we connect

ANNUAL REPORT **2011**

CONTENTS

we connect to success

financial highlights

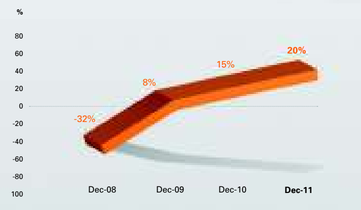
Gross Advances

Total Deposits

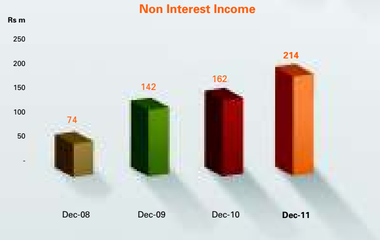
Total Assets

Profit after tax

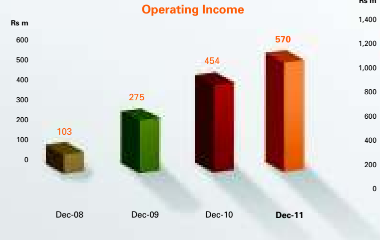
Return on Equity



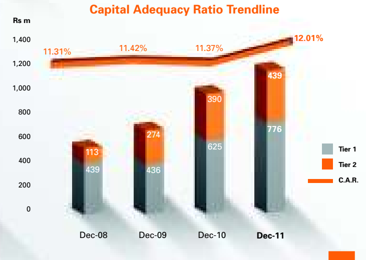
Non Interest Income



Operating Income



Capital Adequacy Ratio Trendline



*Takeover by new shareholders

Our people are our brand. At **Bank One**, we encourage leaders, teams, and individuals to strive for excellence. At each touch point, our engaged team makes sure that the customer connect is a really satisfying experience.

we connect
to our people

corporate profile

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

Bank One operates with fourteen branches throughout Mauritius, has a well distributed network of ATMs and a fully-operational Internet Banking platform. It offers an international debit card, VISA credit cards, as well as VISA prepaid cards. The Bank has a clientele base of over 40,000, serviced by a team of highly experienced professionals, in a fully computerised on-line IT environment.

OUR VISION

To be amongst the leading domestic banks known for its service excellence, and a regional player.

OUR MISSION

To help our clients achieve economic success and financial security.

OUR CORE VALUES

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

COMPANY DETAILS

Business Registration No: C07040612

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

Nature of Business
Bank One holds a banking licence issued by the Bank of Mauritius to carry out banking business.

The other licences held by the Bank are detailed below:

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

Bank One is also an Integrated Trading-cum-Clearing Member of the Global Board of Trade (GBOT).

Main Correspondent Banks
Citibank NA
Deutsche Bank AG
Bank of Western Australia Ltd (Bank West)
ICICI Bank Limited
Yes Bank Ltd
The Standard Bank of South Africa Ltd
Commerzbank AG

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

BOARD OF DIRECTORS

Chairman
Sarit Suresh Raja Shah (Non-Executive)

Members
Jean-Pierre Piat Dalais (Non-Executive)
Thierry Hugnin (Non-Executive)
Arun Shankar Mathur (Non-Executive)
Raj Dussoye (Executive)
Kim Foong (Roger) Leung Shin Cheung (Independent)
Pratul Hemraj Dharamshi Shah (Independent)
Paul Jason Harel (Independent) (as from 01.01.11)
Jérôme de Chasteauneuf (Alternate Director to Jean-Pierre Dalais)

Secretary to the Board & Board Committees
Kamini Vencadasmy

BOARD COMMITTEES

Audit Committee
Pratul Hemraj Dharamshi Shah (Chairman)
Kim Foong (Roger) Leung Shin Cheung
Paul Jason Harel (as from 01.01.11)

Credit Committee
Arun Shankar Mathur (Chairman)
Thierry Hugnin
Kim Foong (Roger) Leung Shin Cheung

Risk Management Committee
Kim Foong (Roger) Leung Shin Cheung (Chairman)
Pratul Hemraj Dharamshi Shah
Arun Shankar Mathur

Administrative & Staff Compensation Committee
Arun Shankar Mathur (Chairman)
Jean-Pierre Piat Dalais
Thierry Hugnin
Kim Foong (Roger) Leung Shin Cheung

Corporate Governance & Conduct Review Committee
Kim Foong (Roger) Leung Shin Cheung (Chairman)
Pratul Hemraj Dharamshi Shah
Paul Jason Harel (as from 01.01.12)

EXECUTIVE MANAGEMENT

Chief Executive Officer
Raj Dussoye

Deputy Chief Executive Officer
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 Credit Administration
Valerie Duval

Treasurer
Ramachandra Krishnamurthy Gurumurthy

HEAD OF DEPARTMENTS & MANAGERS

Head of Credit Risk
Karamchand Sathebajee

Internal Auditor
Neelesh Sawoky

Manager Compliance & MLRO
Shekhar Gangapersad

Manager Corporate Affairs & Company Secretary
Kamini Vencadasmy

IT Manager
Sanjay Goorah

Head of Marketing
Ahmad Aumjaud

HR Manager
Cindy Dove

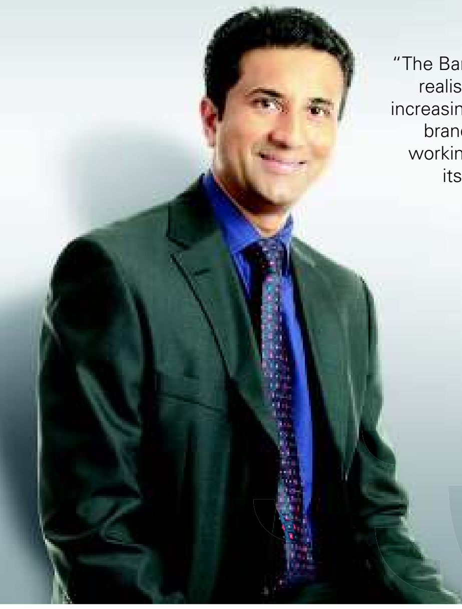
Manager - Operations Department
Mohammad Yousuf Dilloo

Manager – Credit Administration
Vijay Kumar Mungur

Manager – Litigation Department
Lekhraj Anand Gopee

Manager – Facilities
Sarvesh Seebnauth

chairman's report



"The Bank would not have been able to realise those results except with the increasing trust and loyalty to Bank One brand by its customers. The Bank is working to connecting deeper with all its clients for a mutually enriching relationship."

Sarit S. RAJA SHAH
Chairman

World Economy

According to the IMF, Global output slowed down considerably from 5.2% in 2010 to 3.8% in 2011.

The sovereign debt crisis in many European countries worsened in 2011, further aggravating weaknesses in the banking sector. Steps initiated by Euro Zone governments to abate the financial turbulence failed and heightened sentiment of sovereign debt default in larger European countries. Fiscal measures undertaken have further exacerbated growth and job creation. The GDP growth in Euro area fell from 1.9% in 2010 to 1.6% in 2011.

The United States economy continues to be plagued by high unemployment of around 10% in 2011 resulting in GDP growth slowing down from 3% in 2010 to 1.8% in 2011. Activity in the United States was supported by consumer lowering their savings rate while business fixed investment stayed strong. Stable oil prices also helped support consumption. Japan fell into another recession during 2011, largely due to the March earthquake.

Developing countries and economies in transition continued to stroke the engine of world economy but their growth in 2011 was lower at 6.2% in 2011 as against 7.3% in 2010. Even though economic ties among these countries have strengthened, they remain vulnerable to economic conditions in the developed economies. From second quarter of 2011, growth in most of these countries and economies started to slow notably. Due to strong domestic demand, GDP growth in both India and China remained robust. China clocked 9.2% GDP growth rate in 2011 (10.4% in 2010) while India's GDP grew by 7.4% in 2011 (9.9% in 2010) Capital flows to developing countries have weakened sharply as substantial investments were withdrawn. Gross capital inflows plunged to 55% of 2010 levels with more markedly weaker flows to China and Brazil. Low income countries and least developed countries have also seen a mild slowdown in income per Capita terms. Income growth slowed from 3.8% in 2010 to 3.5% in 2011.

The global economy is currently at the brink of a downward spiral driven by four weaknesses that mutually reinforce each other-sovereign debt distress, fragile banking sectors, weak aggregate demand associated with high unemployment, and policy paralysis caused by political gridlock and institutional deficiencies.

Consequently, according to the IMF, the global economy is now expected to grow at 3.4% in 2012; Euro area is likely to go into a mild recession, with expected decline of 0.5% in GDP, as a result of rise in sovereign yields, deleveraging of banks on the real economy, and the impact of additional fiscal consolidation. USA may just be able to maintain its growth at current 1.6%.

Emerging and developing economies are expected to slow down because of a deteriorating external environment and weaker internal demand. China and India are now expected to post GDP growth of 8.2% and 7.0% respectively.

However, even achieving these weaker outturns could be uncertain as the contagion effect of the downturn in Europe and USA could reinforce more than anticipated, the slower growth in developing countries. Outturns would then be weaker further eroding market confidence.

Mauritian Economy

During 2011, the Mauritian economy continued to show resilience to the down turn to Europe, growing at 4.1% compared to 4.2% in 2010.

Sugarcane production registered a modest growth of +0.6% in 2011 as against a decline of 6.4% in 2010 helped by rise in international sugar price.

Manufacturing industries registered a growth of 3.5% higher than 2.1% growth in 2010, helped by 8.3% growth in Textile as orders came back. Export oriented enterprises (Seafood, Freeport, Tourism, ICT) grew by 7.8% as against 6.5% in 2010.

With the various large public infrastructure projects coming to end, construction sector registered a decline of 1.8% in 2011 after 2.8% growth in 2010.

Tourist arrivals in 2011 amounted to 964,000 in 2011 as against 934,827 in 2010. Hotels and Restaurants registered a growth of 4% lower than 6% in 2010 as room rates continued to be slashed to maintain occupancy and woo away tourists from competing destinations.

Financial Intermediation, which contributes to 10% of GDP, grew at a higher 5.5% in 2011 compared to 4.3% in 2010. The Banking Sector growth was 5.9% (3.9% in 2010) while the insurance sector growth was stable at 4.5%.

Performance of the Banking Sector

The Mauritius Banking sector continues to perform well. Between end-June 2010 and end-June 2011, the on-balance sheet assets of banks expanded by 3.8% to Rs 875,108m compared to a higher growth of 13.4% recorded in the corresponding period of the preceding year.

chairman's report

Off-balance sheet assets dropped by 0.9% to Rs 78,346m at end-June 2011 compared to a rise of 50.1% at end-June 2010.

Total advances increased by 6.2% to Rs 520,182m at end-June 2011 compared to a growth of 19.5% in 2009-10. The ratio of advances to total assets rose slightly from 58.1% at the end of June 2010 to 59.4% in June 2011.

