists of all personal domestic clients excluding Private Banking clients. It also includes all SME clients as their needs are more owner-based and they prefer a local rapport with their branch and Branch Managers.

Performance

Retail Banking has maintained a steady growth during 2009 despite difficult economic conditions. Advances have grown by more than 55% over the year, moving from Rs 659m to Rs 1,024m. The SME segment in particular, has contributed significantly to this growth by an increase of 63% of its portfolio.

Deposits have grown by 26% from Rs 3,634m to Rs 4,561m. The number of customers has increased by 15% while a large number of customers have reactivated their accounts.

Innovation

This sustained growth and broadening of our client base have been achieved through the introduction of new products and through our strong customer service.

In continuation with its strategy to offer innovative products, the Bank has in 2009 launched the MoneyTree account which combines the flexibility of a savings account with the higher interest of a fixed deposit. The products menu has further been enriched with Credit Cards, leasing products and Moneygram services during the year.

Focus on Service Quality

The Bank has identified service quality as a key differentiating factor. Since 2009, it has embarked on a major Service Quality Campaign. All frontline staff has followed a comprehensive training programme on Customer Care carried by Training Specialists from Four Seasons Hotel, modelling on their service excellence benchmarks. This has contributed to the improvement and strengthening of our customer service in line with the standards prevailing in the hospitality industry. A pool of trainers has also been created for ongoing service quality training. The Bank is in the process of recruiting a Service Quality leader to implement and coordinate Service Quality programme throughout. The Bank will also gear up for international certification for Service Quality.

Channels

Retail Banking serves its clientele base through 14 branches. In our endeavour to provide additional convenience to our customers, the Bank has opened a new branch at Volcy Pougnet Street Port Louis in early 2010. Rose Belle branch has also been relocated to new premises in the Vieux Moulin Complex in February 2010. Both branches reflect the new branch concept of customer friendliness and openness which will be extended to all other branches. Besides Branch Managers who also act as Relationship Managers to the SME clients, the SME portfolio is also supported by a dedicated team of SME specialists who continued to provide advice and close support to the SME Portfolio.

Internet Banking, ONE CLICK, was launched in October 2009. It carries very strong security features including an internet grid card, which is unique in security features to the banking system in Mauritius.

Reaching out

Increased visibility has been achieved through promotional campaigns, open days and door-to-door marketing. Furthermore, the Bank continued with the Saturday opening in December in order to give more banking hours to our customers.

Outlook

Retail Banking will continue to build up on foundations already laid.

The Bank will look towards further acquiring new clients and increasing market share in this segment especially the SME segment through innovative solutions. During 2010, the Bank is in process of relocating its Curepipe Branch, renovating its Port Louis Branch and starting works on a new Branch in Bel Air region.

Private Banking

Private Banking activities in 2009 have focused on expanding and reactivating existing client's base. The team has been strengthened in order to cope with the increase in activities and also to maintain continuous and value adding relationship. The vision of Private Banking is to anticipate and understand the segment client's needs for more efficient wealth management. Each client at Private Banking benefits from the personalised service of dedicated Private Relationship Manager.

Our services include:

- Optimising clients' cash management, with products ranging from basic banking services like checking or savings accounts in local currency or foreign currencies with cash sweeps, to higher yield savings accounts and overdraft privileges.
- Planning and arranging for the most appropriate customised financing facilities.
- Focusing on insuring clients' assets through insurance facilities for housing, cars and loans insurances.
- Offering value added Visa premium credit cards ranging from Gold to Infinite Cards.
- Providing a fully secured Internet Banking facility allowing clients to process transactions and requests online 24h/24.
- Providing investment products that match the clients' risk and return profile.

Bank One is a registered financial and investment products distributor with the Financial Services Commission since last year. The Bank has exclusive distribution agreements with several local and international well known investment management institutions where tailored made products are structured for our clients.

Despite challenging and tight market conditions throughout 2009, the Private Banking segment made a satisfactory progress with the following key performances:

- Deposit base progressed by more than 150%.
- Loans and advances increased by 70%.
- Number of clients in Private Banking has also doubled during 2009.
- Wealth under management referred to third parties increased by 100%.

Projects and Outlook for 2010

Private Banking will continue to focus on delivering great value to our customers, with the aim to:

- Becoming a key player in the Wealth Management by offering a one-stop-shop services for high net worth clients.
- Constantly proposing innovative solutions to match clients' expectations.

Corporate Banking

Corporate Banking caters for the needs of the large corporate segment in Mauritius. The team consists of eight dedicated professionals servicing over 100 clients.

Notwithstanding challenging market conditions and slowing of economic growth, the Corporate Banking segment has maintained its strategic direction and continued to deliver maximum value to its clients in 2009.

The segment remained focused on increasing deposits, which is reflected in the year-on-year growth of 63% to end the year at Rs 2.4bn. This performance is attributable to maintained collaboration amongst business units, enhanced market coverage and strengthening business relationships. Downward pressure was however felt on deposit margins due to the increased competition for liquidity in the first half of the year under review which ultimately subsided in the second half as the market began to ease.

Credit off take in the banking industry was in general slower in 2009. The strengthening of the capital base during the year under review, through additional Tier I as well as Tier II Capital, enhanced the lending capabilities of the Bank. Gross advances showed marked growth of 30% from Rs 2.55bn to Rs 3.31bn to end 2009.

Non-interest income increased substantially during the year mainly as a result of the increase in number of customers and transaction volume growth. Major movements also include lending income fee. The robust financial performance of the corporate banking segment was complimented in the final quarter of the year with the introduction of the 'ONE CLICK' internet banking platform and business credit cards which enhanced competiveness while diversifying income streams.

DISCUSSION BY LINE OF BUSINESS (Cont'd...)

Corporate Banking (Cont'd...)

Importantly, the corporate segment was able to reduce the level of impaired loans by 11.7% during the period under review. These results were achieved by close monitoring, collections and stringent management of risk during a time of unparalleled strain on the world economy, which is testament to the disciplined focus of the Bank during the year.

The corporate segment is focused on enhancing product range and services available to customers while maintaining strong credit quality. In the backdrop of an expected recovery in 2010, the deal pipeline remains strong and Corporate Banking is well poised to take advantage of opportunities and grow market share in the year ahead.

International Banking

Despite difficult international environment, deposits in Segment B business showed an appreciable growth of Rs 1.3bn, i.,e., year on year growth of 147% accounting for about 22% of the overall Bank's deposit portfolio against previous year of 14%. On the advances side, year-on-year growth was 21% accounting for some 17% of banks loan portfolio. Overall performance was very satisfactory and this was mainly achieved on the back of quality service.

Segment B business in Bank One is non DTA driven; deposits are raised mostly regionally with the support of I&M bank in Kenya and partly with OMCs in Mauritius; the Bank has a rigid KYC and anti-money laundering policy to avoid unwanted business in Mauritius.

Assets comprise principally of Bank placement and short-term lending. Loans are usually short-term in nature to keep mismatch within approved limits and to established counterparties. The Bank is also exploring possibilities of regional expansion in 2010.

With international economy likely to pick up, International Banking is poised for a much better performance in 2010 and will continue to be a major driver in the growth of business volume and earnings. Strategies are being put in place such that this segment's share in the overall growth of the Bank reaches 50% in the near term.

Treasury Business

Overall in 2009, the Treasury Business Unit generated a Net Total Income of more than Rs 65.7m. This represents an increase of almost 33% from 2008 (Rs 49.58m).

Despite the ongoing global economic recession and a consequential drop in the domestic demand for foreign currency, extensively leading to a drop in merchant business across the country, Treasury managed to enhance net total treasury income by engaging in alternative income-generating activities, through diversification.

Looking ahead, in 2010, with the global economic activity expected to pick up, the Bank is positioning itself to accompany the anticipated recovery in international trade and the related FX requirements, in order to generate higher income through a resumption of a steady flow of merchant business activities. Moreover, Treasury is pursuing hard in the other Treasury activities that were started last year. The Bank is also planning to have a fully automated Treasury by end of 2010.

RISK MANAGEMENT, POLICIES AND CONTROL

Commercial banks are in the risk business. Bank One is working to strengthen and enhance risk management. Its fundamental risk management policy is to gain an accurate understanding and awareness of each type of risk, and to establish a suitable risk management framework to ensure sound, appropriate management and secure stable income. The objective is not to eliminate risks but to achieve an appropriate balance between risk and return.

The Bank has established independent functional risk units, which are responsible for management of specific identified risks. The functional risk units quantify the risks according to consistent criteria and Board approved policies and limits and executes comprehensive risk management that controls the amount of risk within a scope appropriate to the Bank's operating capabilities. Based on this approach, the Bank set limits for the amount of credit risk, market risk, operational risk and overall risk, within the Central Bank guidelines covering these risks, to both maintain sound operations and generate stable earnings.

Board sets the risk policies and monitors the progress and implementation on a quarterly basis, through various Board Committees. Moreover, the various Management Committees meet once a month to comprehensively gauge, evaluate and monitor the occurrence and management of each type of risk.

Risk Management Policies and Controls

Risk Management is focused on the following major areas of risk as follows:

i. Credit risk
ii. Market risk including interest rate risk, liquidity risk and foreign exchange risk
iii. Operational risk

Credit risk occurs mainly in the Bank's credit portfolios compromising retail lending, corporate lending, cross border lending, treasury and financial institutions wholesale lending.

Interest rate risk means the risk to the Bank's financial condition resulting from adverse movements in interest rates.

Foreign exchange risks is defined as the potential that movements in exchange rates may adversely affect the Bank's financial condition.

Liquidity risk is the risk of financial loss that arises when funds required to meet repayments, withdrawals and other commitments cannot be obtained in time due to lack of market liquidity which prevents quick and effective liquidation of positions or portfolios.

Operational risk is the risk of loss (direct or indirect) resulting from inadequate or failed internal processes, people and systems or from external events.

The risk management aspects are further discussed under the Basel II disclosures.

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 of 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;
- The management of risk, both financial and non financial, conducted through operational and administrative control systems including the operation of the Audit Committee; review of KPIs (against forecasts), operational statistics and policy compliance; and
- Financial performance analysis against budgets and analysis of variations in key non financial measures.

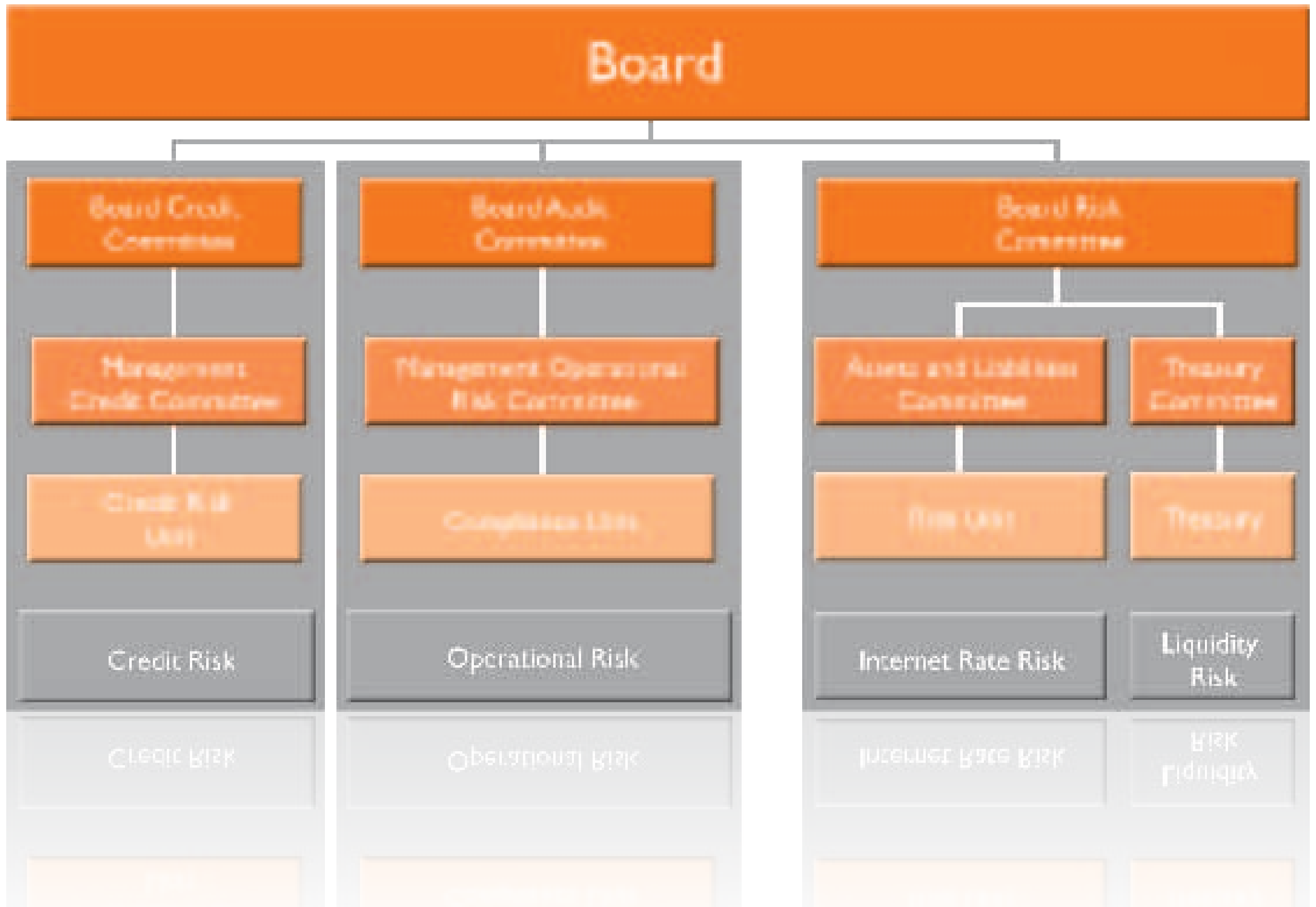
Through different Management Committees, the Management oversees and guides the management of different risks which are more particularly dealt with by centralised Functional Risk Units.

RISK MANAGEMENT, POLICIES AND CONTROL (Cont'd...)

Functional Risk Units (FRU)

Bank One has adopted a centralised Risk Management framework. The independent Functional Risk 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, Risk Unit and Treasury Back Office 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 risk 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 the Bank of Mauritius and general business direction and risk environment.

Risk Management Framework



Within the Risk Management Framework, the Board of Directors approves the Risk Strategy, Risk Policies and Prudential Limits under which Management carries out operations. The Board has also set up the Risk Committees to which it delegated some of its main responsibilities to monitor and ensure the effectiveness of the risk process.

Implementation of the policies is delegated to Management and the Functional Risk Units which operate independently from line functions and acts as a Risk Support Unit.

HUMAN CAPITAL MANAGEMENT

Bank One has implemented various policies and best practices that enable it to recruit, train, retain and motivate its employees 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, though it exercises its authority through the Board Administrative 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. Human Resources Department ensures that all staff are properly inducted and make sure 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.

Over the last two years, remuneration packages have been reviewed to ensure they are competitive in the industry. The Bank has also implemented an annual performance appraisal system, whereby every financial year the employees' performance is reviewed against the Key Performance Indicators agreed at the beginning of the financial year. The remuneration is accordingly reviewed to position the Bank as an employer of choice in the market. Based on the Bank's performance the board also considers payment of a performance-linked bonus system to employees.