The deposit base of banks grew by 3.1% to Rs 641,102m at end-June 2011 lower than a growth rate of 13.5% recorded in the previous year. During the year 2010-11, Segment B deposits decreased by 0.3% while Segment A deposits increased by 7.7%.

As at end-June 2011, banks maintained an average capital adequacy ratio of 16.32% as compared to 16.6% year earlier. This decrease was the result of a higher growth of 9.5% in the total risk weighted assets as opposed to a growth of 7.9% in the aggregate capital base.

The ratio of non-performing advances to total advances deteriorated from 2.1% at end-June 2010 to 2.5% at end June 2011.

The pre-tax return on average assets stood at 1.5% at end-June 2011, as compared to 1.8% achieved a year earlier.

The post-tax return on equity declined from 20.0% to reach 16.8% during the financial year ended 30 June 2011.

Aggregate Pretax profits of Banks amounted to Rs 13.3bn for Financial Year June 2011 as against Rs 13.9bn for Financial Year June 2010.

Bank One – We Connect

Bank One's theme for 2010 was "We build" – Brand Value, Trust, Loyalty, Confidence and Proximity.

In 2011, under "We Connect" theme, after the building blocks had been laid, the Bank went on to connect deeper and wider with all its stakeholders; the customers in priority, the personnel, the community, the suppliers and the shareholders.

Key achievements have been:

(i) Launching of the first Emma Awards in March 2011 to acclaim women having excelled in their specific field of endeavour.

(ii) Relocation of Quatre Bornes branch in brand new premises under the new branch model. Bank One building is now a landmark in Quatre Bornes.

(iii) Supporting healthy lifestyle and sports through sponsorship of *Velo Club des Jeunes Cyclistes de Curepipe (VCJC)*, the champion cycle racing team in Mauritius. A special Bank One race was organised in that context.

(iv) Relocation of back office activities in Nirmal House, Port Louis, which has been renovated to create conducive ambiance for our employees.

(v) Launch of first Prepaid Card in Mauritius in November 2011 – POSH Cards which allows for planned expenditure on travel, education as well as salary or other benefit payments.

(vi) Launch of a unique Capital guaranteed Mauritian rupee investment product investing on the domestic stock market, called Neo Investments.

(vii) Continued upgrading of banks products – Home Loans, Consumer Loans and Education Loans, to better meet customer requirements.

(viii) Continued re-engineering of bank's processes and reinforcing internal controls.

(ix) Enhancing Risk Management culture through training and enabling tools.

(x) Increasing Bank One's presence in the region.

Bank One is in well advanced negotiations to acquire a significant stake in a bank regionally along with strategic partners and institutional investors. Financial closure is expected during 2012.

All the initiatives undertaken since the take-over of the Bank in February 2008 are now bearing fruit. Bank One is a recognised and trusted brand locally and regionally, which has led to the encouraging results posted during this financial year.

Performance

Despite a challenging economic context, Bank One posted better results in 2011.

The Bank delivered post tax profits of Rs 175m in 2011 as against Rs 168m in 2010. However, excluding exceptional gains of Rs 59m in 2010 out of sale of seized collaterals, the profits in 2011 are 61% higher than last year's profits.

This is a commendable achievement given the highly liquid rupee market and fewer lending opportunities in the rupee loan market. Segment B business continues to fare well. The Bank's total Assets grew by 12%, Deposits by 12% and Advances by 14%. The Bank focused more on effective balance sheet management and efficient resource allocation rather than sheer balance sheet growth.

Due to proactive risk management and enhanced collection and recovery procedures, Gross impaired loans ratio further improved from 5.09% in 2010 to 4.36% in December 2011. Net impaired loan ratio also dropped from 2.42% in December 2010 to 1.68% despite increase in delinquencies in 2010/2011.

Capital Management

The Bank growth momentum relies on adequate Capital and judicious deployment into risk assets.

The Bank Capital Adequacy ratio went up from 11.37% in 2010 to 12.01% in 2011 on account of:

(i) Preference for low/moderate credit risk weightage assets

(ii) Retention of internal accruals

(iii) Conservative Dividend payments.

(iv) Raising of additional Rs 50m subordinated debt in July 2011.

In order to meet its international expansion plans, the Bank will be raising an appropriate mix of Core Capital and Tier II Capital, including Preference Shares, during 2012. The Bank is also gearing itself towards meeting Basel III requirements in times to come.

Outlook for 2012

The year ahead could potentially lead to recession in Europe with contagion quickly spreading out to other large economies. The Mauritian economy is expected to grow at close to 4%. Europe continues to remain a key market for tourist and textiles and the economic recession in Europe coupled with a low Euro exchange rate augur unfavourably for the Mauritian economy. Public spending in infrastructure continues to be maintained and strategies for diversifications to non-European markets have been initiated to mitigate the shocks from Europe. The forecast for economic growth in Mauritius in 2012 is constantly being revised downwards. The IMF mission in January 2012 has also revised down its 2012 GDP growth estimate to 3.7% (from 4%).

Bank One strategy therefore is to moderate balance sheet growth and focus on asset quality and profitability. The regional expansion initiative is also most likely to come to fruition during the 2012.

Acknowledgement

In the current difficult environment, the Board takes comfort in the Bank's dedicated and hard working team led by the Chief Executive Officer. The Board wishes to congratulate the Chief Executive Officer, the Executives, the Managers and all the staff of Bank One for the good performance in 2011.

The Bank would not have been able to realise those results except with the increasing trust and loyalty to Bank One brand by its customers. The Bank is working to connecting deeper with all its clients for a mutually enriching relationship.

The Board wishes also to thank Bank of Mauritius, for its constructive and innovative supervision. It is no surprise to us that the Governor of Bank of Mauritius has been honoured as Central Banker of Year 2011 for Africa. The Board congratulates both the Governor and the Bank of Mauritius for this significant distinction.

I would also like to thank all my fellow Board Members who have actively contributed to the discussions both at Board level as well as the Committee levels through their wealth of experience and market knowledge.

Bonne Chance à Bank One!

Sarit S. RAJA SHAH
Chairman
07 March 2012

corporate governance report

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

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

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

The Board of Bank One is fully committed to attaining and sustaining the highest standards of corporate governance. This is ensured through the implementation of policies, procedures and practices - as more fully described throughout this Report - which encompass the fundamental tenets of good governance, mainly:

- Independent functioning of the Board
- Clear demarcation of responsibilities of the Board and Management
- Strategic Planning by the Board
- Management of risk
- Integrity of Internal Control and Management Information System
- Integrity in conducting banking operations
- Monitoring of Senior Management

SHAREHOLDERS

Holding Structure and Common Directors

Shareholding

As at 31 December 2011, the Bank's Stated Capital was Rs 551,456,000, divided into 5,514,560 ordinary shares of no par value, held as follows:

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

Issue of Shares & Share Transfers

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

Shareholders' Profile

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

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

As at 31 March 2011, its stated capital was made up of 1,063,073,525 no par value ordinary shares worth Rs 1,918,355,000 (out of which 159,461,029 were held as treasury shares). On that same date, there were 1,977 shareholders.

CIL's net profits for the year ended 31 March 2011 stood at Rs 581m and its net asset value was Rs 4.9bn. At Group level, the profit after tax was Rs 214m and the net asset value of the CIL Group amounted to Rs 5.1bn as at 31 March 2011.

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

I&M Bank Limited ("I&M Bank") is a Kenyan registered Bank that possesses a rich heritage in banking. With a network of 19 branches and 21 ATMs covering the major financial and commercial centres in Kenya and access to around 3,000 ATMs across the country as part of other networks, I&M Bank is a dominant player in the Kenyan market. It offers a wide range of commercial banking and financial products and services, and prides itself on introducing innovative products and services based on the needs of its customers.

I&M Bank is also well-established in Tanzania, with 6 branches located in key commercial centres of the country.

As at 31 December 2011, based on the audited, consolidated financial statements for I&M Bank, the customer advances portfolio stood at USD 781m, deposits amounted to USD 1,002m, while the profit before tax stood at USD 58.3m.

I&M Bank's total assets stood at USD 1,271m as at 31 December 2011 as against USD 1,075m as at 31 December 2010 (at the then prevailing exchange rate), and its total shareholders' equity stood at USD 172m as at 31 December 2011.

Bank's Constitution

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

A new constitution, in conformity with the Companies Act 2001, was adopted by the Shareholders on the 29 December 2010, and amended by special resolution dated 07 July 2011 - essentially for allowing the issue of redeemable shares.

corporate governance report

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

- Share transfers are subject to pre-emptive rights.
- The Board may, if authorised by the Shareholders, issue Shares that rank equally with or in priority to, or in subordination to the existing Shares with the requirement that the Shares be first offered to existing Shareholders.
- The Board shall consist of not less than 7 and not more than 10 Directors.
- Any Shareholder shall be entitled to appoint 1 Director for each 20% of the issued share capital held by it, and shall be entitled to remove such Directors by written notice to the Bank.
- The Shareholders may also, in addition to the Directors appointed pursuant to the above, appoint a minimum of 2 and a maximum of 4 Independent Directors.
- The Chief Executive Officer shall be appointed by the Board. He may also be appointed by the Board to act as Director. However, his appointment as Director shall cease automatically upon the termination of his office as Chief Executive Officer.
- The quorum for a Shareholders' meeting shall be 2 Shareholders, holding each not less than 35% of the voting rights.
- The quorum for a Board meeting shall be 4 Directors, comprising of at least one Director nominated by each Shareholder holding at least 20% of the issued share capital of the Company.

Aspects of Shareholders' Agreement affecting Governance

The appointment of the Chairman of the Board, who also presides at meetings of shareholders, rotates between CIEL Investment Limited and I&M Bank Limited on an annual basis. The Chairman has no second or casting vote at Board meetings and meetings of Shareholders.

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 allow such distribution.

The Board declared a final dividend of Rs 25m for the financial year 2010, which was paid on the 16 May 2011. Dividend payout ratio was 23%.

Shareholder Relations and Communication

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

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

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

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

Events	Date
Financial year end	31 December 2011
Annual Meeting of Shareholders	07 March 2012
Release of full year results 2011	March 2012
Declaration/Payment of Dividend (subject to Bank of Mauritius' approval)	March / May 2012
Release of 1st quarter results 2012	May 2012
Release of 2nd yearly results 2012	August 2012
Release of 3rd quarter results 2012	November 2012

BOARD OF DIRECTORS

Bank One is directed by a unitary board of 8 directors under the current chairmanship of Mr. Sarit S. Raja Shah, who is a Non-Executive Director. The other members of the Board comprised of 3 Non-Executive, 3 Independent and 1 Executive (namely the Chief Executive Officer) directors. Their individual profiles are given below.

The Chairman of the Board is elected amongst the Non-Executive Directors on an annual basis. The functions and responsibilities of the Board Chairman and of the Chief Executive are separate to ensure proper balance in power, increased accountability and greater capacity of the Board for independent decision-making.

The directors of Bank One have a broad range of skills, expertise and experience from banking, financial, commercial to legal, thereby enabling the Board to discharge its duties and responsibilities effectively.

Although the Code recommends a strong executive presence on a board of directors with at least 2 Executive Directors, the Board is of view that the spirit of the Code is met through the attendance and participation of the Deputy Chief Executive Officer and of other Senior Executives during Board deliberations.

In line with the Code, all directors stand for re-election on a yearly basis.

Changes in the Board composition during the year under review, refer to the appointment of Mr. Jason Harel as Independent Director effective from the 01 January 2011 and the annual rotation of the Board chairmanship, whereby Mr. Jean-Pierre Dalais was replaced by Mr. Sarit S. Raja Shah until the next Annual Meeting of Shareholders.

The appointment of a fourth Independent Director is also under active consideration.

(from left to right) Thierry Hugnin, Arun Shankar Mathur, Jérôme de Chasteauneuf, Jean-Pierre Dalais, Kim Foong (Roger) Leung Shin Cheung, Sarit Suresh Raja Shah, Pratul Hemraj Dharamshi Shah, Raj Dussoye, Paul Jason Harel.

board of directors

Members of the Board of Directors & their Profile

Sarit Suresh RAJA SHAH
Chairman & Non-Executive Director (Age 43)

Mr. Sarit Shah is a director of the Bank since the 22 February 2008. He was appointed to act as Chairman of the Board on the 16 March 2011 until the next Annual Meeting of Shareholders in 2012.

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

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

Jean-Pierre DALAIS
Non-Executive Director (Age 47)

Mr. Jean-Pierre Dalais is a director of the Bank since the 22 February 2008. He is also a member of the Board Administrative & Staff Compensation Committee.

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

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

Thierry HUGNIN
Non-Executive Director (Age 45)

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

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

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

Arun Shankar MATHUR
Non-Executive Director (Age 58)

Mr. Arun Mathur is a director of the Bank since the 22 February 2008. He is the Chairman of the Board Administrative & Staff Compensation 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. He started his banking career in 1976 with the State Bank of India and joined Grindlays Bank, India in 1982, where he worked in their Nairobi office 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.

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

Raj DUSSOYE
Director & Chief Executive Officer (Age 50)

Mr. Raj Dussoye is a director and the Chief Executive of the Bank since the 22 February 2008.

Mr. Dussoye is an Associate of the Chartered Institute of Bankers (UK) and holds an MBA from the Herriot-Watt University, Edinburgh, 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 joined the CIEL Group in August 2007 and was appointed CEO of Bank One in February 2008.

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

Kim Foong (Roger) LEUNG SHIN CHEUNG
Independent Director (Age 65)

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

Mr. Leung is an Associate of the Chartered Institute of Bankers 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.

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius:
VIVO Energy Mauritius Ltd (formerly Shell Mauritius Ltd)
The Mauritius Development Trust Co. Ltd

Pratul Hemraj Dharamshi SHAH
Independent Director (Age 57)

Mr. Pratul Shah is a director of the Bank since the 22 February 2008. He is also the Chairman of the Audit Committee, and a member of the 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 a Certified Public Secretary of Kenya. He was a partner of PricewaterhouseCoopers, Kenya. He holds directorships in diverse companies in East Africa, in the financial, manufacturing and services sectors.

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

Paul Jason HAREL
Independent Director (Age 40)

Mr. Jason Harel is a director of the Bank since the 01 January 2011. He is also a member of the Audit Committee and of the Corporate Governance & Conduct Review Committee.

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

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

Jérôme DE CHASTEAUNEUF
Alternate Director to Mr. Jean-Pierre Dalais (Age 45)

Mr. Jérôme de Chasteauneuf is the alternate director of Mr. Jean-Pierre Dalais since the 22 February 2008.

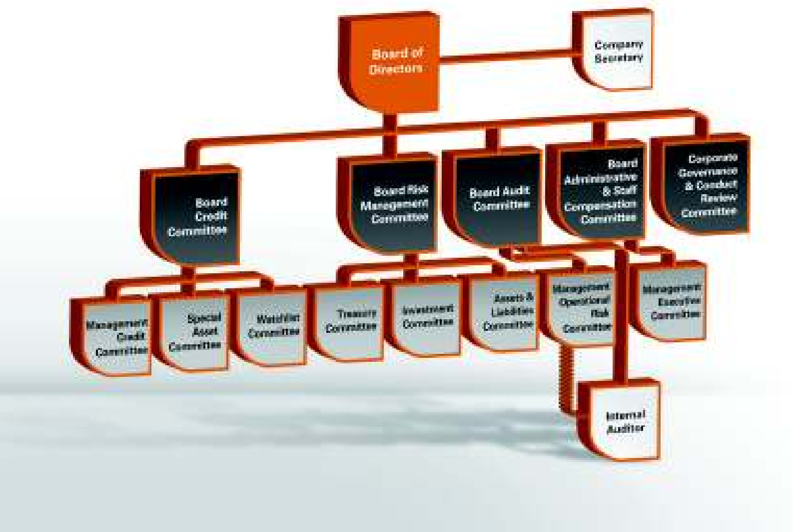
Mr. de Chasteauneuf is registered as a Chartered Accountant with the Institute of Chartered Accountants in England and Wales. He joined the CIEL Group in 1993 as Project Financier and was promoted Head of Finance since 2000.

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

Corporate Governance Framework

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

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



Board Charter

In line with the Code, the roles and responsibilities of the Board are set out in a Board Charter. Same are summarised below:

- To set the Bank's vision, mission and values;
- To determine the overall strategy of the Bank;
- To monitor and evaluate the implementation of strategies, policies and performance measurements;
- To exercise leadership, enterprise, integrity and judgment in directing the Bank;
- To identify and assess key risk areas of the business and ensure risk mitigating measures are in place;
- To ensure that effective internal controls systems are in place to safeguard the Bank's assets;
- To ensure compliance with all local laws and regulations, including risk management and corporate governance practices and disclosure requirements;
- To approve important capital investments of the Bank;
- To ensure that capital is fully optimised;
- To review and monitor investment in information technology and strategic assets, and ensure that they are prioritised according to the Bank's strategy;
- To evaluate performance and review compensation of Senior Management;
- To ensure an adequate succession planning is in place;
- To ensure adoption of good corporate governance practices; and
- To ensure effective communication with Shareholders.

Meetings of the Board and Conduct of Meetings

The Board has 4 scheduled meetings each year. In addition, special meetings may be called from time to time as determined by the needs of the business or at the request of any director.

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

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

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

Director Induction and Board Access to Information & Advice

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

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

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

Board Evaluation

Upon recommendations of the Company Secretary, an annual Board Appraisal Exercise has been introduced to assess the performance of the Board, its procedures, practices and administration.

The first exercise was carried out for the year 2011. Directors and Senior Executives (where applicable) were requested to rate the Board based on a number of relevant criteria, such as its size and composition, the conduct and proceedings of its meetings, its role and responsibilities, directors' and Chairman's contribution. After compiling the results and various comments, an action plan was devised by the Company Secretary to address the areas requiring improvement and to enable the Board to deliver its responsibilities more efficiently and effectively. The proposed action plan was discussed at the Corporate Governance Committee level, and submitted to the full Board in view of its implementation.

Directors' Interests in Shares

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

corporate governance
report

BOARD COMMITTEES

The Board has set up 5 Committees, namely the Audit Committee, the Risk Management Committee, the Credit Committee, the Administrative & Staff Compensation Committee, and the Corporate Governance & Conduct Review Committee, to assist in the discharge of its duties.

The functions and responsibilities of each committee are outlined in their terms of reference, which meet the requirements of the Code. Same are summarised below.

Audit Committee

The members of the Audit Committee are:

Chairman	Pratul Hemraj Dharamshi Shah (Independent)
Other Members	Kim Foong (Roger) Leung Shin Cheung (Independent) Paul Jason Harel (as from 01.01.11) (Independent)

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

- To set up and oversee the overall standard for financial reporting and internal controls within the Bank;
- To review and assess the quality of the work done by the professionals responsible for financial reporting and internal control;
- To make recommendation regarding the appointment of the external auditor; and
- To 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 is composed of the following Directors:

Chairman	Kim Foong (Roger) Leung Shin Cheung (Independent)
Other Members	Pratul Hemraj Dharamshi Shah (Independent) Arun Shankar Mathur (Non-Executive)

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

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

Board Credit Committee

The Board Credit Committee is comprised of the following Directors:

Chairman	Arun Shankar Mathur (Non-Executive)
Other Members	Kim Foong (Roger) Leung Shin Cheung (Independent) Thierry Hugnin (Non-Executive)

The Committee meets as frequently as required by the business and as far as possible on a monthly basis. The duties of the Committee are summarised below:

- Approving loans applications beyond the discretionary limits of the Management Credit Committee;
- Reviewing lending by Management Credit Committee and Bank officers in exercise of the powers delegated;
- Reviewing 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;
- Ensuring compliance with Guidelines issued by Bank of Mauritius on Credit Risk Management;
- Reviewing all non-performing advances on a continuous basis and guide Management on recovery actions as appropriate;
- Reviewing the overall lending policy of the Bank;
- Reviewing and approving the Bank's panel of various professional firms.

Board Administrative & Staff Compensation Committee

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

Chairman	Arun Shankar Mathur (Non-Executive)
Other Members	Kim Foong (Roger) Leung Shin Cheung (Independent) Thierry Hugnin (Non-Executive) Jean-Pierre Dalais (Non-Executive)

The Committee has 4 scheduled meetings per year and has the following main responsibilities:

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

Corporate Governance & Conduct Review Committee

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

Chairman	Kim Foong (Roger) Leung Shin Cheung (Independent)
Other Members (Independent)	Paul Jason Harel (as from 01.01.11)
	Pratul Hemraj Dharamshi Shah (Independent)

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

- To review and approve credit exposure to Related Parties;
- To establish policies and procedures in compliance with the guideline issued by the Bank of Mauritius on Related Party Transactions;
- To advise the Board on all aspects of corporate governance and recommend the adoption of best practices for the Bank;
- To monitor the implementation of the Bank's Corporate Social Responsibility activities in accordance with applicable guidelines;
- To review the Bank's policies on related party transactions and CSR on an annual basis or as and when required, and make recommendations accordingly to the Board.

In line with the Code, matters pertaining to Board appointments and remuneration are discussed at the Corporate Governance Committee and recommendations made accordingly to the Shareholders. However, no Director will participate in discussions regarding his own package. On this aspect, the remuneration policy for Independent Directors was discussed at full Board level and the Independent Directors stayed away from deliberations on the matter.