Employee Engagement

Our overall performance structure is driven by the philosophy that a fully engaged workforce increases productivity and business performance. The recently concluded engagement survey confirms that on an average 72% of the staff are positively engaged. This substantiates the fact that Bank One employees are emotionally and intellectually committed in delivering high value added banking services.

This has been helped by "Culture Change" programme conducted with the help of an external professional counsellor, to further enhance the team spirit and introduce performance-oriented culture in the Bank. Further, a series of Bank-wide training on customer service standards has been conducted with the help of specialist trainers from Four Seasons, to ensure top quality service is delivered to our clients.

The learning and growing environment of the Bank reflects itself in the high engagement ratio of the Bank.

Bank One Products

Basel II Disclosures

CAPITAL MANAGEMENT & BASEL II

Basel II Implementation

The revised capital adequacy framework known as Basel II came into effect for all banks licences or operating in Mauritius since 1 January 2009.

In line with the Basel II accord, a revised framework for "International Convergence of Capital Measurement and Capital standards", and the subsequent guidelines issued by the Bank of Mauritius, Bank One has since implemented the standardised approach for the measurement of Credit Risk and Market Risk and Basic Indicator Approach for the Operational Risk. These are the default approaches as specified in the Basel II guidelines. Further, in order to enhance the systems and controls and to ensure close monitoring as well as timely reporting on these risk exposures, the Bank has implemented a software, supplied and implemented by "Riskraft" a highly reputed firm from India, engaged in developing risk monitoring and measurement framework.

Basel II Accord is structured around three "pillars". Pillar 1 sets out the minimum capital requirements for a Bank's operational risk, in addition to revising the "Basel I" treatment of Credit Risk and Market Risk. Pillar 2 requires that banks should have in place sound internal processes to assess the adequacy of their capital, based on a thorough assessment of their risks including those risks not covered under Pillar 1, and that supervisors should carry out supervisory review of this process. Pillar 3 complements Pillar 1 and Pillar 2 through enhanced market transparency and market discipline by requiring banks to make public disclosure of information on their risk profiles, capital adequacy and risk management.

The Bank is preparing for the use of the more advanced approach, i.e., Foundation Internal Ratings-Based ("FIRB") approach for the calculation of credit risk in a phased manner. This will enable the Bank to enhance significantly its risk management capabilities in identifying, assessing, monitoring, controlling and mitigating risks. The Bank also targets to advance to the standardised approach in calculating its operational risk in due course. A dedicated Basel II team has been set up within Finance Division with the responsibility to provide an overall direction to and co-ordinate with relevant business divisions and support units in enhancing the infrastructure and operations for compliance imperative. The team will continue to expand and upgrade its capabilities in the coming years to meet the requirements of Pillar 2 and Pillar 3 and to build a foundation for migration to the FIRB Approach. The Bank is the only corporate entity to be reported and does not have any subsidiaries or associates or any significant minority interest which needs to be consolidated.

CAPITAL MANAGEMENT & BASEL II (Cont'd...)

Capital Structure and Management

In managing its capital, Bank One considers a variety of requirements and expectations. Sufficient capital must be in place to support current and projected business activities according to its own internal assessment and to meet regulatory requirements of the Bank of Mauritius.

The Bank's objectives when managing capital are:

- To comply with 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 optimise 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 regulatory capital that the Bank is required to hold is based on the risk weighted assets, its on-balance sheet, off-balance sheet and market risk positions, measured and risk weighted according to criteria defined by the Bank of Mauritius.

Though the minimum required capital as per BIS is 8%, the Bank of Mauritius has set the minimum capital adequacy requirements to 10%.

The eligible capital available to support risk weighted assets consists of Tier I and Tier II capital. Tier I capital consists of core capital, share premium, statutory reserves and revenue reserves, whereas Tier II capital consists of undisclosed reserves, revaluation reserves, subordinated debt, general banking reserves and portfolio provisions. Investment in other financial institutions, goodwill, intangibles are deducted from Tier I capital.

Total Risk Weighted Assets is the aggregate of the risk weighted amounts for credit risk, market risk, and operational risk, covering both on-balance sheet as well as off-balance sheet exposures. On-balance sheet exposures are classified according to the nature of the Obligor or the nature of each obligation risk weighted according to BIS / the Bank of Mauritius norms, taking into account the capital effects of credit risk mitigation factors like cash collateral, Bank Guarantees or government guarantees, amongst others. Off-balance sheet exposures are converted into credit equivalent amounts by applying the relevant credit conversion factors to each exposure, before being classified and risk weighted as if they were on- balance sheet items.

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 the Bank of Mauritius for supervisory purposes. The required information is submitted to the Bank of Mauritius on a quarterly basis.

During the year the Bank further strengthened its capital base with both Tier I and Tier II capital. In June 2009, $6m of subordinated debt was raised from Proparco, AFD group. In December 2009, the shareholders injected Rs 60m as fresh capital. Our focus and objective is to maintain the capital strength of the Bank in order to support business growth.

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 I for 2007 and 2008 and under Basel II framework for 2009.

	Basel II	**Basel I**	
	Dec-09	**Dec-08**	**Jun-07**
	Rs 000	**Rs 000**	**Rs 000**
Core Capital (Tier I Capital)			
Paid up capital	**555,456**	269,456	450,000
Calls on shares		222,000	
Statutory reserve	**3,319**	1,519	1,519
Retained earnings	**8,586**		
Less deductions			
Accumulated losses	**-**	(28,102)	(341,978)
Goodwill	**(15,147)**	(15,147)	
Intangibles	**(32,528)**	(10,884)	
Deffered tax	**(68,961)**		
Less investments in capital of other banks	**(10,997)**		
Total Tier I Capital	**435,728**	438,842	109,541
Supplementary Capital (Tier 2 Capital)			
Reserves arising from revaluation of assets	**34,059**	53,765	53,765
Portfolio provision	**70,690**	58,814	10,000
Fair value gain from securities	**1,428**		
Term subordinated debts	**178,578**		
Less investments in capital of other banks	**(10,997)**		
Total Tier 2 Capital	**273,758**	112,579	63,765
Less investments		(19,124)	
Total capital base	**709,486**	532,297	173,306
Risk Weighted Assets for:			
Credit risk	**5,958,387**	4,597,190	1,896,106
Equity risk		-	-
Market risk	**46,092**	29,193	16,494
Operational risk	**208,849**	78,702	138,232
Total Risk Weighted Assets	**6,213,328**	4,705,085	2,050,832
Capital Adequacy Ratio	**11.42%**	11.31%	8.45%

CAPITAL MANAGEMENT & BASEL II (Cont'd...)

Risk Weighted On-balance Sheet Items

	Dec-09			Dec-08	Jun-07
		Risk Weighted		Risk Weighted	Risk Weighted
	Rs 000	%	Rs 000	Rs 000	Rs 000
Cash in hand & with Central Bank	**605,766**	**0%**	**-**	-	-
Balance and placements with banks	**2,249,677**	**20%-50%**	**538,720**	91,390	39,295
Balance in process of collection	**269,338**	**20%**	**53,867**	3,062	3,691
Treasury bills and GOM bills	**828,969**	**0%**			
Other investments	**242,916**	**20%-100%**	**66,932**	729,144	647,798
Fixed and other assets	**417,005**	**100%**	**417,005**		
Debentures	**-**	**100%**	**-**	-	12,097
Loans and advances	**5,839,444**	**0% - 100%**	**4,554,881**	3,563,488	1,146,796
			5,631,405	4,387,084	1,849,677

Risk Weighted Off-Balance Sheet Items

	Dec-09				Dec-08	Jun-07
		Credit Conversion	Risk Weighted	Risk Weighted	Risk Weighted	Risk Weighted
	Rs 000	Factor (%)	(%)	Rs 000	Rs 000	Rs 000
Acceptances and bill of exchange	**169,244**	**100**	**100**	**169,244**	124,888	23,109
Other guarantees	**283,402**	**50**	**100**	**141,701**	56,239	20,767
Letter of credits	**80,186**	**20**	**100**	**16,037**	28,979	2,553
				326,982	210,106	46,429

Risk Weighted Exposures

	Dec-09	Dec-08	Jun-07
Risk weighted on-balance sheet assets	**5,631,405**	4,387,084	1,849,677
Risk weighted off-balance sheet assets exposures	**326,982**	210,106	46,429
Risk weighted market risk	**46,092**		
Total Risk Weighted Assets	**6,004,479**	**4,597,190**	**1,896,106**

Risk Weighted Assets for Operational Risk

	Dec-09	Dec-08	Jun-07
Average gross income for last 3 years	**139,233**	52,468	92,155
Capital charge	**20,885**	7,870	13,823
Equivalent risk weighted assets	**208,849**	78,702	138,232

RISK REPORT

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.

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, judgmental credit underwriting, risk measurement, credit training programs, continual 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

(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 judgmental rating but is currently examining solutions from approved rating agencies.

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

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 December 2009 Rs 000	As at 31 December 2008 Rs 000
Credit related commitments	**915,271**	586,053

(c) Bank Placements and Lending to Banks

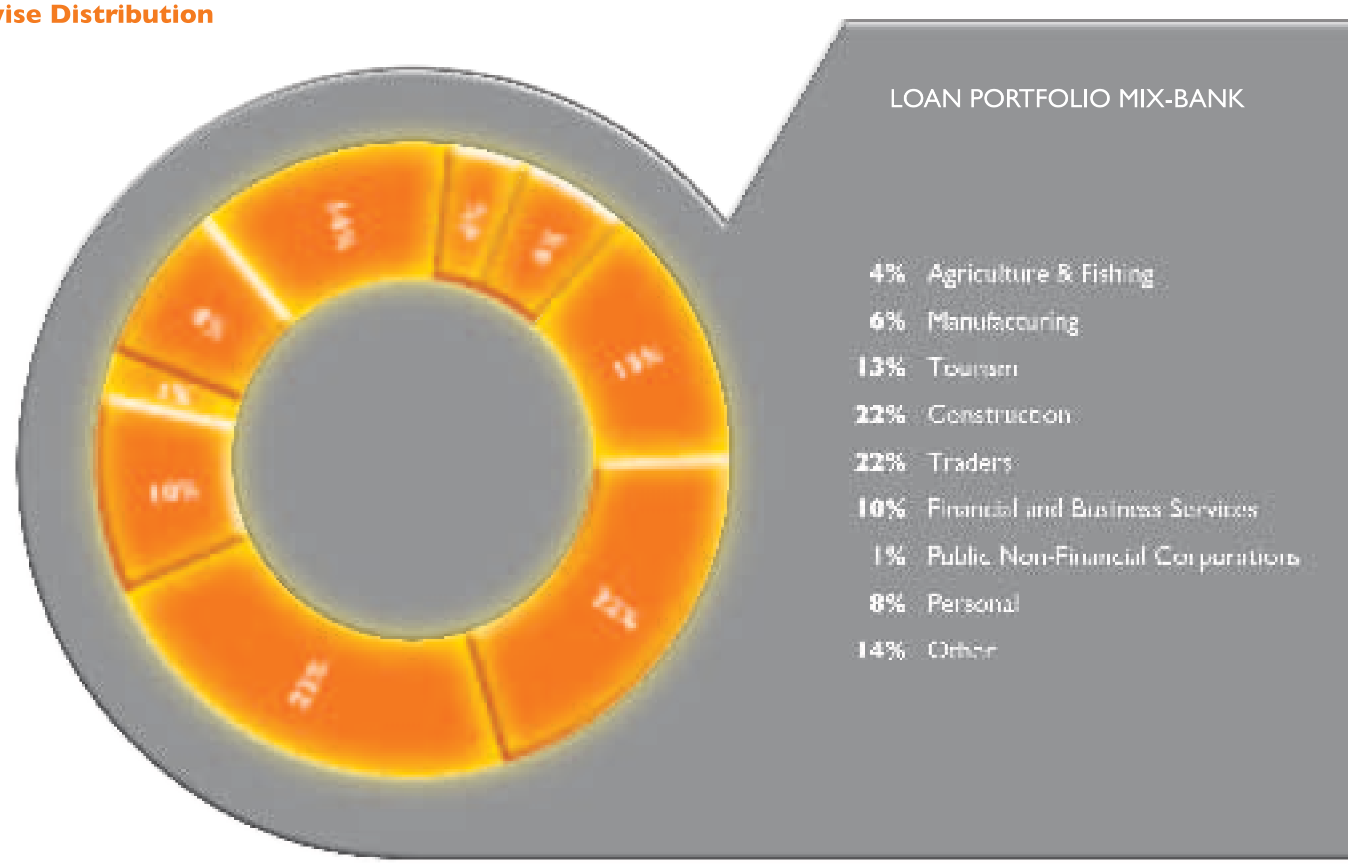
For bank placements or lending to banks, external ratings such as Standard & Poor's, Moody's and Fitch ratings are used for managing the credit risk exposures. The instruments provide a better credit quality, help to diversify risk exposures and income streams, and to maintain a readily available source of funds to meet the funding and liquidity requirements of the Bank from time to time.

Risk Limit Control and Mitigation Policies

The Bank manages, controls and limits 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



RISK REPORT (Cont'd...)

Sectorwise Credit Exposure

Sectors	O/S Balance Dec-09 Rs 000	O/S Balance Dec-08 Rs 000
Agriculture & Fishing	**218,956**	153,902
Manufacturing	**233,013**	284,271
Export Enterprise Certificate holders	**169,737**	180,390
Tourism	**823,403**	716,164
Transport	**73,860**	36,824
Construction	**1,337,147**	688,138
Traders	**1,336,647**	1,042,247
Information Communication and Technology	**170,816**	20,260
Financial and Business Services	**632,385**	995,597
Infrastructure	**0**	20,136
State and Local Government	**3,419**	22,483
Public Non Financial Corporations	**54,573**	133,735
Health Development Certificate Holders	**3,399**	2,639
Modernisation & Expansion Enterprise Certificate Holders	**184**	17
Personal 1	**527,355**	337,200
Professional 2	**13,070**	890
Education	**86,273**	19,861
Media, Entertainment and Recreational Activities	**51,369**	51,080
Other	**435,419**	63,346
Total	**6,171,025**	4,769,180

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.

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

	2009			2008		
Sectors	Fund based facilities	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	218,956	5,454	**224,410**	153,902	57	**153,959**
Manufacturing	233,013	17,857	**250,870**	284,271	69,278	**353,549**
Of which Export Enterprise Certificate Holders	169,737	15,292	**185,029**	180,390	72,224	**252,614**
Tourism	823,403	18,283	**841,686**	716,164	4,636	**720,800**
Transport	73,860	50	**73,910**	36,824	6,761	**43,585**
Construction	1,337,147	230,752	**1,567,899**	688,138	72,245	**760,383**
Traders	1,336,647	321,442	**1,658,089**	1,042,247	202,730	**1,244,977**
Information Communication and Technology	170,816	1,184	**172,000**	20,260	1,223	**21,483**
Financial and Business Services	632,385	17,952	**650,337**	995,597	11,438	**1,007,035**
Infrastructure	0	8,102	**8,102**	20,136	-	**20,136**
State and Local Government	3,419	0	**3,419**	22,483	-	**22,483**
Public Nonfinancial Corporations	54,573	4,000	**58,573**	133,735	-	**133,735**
Health Development Certificate Holders	3,399	60	**3,459**	2,639	60	**2,699**
Modernisation & Expansion Enterprise Cert Holders	184	0	**184**	17	-	**17**
Personal 1	527,355	24,625	**551,980**	337,200	7,265	**344,465**
Professional 2	13,070	0	**13,070**	890	-	**890**
Education	86,273	15	**86,288**	19,861	515	**20,376**
Media, Entertainment and Recreational Activities	51,369	4,267	**55,636**	51,080	1,193	**52,273**
Other	435,419	20,452	**455,871**	63,346	2,433	**65,779**
Total	6,171,025	689,787	**6,860,812**	4,769,180	452,058	**5,221,238**

RISK REPORT (Cont'd...)