Attendance to Board Meetings & Meetings of Board Committees during the year 2011

The following table shows members' attendance at meetings of the Board and Board Committees for the financial year ended 31 December 2011:

	Board of Directors	Board Committees				
		Audit Committee	Risk Management Committee	Administration & Staff Compensation Committee	Credit Committee	Corporate Governance & Conduct Review Committee
No. of meetings held during the year	**5**	**5**	**4**	**4**	**10**	**4**
Sarit S. Raja Shah	5	N/A	N/A	N/A	N/A	N/A
Jean-Pierre Dalais	5	N/A	N/A	4	N/A	N/A
Arun Mathur	4	N/A	4	4	10	N/A
Thierry Hugnin	5	N/A	N/A	3	10	N/A
Raj Dussoye	5	N/A	N/A	N/A	N/A	N/A
Roger Leung	5	5	4	4	10	4
Pratul Shah	5	5	4	N/A	N/A	4
Jason Harel	3	5	N/A	N/A	N/A	3

Note: Although not a member of the various Board Committees, the Chief Executive attends to all their meetings. Similarly the Deputy Chief Executive generally attends to all Board Meetings and meetings of the Board Committees.

Statement of Remuneration Philosophy

The remuneration policy for Directors was revised by the Shareholders in 2011 upon recommendations of the Corporate Governance Committee, for Non-Executive Directors other than Independent Directors, and of the Board of Directors, for Independent Directors.

According to the revised policy, Non-Executive Directors are henceforth entitled to directors' fees on the same basis as Independent Directors, and directors' fees are now composed of a fixed annual fee and of an attendance fee. Chairmen of the Board/Board Committees are generally entitled to higher fees as compared to other directors/members.

Mr. Raj Dussoye, the Chief Executive Officer and sole Executive Director of the Bank, is not remunerated for serving on the Board. His remuneration package as an employee of the Bank includes his salaries, performance bonus and other benefits. However, because of the commercially sensitive nature of this data, the Board has agreed not to disclose his emoluments.

Remuneration and benefits paid by the Bank to the Directors (other than the Chief Executive Officer/Executive Director) during the financial year 2011 were as follows:

	Rs
Sarit S. Raja Shah	460,000
Jean-Pierre Dalais	500,000
Arun Mathur	828,000
Thierry Hugnin	612,000
Jérôme de Chasteauneuf	120,000
Jason Harel	480,000
Roger Leung Shin Cheung	1,180,000
Pratul Shah	840,000
Total	**5,020,000**

Directors' Service Contracts

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

(from left to right) Ramachandra Krishnamurthy Gurumurthy, Jessie Smiles Arigala, Valérie Duval, Vincent Hardy, Rabindranath Dabee, Dhinoo Veerasawmy, Raj Dussoye, Anne Marie Koo Ton Fah, Danny Balluck.

executive management

EXECUTIVE MANAGEMENT

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

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

Members of the Executive Management & their Profile

Raj DUSSOYE
Chief Executive

His profile is provided under 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 over 30 years. He acquired a global experience, having worked in India, Japan, Kenya, Tanzania and Mauritius. He started his career with the State Bank of India and has experience in all areas of banking, such as Treasury, International Banking, Corporate Banking, Retail Banking, Operations. He has 17 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.

Dhinoo VEERASAWMY
Chief Operating Officer

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

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. He has been working in different sectors of the economy, including textile, financial services and tourism. Prior to joining Bank One, he was the CFO of Investment Professionals Limited (CIEL Group) an investment management services company.

Vincent HARDY
Head of Corporate Banking

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

Rabindranath DABEE
Head of International Banking

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

Anne Marie KOO TON FAH
Head of Retail Banking

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.

Valérie 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 and also acts as internal legal adviser on legal matters pertaining to the affairs of the Bank.

Ramachandra Krishnamurthy GURUMURTHY
Treasurer

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

Executive Management's Interests in Shares

None of the existing Executive Management officers holds shares in the Bank's capital.

Auditors' Fees and Fees for other services
Auditors' fees and fees for other services paid to BDO & Co during the financial year 2011 were as follows:

	Rs
Audit fees	1,299,500
Quarterly high level review	143,750
Internal Control Review	258,750
Tax Advisory	86,250

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

Employee Share Option Plan
Bank One currently has no employee share ownership plan.

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

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

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

(ii) those that related otherwise, such as directors and senior officers who may also have some ownership interest in the Bank.

In line with the Related Party Transactions 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 Corporate Governance & Conduct Review Committee and to the Board. The Bank also maintains a list of related parties, which is regularly updated as and when notifications are received from its Shareholders, Directors and Senior Officers.

All proposed related party transactions are approved at the level of the Corporate Governance & Conduct Review Committee, which ensures that market terms and conditions are applied to such transactions.

Exposure of the Bank's top six related parties as at December 2011

Related Party	Exposure Rs m	% of Tier 1 Capital
1	132	17.00
2	120	15.50
3	38	4.90
4	26	3.40
5	2	0.30
6	1	0.10

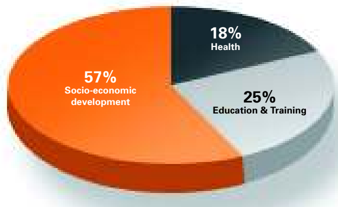
Credit exposure to related parties for the year under review is given under note 32 of the Financial Statements.

Corporate Social Responsibility (CSR)
The Bank channels its CSR contribution through "Fondation Nouveau Regard" ("the Foundation"/"FNR"), which is the vehicle for the CIEL Group's social action. Bank One's contribution to FNR for the financial year 2010 amounted to Rs 373k and the amount for the year under review is Rs 290k.

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

FNR selects its partners among local NGOs active in the field and having proven experience and competence. The Foundation offers financial support to these NGOs and monitors the implementation of their projects. As at June 2011, the Foundation's financial involvement has amounted to nearly Rs 33m.

During the year 2010/2011, 29 projects have been financed by FNR for a total amount of Rs 7.7m, allocated as follows:



NGOs supported by the Foundation are active in fields such as disability, street children, non-formal education, Type 1 diabetes, rehabilitation of prisoners, alcoholism and community development.

Charitable Donations & Political Funding
Apart from the above CSR contribution to FNR, no other charitable donations or political funding were made during the period under review.

Code of Ethics & Business Conduct
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, as well as the Bank's Code of Ethics.

The Board has also adopted a whistleblowing policy to enable employees to raise concerns on any improper conduct or unethical behaviour without fear of reprisal.

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

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

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

A Fire Drill exercise was successfully organized on the 29 September 2011 whereby the Bank was able to assess the effectiveness of the trainings received by the staff as no exception to the procedures in place was noted.

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

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

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

This 07 March 2012

Kamini VENCADASMY, ACIS
Company Secretary

we connect

to our retail clients

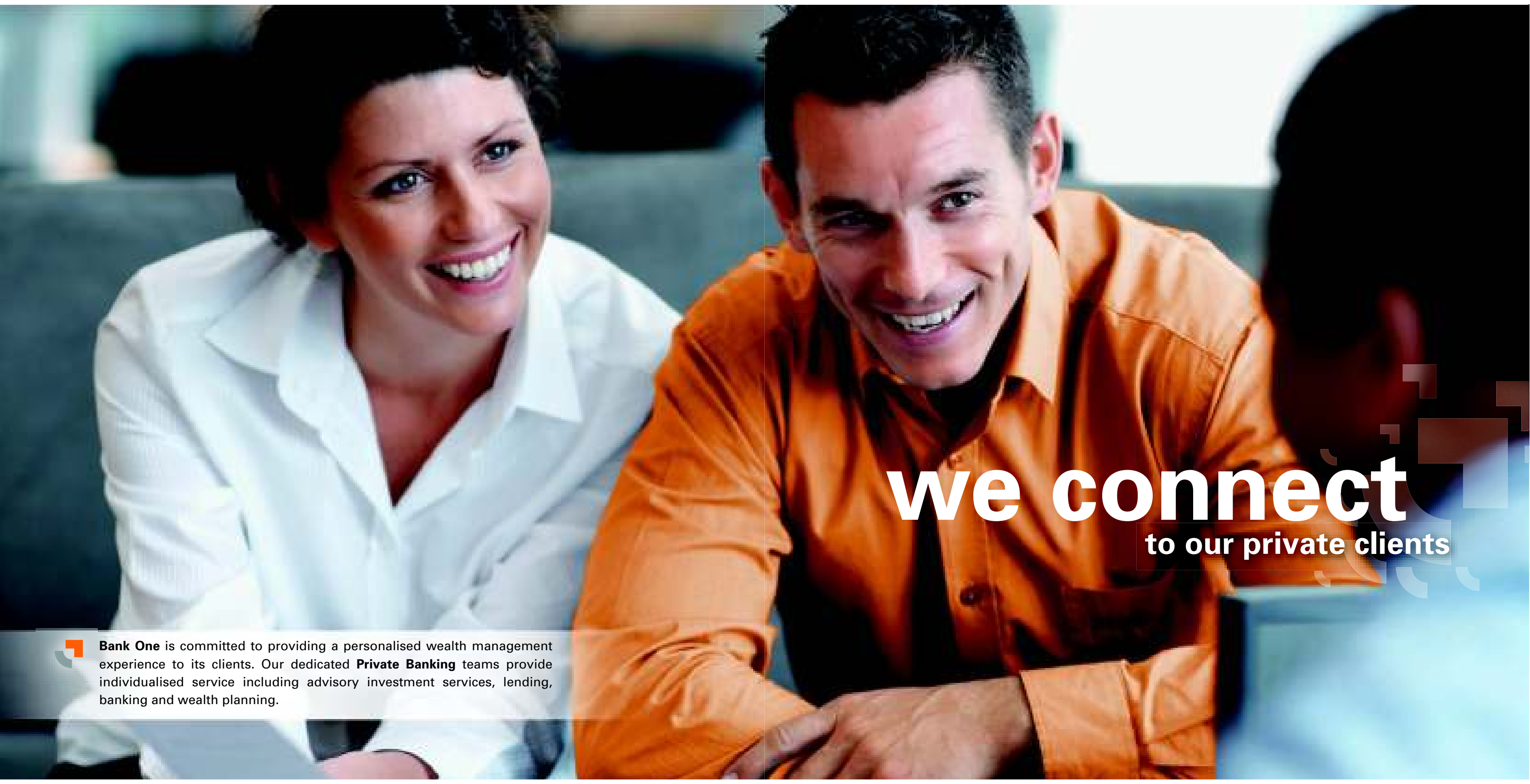
We understand the needs of our clients and bring tailor-made solutions to suit their needs. **Bank One NEST Home Loan** is a very flexible and accessible housing finance especially designed with the young couples in mind.

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 2011, all such returns as are required under the Companies Act 2001.

This 07 March 2012

Kamini VENCADASMY, ACIS
Company Secretary



Bank One is committed to providing a personalised wealth management experience to its clients. Our dedicated **Private Banking** teams provide individualised service including advisory investment services, lending, banking and wealth planning.

management discussion & analysis

HIGHLIGHTS

Bank One has been able to achieve its objective by delivering a profit after tax of Rs 175m representing a growth of 61% over last year's profit (excluding the non-recurrent gain of Rs 59m in 2010). Return on Equity improved to 20% from 15% in 2010 (excluding non-recurrent gain).

Net Interest income increased to Rs 356m or 22%, on the back of the loan book progression and improved margin in both rupee and foreign currency. The decrease in the cost of deposits was a major contributor in the improved margin, while on the foreign currency business, better yields were earned on advances.

Domestic market was still flush with excess liquidity throughout 2011 despite the increase in the BOM cash reserve ratio from 6% to 7% in February 2011. The Bank did not go for aggressive deposit mobilisation as available resources were adequate to accommodate for the loan deployment.

Non Interest income rose by 32% to Rs 213m driven principally by good performance from treasury activities. Volumes on merchant deals picked up satisfactorily during the second semester of 2011 after a sluggish performance during 2010. Overall Treasury income remained on a solid trend supported by new income streams through the diversification strategies implemented in 2011.

Non Interest expenses amounted to Rs 332m representing an increase of 14%, in line with increased business volumes and to a large extent annual staff salary increase, both statutory and performance related. The cost to income ratio dropped from 64% to 58%, with increase in income level and also reflecting results of our War on Wastages (WOW) initiative.

Total Asset Base amounted to Rs 15.6bn, representing a growth of 12% over last year. Given the difficult business climate the Bank did not go for an aggressive balance sheet growth. Despite that, the return on average total assets was at 1.21% compare to 0.91% last year (excluding non-recurrent gain).

Deposits stood at Rs 14bn, with a growth of Rs 1.5bn or 12% over last year. The growth came principally from Segment B business with 22% progress while Segment A grew by 6% due to excess liquidity in the domestic market. The Segment B and Foreign Currency deposits now represent 40% and 44% respectively of total deposit base. An improvement of 3% is also noted on low cost deposits base, for rupee and stagnant for the foreign currency at 54%.

Loan book progressed by 14% to reach Rs 9.5bn with 6% and 42% growth registered in Segment A and Segment B respectively. On the domestic front, credit demand from corporate continues to be sluggish and lending was predominantly made to retail segment under Housing Loans and SME financing.

The impaired loan ratios continue to improve with a gross impairment ratio of 4.36% as at 31 December 2011 compared to 5.09% last year. Despite difficulties in certain sectors of the economy and resulting delinquency, the Bank's credit exposures and concentration remained well balanced and sound aided by a tighter credit risk management. Net impaired ratio also dropped from 2.42% in December 2010 to 1.68% in 2011.

The Bank increased the provision level during the year by Rs 37m or 12%, leading to an improved coverage ratio of 85% as at 31 December 2011, as against 74% in December 2010.

As at 31 December 2011, capital adequacy ratio stood at 12.01%. During the year, the Bank raised additional Rs 50m of subordinated debt to support the business growth. Tier 1 capital improved as a result of earnings retention with a conservative dividend payment.

Bank One will continue to look for segmental growth opportunities whilst ensuring high efficiency levels, better risk management and maintaining adequate capital.

All in all, 2011 was a good year for Bank One despite the challenging operating and business environment. The performance of 2011 reflects the continued success of Bank One's business model, demonstrating our determination and commitment towards our clients.

PERFORMANCE AGAINST OBJECTIVES

Objectives for Year 2011	Performance in Year 2011	Objectives for Year 2012
Return on Average Equity Target Return on Average Equity of 20%, excluding recurrent gain	Despite difficult operating environment and sluggish growth the Bank generated an improved Return on Average Equity of 20% compared to 15% last year.	With the risks of weaker growth and slower economic activity in 2012, we expect the return on average equity to be flat at 20%.
Return on Average Assets To achieve a ROAA of at least 1.0% excluding exceptional items	ROAA improved from 0.9% to 1.2% in 2011.	ROAA to improve sensibly to 1.4%
Deposits Growth Segment A - 20% Segment B - 25%	Total deposit base grew by 12% with recorded growth of 6% and 22% in Segment A and Segment B respectively. The domestic market was still flush with excess liquidity throughout the year 2011 and the Bank did not aggressively go for deposit mobilisation.	Total deposit base will be expected to grow by 29%. Segment A – Due to continued excess liquidity situation, we have projected a reasonable growth of 15%, supported by opening of new branches. Segment B – Expected growth of 48%. The Bank will continue to leverage on the presence of the shareholder's in certain key markets in Eastern Africa and will also develop new relationship in the southern African countries and in the region.
Loan Book Total loan book to progress by 20% Segment A - 15% Segment B - 40%	Total loan book increased by 14%, with 6% and 42% growth in Segment A and Segment B respectively. Lending opportunities were weaker than expected due to slowdown in economic activities and lower private domestic investments. The Bank was very selective in lending and did not venture into high risk exposures.	Target growth of 37% in the loan book. Segment A – 25% growth and we expect the business activity to pick up as from second half of 2012. Segment B – Growth of 48% is projected with selected lending.
Asset Quality To bring down the Gross impaired advances to 3.5%. Improving coverage ratio to 90% Net impaired advances to net advances to be further reduced to 1.5%.	Gross impaired advances stood at Rs 416m as at December 2011, representing an impaired ratio of 4.3%. (5% as at December 2010). Certain important recoveries which were expected to be materialised during 2011 were delayed due to legal process but are now expected to be materialised in 2012. Net Impaired ratio dropped from 2.4% in December 2010 to 1.68%, close to the target of 1.5%. The coverage ratio was at 85% as at December 2011, an improvement of 10% over Dec 2010.	Together with the pursuance of the recovery actions and strict risk management practices, the gross impaired ratio is expected to improve to 2.8%. Net impaired ratio to drop to 1% Coverage ratio to improve to 90%
Cost to Income Ratio With improved efficiency we expect an improvement in cost to income ratio to 55%.	The Bank maintained its cost control policy and the benefits are reflected through the improvement of the cost to income ratio from 64% to 58%.	Increased efficiency and cost control will be a key component in the priorities of Bank One in 2012 and the cost to income ratio is expected to drop below 55%.
Capital Management Objective is to continue maintain the CAR above 11%.	The Bank Capital is stronger today, with a capital adequacy ratio of 12%, well above the minimum regulatory requirement.	Capital adequacy ratio to be maintained above 11%.

FINANCIAL ANALYSIS | Income Statement for the year ended 31 December 2011

	Year ended Dec-11 Rs 000	Year ended Dec-10 Rs 000	Year ended Dec-09 Rs 000
Net interest income	356,190	292,162	132,541
Net fee and commission income	103,736	94,555	63,430
Net trading income	109,900	57,416	65,788
Other operating income	299	10,278	13,259
Operating income	**570,125**	**454,411**	**275,018**
Non interest expense	(331,841)	(291,468)	(243,404)
Operating profit before exceptional items	238,284	162,943	31,614
Exceptional items	0	59,322	0
	238,284	222,265	31,614
Allowance for credit impairment	(35,615)	(26,421)	10,700
Profit before tax	**202,669**	**195,844**	**42,314**
Income tax expense	(27,381)	(27,556)	(3,826)
Profit for the year	**175,288**	**168,288**	**38,488**

FINANCIAL HIGHLIGHTS | Net Interest Income

	Year ended Dec-11 Rs 000	Year ended Dec-10 Rs 000	Year ended Dec-09 Rs 000
Interest Income			
Loans and Advances to customers and banks	697,201	609,774	495,160
Investment Securities	109,985	98,084	91,843
Placements	18,310	23,428	20,292
	825,496	**731,286**	**607,295**
Interest Expense			
Deposits from customers	444,071	422,010	466,404
Borrowings from banks	41	402	1,633
Other	25,194	16,712	6,717
	469,306	**439,124**	**474,754**
Net Interest Income	356,190	292,162	132,541
Average Interest Earning Assets	10,943,808	9,829,977	7,154,319
Average Interest Bearing Liabilities	10,333,232	8,611,527	7,429,530
Interest Income/Average Interest Earning Assets	7.54%	7.44%	8.49%
Interest Expense/Average Interest Earning Liabilities	4.54%	5.10%	6.36%
Net Margin	3.00%	2.34%	2.13%
Core Revenue	569,730	444,133	253,759

Interest income improved to Rs 825m or 13%, sustained by the growth in the loan book and investment in securities. The earnings asset mix has changed marginally with 80% of loans and advances and 20% in placements and investments in securities.

The return on average earning assets on the rupee book was marked by several important factors mainly, decrease in the repo rate by 25bps in March 2011, aggressive price competition on mortgage loans and decreasing yields on government securities.

Performance on the foreign currency transactions were satisfactory on the back of a 39% growth in volumes and improved yields in our main currencies. The foreign currency component of the total assets stood at 42% as at 31 December 2011.

Interest expense increased to Rs 469m, representing an increase of 7% compared to last year. This increase is influenced by the growth in foreign currency deposit book of 16% and the rupee deposit book of 9%. The easing of the monetary policy in the domestic market has helped in keeping the rates low for deposits and also benefitted the Bank by way of re-pricing of maturing high costs term deposits at lower rates, hence improving the cost of deposits.

The Bank continues to manage the assets and liabilities in a dynamic and proactive manner, with the result of improved net margin to 3% in 2011.

Interest Income & Interest Expense

Non Interest Income

	Year ended Dec-11 Rs 000	Year ended Dec-10 Rs 000	Year ended Dec-09 Rs 000
Net Fees and Commission	103,736	94,555	63,430
Net Trading Income	109,900	57,416	65,788
Other Operating Income	299	10,278	13,259
	213,935	**162,249**	**142,477**

Non Interest income successfully expanded by Rs 52m or 32% and represented 37% of total revenue. The increase is driven primarily by strong performance from treasury operations which contributed 51% of the total non interest income. Despite lower activity recorded during the first semester of 2011 in merchant deals amid slowdown in import/ export business and aggressive competition with new market entrants, the treasury department managed to generate good income from other diversified income streams. Fees and commission progressed by Rs 9m or 10%, supported by the increase in business volume and trade finance activities especially in Segment B. Fees from credit card business performed well compared to 2010 which was the first full year of operation.

Net Interest & Non Interest Income

Non Interest Expense and Cost Management

	Year ended Dec-11 2011	Year ended Dec-10 2010	Year ended Dec-09 2009
Personnel Expenses	203,078	173,235	144,646
Depreciation and Amortisation	35,043	34,640	30,422
Other Expenses	93,720	83,593	68,336
	331,841	**291,468**	**243,404**

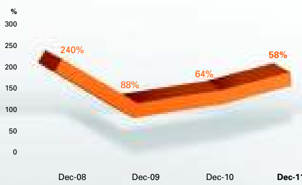
Non Interest expenses were up by Rs 40m representing 14% increase on average. This increase is predominantly due to increase in personnel expenses and costs related to increase in business volumes.