Concentration of Credit 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 the Bank of Mauritius and which are effective as from 1 January 2009. 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 193.01% of capital base as at 31 December 2009 as compared to 264% as at 31 December 2008.

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 2009, over 86% 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.

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.

As at 31 December 09	Banks and other financial institutions Rs 000	Public sector entities Rs 000	Others Rs 000	Total Rs 000
Africa and Middle East	55,136	0	90,917	146,053
North and South America	1,006,836	0	445	1,007,281
Europe	606,534	0	124,675	731,209
Asia Pacific	701,190	0	426,528	1,127,718
Total	**2,369,696**	**0**	**642,565**	**3,012,261**

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	2009 Rs 000	2008 Rs 000
Credit risk exposure relating to on-balance sheet assets are as follows:		
Cash and balances with banks	**990,382**	406,389
Placements with banks	**1,529,584**	122,560
Financial assets at fair value through profit or loss		
Derivative financial instruments	**5,080**	18,522
Loans and advances to customers		
Loans to individuals		
- Mortgages	**321,496**	216,113
- Others	**1,271,337**	810,789
Loans to corporate entities		
- Term loans and overdrafts	**4,412,468**	3,337,399
Advances to banks	**165,724**	404,879
Other assets	**700,890**	585,504
Available-for-sale securities held to maturity securities	**1,083,592**	956,796
Credit risk exposures relating to off-balance sheet items as follows:		
Financial guarantees and other credit related contingent liabilities	**1,621,446**	1,338,352
Loan commitments and other credit related commitments	**915,271**	586,053
At 31 December	**13,017,270**	**8,783,356**

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.

CREDIT QUALITY

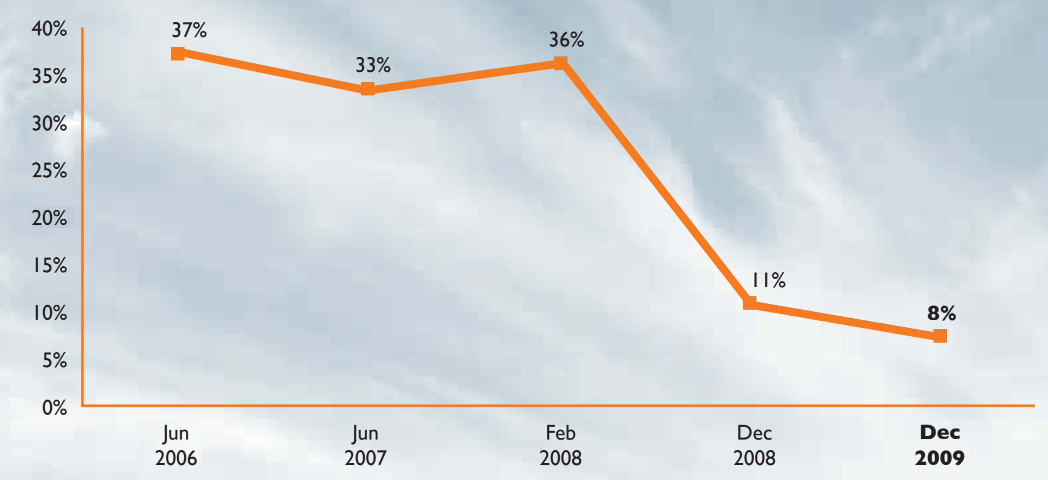
The credit quality of the Bank continues to show considerable improvement maintaining the positive trend shown over the previous years and in particular last year. In spite of the global recession and difficult economic condition, the gross Non Performing Loans (NPL) have declined by Rs 65m or 12.15%, which clearly indicates that no major delinquencies have been recorded over the year and the stringent system put in place for monitoring of credit risk and recovery has had a positive effect.

The gross NPL to total loan ratio has declined to 7.62% as compared to 11% in 2008 being the result of the combined effect of the continued increase in the loan portfolio and strong recovery actions altogether. The Net NPL to net loan ratio has also shown a satisfactory level of improvement from 4.0% to 2.41% this year.

In addition, the percentage cover of NPL by specific provision has further improved by 3% compared to December 2008 thus reaching the 70% mark. The remaining portion of NPL is adequately backed by sufficient collaterals held by the Bank and which have been suitably assessed in strict conformity with the Bank of Mauritius guidelines on credit impairment and income recognition and the prevailing market condition.

	Dec-09 Rs m	Dec-08 Rs m	Jun-07 Rs m
Impaired advances	470	535	685
Impaired advances/Total advances	7.62%	11%	33%
Net impaired advances/Net advances	2.41%	4%	17%
Allowance for impairment losses	402	436	415
Provision coverage ratio	85.52%	81%	61%

Impaired Advances to Total Advances



CREDIT QUALITY (Cont'd...)

Loans and Advances

Loans and advances are summarised as follows:

	31 December 09		31 December 08	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
	Rs 000	Rs 000	Rs 000	Rs 000
Neither past due nor impaired	5,163,382	165,724	3,498,023	404,879
Past due but not impaired	371,559	-	331,570	-
Impaired	470,360	-	534,708	-
Gross advances	6,005,301	165,724	4,364,301	404,879
Less allowance for impairment	(400,618)	(1,657)	(432,481)	(4,048)
Net advances	5,604,683	164,067	3,931,820	400,831

During the period ended 31 December 2009, the Bank's total loans and advances increased by 29% as a result of the expansion of the lending business. When entering into new relationships, the Bank undertakes proper risk assessment in accordance with credit policies and procedures, review and approval of new risk limits, financial and credit reviews with an emphasis on proper risk and return balance. In order to minimise the potential increase of credit risk exposure, the Bank focused more on the business with large corporate enterprises or Banks with good credit rating, extending credit to a diversified pool of small-and-medium sized enterprises approved with proper consideration of their risk profiles and collateral pledged to the Bank, and granting secured and unsecured credit to retail customers based on customers' income, occupation, collateral to be pledged, and credit limit allowed for different loan types.

Loans and Advances Past Due But Not Impaired

Bank as at 31 December 2009	Individual (retail customers)		Corporate entities		Total loans and advances to customers
	Retail & mortgage	Others	Loans & Overdrafts	Others	Total
Past due up to 1 month	43,043	2,574	88,047	494	**134,158**
Past due more than 1 month and up to 3 months	58,580	5,368	107,192	1,663	**172,803**
Past due more than 3 months and up to 6 months	11,761	140	52,697	0	**64,598**
Total	**113,384**	**8,082**	**247,936**	**2,157**	**371,559**

Credit Risk Mitigation

In order to mitigate the credit risk and where appropriate, the Bank will obtain 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 or 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.

The value of all real estate properties taken as collateral is appraised prior to the inception of the loans. For property collateral, their open market values are appraised at least every three years. For property collateral that has been repossessed, the Bank's policy is to arrange for realisation as soon as practicable.

New Branches

Volcy Pougnet and Rose Belle

CREDIT QUALITY (Cont'd...)

Table: Gross advances to customers by industry sector classified according to the usage of loans and analysed by % covered by collateral:

Sectors	Dec-09 Gross amount of loans Rs 000	Dec-09 % Gross advances covered by collateral	Dec-08 Gross amount of loans Rs 000	Dec-08 % Gross advances covered by collateral
Agriculture & Fishing	218,956	98%	153,902	34%
Manufacturing	233,013	99%	284,272	98%
Manufacturing-EPZ	169,737	60%	180,389	73%
Tourism	823,403	94%	716,163	93%
Transport	73,860	97%	36,824	98%
Construction	1,337,147	98%	688,138	95%
Traders	1,336,647	95%	1,042,247	91%
Information Communication and Technology	170,816	100%	20,260	100%
Financial and Business Services	632,385	100%	995,596	100%
Infrastructure	0	0%	20,136	100%
State and Local Government	3,419	100%	22,483	100%
Public Non-Financial Corporations	54,573	100%	133,735	100%
Health Development Certificate Holders	3,399	100%	2,639	100%
Modernisation & Expansion Enterprise Cert Holders	184	100%	17	100%
Personal	527,356	75%	337,200	76%
Professional	13,070	100%	890	100%
Education	86,273	100%	19,861	95%
Media, Entertainment and Recreational Activities	51,369	50%	51,080	48%
Other	435,418	100%	63,346	100%
Total	**6,171,025**		**4,769,179**	

MARKET RISK – LIQUIDITY RISK, INTEREST RATE RISK, FOREIGN EXCHANGE RISK AND OTHER RISKS

Market risk is the risk of losses in assets, liabilities and off-balance sheet positions arising from movements in market rates and prices.

Market risk exposure for different transactions is managed within the risk limits and guidelines approved by the Board Risk Committee, Asset and Liability Management Committee and Treasury Committee. Risk limits are set by different risk types. Limits comprise a combination of notional stop loss and sensitivity. All trading positions are subject to daily mark-to-market.

Risk Unit as an independent risk management and control unit, identifies, measures, monitors and controls the risk exposures against approved limits and initiates specific action to ensure the overall and the individual market risks are managed within an acceptable level. Any exceptions have to be reviewed and sanctioned by the appropriate level of management/Board.

Market Risk Instrument Technique

Within the risk management framework and policies established by the Board, various triggers are established to provide an early alert to management on different levels of exposures of the Bank's 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 Bank specific and general market crisis scenarios are performed to gauge the market risk inherent in the banking book VaR methodology has been adopted to measure and control the Foreign Exchange risk.

Foreign Exchange Risk

Foreign Exchange rate risk is the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates. It exists when the bank's assets do not equal its liabilities in a currency and may adversely affect the bank's financial condition.

Bank One has in place comprehensive risk management framework to measure, monitor and mitigate the Foreign Exchange. Board approved limits for open positions, individual currency holdings, cut loss limits, have been implemented. Treasury Back Office which functions independently from the Treasury Front Office monitors these limits on a daily basis and reports to the Management. Further on a weekly basis, Treasury Committee of the Management closely reviews the performance / open positions of the Treasury. Through monthly ALCO meetings and quarterly Board Risk Committee meetings a further review is conducted. Bank also submits daily report on open positions to the Bank of Mauritius.

As a prudential measure, in addition to normal maximum limits imposed on foreign currency exposure (Individual, Currency-wise, Gross and Gap limits), the Bank also fixed VaR (Value at Risk) limit. This limit is intended to apprise the Management of the probable absolute loss the Bank can incur on a given time frequency. In other words, it helps in determining the risk appetite of the Bank based on the maximum loss it is ready to sustain. Bank One is active mainly in three currencies, viz. USD, EUR and GBP. Other currencies are traded rarely. The Bank adopted 5 day VaR at 99% confidence level which gives a better risk picture for the near time horizon and action plan can be drawn up to minimize risk in such an eventuality. Accordingly as at December 2009, the VaR limits vs the actual potential loss are given in the table hereunder.

VaR Limit vs Actual Position December 2009	USD	EUR	GBP
VaR limit	2 m	1.5 m	1 m
Actual potential loss	0.35 m	0.42 m	0.19 m

MARKET RISK – LIQUIDITY RISK, INTEREST RATE RISK, FOREIGN EXCHANGE RISK AND OTHER RISKS (Cont'd...)

Interest Rate Risk

Interest rate risk is the exposure of 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 (NII) and the level of other interest sensitive income and expenses. Changes in interest rates also affect the underlying value of the Bank's assets, liabilities and off-balance sheet items (OBS) as the present value of future cash flows change when interest rate changes. Effective management of interest rate risk is essential for safety and soundness of the Bank.

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.**

At Bank One, Risk Unit uses the Gap Analysis and Earnings at Risk method for the assessment of the Interest Rate Risk. These Gap limits are approved by the Board in line with the Bank of Mauritius Guidelines on Measurement and Management of Market Risk. Through the monthly Management ALCO meetings, the various GAP limits and the actual gaps are reviewed and necessary strategies, through immunization and optimisation techniques, implemented. ALCO reports to Risk Committee of the Board on a quarterly basis. A detailed analysis of the Gap positions is included in the Note 2 (e) of the financial statements. Earnings at Risk methodology is used at Bank One to assess the impact of various interest rate change scenario on Non-interest Income over a 12 months horizon, as required under Bank of Mauritius and Basel II guidelines. The Bank was initially faced with a substantial volume of long-term high fixed rate deposits, as legacy. Following the take over, the Bank was able to convert most of these fixed rate liabilities to floating rate, thereby significantly immunising the balance sheet to interest shocks.

Interest	Rate change	Earnings at risk Rs m
+/-	25 bps	0.20
+/-	50 bps	0.40
+/-	75 bps	0.60
+/-	100 bps	0.80
+/-	200 bps	1.61

Assets and Liabilities Committee (ALCO)

Asset Liability Management (ALM) is a **structured decision making** process for **matching and mismatching** the mix of assets and liabilities, while assuming reasonable amounts of gap and liquidity risk, given its expectations of the future and the potential consequences of interest rate movements, liquidity constraints, and foreign exchange exposure and capital adequacy. ALCO is a management committee which is responsible for evaluating, monitoring, managing market (including, interest rate risk and foreign exchange risk), and liquidity. ALCO reports to Risk Committee of the Board on a quarterly basis. ALCO meets at least once monthly.

Liquidity Risk

Liquidity risk is defined within Bank One as the risk of financial loss that arises when funds required to meet repayments, withdrawals and other commitments cannot be obtained in time due to lack of market liquidity which prevents quick and effective liquidation of positions or portfolios. The management of liquidity risk is undertaken within limits and other policy parameters set by the Board by ALCO, which reviews on monthly basis compliance to those policies and reports to Board Risk Committee on a quarterly basis. Treasury is responsible for the daily liquidity management. Monitoring is closely made through the weekly Treasury Committee. The Bank monitors liquidity both on a static basis as well as on a dynamic basis taking into consideration all possible future inflows and outflows. The liquidity gap table is shown in Note 2(f) to the financial statement.

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 includes legal risk, but excludes strategic and reputational risk'.*

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 Management Operational Risk Committee and quarterly to the Board Risk Management Committee.

Basel II introduces operational risk as a specific area of risk against which capital has to be put aside and which needs to be developed as a new discipline in its own and managed comprehensively against a set of minimum standards.

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 is a heat map which together with explanations and an action plan is communicated to the Board Risk Committee on a quarterly basis. Compared to 2008, improvement of residual risk was noted in several areas.

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 operation controls.

MARKET RISK – LIQUIDITY RISK, INTEREST RATE RISK, FOREIGN EXCHANGE RISK AND OTHER RISKS (Cont'd...)

Operational Risk (Cont'd...)

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 proper 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. In August 2009, prior to the launch of its Internet Banking platform, the Bank hired the services of an Indian company to carry out a penetration and intrusion testing of its system. All issues raised have been addressed.

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 monthly and the Board Risk Committee on a quarterly basis.