Personnel expenses increased by 17% or Rs 30m which is attributable to annual statutory increase, Performance related bonus, New recruits and Capacity building.

Other expenses increased by Rs 10m or 12% largely as a result of business scaling up. While the Bank managed to contain the costs in certain operational areas, additional costs were incurred in strategic areas like premises, marketing and business promotions with a view to offer better service to our clients. Director's remuneration was changed in 2011, and all Non-Executive Directors are now being paid on an attendance basis on different committees and board meetings.

Cost to income ratio for 2011 was at 58% on average, reflecting an improvement of 6% over last year, on the back of increased operating income but also result of efficient cost control management and continuous business process review.

Cost to Income Ratio



DISCUSSION BY LINE OF BUSINESS

Retail Banking

Performance

Retail Banking has continued to grow in 2011 despite economic slowdown and stiff competition in all sectors. Advances have grown by 50% over the year, moving from Rs 1,474m to Rs 2,209m. This appreciable level of growth has been made possible by reaching out to the market through a policy of proximity and by responding quickly to the requirements of our clients through constant review of our products. The housing segment which shows a growth of 82% over the year has been fuelled by our competitive offers and level of service. The SME segment, despite sluggish economic conditions, has grown by 59% over the year.

Deposits show a reasonable growth of Rs 547m from Rs 4,927m to Rs 5,473m although excess liquidity conditions prevailed in the market.

Product Offering

Bank One continues to support the SME sector and acknowledges the fact that liquidity and security are major impediments to the growth of this sector. To help overcome these difficulties, the Bank introduced Invoice Discounting facilities in 2011 with the aim to improve the cash flow and working capital of the SME and to overcome the collateral requirement constraint faced by them.

The Bank is also in the process of signing a Guarantee scheme for SMEs with Agence Française de Development (AFD) under their ARIZ scheme; ARIZ will guarantee 50% of the loans to be made by Bank One to SMEs on a portfolio basis.

The NEST Home Loan continues to be very successful with its competitive rates and conditions and has powered the growth of our home loan segment despite competitors strongly pulling down rates.

Other products and services have been reviewed and enhanced to cater for the changing needs of our clients. Our EMMA account, the only account exclusively for women in Mauritius, now offers discounts on medical checkups at the Fortis Darne Medical Centre. 2011 saw the first edition of the EMMA Awards, under which Bank One recognises and rewards outstanding women in the fields of education, entrepreneurship, arts and culture, social and sports. This will continue to be an annual event to support women empowerment.

Educational loans are now available for longer tenor and at more attractive rates to enable parents and students to finance studies both locally and overseas.

SME Banking

Well before official support to the SME sector, Bank One had recognised the importance of this economic sector and had strategically positioned itself to become an SME Bank of choice; As far back as 2008, SME specialists were recruited to support branches in delivering to SME clients. The SME specialists operate on a regional basis. Bank One recognises the intimate link between the SME client and the branch staff and operates SME banking in a decentralised model. This has enabled the Bank to now have amongst its portfolio more than 2000 SMEs clients, which represents a reasonable share of the market.

As a keen participant in the SME scheme sponsored by government, for financing SMEs at concessionary rate, Bank One is committed to provide facilities to eligible clients, with already a strong pipeline and disbursements under way. Bank One, along with other local banks, is also actively participating in the setting up and running of the NRF Equity Investment Ltd, a fund put into place collaboratively between government and banks, to invest equity and/or quasi equity into SMES with good growth potential.

Focus on Service Quality

Service quality remains a priority for the Bank. To ensure the level of service quality expected by all our clients, training sessions are regularly carried out to upgrade staff knowledge business processes are constantly reviewed to cut down cycle time thereby ensuring faster and more efficient service. Quality Service coordinator continues to monitor service delivery performance across all branches identifying gaps and advising on process reengineering on a continuous basis; Complaints are handled through a complaints committee and through Service Quality meetings with prompt action and follow up.

The Bank aims at making Service Excellence as its competitive strengths and is gradually adopting best practices in that respect.

Channels

After Rose Hill and Rose Belle, 2011 has witnessed the relocation of our Quatre Bornes branch to new premises. Our Quatre Bornes Branch is now a landmark which cannot be missed. This continuing process of improving our branch premises aims to give our valued clients the banking environment which they deserve. Our relocated branches as well as upcoming ones all provide a new approach to branch banking by offering a dynamic and welcoming ambiance to our clients. Two more branches will be opened in 2012 - One at Cascavelle in the west which will become operational in March 2012 and a second one in La Croisette, Grand Bay to be operational in last quarter of 2012. Total Branches, at end 2012, will reach 16.

After SMS top-up, the Bank will be introducing SMS alert service to its clients as a means to improve communication; The mini call centre, which was tested in 2011, is likely to progress into a full call centre, in a format which is being re-looked into.

The Bank is now a principal member of VISA and has applied for an e-commerce license. The Bank is soon to become a POS acquirer and will provide POS facilities to all its customers. As the array of products and services grows, e-business is likely to develop into a line of business of its own.

Marketing

The Bank innovated with a three months Special Sunday campaign in Flacq to meet our clients at their leisure in a non-banking environment. Open days were also carried out in selected shopping centres and our Rose Belle branch offered late Friday opening as well as Saturday opening for two months for added convenience to the clients.

The Bank continued with its traditional door-to-door campaign as part of its strategy for personalised banking service. Product marketing campaigns during the year using traditional media like press, radio, billboards were continued.

Brand Bank One has now acquired a definite mind share; word of mouth referral remains one of the key means for Bank to acquire new clients.

Outlook

Retail Banking is ready to sustain its growth and increase its market share backed by a dynamic and motivated team and a competitive offer of product and services with special focus on the SME and home loan segments, fully supported by a proper marketing campaign and a quality drive.

Corporate Banking

The Corporate Banking Division delivers a broad range of financial services to corporate, institutional and government customers based in Mauritius with an annual turnover in excess of Rs 50m operating locally.

The Corporate segment prides itself on empowering clients by delivering simplified banking solutions combined with sincere service through dedicated relationship managers, specialist support teams and an expanding branch network.

Against the backdrop of a moderate credit environment, largely attributable to fragile European economies adversely impacting demand for Mauritian exports, the rate of growth of new customer loans softened during the year along with a reduction in related non interest income revenues. Despite the above the Corporate Banking segment has maintained a strong track record of growth since inception in 2008 with our lending portfolio having increased from a modest Rs 807m base to reach Rs 3.8bn as at 31 December 2011. At the same time, deposits grew from Rs 540m to Rs 2.3bn.

On the liability side of the balance sheet, prevailing excess liquidity in the domestic market continued to extend favourable influence on re-pricing of long term corporate deposits. The positive impact on net spreads was however subdued by lower lending activity which resulted in competitive pressure on lending margins.

Our appreciation for client connectivity and emphasis on service levels has enabled us to achieve significant progress with our strategic growth ambitions. We are confident of the future and intend building on our solid foundation by deriving greater synergies across the business segments to continue diversifying traditional income streams. Special emphasis shall be placed on exploring further cross-selling opportunities and promotion of merchant dealing business to take advantage of organic growth opportunities to deliver on our strategy.

As we look forward to 2012 and take into account the vulnerable nature of the banking landscape following the global financial crisis, our aspiration will be to streamline our operations in order to navigate swiftly and grow cautiously. Above all, focus will be on preventive measures to minimise delinquency.

International Banking

Started in 2008, International Banking is now one of the most profitable line of business of the Bank, contributing around 40% to Bank's revenue and assets. International Banking focuses on serving Segment B clients through a dedicated and competent team of professionals. It offers deposit accounts in various currencies and carries cross border lending. Deposits are sourced through management companies in Mauritius as well as leveraging on the presence of I&M Bank in various African countries. In terms of deployment, the Bank is actively involved in Trade Finance, structured asset finance and Bank lending.

During 2011, total deposits grew by 22%, reaching nearly USD 200m; Assets grew by 24% while Net profits grew by 36%. The Bank has amongst its clients, large trading companies which are very active regionally. Bank One is therefore strongly supportive of regional Trade. Bank One is also involved in financing some mining activities, which sell to large buyers in China and India.

A very significant part of international banking assets is in bank exposure, including some African banks, Middle East banks, Indian banks, Chinese banks and some European banks. Due to persistent downgrading of European banks, Bank One has been increasingly diversifying its exposure away from Europe and more into Asia. Lines are approved by the Board Risk committee and monitored on a quarterly basis.

Projects in International Banking include strengthening the team, adopting a best practice operating model, skill enhancement and implementing tools for better risk management.

The Bank is currently well advanced in its discussions to acquire a significant stake in a regional Bank, in alliance with strategic partners. Further opportunities are also being explored which will lead to enhanced regional presence and business expansion for the division. Our strategic intent for this segment to contribute towards 50% of banks assets, liabilities and profit within the medium term is still achievable.

Private Banking & Wealth Management

In Private Banking, we offer comprehensive advice and a broad range of financial solutions to our clients. We also offer a distinct value proposition, combining a global reach with a structured advisory process and access to a broad range of sophisticated products and services in close collaboration with the International Investment Banks and specialised investment management companies with whom we have agreements and working arrangements.

In 2011, the Bank has continued its focus in developing and consolidating its relationship with the HNW clients both locally and in the region.

During the last quarter of 2011, Bank One successfully launched the first ever Rupee Capital Protected fund linked to the Mauritian stock exchange - NEO Capital Protected Fund. This initiative was central in achieving our aspirations of becoming a key player in the innovative banking segment; As some investors preferred to stay away from the stock and Bond Markets, the Bank distributed other investment products like long term insurance, to selected clients.

The Bank will continue to expand in terms of quality delivery and personalised services. The team will be strengthened with new recruits and also with enhancement in terms of skills and knowledge base for existing staff.

As a registered financial investment products distributor with the Financial Services Commission, since 2008, the Bank will continue to develop key global partnerships to expand its global research capabilities and structured product offerings in order to propose to our clients investments which are both relevant and appropriate to their needs over time, in the face of changing personal and economic circumstances.

As we close the books on 2011, which reflects the most eventful and challenging year since the onset of the global financial crisis, 2012 appears to be an extension of the recent past given the current economic events and turbulences.

While we will recommend our clients to remain on a defensive position for 2012, the Bank will maintain its focus in exploring for opportunities and will offer the right and appropriate products to achieve their financial goals.

Treasury Business

The Treasury Business Unit achieved in 2011, a Net Income of Rs 109.90m. This represents a 191% growth over previous year's total income of Rs 57.4m.