As part of the operational risk management framework, the Bank makes use of proper insurance to mitigate the risk of high impact loss events.

To minimise the impact on the Bank in the event of system failure or disasters, disaster recovery policies and plans have been established. The Bank is establishing a backup site for continuity of business in 'event' situation.

Operational risk framework is also supported by periodic independent reviews of internal auditors. Furthermore, during the year the external auditors were tasked to carry out an audit of the IT function including the security aspect. Reporting and assessment of the performance of operational risk management are monitored by the Risk Unit and reported to Board Risk Management Committee.

Compliance Risk

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or nonconformity 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 can lead to diminished reputation, reduced franchise value, limited business opportunities, reduced expansion potential, and an inability to enforce contracts.

The Bank is subject to extensive supervisory and regulatory governance. Any significant business development must be approved by the Bank of Mauritius.
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.

The Board of Directors has the final responsibility for compliance which it exercises through Board Audit Committee and other delegated authority to line management. The Board has adopted a centralised compliance function (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 set policies and standards on compliance issues for the Bank on a proactive basis and foster the development of a bank-wide compliance culture.
2. 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.
3. To undertake investigations into breaches, potential breaches or regulatory issues when considered necessary and in conjunction with Audit when appropriate.
4. To report to the Management and the Board Committee all breaches or potential breaches he is aware of.
5. 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.
6. To provide training to business areas in the procedures and practices to activate compliance with relevant Laws and Regulations.

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, that these processes are being appropriately implemented and that adequate training is given to staff.

Reputation Risk

Reputational risk is the potential that negative publicity regarding the Bank's business practices, whether true or not, will cause a decline in the customer base, or lead to costly litigation, or revenue reductions. Reputational risk can also cause liquidity constraints and significant depreciation in the market capitalisation. This risk may result from Bank's failure to effectively manage any or all of the other risk types. Reputational risk also involves external perception and extends to a failure to effectively manage events following initial damage.

The Bank manages reputation risks through a high standard of corporate governance and regular Board and management oversight, maintenance of effective policies and procedures with emphasis on internal control, risk management and compliance; proper handling of customer complaints or dissatisfaction; and adherence to efficient business practices. Standards have been set and policies and procedures established to reduce vulnerability to reputation risk.

MARKET RISK – LIQUIDITY RISK, INTEREST RATE RISK, FOREIGN EXCHANGE RISK AND OTHER RISKS (Cont'd...)

Reputation Risk (Cont'd...)

Reputation risk is closely monitored by the top management of the Bank that include DCEO and CEO and a quarterly heat map, giving ratings to various components that can cause reputation risk is submitted to the Board Risk Committee, who in turn report the progress / status to the Board of the Bank.

Reputational risk profile of the Bank has significantly improved with the rebranding and significantly improved performance of the Bank.

Strategic Risk

Strategic risk generally refers to the corporate risk that may bring significant immediate or future negative impact on the financial and market positions of the Bank because of poor strategic decisions, unacceptable financial performance, improper implementation of strategies and lack of effective response to the market changes. 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 authorise management to take appropriate action.

The business strategy of the Bank, covering a five year planning period is well defined and documented. 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 resource development and information and communication technology, amongst others.

INTERNAL AUDIT

The role of the Internal Audit is to provide to Management, Audit Committee and the Board of Directors, independent, objective assurance and consulting services aimed at enhancing and sustaining sound Internal Control in all business activities of the Bank. Internal Audit reports to the Audit Committee, which comprises of Independent Directors.

To this end, Internal Audit follows a disciplined risk based approach to evaluate, assess and improve the effectiveness of risk management, control and governance processes. The overall audit strategy and audit timetable are embodied in the approved internal audit plan.

To fulfil its responsibilities, Internal Audit reviews systems and processes to assess their operating effectiveness and efficiency; evaluates accounting systems and internal control; evaluates the relevance, reliability and integrity of Management Information System; assesses the extent of compliance with established policies and regulations; appraises the use of resources with regard to economy, efficiency and effectiveness; assesses the means of safeguarding assets. Internal Audit advises and recommends in a consulting capacity on systems of control, accounting and operational matters.

Internal Audit findings and recommendations along with follow up reports are presented and discussed with Management at the monthly Operational Risk Committee. Risk issues are brought to the attention of the Audit Committee which meets on a quarterly basis. Any issues which require prompt attention are reported immediately to the relevant authorities.

Statement of Management's Responsibility for Financial Reporting

The financial statements for the Bank's operations as 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 there under have been applied and Management has exercised its judgment and made best estimates where deemed necessary.

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

The Bank's Board of Directors, acting in part through the Audit Committee, Conduct Review Committee and 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.

2 March 2010

Raj Dussoye Chief Executive Officer	Sarit Suresh Raja Shah Chairman of the Board of Directors	Pratul Hemraj Dharamshi Shah Director/Chairman of the Audit Committee

Visa Launch

Independent Auditors' Report to the Members

REPORT OF THE AUDITORS
TO THE SHAREHOLDERS OF BANK ONE Limited

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 84 to 134 which comprise the statement of financial position at 31 December 2009 and the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 84 to 134 give a true and fair view of the financial position of the Bank at 31 December 2009, 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.

The 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
(Formerly BDO De Chazal Du Mée & Co)
Chartered Accountants

Per AMEENAH RAMDIN F.C.C.A.

Port Louis
Mauritius
2 March 2010

Financial Statements

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Year ended Dec-09 Rs 000	18 months ended Dec-08 Rs 000	Year ended Jun-07 Rs 000
Interest income		607,295	593,717	343,953
Interest expense		(474,754)	(564,348)	(297,766)
Net interest income	3	132,541	29,369	46,187
Fee and commission income		69,826	29,455	15,633
Fee and commission expense		(6,396)	(5,835)	(3,917)
Net fee and commission income	4	63,430	23,620	11,716
Net trading income	5	65,788	49,588	11,569
Other operating income	6	13,259	675	3,683
		79,047	50,263	15,252
Operating income		275,018	103,252	73,155
Net impairment loss on financial assets	7	18,700	(29,048)	(9,053)
Personnel expenses	8	(144,646)	(125,636)	(62,777)
Depreciation and amortisation		(38,422)	(35,456)	(22,268)
Other expenses	9	(68,336)	(86,814)	(53,514)
		(232,704)	(276,954)	(147,612)
Operating profit/(loss) before exceptional items		42,314	(173,702)	(74,457)
Exceptional items	10	-	30,190	-
Profit/(loss) before tax		42,314	(143,512)	(74,457)
Income tax expense	11	(3,826)	22,708	(125,111)
Profit/(loss) for the year/period		38,488	(120,804)	(199,568)
Earnings/(loss) per share - Basic (Rs)	12	7.83	(23.51)	(44.35)

Statement of Other Comprehensive Income for the year ended 31 December 2009

Profit/(loss) for the year/period	38,488	(120,804)	(199,568)
Other comprehensive income			
Net gain on available for sale investment securities	3,173	-	-
Release of deferred tax on revaluation reserve (note 28)	4,000	-	-
Total comprehensive income for the year/period	45,661	(120,804)	(199,568)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

	Notes	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Assets				
Cash and cash equivalents	13	2,519,966	528,949	384,706
Derivative assets held for risk management	14	5,808	18,522	-
Loans and advances to banks	15	164,867	400,831	-
Loans and advances to customers	16	5,604,683	3,931,820	1,633,817
Investment securities	17	1,003,592	956,796	1,806,366
Property plant and equipment	18	327,795	318,914	321,028
Intangible assets	19	47,676	26,031	573
Deferred tax assets	20	68,961	68,253	45,545
Other assets	21	780,890	566,902	247,590
Total Assets		10,522,710	6,817,098	4,440,625
Liabilities				
Deposits from customers	22	9,479,512	4,133,712	4,110,400
Derivative liabilities held for risk management	14	1,821	-	-
Other borrowed funds	23	-	5,406	19,658
Subordinated liabilities	24	170,578	-	-
Current tax liabilities	25	534	-	-
Other liabilities	26	228,044	141,420	104,339
		9,880,489	6,280,538	4,234,397
Shareholders' Equity				
Stated capital	28	491,456	269,456	450,000
Share capital pending allotment	28	60,000	-	-
Calls on shares	28	-	222,000	-
Other reserves		82,179	73,206	98,206
Retained earnings/(Revenue deficit)		8,586	(28,102)	(341,978)
		642,221	536,560	206,228
Total Equity and Liabilities		10,522,710	6,817,098	4,440,625

These financial statements were approved for issue by the Board of Directors on 2 March 2010.

The notes on pages 88 to 134 form an integral part of these Financial Statements.
Auditor's Report on pages 80 and 81.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

	Notes	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Assets				
Cash and cash equivalents	13	2,519,966	528,949	294,706
Derivative assets held for risk management	14	5,880	18,522	-
Loans and advances to banks	15	164,067	400,831	-
Loans and advances to customers	16	5,604,683	3,931,820	1,633,017
Investment securities	17	1,083,592	956,796	1,906,966
Property plant and equipment	18	327,795	318,914	321,028
Intangible assets	19	47,676	26,031	573
Deferred tax assets	20	68,961	68,253	45,545
Other assets	21	700,090	566,902	247,990
Total Assets		10,522,710	6,817,098	4,448,625
Liabilities				
Deposits from customers	22	9,479,512	4,133,712	4,110,400
Derivative liabilities held for risk management	14	1,821	-	-
Other borrowed funds	23	-	5,406	19,658
Subordinated liabilities	24	178,578	-	-
Current tax liabilities	25	534	-	-
Other liabilities	26	220,044	141,420	104,339
		9,880,489	6,280,538	4,234,397
Shareholders' Equity				
Stated capital	28	491,456	269,456	450,000
Share capital pending allotment	28	60,000	-	-
Calls on shares	28	-	222,000	-
Other reserves		82,179	73,206	58,206
Retained earnings/(Revenue deficit)		8,586	(28,102)	(341,578)
		642,221	536,560	214,228
Total Equity and Liabilities		10,522,710	6,817,098	4,448,625

These financial statements were approved for issue by the Board of Directors on 2 March 2010.

The notes on pages 88 to 134 form an integral part of these Financial Statements.
Auditor's Report on pages 80 and 81.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Year ended Dec-09 Rs 000	18 months ended Dec-08 Rs 000	Year ended Jun-07 Rs 000
Cash flows from operating activities				
Profit/(loss) for the year/period		38,488	(120,804)	(179,568)
Income tax expense recognised		3,826	(22,708)	125,111
Net movement in derivatives		(3,259)	-	-
Depreciation of non-current assets	18	26,999	34,609	21,283
Amortisation of intangible assets	19	3,424	846	1,065
Impairment on financial assets	15&16	19,602	(3,879)	(174,731)
Release of provisions for credit impairment		(53,936)	-	-
Gain on sale of land and property, plant and equipment		(834)	(13,486)	(3,272)
Gain on sale of other assets		(2,413)	-	-
Fair value gain on available for sale securities		(8,819)	(16,311)	-
Changes in operating assets and liabilities				
Decrease/(increase) in loans and advances				
– to banks		239,155	(404,879)	-
– to customers		(1,641,808)	(2,314,676)	427,892
Increase in other assets		(127,455)	(100,137)	(23,487)
Increase in deposits from customers		3,345,808	2,823,312	416,615
Increase in other liabilities		78,622	34,790	13,043
Net cash from/(used in) operating activities		1,918,480	(505,123)	603,871
Cash flows (used in)/from investing activities				
Purchase of investment securities		(954,255)	-	(473,245)
Proceeds from sale and redemption of investment securities		1,021,469	569,294	-
Purchase of available for sale investments		(348,433)	-	-
Proceeds from sale of available for sale investments		166,214	-	-
Purchase of property, plant and equipment	18	(36,359)	(33,715)	(6,481)
Proceeds from sale of property and equipment		1,313	207	3,272
Proceeds from sale of non-banking assets		14,485	-	-
Purchase of intangible assets	19	(25,069)	(26,304)	(310)
Net cash (used in)/from investing activities		(160,635)	509,482	(476,764)
Cash flows from financing activities				
Proceeds from subordinated liabilities	24	178,578	-	-
Share capital pending allotment	28	60,000	-	-
Issue of shares	28	–	254,134	-
Net cash from financing activities		238,578	254,134	-
Net increase in cash and cash equivalents		1,996,423	258,495	127,107
Cash and cash equivalents at beginning of year		523,543	265,048	137,941
Cash and cash equivalents at end of year/period	13&23	2,519,966	523,543	265,048

The notes on pages 88 to 134 form an integral part of these Financial Statements.
Auditor's Report on pages 80 and 81.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

	Stated capital Rs 000	Call but not paid shares Rs 000	Share capital pending allotment Rs 000	Capital reserve Rs 000	Revaluation reserve Rs 000	Statutory reserve Rs 000	Fair value reserve Rs 000	Retained earnings/ (revenue deficit) Rs 000	Total Rs 000
Balance as at 30 June 2006 and 1 July 2006	450,000	-	-	35,000	71,827	1,519	-	(142,410)	415,936
Total comprehensive income for the year	-			-	-	-		(179,568)	(179,568)
Balance as at 30 June 2007	450,000			35,000	71,827	1,519		(321,978)	236,368
Balance as at 1 July 2007	450,000	-	-	35,000	71,827	1,519	-	(321,978)	236,368
Total comprehensive income for the period	-	-	-	-	-	-	-	(120,804)	(120,804)
Movement during the period	254,136	222,000	-	(35,000)		-	-	-	441,136
Capital reduction	(434,680)	-	-	-	-	-	-	434,680	-
	269,456	222,000	-	-	71,827	1,519	-	(8,102)	556,700
Balance as at 31 December 2008	269,456	222,000	-	-	71,827	1,519	-	(8,102)	556,700
Movement during the year	222,000	(222,000)	60,000	-	-	1,800	-	(1,800)	60,000
Total comprehensive income for the year	-	-	-	-	4,000	-	3,173	38,488	45,661
Balance as at 31 December 2009	491,456	-	60,000	-	75,827	3,319	3,173	28,586	662,361

These Financial Statements were approved for issue by the Board of Directors on 2 March 2010.

Sarit Suresh Raja Shah	Raj Dussoye	Pratul Hemraj Dharamshi Shah
Chairman of the Board of Directors	Chief Executive Officer	Director & Chairman of Audit Committee

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 Presentation

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.

Amendments to published standards, standards and interpretations effective in the reporting period

IFRIC 13, 'Customer Loyalty Programmes (effective 1 July 2008)' clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free services products), the arrangement is a multiple element arrangement, and the consideration receivable from the customeris allocated between the components of the arrangement using fair values. This IFRIC will not have any impact on the Bank's financial statements.

Amendments to IAS 39 and IFRS 7 Reclassification of Financial Assets (effective 1 July 2008) permit an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendments also permit an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The amendments will not have any impact on the Bank's financial statements.

IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation' clarifies that the net investment hedging relatesto differences in functional currency not presentation currency, and hedging instruments may be held anywherein the Group. This IFRIC will not have any impact on the Bank's financial statements.

IAS 1 'Presentation of Financial Statements' (Revised 2007), prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the Statement of Changes in Equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in either one performance statement (the statement of comprehensive income) or two statements (the Income Statement and Statement of Other Comprehensive Income). As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IAS 23 'Borrowing Costs' (Revised 2007), requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. This IAS is currently not applicable to the Bank as there are no qualifying assets.