A large part of the increase in revenues comes from yield enhancing structures. The volatility in currency markets offered a good opportunity to use these investment linked products in an innovative manner. Merchant business was stable during most part of the year and saw some increase towards the end of the year. Spreads came under intense pressure in view of fewer deals as exporters stayed for a long time on the fence while importers kept waiting for appropriate timing for purchases.

Global financial markets are still in a risk-off mode due to the uncertainties in Europe. As a result, domestic export industry is feeling the heat both in terms of top line and bottom-line. However, this also presents us with a good opportunity to offer innovative products in the form of currency futures and hedging instruments like plain vanilla options and long tenor forward cover in cross currencies to our clientele.

For the year 2012, we expect to focus on doubling client volume and margins with the regional initiatives allowing for more cross deals. Treasury will be fully automated this year and it should help improve risk controls and management.

HUMAN CAPITAL MANAGEMENT

Bank One has invested in its human resources in 2011 through the introduction of various programmes aimed at attracting, developing, motivating and retaining key talent to achieve superior performance. As such, the overall performance and remuneration philosophy is directly proportional to the strategic intent and core values of the Bank.

The Board is responsible for the Remuneration policy of the Bank. It exercises its authority through the Board Administrative & Staff Compensation Committee. At the Management level, the Human Resources Committee and the Executive Committee assist the Board in ensuring that the provisions of the remuneration packages are competitive and in line with the market. The Human Resources Department ensures that all staff 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.

In 2011, a number of key positions were filled through internal promotions as well as by drafting in external specialist talent. The Bank is also currently considering a phantom share option for Executives.

Employee Engagement

Our overall performance structure is driven by the philosophy that a fully engaged workforce increases productivity and business performance. Our 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 counselor in 2010 and 2011, to further enhance the team spirit and introduce performance oriented culture in the Bank. A large number of technical and soft courses were also given to existing staff in order to raise the potential of Bank One's employees. In order to encourage superior performance, Bank One recognised a number of existing talents via its rewards and recognition programme. Indeed, a number of staff were publicly recognised and rewarded in 2011 through a number of awards. Bank One also promoted the team spirit of its employees in 2011 through a series of team building activities and a fun day exercise for all employees. A gym was also introduced to encourage employees to work out and maintain a healthy lifestyle.

Employee Development

A self-development programme was also introduced aimed at bringing Bank One's Talent Management process to the next level. Indeed, through its introduction, the Bank's human resource development function was strengthened by the Training Needs Analysis, Career Development/ Pathing and succession planning aspects of the exercise. The learning and growing environment of the Bank reflects itself in the high engagement ratio of the Bank.

The most recent initiative brought forward to encourage staff bring their career to the next level is the tie up that Bank One set up with Institute of Financial Services School (UK), through a local recognised business school for conducting a 9 month diploma course on Retail Banking to our staff. In order to encourage staff participation for improvement of their skills, the Bank also offered interest free loan facilities to its employees and an undertaking to refund the loan in case of success. 68 employees have joined the programme.

The above-mentioned programmes and results that they breed reflect the learning and growing environment of the Bank.

Remuneration Philosophy

The Remuneration Philosophy of Bank One is based on performance and productivity which covers performance against set targets, behavioural indicators, recognising special skills and targets. The Bank has, amongst its workforce, employees both on a fixed term and a permanent basis. Salaries are reviewed annually and increases allowed based on performance as well as compensating for any increase in cost of living.

Performance bonus is also paid annually taking into account the individual employee achievement, performance of the line of business to which the employee belongs as well as the overall performance of the Bank. The annual performance appraisal process for determining annual increments and performance bonuses is carried on a two tiered level basis with a final moderation from top management to ensure fairness and avoid unnecessary bias.

The Bank is an equal opportunity employer and provides employment and career advancement opportunities to people from all walks of life. The Bank prides itself in having a good number of women in the top Management team.

The Collective Agreement with the union is due for review as from end March 2012. Executives and Managers are also assessed on a 360 degree basis.

The Bank is currently developing a balance scorecard model for setting Key Performance Indicators (KPIs) along all business segments.

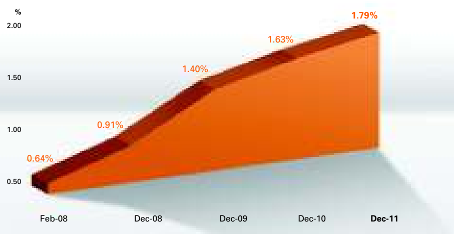
we connect
to our international clients

11 November 2011. Hyde Park, London. Discussing a structured finance deal with international clients. **Bank One's International Banking** offers a comprehensive suite of custom-designed solutions to assist in cross-border operations.

market share

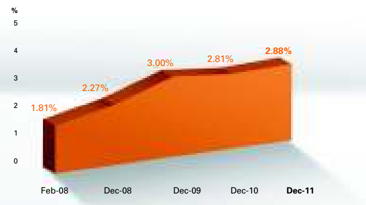
31 December 2011

Total Assets

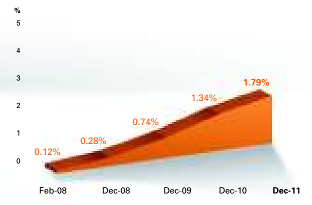


Growth 2011 - Total Assets

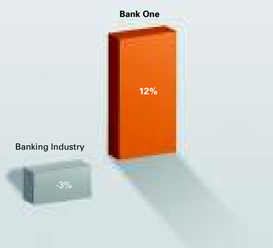
Deposit Base - Segment A



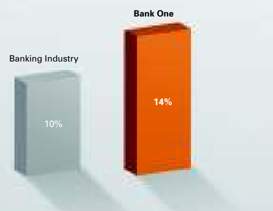
Deposit Base - Segment B



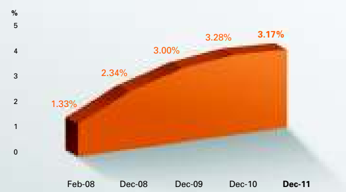
Growth 2011 - Deposit Base



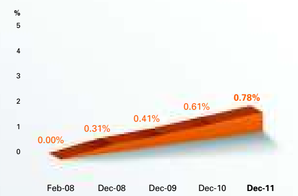
Growth 2011 - Advances Book



Advances Book - Segment A



Advances Book - Segment B




"The expertise, patience and kindness extended to me are very helpful" says Roshan, who grows flowers for export.
"The only people I'll bank with are those who have helped me" says Chantal, proud owner of a 'table d'hôte.'
we connect
to our SME clients
"I am able to stand on my feet due to timely support of my bank" says Lynn, who is relieved to run her own salon.
"I deal with people who understand my business and are there when I need them" says Nazim who runs a pizzeria.

risk management report

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

Risk Management Organisation

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

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

Based on this approach, the Board set limits for the amount of credit risk, market risk, operational risk, country risk, and overall risk, within the prudential guidelines covering these risks, to both maintain sound operations and generate stable earnings. Other non-quantifiable risks like compliance risk, strategic risk and reputational risk are assessed and monitored on a qualitative basis.

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

Risk management function are split between the Credit Risk Management, Market Risk Management, Operational and Compliance Risk and Capital Management. They all have a bank wide focus and report directly to the DCEO who also acts as Chief Risk Officer.

Being responsible for the Bank wide management of portfolio composition, capital allocation, development of Risk Weighted Assets (RWAs) Bank's Asset and Liability Committee is a key part of the Internal Capital Adequacy Assessment process (ICAAP). Under the ICAAP, the Bank internally assesses the optimal capital requirement in relation to all material risks.

Risk Strategy and Risk Management

The risk strategy defines the strategic guidelines for the development in bank's portfolios, based on the business strategy. Risk-taking capability is ensured by setting concrete limits for the risk resources capital.

The scope of the risk strategy is defined by "risk-tolerance". The overall risk strategy covers all material quantifiable and unquantifiable risks. It is detailed further in the form of sub-risk strategies for individual risk types, which are then specified and made operational through policies, regulations and instructions/guidelines. The annual risk inventory process ensures that all risks material to the Bank (both quantifiable and unquantifiable) are identified. The estimate of materiality is based on whether occurrence of a risk could have a major direct or indirect impact on the Bank's risk bearing capability.

As part of the planning process, the Board considers stress scenarios to decide the extent to which the Group's risk-taking capability should be utilised. The Board sets the risk appetite at Bank level by consciously defining a capital framework as part of the available risk capital. In a second step, this capital framework is broken down and limited for each risk category and allocated to the relevant units/area as a result of the planning process. Compliance with limits and guidelines is monitored during the year and action taken if required.

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

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

Risk Management Policies and Controls

Risk Management is focused on the following major areas:

i. Credit risk
ii. Concentration risk
iii. Market risk including Interest rate, Foreign Exchange risk and Liquidity risk
iv. Operational risk
v. Country risk
vi. Compliance risk
vii. Strategic risk
viii. Reputational 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 of 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 different risk categories in the Risk Management Report.

The Risk Management Framework

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

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

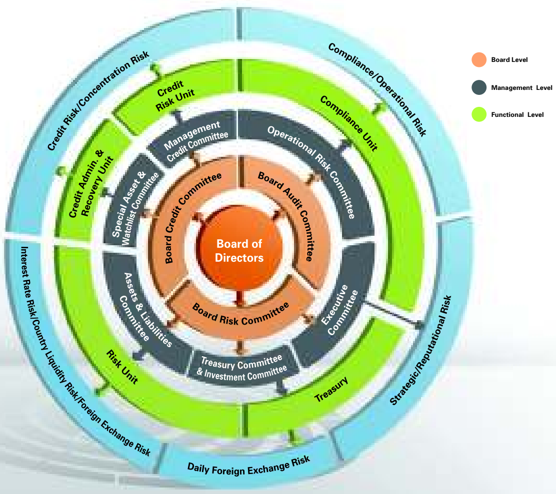
- To approve the overall strategy and policies to ensure that credit and other risks are properly managed at both the transaction and portfolio level;
- To review all risk policies at least on an annual basis;
- The management of risk, both financial and non-financial, conducted through operational and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

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

Functional Risk Units (FRU)

Bank One has adopted a centralised Risk Management framework. The 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, Treasury Back Office and Risk Unit which are headed by experienced and qualified personnel to the extent possible. The FRUs monitor and report the risk positions to the Board via the different Risk Committees and Management Committees, set standards for financial risks and data integrity and ensure that the financial 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 Bank of Mauritius and general business direction and risk environment.

Risk Management Framework



CREDIT RISK

The Bank's main credit risk is that borrowers or counterparties may default on their payment obligations due to the Bank. These obligations arise from the Bank's lending and investment activities.

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 programmes, continuous loan review and audit process. The Credit Policy, which is approved by the Board, defines the credit environment, risk appetite, risk exposure limits and parameters for risk taking. The Credit Policy is subject to compulsory annual review. The Policy is updated with ad hoc reviews and addendums to take into account changes in the environment.