IFRS 8 'Operating Segments', requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. This amendment is currently not applicable to the Bank as it only applies to listed companies.

Amendments to IAS 32 and IAS 1 'Puttable financial instruments and obligations arising on liquidation', require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The amendment is not expected to have any impact on the Bank's financial statements.

Amendments to IFRS 2 'Vesting conditions and cancellations', clarify that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment is not expected to have any impact on the Bank's financial statements.

Amendments to IFRS 7 'Improving Disclosures about Financial Instruments', requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

IFRIC 15, 'Agreements for the Construction of Real Estate', clarifies whether IAS 18, 'Revenue', or IAS 11, Construction contracts', should be applied to particular transactions. IFRIC 15 is not relevant to Bank's operations as all revenue transactions are accounted under IAS 18 and not IAS 11.

Improvements to IFRSs (issued 22 May 2008)

IAS 1 (Amendment), 'Presentation of Financial Statements', clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments:
Recognition and measurement' are examples of current assets and liabilities respectively. This amendmentis not expected to have any impact on the Bank's financial statements.

IAS 8 (Amendment), 'Accounting Policies, Changes in Accounting Estimates and Errors' clarifies that application of the guidance issued with IFRSs that is not an integral part of the Standard is not mandatory in selecting and applying accounting policies. This amendment is unlikely to have an impact on the Bank's financial statements.

IAS 10 (Amendment), 'Events after the Reporting Period' reinforces the clarification of the explanation as to why a dividend declared after the reporting period does not result in the recognition of a liability.

IAS 16 (Amendment), 'Property, Plant and Equipment' requires entities whose ordinary activities comprise renting and subsequently selling assets to present proceeds from the sale of those assets as revenue and transfer the carrying amount of the asset to inventories when the asset becomes held for sale. Consequential amendment to IAS 7 requires that cash flows arising from purchase, rental and sale of those assets to be classified as cash flows from operating activities. The amendment will not have an impact on the Bank's operations.

IAS 18 (Amendment), 'Revenue', removes the inconsistency between IAS 39 and the guidance in IAS18 relating to the definition of costs incurred in originating a financial asset that should be deferred and recognised as an adjustment to the effective interest rate. The amendment is not expected to have any material impact on the Bank's financial statements.

IAS 19 (Amendment), 'Employee Benefits', clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

IAS 20 (Amendment) 'Government Grants and Disclosure of Government Assistance, clarifies that the benefit of a below market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, 'Financial instruments: Recognition and measurement', and the proceeds received with the benefit accounted for in accordance with IAS 20. This amendment will not have an impact on the Bank's operations.

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

(a) Basis of Presentation (Cont'd...)

IAS 23 (Amendment), 'Borrowing Costs', has amended the definition of borrowing costs so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This amendment is currently not applicable to the Bank as there are no qualifying assets.

IAS 27 (Amendment), 'Consolidated and Separate Financial Statements' requires an investment in a subsidiary that is accounted for under IAS 39, 'Financial instruments: recognition and measurement', and is classified as held for sale under IFRS 5, 'Non-current assets held-for-sale and discontinued operations', to continue to apply IAS 39. The amendment will not have an impact on the Bank's operations.

IAS 28 (Amendment), 'Investments in Associates' clarifies that an investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. Where an investment is an investment in an associate that is accounted for under IAS 39, 'Financial instruments: recognition and measurement', only certain rather than all disclosure requirements in IAS 28 need to be made. This amendment will not have an impact on the Bank's operations.

IAS 29 (Amendment), 'Financial Reporting in Hyperinflationary Economies' has amended the guidanceto reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost. The amendment will not have an impact on the Bank's operations.

IAS 31 (Amendment), 'Interests in Joint Ventures' requires where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made. The amendment will not have an impact on the Bank's operations.

IAS 34 (Amendment), 'Interim Financial Reporting' clarifies that the presentation of basic and diluted earnings per share in interim financial reports is required only when the entity is within the scope of IAS 34.

IAS 36 (Amendment), 'Impairment of Assets' clarifies that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.

IAS 38 (Amendment), 'Intangible Assets' clarifies that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. Advertising and promotional activities includes mail order catalogues.

IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement', clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) is used. The amendment will not have an impact on the Bank's operations.

IAS 40 (Amendment) 'Investment Property', clarifies that property under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment will not have an impact on the Bank's operations, as there are no investment properties held by the Bank.

IAS 41 (Amendment), 'Agriculture', requires the use of a market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value. The amendment replaces the terms 'point-of sale costs' and 'estimated point-of-sale costs' with 'costs to sell'. The amendment will not have an impact on the Bank's operations, as no agricultural activities are undertaken.

IFRS 7 (Amendment), 'Financial Instruments: Disclosures, clarifies that interest income is not a component of finance costs.

Amendments to published standards, 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 2010 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 IFRIC 9 and IAS 39 Embedded Derivatives
IAS 27 Consolidated and Separate Financial Statements (Revised 2008)
IFRS 3 Business Combinations (Revised 2008)
Amendments to IAS 39 Eligible Hedged Items
Amendments to IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary
IFRIC 17 Distributions of Non-cash Assets to Owners
IFRIC 18 Transfers of Assets from Customers
Amendments to IFRS 1 Additional Exemptions for First-time Adopters
Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions
Classification of Rights Issues (Amendment to IAS 32)
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement
IAS 24 Related Party Disclosures (Revised 2009)
IFRS 9 Financial Instruments

Improvements to IFRSs (issued 22 May 2008)

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Improvements to IFRSs (issued 16 April 2009)

IFRS 2 Share-based Payment
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
IFRS 8 Operating Segments
IAS 1 Presentation of Financial Statements
IAS 7 Statement of Cash Flows
IAS 17 Leases
IAS 18 Revenue
IAS 36 Impairment of Assets
IAS 38 Intangible Assets
IAS 39 Financial Instruments: Recognition and Measurement
IFRIC 9 Reassessment of Embedded Derivatives
IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The Bank is still evaluating the effect of these amendments to published Standards, 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 management to exercise its judgement in the process of applying the company's accounting policies.

(b) Foreign Currency Translation

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

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

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

(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 and Hedging Activities

Derivative financial instruments include foreign exchange contracts and currency swaps. These are initially recognised in the Balance Sheet at cost (which includes transaction costs) 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) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet 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.

(f) 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 receipts.

(g) Fees and Commissions

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

(h) Sale and Repurchase Agreements

Securities sold subject to linked repurchase agreements ("repos") are retained in the Balance Sheet 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.

(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 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.

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 recogni in equity. 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) Trading Securities

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognised at cost (which includes transaction costs) and measured at subsequent reporting dates at fair value. All related realised and unrealised gains and losses are recognised in the Income Statement for the year.

(k) 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.

(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 Balance Sheet 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 acquired. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

(n) Property, Plant and Equipment

Property, plant and equipment are carried at historical cost or deemed cost less accumulated depreciation.
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.

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

(n) Property, Plant and Equipment (Cont'd...)

Depreciation is calculated to write down the cost or amount of the valuation of such assets to theirresidual 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

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. 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 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.

(p) Cash and Cash Equivalents

For the purposes of the Cash Flow Statements, 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 notes 13 and 23 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 27 to the financial statements.

(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.

(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.

The rates enacted or subsequently enacted at the Balance Sheet date are used to determine deferred tax. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(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) Assets Held for Sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use. This condition is regarded as met only, when the sale is highly probable and the asset is available for immediate sale in its present condition.

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 evaluatedindividually 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, 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, 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.

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. Risk department identifies, evaluates and monitors financial risk in close cooperation with the operating units including Treasury. The Board (Risk 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.

2. FINANCIAL RISK MANAGEMENT (Cont'd...)

Credit Quality of Loans and Advances

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Neither past due nor impaired	5,329,105	3,589,902	1,283,916
Past due but not impaired	371,559	331,578	78,633
Impaired	470,360	534,708	685,076
Gross	6,171,025	4,769,188	2,047,625
Less allowance for credit impairment	(402,275)	(436,529)	(414,608)
Net	5,768,750	4,332,651	1,633,017
Fair value of collaterals of past due but not impaired	371,559	331,578	78,633
Net impaired loans after allowances	138,776	173,697	280,468
Fair value of collaterals of impaired loans	174,116	221,816	333,218

Loans and Advances Renegotiated

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Loans and advances renegotiated	178,257	14,072	84,208
Fair value of collaterals	178,257	14,072	84,023

Maximum exposure to credit risk before collateral and other credit risk enhancements

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Credit risk exposures relating to on-balance sheet assets are as follows:			
Balances with banks in Mauritius, banks abroad and and inter bank loans	2,519,966	523,543	204,706
Derivatives financial instruments	5,088	18,522	-
Securities (HOLS)	108,710	108,290	108,020
Treasury and other eligible bills	952,880	829,374	1,801,138
Loans and advances to customers & banks	6,171,025	4,769,180	2,047,625
Other assets	700,894	595,504	247,990
	10,458,557	6,834,421	4,407,207
Credit risk exposures relating to off-balance sheet assets are as follows:			
Financial guarantees	1,621,446	1,308,352	147,144
Loans commitments and other credit related liabilities	915,271	556,053	197,148
Total	12,995,274	8,698,826	4,831,879

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
Assignment of salaries
Lien on deposits
Assignment of life policy/general insurance policy/DTA/TFD
Bank guarantee/personal guarantee/Government guarantee
Nantissement de parts sociales

2. FINANCIAL RISK MANAGEMENT (Cont'd...)

(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 + Rs.10 m.

(d) Capital Structure

The minimum capital adequacy ratio is fixed at 10% and is calculated as follows:

	Dec-09 Rs 000	Dec-08 Rs 000
Tier 1 Capital	435,728	438,842
Tier 2 Capital	273,758	112,579
Less Investment	-	(19,124)
Total Capital Base	709,486	532,297
Total Risk Weighted Assets	6,213,328	4,705,085
Capital Adequacy Ratio	11.42%	11.31%

(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. 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

At 31 December 2009	USD Rs 000	EURO Rs 000	GBP Rs 000	MUR Rs 000	OTHERS Rs 000	TOTAL Rs 000
Assets						
Cash and balances with central banks	366	4,971	1,075	263,418	459	270,289
Interbank loans	-	-	-	300,000	-	300,000
Derivative financial instruments	4,608	-	451	-	21	5,080
Balances with banks abroad	893,234	655,987	298,411	-	102,045	1,949,677
Securities	-	-	49,111	821,147	-	870,258
Other investments - available for sale	191,341	-	-	21,993	-	213,334
Loans	868,408	224,604	35,261	5,042,752	-	6,171,025
Goodwill and intangible assets	-	-	-	47,676	-	47,676
Property, plant and equipment	-	-	-	327,795	-	327,795
Deferred tax assets	-	-	-	68,961	-	68,961
Other assets	6,781	2,496	2,079	687,389	145	698,890
	1,964,738	888,058	386,388	7,581,131	102,670	10,922,985
Allowance for credit impairment						(402,275)
Total Assets						10,520,710
Liabilities						
Deposits	1,728,019	742,092	387,054	6,506,150	26,197	9,479,812
Derivative financial instruments	-	-	-	1,821	-	1,821
Subordinated liabilities	178,578	-	-	-	-	178,578
Other liabilities	19,927	2,156	1,777	196,579	139	220,578
Total Liabilities	1,926,524	744,248	388,831	6,704,550	26,336	9,880,489
Net on-balance sheet position	38,214	143,810	(2,443)	796,581	76,334	1,044,496
Less allowance for credit impairment						(402,275)
						642,221
Currency forwards and swaps Contractual/notional amount	276,779	91,434	51,402	481,489	38,970	942,474
Credit commitments	134,144	-	-	781,127	-	915,271

2. FINANCIAL RISK MANAGEMENT (Cont'd...)

(e) Currency Risk (Cont'd...)

At 31 December 2008	USD Rs 000	EURO Rs 000	GBP Rs 000	MUR Rs 000	OTHERS Rs 000	TOTAL Rs 000
Total assets	661,905	305,082	210,265	6,046,572	58,983	7,283,427
Total liabilities	662,733	303,012	213,104	5,041,831	59,058	4,300,838
Net on balance sheet position	(828)	2,070	(2,839)	974,761	(75)	973,889
						(436,529)
Less allowance for credit impairment						-
						536,860
Credit commitments	11,804	-	863	573,286	-	586,053

At 30 June 2007	USD Rs 000	EURO Rs 000	GBP Rs 000	MUR Rs 000	OTHERS Rs 000	TOTAL Rs 000
Total assets	75,225	24,507	117,694	4,627,792	10,545	4,855,233
Total liabilities	70,945	22,663	119,239	4,021,550	-	4,234,397
Net on balance sheet position	4,280	1,844	(1,545)	606,242	10,545	620,836
Less allowance for credit impairment						(414,600)
						206,236
Credit commitments	-	-	-	197,140	-	197,140

(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.

2. FINANCIAL RISK MANAGEMENT (Cont'd...)

(g) Interest Sensitivity of Assets and Liabilities - Repricing Analysis

As at 31 December 2009

	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
Assets								
Cash and balances with central bank	-	-	-	-	-	-	270,289	270,289
Inter bank loans	300,000	-	-	-	-	-	-	300,000
Derivative financial instruments	-	-	-	-	-	-	5,000	5,000
Balances with banks abroad	1,474,148	75,345	-	-	-	-	400,184	1,949,677
Securities	83,074	39,893	142,811	49,438	108,710	445,740	-	870,258
Other investment - available-for-sale	-	-	-	-	18,187	173,154	21,993	213,334
Loans and advances	493,649	4,487,288	90,458	6,300	387,093	224,176	482,861	6,171,825
Goodwill and other intangible assets	-	-	-	-	-	-	47,676	47,676
Property, plant and equipment	-	-	-	-	-	-	327,795	327,795
Deferred tax assets	-	-	-	-	-	-	68,961	68,961
Other assets	-	-	-	-	-	-	780,898	780,898
	2,351,671	4,602,326	233,269	55,738	513,990	843,070	2,374,929	10,924,985
Less allowances for credit impairment								(402,275)
Total Assets								10,522,710
Liabilities								
Deposits	1,777,901	4,611,527	781,675	516,724	1,009,796	246,176	535,713	9,479,512
Derivative financial instruments	-	-	-	-	-	-	1,821	1,821
Subordinated liabilities	-	-			-	178,578	-	178,578
Other liabilities	-	-	-	-	-	-	220,578	220,578
Total Liabilities	1,777,901	4,611,527	781,675	516,724	1,009,796	424,754	758,112	9,880,489
								642,221
Interest rate sensitivity gap	573,770	(9,201)	(548,406)	(460,994)	(495,806)	418,316	1,566,817	1,044,496
Less allowances for credit impairment								(402,275)
								642,221

As at 31 December 2008

	Up to 1 months 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
Total assets	3,855,449	198,942	185,951	466,571	121,804	389,185	2,035,715	7,353,627
Total liabilities	2,706,991	570,001	256,898	754,449	606,650	524,016	661,530	6,380,530
Interest rate sensitivity gap	1,148,458	(371,059)	(70,947)	(287,878)	(484,846)	(134,831)	1,374,185	973,097
Less allowances for credit impairment								(436,529)
								536,568

As at 30 June 2007

	1 to 3 months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-5 years Rs 000	> 5 years Rs 000	Non-interest sensitive Rs 000	TOTAL Rs 000
Total assets	1,039,179	476,255	497,009	850,919	824,074	1,167,797	4,855,233
Total liabilities	1,657,379	247,879	532,448	1,306,173	185,959	104,339	4,234,397
Interest rate sensitivity gap	(618,200)	228,376	(35,439)	(455,254)	638,115	1,063,458	620,836
Less allowances for credit impairment							(414,608)
							206,228

2. FINANCIAL RISK MANAGEMENT (Cont'd...)

(h) 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
Assets								
Cash and balances with Central Bank	278,289	-	-	-	-	-	-	278,289
Inter bank loans	300,000	-	-	-	-	-	-	300,000
Derivative financial instruments	-	4,770	318	-	-	-	-	5,088
Balances with banks abroad	1,874,332	75,345	-	-	-	-	-	1,949,677
Securities	83,674	39,693	142,811	49,450	108,718	445,748	-	870,258
Other investment - available-for-sale	-	-	-	-	18,187	173,154	21,993	213,334
Loans	892,373	888,217	468,870	698,396	997,008	1,744,098	482,863	6,171,435
Goodwill and other intangible assets	-	-	-	-	-	-	47,676	47,676
Property, plant and equipment	-	-	-	-	-	-	327,795	327,795
Deferred tax assets	-	-	-	-	-	-	48,961	48,961
Other assets	337,483	3,849	5,773	7,698	46,859	-	299,380	700,890
	3,758,271	1,011,874	617,772	755,524	1,170,764	2,362,984	1,247,796	10,924,986
Less allowances for credit impairment								(402,278)
Total Assets								10,522,708
Liabilities								
Deposits	5,403,470	965,362	974,049	810,104	1,010,992	314,477	978	9,479,512
Derivative financial instruments	-	1,821	-	-	-	-	-	1,821
Subordinated liabilities	-	-	-	-	-	178,578	-	178,578
Other liabilities	32,103	29,866	16,461	37,620	73,473	-	31,855	230,578
Total Liabilities	5,435,573	997,049	990,510	847,804	1,084,465	493,055	32,833	9,880,480
Net liquidity gap	(1,677,302)	14,825	(372,738)	(92,280)	86,299	1,869,929	1,215,763	1,044,496
Less allowances for credit impairment								(402,275)
								642,221

Maturities of Assets & Liabilities

At 31 December 2008

	Up to 1 month Rs 000	1-3 months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-5 years Rs 000	> 5 years Rs 000	Non maturity items Rs 000	TOTAL Rs 000
Total assets	2,042,491	479,346	336,535	975,296	702,926	1,439,979	1,277,054	7,252,627
Total liabilities	2,413,643	625,011	391,605	1,198,756	1,378,659	243,358	29,506	6,280,538
Net liquidity gap	(371,152)	(145,665)	(55,070)	(223,460)	(675,733)	1,196,621	1,247,548	973,089
Less allowances for credit impairment								(436,539)
								536,540

At 30 June 2007

	< 3 months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-5 years Rs 000	> 5 years Rs 000	Non maturity items Rs 000	TOTAL Rs 000
Total assets	1,424,422	476,255	497,009	850,919	824,074	815,446	4,888,265
Total liabilities	1,734,565	247,879	532,668	1,533,326	185,959	-	4,234,397
Net liquidity gap	(310,143)	228,376	(35,659)	(682,407)	638,115	815,446	653,868
Less allowances for credit impairment							(414,600)
							239,268

3. NET INTEREST INCOME

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Interest income			
Loans and advances to banks	12,342	9,798	-
Loans and advances to customers	482,818	327,856	201,914
Investment securities	91,843	239,971	134,405
Placements with other banks	20,292	16,092	7,634
Total interest income	607,295	593,717	343,953
Interest expense			
Deposits from customers	(466,404)	(562,720)	(296,074)
Borrowings from banks	(1,633)	(1,628)	(1,692)
Other interest expense	(6,717)		
Total interest expense	(474,754)	(564,348)	(297,766)
Net interest income	132,541	29,369	46,187

(a) Segment A

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Interest income			
Loans and advances to customers	461,526	315,506	201,905
Investment securities	86,525	239,971	134,405
Placements with other banks	748	2,108	7,635
Total interest income	548,799	557,585	343,945
Interest expense			
Deposits from customers	(434,743)	(532,511)	(293,067)
Borrowings from banks	(1,619)	(1,628)	(1,639)
Total interest expense	(436,362)	(534,139)	(294,706)
Net interest income	112,437	23,446	49,239

(b) Segment B

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Interest income			
Loans and advances from banks	12,342	9,798	-
Loans and advances from customers	21,292	12,350	8
Placements with other banks	19,544	13,984	-
Investment securities	5,318		
Total interest income	58,496	36,132	8
Interest expense			
Deposits from customers	(31,661)	(30,209)	(3,007)
Borrowings from banks	(14)	-	-
Other interest expense	(6,717)	-	-
Total interest expense	(38,392)	(30,209)	(3,007)
Net interest income	20,104	5,923	(2,999)

4. NET FEE AND COMMISSION INCOME

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Fee and commission income			
Retail banking customer fees	21,613	7,995	883
Corporate banking credit related fees	24,411	11,510	6,619
International banking customer fees	20,603	2,130	-
Other	1,199	7,820	8,131
Total fee and commission income	67,826	29,455	15,633
Fee and commission expense			
Interbank transaction fees	(2,175)	(1,764)	(1,169)
Other	(4,221)	(4,071)	(2,748)
Total fee and commission expense	(6,396)	(5,835)	(3,917)
Net fee and commission income	61,430	23,620	11,716

(a) Segment A

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Fee and commission income			
Retail banking customer fees	21,613	7,995	883
Corporate banking credit related fees	24,411	11,510	6,619
Other	1,199	7,820	8,131
Total fee and commission income	47,223	27,325	15,633
Fee and commission expense			
Interbank transaction fees	(2,175)	(1,754)	(1,169)
Other	(4,123)	(4,071)	(2,748)
Total fee and commission expense	(6,298)	(5,825)	(3,917)
Net fee and commission income	40,925	21,500	11,716

(b) Segment B

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Fee and commission income			
International banking customers	20,603	2,130	-
Total fee and commission income	20,603	2,130	-
Fee and commission expense			
Other	(98)	(10)	-
Total fee and commission expense	(98)	(10)	-
Net fee and commission income	20,505	2,120	-

5. NET TRADING INCOME

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Foreign exchange	65,788	49,588	11,569
	65,788	49,588	11,569

(a) Segment A

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Foreign exchange	46,585	49,396	11,569
	46,585	49,396	11,569

(b) Segment B

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Foreign exchange	19,203	192	-
	19,203	192	-

6. OTHER OPERATING INCOME

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Rental income	1,190	489	411
Other	12,069	186	3,272
	13,259	675	3,683

(a) Segment A

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Rental income	1,190	489	411
Gain on sale of available for sale securities	8,819	-	-
Other	3,250	186	3,272
	13,259	675	3,683

(a) Segment B

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Gain on sale of available for sale securities	8,819	-	-
	8,819	-	-

7. NET IMPAIRMENT ON FINANCIAL ASSETS

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Provision for bad and doubtful debts	(7,451)	(40,793)	(48,843)
Bad debts written off for which no provisions were made	(500)	(1,338)	(1,005)
Provisions released during the year	13,770	12,326	40,795
Recoveries of advances written off	4,931	757	-
Net allowance for credit impairment	10,750	(29,048)	(9,053)

(a) SEGMENT A

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Provision for bad and doubtful debts	(6,741)	(33,175)	(48,843)
Bad debts written off for which no provisions were made	(500)	(1,338)	(1,005)
Provisions released during the year	13,770	12,326	40,795
Recoveries of advances written off	4,930	757	-
Net allowance for credit impairment	11,459	(21,430)	(9,053)

(b) SEGMENT B

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Provision for bad and doubtful debts	(709)	(7,618)	-
Net allowance for credit impairment	(709)	(7,618)	-

8. PERSONNEL EXPENSES

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Wages and salaries	(88,272)	(80,626)	(32,908)
Compulsory social security obligations	(3,544)	(3,377)	(1,784)
Contributions to defined benefit plans (note 27)	(4,021)	(4,004)	(2,658)
Deferred contribution plan	(5,361)	-	-
Increase in liability for defined benefit plans (note 27)	(1,282)	(1,650)	(929)
Other personnel expenses	(42,166)	(35,979)	(24,498)
	(144,646)	(125,636)	(62,777)

(a) Segment A

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Wages and salaries	(83,275)	(78,502)	(32,908)
Compulsory social security obligations	(3,432)	(3,334)	(1,784)
Contributions to defined benefit plans	(3,958)	(4,564)	(2,658)
Deferred contribution plan (note 27(b))	(4,835)	-	-
Increase in liability for defined benefit plans (note 27)	(1,282)	(1,650)	(929)
Other personnel expenses	(40,588)	(34,730)	(24,498)
	(137,370)	(122,780)	(62,777)

(b) Segment B

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Wages and salaries	(4,997)	(2,124)	-
Compulsory social security obligations	(112)	(43)	-
Contributions to defined benefit plans	(63)	-	-
Deferred contribution plan	(526)	-	-
Other personnel expenses	(1,578)	(689)	-
	(7,276)	(2,856)	-

9. OTHER EXPENSES

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Software licensing & other information technology cost	(17,242)	(17,328)	(14,884)
Others	(51,094)	(69,486)	(38,630)
	(68,336)	(86,814)	(53,514)

(a) Segment A

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Software licensing & other information technology cost	(16,906)	(17,324)	(14,884)
Other	(49,144)	(69,023)	(38,630)
	(66,050)	(86,347)	(53,514)

(b) Segment B

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Software licensing & other information technology cost	(336)	(4)	-
Other operating expenses	(1,950)	(463)	-
	(2,286)	(467)	-

10. EXCEPTIONAL ITEMS

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Profit on transfer of leasehold land	-	13,279	-
Financial assets recovered	-	16,911	-
	-	30,190	-

11. INCOME TAX EXPENSE RECOGNISED IN THE INCOME STATEMENT

	Dec-09	Dec-08	Jun-07
	Rs. 000	Rs. 000	Rs. 000
(a) Current tax expense			
Current period	534	-	-
(b) Deferred tax expense			
Originated and reversal of temporary differences (note 20)	3,292	(22,708)	125,111
	3,826	(22,708)	125,111

(c) Reconciliation of effective tax rate	Dec-09	Dec-08	Jun-07
	Rs. 000	Rs. 000	Rs. 000
Profit/(loss) before income tax	43,314	(143,512)	(74,457)
Income tax at a rate of 3% & 15%	(827)	(20,891)	(16,753)
(2008:3% & 15%, 2007:4.5% & 22.5%)			
Non-deductible expenses	997	2,715	52,594
Income not subject to tax	(265)	(4,532)	-
Prior year adjustment	-	-	78,842
Tax incentives	-	-	(9,516)
Special levy on banks	534	-	-
(Overprovision)/underprovision in prior years	(525)	-	7,136
Effects of reduction in tax rates	-	-	12,808
Other timing differences	3,912	-	-
Total income tax in income statement	3,826	(22,708)	125,111

Segment A	Dec-09	Dec-08	Jun-07
	Rs. 000	Rs. 000	Rs. 000
Current tax expense			
Current period	-	-	-

	Dec-09	Dec-08	Jun-07
	Rs. 000	Rs. 000	Rs. 000
Deferred tax expense			
Originated and reversal of temporary differences	3,292	(22,528)	125,111

Segment B	Dec-09	Dec-08	Jun-07
	Rs. 000	Rs. 000	Rs. 000
Current tax expense			
Current period	534	-	-

	Dec-09	Dec-08	Jun-07
	Rs. 000	Rs. 000	Rs. 000
Deferred tax expense			
Originated and reversal of temporary differences	-	(180)	-

12. PROFIT/(LOSS) PER SHARE

	Dec-09	Dec-08	Jun-07
	Rs. 000	Rs. 000	Rs. 000
Profit/(loss) for the year/period	39,488	(120,804)	(199,568)
Weighted average number of ordinary shares	4,914,500	5,137,768	4,500,000
Basic Profit/(loss) per share (Rs)	8.03	(23.51)	(44.35)

13. CASH AND CASH EQUIVALENTS

	Dec-09	Dec-08	Jun-07
	Rs. 000	Rs. 000	Rs. 000
Cash in hand	79,160	61,786	47,995
Foreign currency notes and coins	6,870	7,659	6,641
Unrestricted balances with central banks (note 1)	184,250	2,553	36,978
Money market placements (note 2)	1,529,584	122,560	147,453
Inter bank loans	300,000	-	-
Balances with banks abroad	420,093	334,391	45,639
	2,519,966	528,949	284,706

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 in less than three months.

14. DERIVATIVE ASSETS HELD FOR RISK MANAGEMENT

	Contractual notional amount Rs 000	Fair value assets Rs 000	Fair value liabilities Rs 000
As at 31 December 2009			
Currency forwards	982,474	5,880	1,821
As at 31 December 2008			
Currency forwards	843,940	18,522	-
As at 30 June 2007	-	-	-

15. LOANS AND ADVANCES TO BANKS

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Outside Mauritius	165,724	404,879	-
	165,724	404,879	-
Less allowance for credit impairment	(1,657)	(4,048)	-
	164,067	400,831	-

(a) Segment B

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Outside Mauritius	165,724	404,879	-
	165,724	404,879	-
Less allowance for credit impairment	(1,657)	(4,048)	-
	164,067	400,831	-

(b) Remaining term to maturity

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Up to 3 months	132,003	246,870	-
Over 3 months and up to 6 months	33,721	33,553	-
Over 6 months and up to 12 months	-	124,456	-
	165,724	404,879	-

(c) Allowance for credit impairment

	Specific allowances for impairment Rs 000	Collective portfolio allowances and general provisions for impairment Rs 000	Total Rs 000
Balance as at 1 July 2007	-	-	-
Provision for credit impairment for the period	-	4,048	4,048
Balance as at 31 December 2008	-	4,048	4,048
Release during the period	-	(2,391)	(2,391)
Balance as at 31 December 2009	-	1,657	1,657

16. LOANS AND ADVANCES TO CUSTOMERS

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Retail customers			
- Credit cards	3,102	-	-
- Mortgages	321,496	208,773	91,704
- Other retail loans	1,204,206	794,001	317,954
Corporate customers	3,703,656	2,973,698	1,636,509
Governments	3,419	22,483	-
Entities outside Mauritius	769,423	365,346	1,298
	6,005,301	4,364,301	2,047,625
Less allowance for credit impairment	(400,618)	(432,481)	(414,608)
	5,604,683	3,931,820	1,633,017

(a) Segment A

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Retail customers			
- Credit cards	3,102	-	-
- Mortgages	321,496	208,773	91,704
- Other retail loans	1,204,206	794,001	317,954
Corporate customers	3,703,656	2,973,698	1,636,509
Governments	3,419	22,483	-
	5,235,878	3,998,955	2,046,327
Less allowance for credit impairment	(393,899)	(428,911)	(414,608)
	4,841,979	3,570,044	1,631,719

(b) Segment B

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Entities outside Mauritius	769,423	365,346	1,298
	769,423	365,346	1,298
Less allowance for credit impairment	(6,719)	(3,570)	-
	762,704	361,776	1,298

(c) Remaining term to maturity

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Up to 3 months	2,719,214	1,821,496	920,909
Over 3 months and up to 6 months	185,920	265,849	21,210
Over 6 months and up to 12 months	109,216	425,839	34,482
Over 1 year and up to 5 years	1,406,197	1,125,541	553,516
Over 5 years	1,584,754	725,576	517,508
	6,005,301	4,364,301	2,047,625

(d) Credit concentration of risk by industry sectors

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Agriculture and fishing	218,935	153,902	37,851
Manufacturing	402,750	464,661	314,494
of which EPZ	*169,787*	*180,309*	*199,235*
Tourism	823,403	716,164	297,294
Transport	73,800	36,824	33,285
Construction	1,337,147	686,138	212,341
Financial and business services	466,642	590,718	91,939
Traders	1,336,647	1,042,247	548,687
Personal	527,284	337,280	302,859
of which credit cards	3,102	-	-
Professional	13,870	890	-
Others	805,431	333,557	216,875
	6,005,301	4,364,301	2,047,625

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Segment A			
Agriculture and Fishing	206,149	153,902	37,851
Manufacturing	401,846	304,226	314,494
of which EPZ	*169,787*	*180,309*	*199,235*
Tourism	722,334	601,914	297,294
Transport	73,800	36,824	33,285
Construction	1,293,847	669,727	212,341
Financial and business services	461,840	530,492	91,939
Traders	1,287,111	1,042,247	548,687
Personal	494,300	325,162	302,859
of which credit cards	3,102	-	-
Professional	13,870	890	-
Others	281,399	333,557	215,577
	5,235,878	3,998,941	2,046,327
Segment B			
Agriculture and Fishing	12,786	-	-
Manufacturing	904	160,435	-
Tourism	101,069	114,250	-
Construction	43,300	18,411	-
Financial and business services	4,820	60,226	-
Traders	49,536	-	
Personal	32,974	12,038	-
Others	524,032	-	1,298
	769,423	365,360	1,298

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 and other.

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

(e) Allowance for credit impairment

	Specific allowances for impairment Rs 000	Collective/ portfolio allowances and general provisions for impairment Rs 000	Total Rs 000
Balance as at 30 June 2006	579,339	10,000	**589,339**
Provision for credit impairment for the year	78,687	-	**78,687**
Loans written off out of allowance	(195,515)	-	**(195,515)**
Provisions released	(57,908)	-	**(57,908)**
Balance as at 30 June 2007	404,608	10,000	**414,608**
Provision for credit impairment for the year	20,247	61,470	**81,717**
Loans written off out of allowance	(51,518)	-	**(51,518)**
Provisions released	(12,326)	-	**(12,326)**
Balance at end of December 2008	361,011	71,470	**432,481**
Provision for credit impairment for the year	10,289	9,393	19,682
Loans written off out of allowance	(28,567)	-	**(28,567)**
Provisions released	(11,149)	(11,829)	**(22,978)**
Balance at end of December 2009	331,584	69,034	**400,618**

(f) Investment in finance leases

The amount of investments in finance leases included in the loans and advances to customers

	31-Dec-09 1 to 5 Years Rs 000	Over 5 years Rs 000	Total Rs 000
Gross investment in finance leases	71,546	31,466	**103,012**
Unearned finance income	(17,164)	(9,303)	**(26,467)**
Present value of minimum lease payments	54,382	22,163	**76,545**
Allowance for impairment			**(768)**
			75,777

(f) Allowance for credit impairment by industry sectors

	Dec-09 Gross amount of loans Rs 000	Dec-09 Impaired loans Rs 000	Dec-09 Specific allowances for credit impairment Rs 000	Dec-09 Collective/ portfolio allowances for credit impairment Rs 000	Dec-09 Total allowances for credit impairment Rs 000	Dec-08 Total allowances for credit impairment Rs 000	Jun-07 Total allowances for credit impairment Rs 000
Agriculture and fishing	218,956	6,329	4,203	1,948	6,151	5,297	927
Manufacturing	402,750	71,829	71,347	3,217	74,564	76,695	82,178
of which EPZ	169,737	68,423	69,323	1,001	70,324	71,973	80,118
Tourism	823,403	98,282	52,807	7,278	60,085	64,873	69,465
Transport	73,860	3,327	2,391	582	2,973	2,524	3,400
Construction	1,337,147	49,545	47,221	11,067	58,288	56,640	38,306
Financial and business services	466,662	-	-	3,109	3,109	5,567	6,391
Traders	1,336,647	154,292	79,580	11,247	90,827	143,138	148,714
Personal	527,354	49,120	38,637	3,937	42,574	46,199	58,390
of which credit cards	3,102	-	-	31	31	-	-
Professional	13,070	-	-	123	123	-	-
Others	805,451	43,636	34,988	26,526	61,514	32,048	6,817
	6,005,301	478,360	331,584	69,034	400,618	432,481	414,608

(f) Allowance for credit impairment by industry sectors (cont'd)

Segment A	Dec-09 Gross amount of loans Rs 000	Dec-09 Impaired loans Rs 000	Dec-09 Specific allowances for credit impairment Rs 000	Dec-09 Collective/ portfolio allowances for credit impairment Rs 000	Dec-09 Total allowances for credit impairment Rs 000	Dec-08 Total allowances for credit impairment Rs 000	Jun-07 Total allowances for credit impairment Rs 000
Agriculture and Fishing	206,169	6,329	4,203	1,948	6,151	5,297	927
Manufacturing	401,846	71,829	71,347	3,208	74,555	75,290	82,178
of which EPZ	168,737	68,423	69,323	1,001	70,324	71,973	80,118
Tourism	722,334	98,282	52,807	6,267	59,074	63,030	69,465
Transport	73,860	3,327	2,391	582	2,973	2,524	3,400
Construction	1,293,867	49,545	47,221	10,819	58,040	56,456	38,306
Financial and Business Services	461,641	-	-	3,075	3,075	4,961	6,391
Traders	1,287,111	154,292	79,580	10,811	90,391	143,212	148,714
Personal	494,381	49,120	38,637	3,831	42,468	46,093	58,390
of which credit cards	3,102			31	31		
Professional	13,070	-	-	123	123	-	
Others	281,399	43,636	34,988	21,651	56,639	32,048	6,817
	5,235,879	478,360	331,584	62,315	393,899	428,911	414,608
Segment B							
Agriculture and fishing	12,786	-	-	-	-		
Manufacturing	904	-	-	9	9	1,605	-
Tourism	101,069	-	-	1,011	1,011	1,843	-
Construction	43,280	-	-	248	248	111	-
Financial and Business Services	4,620	-	-	34	34	406	-
Traders	49,536	-	-	436	436		
Personal	32,974	-	-	106	106	105	-
Others	524,051	-	-	4,875	4,875		
	769,422	-	-	6,719	6,719	3,570	-

17. INVESTMENT SECURITIES

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Held to maturity investment securities	870,257	937,672	1,906,966
Available for sale investment securities	213,335	19,124	-
	1,083,592	956,796	1,906,966

(a) Held to maturity investment securities

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Government bonds	485,669	384,625	389,436
Treasury bills / Notes issued by Government of Mauritius	226,767	12,596	199,253
Bank of Mauritius bills	-	432,153	1,212,349
Mauritius development loan stock	108,710	108,298	105,928
Corporate bonds	49,111	-	-
	870,257	937,672	1,906,966
Segment A			
Government of Mauritius bonds	485,669	384,625	389,436
Treasury bills / Notes issued by Government of Mauritius	226,767	12,596	199,253
Bank of Mauritius bills	-	432,153	1,212,349
Mauritius bevelopment loan stock	108,710	108,298	105,928
	821,146	937,672	1,906,966
Segment B			
Corporate bonds	49,111	-	-
	49,111	-	-

(b) Available for sale investment securities

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Equity shares of companies in			
Oriental Commercial Bank Ltd (Kenya)	21,994	19,124	-
Corporate bonds	191,341	-	-
	213,335	19,124	-

The Bank holds 4,597,210 shares, representing 5.59% shareholding of Oriental Commercial Bank Ltd, incorporated and operating in Kenya.

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Segment B			
Equity shares in Oriental Commercial Bank Ltd (Kenya)	21,994	19,124	-
Corporate Bonds	191,341	-	-
	213,335	19,124	-

18. PROPERTY, PLANT AND EQUIPMENT

Cost/Deemed cost	Leasehold land Rs 000	Land and buildings Rs 000	Computer and other equipment Rs 000	Other fixed assets Rs 000	Total Rs 000
Balance as at 1 July 2006	2,000	280,000	116,346	57,700	456,046
Acquisitions	-	-	5,139	1,342	6,481
Scrapped	-	-	(75)	-	(75)
Disposals	-	-	-	(655)	(655)
Balance as at 30 June 2007	2,000	280,000	121,410	58,387	461,797
Acquisitions	-	-	17,624	16,091	33,715
Scrapped	-	-	(43)	-	(43)
Disposals	(2,000)	-	-	(924)	(2,924)
Balance as at 31 December 2008	-	280,000	138,991	73,552	492,540
Acquisitions	-	-	12,457	23,902	36,359
Scrapped	-	-	(4,504)	(1,612)	(6,116)
Disposals	-	-	(36)	(8,577)	(8,613)
Balance as at 31 December 2009	-	280,000	146,908	87,265	514,173
Accumulated depreciation					
Balance as at 1 July 2006	-	7,505	70,723	41,268	119,496
Depreciation for the year	-	4,740	11,469	4,994	21,203
Scrapped	-	-	(75)	-	(75)
Disposal adjustment	-	-	-	(655)	(655)
Balance as at 30 June 2007	-	12,245	82,117	45,607	139,969
Depreciation for the period	-	7,110	19,703	7,796	34,609
Scrapped	-	-	(23)	-	(23)
Disposal adjustment	-	-		(924)	(924)
Balance at end of December 2008	-	19,355	101,797	52,477	173,629
Depreciation for the year	-	4,740	14,292	7,967	26,999
Scrapped	-	-	(4,504)	(1,612)	(6,116)
Disposal adjustment	-	-	(25)	(8,109)	(8,134)
Balance at end of December 2009	-	24,095	111,560	50,723	186,378
Net book value at end of December 2009	-	255,905	35,348	36,542	327,795
Net book value at end of December 2008	-	260,645	37,194	21,075	318,914
Net book value at end of June 2007	2,000	267,755	39,293	12,780	321,828
Net book value as at 31 December 2009 by segments					
Segment A	-	249,207	35,200	36,542	320,949
Segment B	-	6,698	148	-	6,846
	-	255,905	35,348	36,542	327,795
Net book value as at 31 December 2008 by segments					
Segment A	-	260,645	37,046	21,075	318,766
Segment B	-	-	148	-	148
	-	260,645	37,194	21,075	318,914
Net book value as at 30 June 2007 by segments					
Segment A	2,000	267,755	39,293	12,780	321,828
Segment B	-	-	-	-	-
	2,000	267,755	39,293	12,780	321,828

19. INTANGIBLE ASSETS

	Goodwill Rs 000	Computer Software Rs 000	Total Rs 000
Cost			
Balance as at 1 July 2006	-	36,284	36,284
Additions	-	310	310
Balance as at 30 June 2007	-	36,594	36,594
Additions	15,147	11,157	26,304
Balance as at 31 December 2008	15,147	47,751	62,898
Additions	-	25,069	25,069
Balance as at 31 December 2009	15,147	72,820	87,967
Amortisation			
Balance as at 1 July 2006	-	34,956	34,956
Charge for the year	-	1,065	1,065
Balance as at 30 June 2007	-	36,021	36,021
Charge for the period	-	846	846
Balance as at 31 December 2008	-	36,867	36,867
Charge for the year		3,424	3,424
Balance as at 31 December 2009	-	40,291	40,291
Net book value at end of December 2009	15,147	32,529	47,676
Net book value at end of December 2008	15,147	10,884	26,031
Net book value at end of June 2007	-	573	573
Net book value as at 31 December 2009 by segments			
Segment A	15,147	31,599	46,746
Segment B	-	930	930
	15,147	32,529	47,676
Net book value as at 31 December 2008 by segments			
Segment A	15,147	10,874	26,021
Segment B	-	10	10
	15,147	10,884	26,031
Net book value as at 30 June 2007 by segments			
Segment A	-	573	573
Segment B	-	-	-
	-	573	573

Goodwill represents the excess of the cost paid for the purchase of Edge Forex over the fair value of assets acquired.

20. DEFERRED TAX ASSETS

The movement on the deferred income tax account is as follows:-

	Dec-09 Rs 000	Dec-08 Rs 000	Restated Jun-07 Rs 000
At start of year/period	68,253	45,545	170,656
Release of deferred tax on revaluation surplus	4,000	-	-
Income statement charge	(3,292)	22,708	(125,111)
At end of year/period	68,961	68,253	45,545
Deferred tax asset			
Allowances for loan losses	60,344	64,763	62,191
Tax losses carried forward	23,060	21,654	-
Retirement benefit obligation	4,813	4,320	4,073
	87,914	90,737	66,264
Deferred tax liabilities			
Accelerated capital allowances	5,796	4,950	2,808
Revaluation reserve	13,187	17,534	17,911
	18,983	22,484	20,719
	68,961	68,253	45,545

21. OTHER ASSETS

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Mandatory balances with Central Bank*	338,477	228,142	165,842
Balance due in clearing	243,418	15,308	18,452
Accrued interest receivable	38,488	11,620	17,139
Non-banking assets acquired in satisfaction of debts	14,423	26,495	25,519
Other	69,087	285,417	21,038
	708,894	566,982	247,990

* Balances to be maintained with central bank as cash reserve requirement.

21. OTHER ASSETS (Cont'd...)

Segment A	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Mandatory balances with Central Bank	338,477	228,142	165,842
Balance due in clearing	243,418	15,308	16,452
Accrued interest receivable	28,428	11,125	17,139
Non-banking assets acquired in satisfaction of debts	14,423	26,495	25,519
Others	69,044	303,857	21,038
	687,787	584,927	247,990

Segment B	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Accrued interest receivable	13,060	495	-
Others	43	82	-
	13,103	577	-

22. DEPOSITS FROM CUSTOMERS

(a) Deposits comprise the following:

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Retail customers	4,881,515	3,767,814	3,172,035
Corporates	2,396,961	1,477,992	654,705
International	2,152,828	871,942	283,660
Government	48,208	15,964	-
	9,479,512	6,133,712	4,110,400

(b) The table below shows the remaining maturity term for deposits by type of customer:

			Time deposits with remaining term to maturity					
	Current accounts Rs 000	Savings accounts Rs 000	Up to 3 months Rs 000	Over 3 months and up to 6 months Rs 000	Over 6 months and up to 12 months Rs 000	Over 1 year and up to 5 years Rs 000	Over 5 years Rs 000	Total Rs 000
At 31 December 2009								
Retail customers	302,619	1,742,767	951,764	242,408	459,917	1,171,478	10,562	4,881,515
Corporate customers	380,721	386,565	1,012,137	506,786	104,628	6,623	-	2,396,960
International customers	806,529	239,139	506,382	225,355	245,639	128,669	1,115	2,152,828
Government	-	39,803	405	-	-	8,000	-	48,208
Total	1,489,869	2,408,274	2,470,688	974,549	810,184	1,314,770	11,677	9,479,512
At 31 December 2008								
Retail customers	180,277	1,053,404	416,719	201,271	618,145	1,190,230	107,768	3,767,814
Corporate customers	188,894	43,248	565,278	198,102	473,830	8,641	-	1,477,993
International customers	78,988	146,608	409,240	34,270	64,488	137,339	1,017	871,942
Government	38	8,925	-	-	7,000	-	-	15,963
Total	448,197	1,252,177	1,391,237	433,643	1,163,463	1,336,210	108,785	6,133,712
At 30 June 2007								
Retail customers	66,406	788,142	102,301	181,141	-	1,848,383	185,662	3,172,035
Corporate customers	56,131	137,767	-	-	249,047	211,760	-	654,705
International customers	5,057	35,134	-	-	22,881	218,710	1,878	283,660
Government	-	-	-	-	-	-	-	-
Total	127,594	961,043	102,301	181,141	271,928	2,278,853	187,540	4,110,400

23. OTHER BORROWED FUNDS

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Borrowings from central banks	-	5,406	19,658

24. SUBORDINATED LIABILITIES

Remaining term to maturity	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Over 4 years and up to 5 years	16,234	-	-
Over 5 years	162,344	-	-
	178,578	-	-

Segment B

Remaining term to maturity	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Over 4 years and up to 5 years	16,234	-	-
Over 5 years	162,344	-	-
	178,578	-	-

25. CURRENT TAX LIABILITIES

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Special levy on banks	534	-	-

26. OTHER LIABILITIES

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Liability for defined pension plan (note 27)	30,084	28,802	27,152
Bills Payable	19,783	7,844	4,507
Other Payables	23,459	15,788	11,926
Accrued Interest	146,718	88,986	58,754
	220,044	141,420	104,339
Segment A			
Liability for defined pension plan (note 27)	30,084	28,802	27,152
Bills Payable	19,783	7,844	4,507
Accounts Payables	23,309	15,788	11,926
Accrued Interest	129,822	78,672	58,754
	202,998	131,106	104,339
Segment B			
Accrued Interest	16,896	10,314	-
Accounts payable	150	-	-
	17,046	10,314	-

27. PENSION OBLIGATIONS

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Amounts recognised in the Balance Sheet			
Pension obligations under defined benefit plan (Note (ii))	30,084	28,802	27,152

(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 2009 submitted by the Anglo Mauritius Assurance Society Limited.

(ii) The amounts recognised in the Balance Sheet are as follows:	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Present value of funded obligations	56,246	47,762	39,621
Fair value of plan assets	(25,347)	(23,509)	(22,716)
Unrecognised actuarial gain	(815)	4,549	10,247
Liability in the Balance Sheet	30,084	28,802	27,152

(iii) The movement in the defined benefit obligation over the year is as follows:

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
At start of year/period	47,762	39,621	35,778
Current service cost	2,371	2,804	1,845
Interest cost	4,972	6,386	3,757
Actuarial gain/(losses)	4,299	4,314	(1,406)
Transfer	(3,158)	(5,363)	(353)
At end of year/period	56,246	47,762	39,621

(iv) Movement in the fair value of plan assets of the year is as follows:	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
At start of year/period	23,509	22,716	18,356
Expected return on plan assets	2,490	3,655	2,033
Employer's contribution	4,021	4,004	2,658
Scheme expenses	(168)	(172)	(116)
Cost of insuring risk benefits	(288)	(527)	(222)
Actuarial (losses)/gains	(1,059)	(804)	340
Transfer	(3,158)	(5,363)	(353)
At end of year/period	25,347	23,509	22,716

27. PENSION OBLIGATIONS (Cont'd...)

(v) The amounts recognised in the Income Statement are as follows:

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Current service cost	2,371	2,804	1,845
Scheme expenses	168	172	116
Cost of insuring risk benefits	288	527	222
Interest cost	4,972	6,386	3,757
Expected return on plan assets	(2,490)	(3,655)	(2,032)
Actuarial loss/(gain) recognised	-	(580)	(318)
Total included in staff costs	5,303	5,654	3,589
Total expense shown as:			
Contributions (note 8)	4,021	4,004	2,659
Increase in liability for defined benefit plans (note 8)	1,282	1,650	930
	5,303	5,654	3,589

(vi) Movement in the liability recognised in the Balance Sheet:

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
At 1 January / 1 July	28,802	27,152	26,222
Total expense as above	5,303	5,654	3,589
Contributions paid	(4,021)	(4,004)	(2,659)
At 31 December	30,084	28,802	27,152
Actual return on plan assets	1,425	2,851	2,394

(vii) The assets in the plan were :

	Dec-09 Rs 000	%	Dec-08 Rs 000	Dec-07 Rs 000
Local equities	9,505	13	8,016	6,815
Overseas equities	8,703	13	5,290	3,407
Fixed interest	8,872	10	8,228	11,358
Properties	1,267	4	1,175	1,136
Total market value of assets	28,347		23,509	22,716
Present value of plan liability	(59,246)		(47,762)	(39,621)
(Deficit)/surplus	(30,899)		(24,253)	(16,905)
Unrecognised actuarial (gain)/loss	815		(4,549)	(10,247)
Net (liability)/asset for retirement obligation recognised in the Balance Sheet	(30,084)		(28,802)	(27,152)

The principal actuarial assumptions at end of year:	Dec-09 %	Dec-08 %	Jun-07 %
Discount rate	10	10	11
Expected return on plan assets	11	11	11
Future long-term salary increase	8	8	8
Future guaranteed pension increase	-	-	-

(viii) Expected employer contribution in respect of :
(i) defined benefit plan for year 2010 - Rs.3.6m.
(ii) defined contribution plan - the employer contributes around 10% of the expected salary.

28. SHARE CAPITAL

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Shares at no par value			
Stated capital	551,456	269,456	490,000
At start of year/period	269,456	490,000	490,000
Issue of shares	222,000	234,136	-
Capital reduction	-	(454,680)	-
At end of year/period	491,456	269,456	490,000
Calls on shares			
Ordinary shares	-	222,000	-
Capital pending allotment			
Ordinary shares	60,000	-	-

In November 2009, Ciel Investment Limited and I&M Bank Limited each agreed to subscribe to 300,000 additional ordinary shares ranking pari passu with the existing ordinary shares. The money was paid before 31 December 2009 and both Bank of Mauritius and Prime Minister's Office approvals were received on 24 December 2009 and 11 February 2010 respectively. The shares were issued on 15 February 2010, thereby increasing the share capital from Rs.491,456,000 to Rs.551,456,000. The capital adequacy ratio at December 31, 2009 takes into account the additional capital.

29. CONTINGENT LIABILITIES

	Dec-09 Rs 000	Dec-08 Rs 000	Jun-07 Rs 000
Acceptances on account of customers	90,801	30,327	16,630
Guarantees on account of customers	489,067	226,059	66,059
Letters of credit and other obligations on account of customers	92,812	131,349	14,360
Spot foreign exchange contracts	902,474	843,940	451
Other contingent items	46,292	66,277	40,064
	1,621,446	1,298,152	147,144
Segment A			
Acceptances on account of customers	90,801	30,327	16,630
Guarantees on account of customers	390,016	226,059	66,059
Letters of credit and other obligations on account of customers	85,720	131,349	14,357
Foreign exchange contracts	902,474	843,940	451
Other contingent items	46,292	66,277	40,064
	1,515,303	1,298,152	147,141
Segment B			
Guarantees on account of customers	99,051	-	-
Letters of credit and other obligations on account of customers	7,092	-	-
	106,143	-	-

30. COMMITMENTS

	Dec-09 Rs 000	Dec-08 Rs 000	Jan-07 Rs 000
Undrawn credit facilities	915,271	556,053	197,140
	915,271	556,053	197,140
Segment A	781,127	556,053	197,140
Segment B	134,144	-	-

31. 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.

32. RELATED PARTIES

	Nature of relationship	2009 Rs 000	2008 Rs 000	2007 Rs 000
Loans and advances	Related companies	113,396	663,190	104,108
	Key management personnel	14,866	3,402	2,451
Deposits	Related companies	171,886	2,413	-
	Key management personnel	8,889	4,871	2,030
Interest income	Related companies	14,166	29,135	13,971
	Key management personnel	360	109	-
Interest expense	Holding company	-	-	14
	Related companies	1,489	158	-
	Key management personnel	231	176	53
Expenses	Directors	898	305	2,963
	Related company	-	-	6
Contingent liabilities	Related companies	433,983	802,828	-

Related company relates to transactions with enterprises in which shareholders, key directors/key management personnel have significant interest as the defined in the guideline issued by BOM.

Top 6 related party exposures as at 31 December 2009 amounted to Rs.113m, representing 25.79% of Tier 1 capital.

Total related party exposure under Category 1 was 27.02% of Tier 1 capital.

Certain counterparties disclosed in 2008 are no longer related parties due to change in ownership and due to revised guideline issued by the Bank of Mauritius.

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	2009 Rs'000	2008 Rs'000	2007 Rs'000
Remuneration and other benefits relating to key management personnel, including directors were as follows:			
Salaries and short term employee benefits	29,949	20,360	5,713
Post employment benefits	2,227	1,360	-

Balance Sheets as at 31 December 2009	Dec-09 BANK Rs 000	Dec-09 SEGMENT A Rs 000	Dec-09 SEGMENT B Rs 000	Dec-08 BANK Rs 000	Dec-08 SEGMENT A Rs 000	Dec-08 SEGMENT B Rs 000
Assets						
Cash and cash equivalents	2,519,964	570,289	1,949,677	528,949	83,383	445,566
Derivative assets held for risk management	5,000	5,000	-	18,522	18,522	-
Loan and advances to banks	164,067	-	164,067	400,831	-	400,831
Loan and advances to customers	5,404,683	4,641,979	762,704	3,931,820	3,570,044	361,776
Investment securities	1,083,892	821,446	262,446	956,796	937,672	19,124
Property, plant and equipment	327,795	320,949	6,846	318,914	318,746	168
Intangible asset	47,676	46,746	930	26,031	26,021	10
Deferred tax asset	68,961	68,961	-	68,253	68,253	-
Other assets	780,890	687,787	13,103	366,982	366,405	577
Total Assets	10,522,710	7,362,939	3,159,773	6,617,098	5,388,046	1,228,052

	Dec-09 BANK Rs 000	Dec-09 SEGMENT A Rs 000	Dec-09 SEGMENT B Rs 000	Dec-08 BANK Rs 000	Dec-08 SEGMENT A Rs 000	Dec-08 SEGMENT B Rs 000
Liabilities						
Deposits from customers	9,479,811	7,326,683	2,152,828	6,133,712	5,261,770	871,942
Derivative liabilities held for risk management	1,821	1,821				
Other borrowed funds				5,406	5,406	-
Subordinated liabilities	178,578		178,578			
Other liabilities	220,044	202,998	17,046	141,420	131,106	10,314
Current tax liabilities	834	-	-	-	-	-
	9,880,488	7,531,502	2,348,452	6,280,538	5,398,282	882,256
Shareholders' Equity						
Stated capital	491,484	491,484		269,456	269,456	-
Share capital pending allotment	60,000	60,000				
Calls on shares				222,000	222,000	-
Reserves	82,179	82,179	-	73,206	73,206	-
Retained earnings	8,556	(41,482)	50,000	(28,102)	(22,387)	(5,715)
	642,221	592,183	50,000	336,560	542,275	(5,715)
Total Equity and Liabilities	10,522,710	8,123,685	2,398,528	6,617,098	5,940,557	876,541

Income Statements for the period ended 31 December 2009

	Year ended Dec-09			18 months ended Dec-08		
	BANK Rs 000	SEGMENT A Rs 000	SEGMENT B Rs 000	BANK Rs 000	SEGMENT A Rs 000	SEGMENT B Rs 000
Interest income	647,295	548,759	98,536	593,717	557,585	36,132
Interest expense	(474,754)	(436,362)	(38,392)	(564,348)	(534,139)	(30,209)
Net interest income	172,541	112,397	60,144	29,369	23,446	5,923
Fee and commission income	49,826	49,223	20,603	29,455	27,325	2,130
Fee and commission expense	(6,396)	(6,298)	(98)	(5,835)	(5,825)	(10)
Net fee and commission income	43,430	42,925	20,505	23,620	21,500	2,120
Net trading income	65,788	46,585	19,203	49,588	49,396	192
Other operating income	13,259	4,440	8,819	675	675	-
	79,047	51,025	28,022	50,263	50,071	192
Operating income	295,018	206,347	108,671	103,252	95,017	8,235
Non interest expenses						
Net impairment loss in financial assets	10,700	11,499	(799)	(29,048)	(21,430)	(7,618)
Personnel expenses	(144,648)	(137,370)	(7,278)	(125,634)	(122,788)	(2,856)
Depreciation & amortisation	(30,422)	(30,189)	(233)	(35,456)	(35,446)	(10)
Other expenses	(88,334)	(66,090)	(2,244)	(86,814)	(86,347)	(467)
	(252,704)	(222,150)	(10,554)	(276,954)	(266,003)	(10,951)
Operating loss before exceptional items	42,314	(15,803)	98,117	(173,702)	(170,986)	(2,716)
Exceptional items	-	-	-	30,190	30,190	-
Loss before tax	42,314	(15,803)	98,117	(143,512)	(140,796)	(2,716)
Income tax expense	(5,826)	(3,292)	(534)	20,708	20,708	-
Loss after tax	36,488	(19,095)	97,583	(122,804)	(120,088)	(2,716)

BANK ONE
You'll love the change!

We are closer to you through our network of 14 branches

Head Office
Tel: (230) 202 9200
Fax: (230) 212 6647
16, Sir William Newton St, Port Louis

Port Louis
Tel: (230) 202 9296
Fax: (230) 208 8491
16, Sir William Newton St, Port Louis

Port Louis (Volcy Pougnet)
Tel: (230) 210 4068 / 4168
Fax: (230) 213 4268
Volcy Pougnet St, Port Louis

Goodlands
Tel: (230) 283 6574
Fax: (230) 283 6238
Royal Road, Goodlands

Triolet
Tel: (230) 261 3194
Fax: (230) 261 5529
Royal Road, Triolet

Rivière du Rempart
Tel: (230) 675 2300 / 2757
Fax: (230) 412 6240
Royal Road, Rivière du Rempart

Flacq
Tel: (230) 413 4931 / 4933
Fax: (230) 413 4934
Charles de Gaule St, Flacq

Rose-Hill
Tel : (230) 466 0384 / 0789
Fax: (230) 466 5690
Royal Road, Rose-Hill

Quatre Bornes
Tel: (230) 427 0299 / 0129
Fax: (230) 427 2559
Royal Road, Quatre Bornes

Vacoas
Tel: (230) 686 4801 / 4480
Fax: (230) 686 5755
John Kennedy, Vacoas

Curepipe
Tel: (230) 636 0134
Fax: (230) 675 0888
Lake Point, Curepipe

Mahebourg
Tel: (230) 631 1247 / 1471
Fax: (230) 631 13 28
Royal Road, Mahebourg

Rose-Belle
Tel: (230) 627 0561 / 0210
Fax: (230) 627 6541
Royal Road, Rose-Belle

Chemin Grenier
Tel: (230) 622 8200
Fax: (230) 622 6564
Royal Road, Chemin Grenier

L´Escalier
Tel: (230) 636 0134
Fax: (230) 636 7755
Royal Road, L'Escalier

16, Sir William Newton Street, Port Louis, Mauritius
Tel: 202 9200   Fax: 212 6647
www.bankone.mu