Credit Risk Measurement

(a) Loans and advances

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

(i) current exposures to the counterparty

(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 Dec-11 Rs 000	As at 31 Dec-10 Rs 000
Credit Related Commitments	1,700,675	798,686

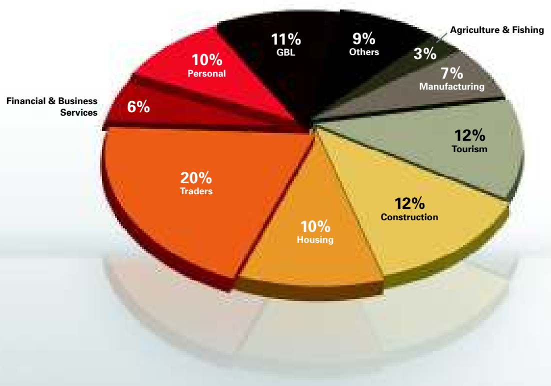
(c) **Bank placements & lending to banks**
For bank placements or lending to banks, external ratings such as Standard & Poor's, Moody's and Fitch ratings are used for managing the credit risk exposures. The instruments provide a better credit quality, help to diversify risk exposures and income streams, 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
Loan Portfolio Mix - Bank



Sectorwise Credit Exposure

Sectors	O/S Balance Dec-11 Rs 000	O/S Balance Dec-10 Rs 000
Agriculture & Fishing	316,415	281,396
Manufacturing	576,888	601,776
Export Enterprise Certificate holders	81,784	150,145
Tourism	1,115,457	1,035,824
Transport	164,560	104,804
Construction	2,182,556	1,769,008
Traders	1,907,722	1,621,360
Information Communication and Technology	223,254	245,923
Financial and Business Services	570,589	625,913
Global Business Licence Holders	1,033,484	697,640
Infrastructure	1,026	0
State and Local Government	1,000	2,709
Public Non Financial Corporations	21,585	9,307
Health Development Certificate Holders	483	892
Freeport Certificate Holders	4,706	0
Modernisation & Expansion Enterprise Cert Holders	0	326
Personal 1	920,724	819,791
Professional 2	35,811	15,317
Education	48,014	83,408
Media, Entertainment and Recreational Activities	40,669	43,707
Other	312,532	274,117
Total	**9,559,259**	**8,383,363**

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.

Sectorwise Credit Exposure

	2011			2010		
Sectors	Fund Based Facilities Rs 000	Non-Fund Based Facilities Rs 000	Total Rs 000	Fund Based Facilities Rs 000	Non-Fund Based Facilities Rs 000	Total Rs 000
Agriculture & Fishing	316,415	2,007	318,422	281,396	1,557	282,953
Manufacturing	576,888	6,089	582,977	601,776	53,443	655,220
Export Enterprise Certificate Holders	81,784	16,094	97,878	150,145	9,020	159,165
Tourism	1,115,457	19,197	1,134,654	1,035,824	18,116	1,053,940
Transport	164,560	230	164,790	104,804	65	104,869
Construction	2,182,556	331,664	2,514,220	1,769,008	646,719	2,415,727
Traders	1,907,722	336,513	2,244,235	1,621,360	311,790	1,933,150
Information Communication and Technology	223,254	95	223,349	245,923	170	246,094
Financial and Business Services	570,589	11,060	570,589	625,913	35,708	661,621
Global Business Licence Holders	1,033,484	487,932	1,521,416	697,640	110,312	807,952
Infrastructure	1,026	300	1,326	-	-	-
State and Local Government	1,000	0	1,000	2,709	0	2,709
Public Nonfinancial Corporations	21,585	5,646	27,231	9,307	4,500	13,807
Health Development Certificate Holders	483	0	483	892	0	892
Freeport Certificate Holders	4,706	0	4706	0	0	0
Modernisation & Expansion Enterprise Cert Holders	0	0	0	326	0	326
Personal 1	920,724	74,150	994,873	819,791	84,294	904,086
Professional 2	35,811	44	35,855	15,317	0	15,317
Education	48,014	15	48,029	83,408	15	83,423
Media, Entertainment and Recreational Activities	40,669	1,193	41,862	43,707	0	43,705
Other	312,532	42,998	355,530	274,117	35,562	309,679
Total	**9,559,259**	**1,335,227**	**10,894,486**	**8,383,363**	**1,311,271**	**9,694,634**

CONCENTRATION RISK

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

Top 6 large exposures represented 156.18% of capital base as at 31 December 2011 as compared to 153.27% as at 31 December 2010.

The Bank`s top six credit exposures as at December 2011

Group	Exposure Rs m	% of Capital Base
1	334	27.60
2	326	26.90
3	325	26.80
4	324	26.70
5	316	26.00
6	271	22.40

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

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

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

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

As a prudential measure aimed at better risk management and avoidance of concentration of credit risks, Bank One has fixed limits on its exposure to the following:

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

Assessment

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

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

HHI and Concentration Risk Level

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

Individual Exposures

The HHI for the portfolio of top 10 Individual Borrowers stood at **1034** as on 31 December 2011 which is well within the threshold of 'Lower Moderate Risk'.

Group Exposures

The HH Index for the portfolio of the above Group Borrowers stood at **1059** as on 31 December 2011, indicating 'Lower Moderate Risk'. These exposures are monitored very closely at board credit committee.

Industry Exposures

The Bank's total exposure to any industry as on December 2011 has not exceeded limits set under the Credit Policy.

The HHI index for industry Exposure as at 31 December 2011 was **1435**, showing moderate industry concentration risk.

Geographical Sectors

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

At 31 December 2011, over 74% of the Bank's Advances to customers, including related impaired advances and overdue advances, categorised on the basis of the geographical location of the borrower were classified under Mauritius. HH index for cross border exposure was 1286 indicating moderate risk.

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

As at 31 December 2011	Banks and other financial institutions Rs 000	Others Rs 000	Total Rs 000
Africa and Middle East	1,035,735	968,316	2,004,051
North and South America	625,052	0	625,052
Europe	1,326,875	82,072	1,408,947
Asia Pacific	567,805	659,788	1,227,593
Total	**3,555,467**	**1,710,176**	**5,265,643**

68% of cross border exposure is on banks and financial institutions with ratings of investment grade.

ECAI Rating

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

Maximum exposure	2011 Rs 000	2010 Rs 000
Credit Risk exposure relating to on balance sheet assets are as follows		
Cash and balances with banks	2,379,273	2,431,214
Placements with banks	807,761	908,529
Derivative financial instruments	5,094	6,258
Loans to individuals		
- Mortgages	922,565	523,454
- Others	2,016,715	1,614,710
Loans to corporate entities		
- Term loans and overdrafts	4,046,733	4,438,631
Loans to entities outside Mauritius	2,454,639	1,705,094
Advances to banks	118,606	101,474
Other assets	1,056,137	703,478
Available-for-sale securities & held to maturity securities	1,814,166	1,415,166
Credit risk exposures relating to off-balance sheet items as follows		
Financial guarantees and other credit related contingent liabilities	3,032,053	2,282,304
Loan commitments and other credit related commitments	1,700,675	798,686
At 31 December	**20,354,417**	**16,928,998**

CREDIT QUALITY

Impairment and Provisioning Policies

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

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

- Significant financial difficulty of borrower
- Delinquency in contractual payments of principal or interest
- Cash flow difficulties experienced by the borrower (e.g. equity to debt ratio, net income percentage of ales)
- 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.

Collection and Recovery Process

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

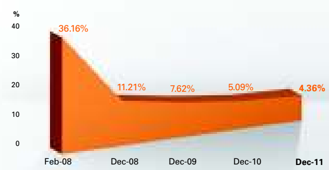
Loan reviews are carried monthly at Management level through the Collection committee to review loan Arrears, the Watch list committee for Watch List Accounts and the Special Assets Committee for Impaired Accounts.

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

Credit Quality

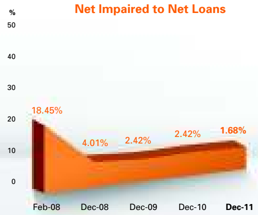
Despite some new delinquent accounts registered during year 2011 as a result of economic downturn, the Bank's credit quality continues to show improvement by maintaining a positive trend since year 2008. The gross Non Performing Loan (NPL) ratio has been reduced to 4.36% in 2011 (5% in 2010) which clearly indicates that the bank's close monitoring of credit risk and recovery has remained effective.

Impaired Loans to Gross Loans



Net impaired ratio which was 2.42% in December 2010 has been reduced to 1.68% this year.

Net Impaired to Net Loans



The percentage cover of NPL by specific provision has increased by 8.5% to reach 62.77% as against 54% in 2010. Total Provision coverage, including Portfolio provisions improved from 74% in 2010 to 85% in 2011. 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 guideline on credit impairment and income recognition and the prevailing market conditions.

	Dec-11 Rs m	Dec-10 Rs m	Dec-09 Rs m
Impaired Advances	416	427	470
Impaired Advances/Total Advances	4.36%	5.09%	7.62%
Net Impaired Advances/Net Advances	1.68%	2.42%	2.41%
Allowance for Impairment Losses	354	317	402
Provision Coverage Ratio	85.04%	74.27%	85.52%

Impaired Advances and Total Advances

Loans and Advances

Loans and advances are summarised as follows:

	31 December 2011		31 December 2010	
	Loans & Advances to Customers Rs 000	Loans & Advances to Banks Rs 000	Loans & Advances to Customers Rs 000	Loans & Advances to Banks Rs 000
Neither past due nor impaired	8,454,996	118,606	7,323,378	101,474
Past due but not impaired	569,227	-	531,510	-
Impaired	416,429	-	427,001	-
Gross Advances	9,440,652	118,606	8,281,889	101,474
Less: allowance for impairment	(352,778)	(1,359)	(316,108)	(1,015)
Net	9,087,874	117,247	7,965,781	100,459

During the period ended 31 December 2011, the Bank's total loans and advances increased by 14% mostly driven by retail business in Segment A and other cross border lending including foreign banks in Segment B. 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 2011	Individual (Retail Customers)		Corporate Entities		Total Loans and Advances to Customers
	Retail & Mortgages	Others	Loans & Overdrafts	Others	Total
Past due up to 1 month	59,354	-	123,624	-	182,978
Past due more than 1 month and up to 3 months	115,022	-	66,748	-	181,770
Past due more than 3 months and up to 6 months	61,313	-	143,166	-	204,479
Total	**235,689**	**-**	**333,538**	**-**	**569,227**

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

Credit Risk Mitigation

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

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

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

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

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

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

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 practical. As at 31 December 2011, the Bank had only 3 repossessed properties for sale from a high of 27 in 2008.

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

	December 2011		December 2010	
Sectors	Gross amount of loans Rs 000	% Gross Advances covered by collateral	Gross amount of loans Rs 000	% Gross Advances covered by collateral
Agriculture & Fishing	316,415	98%	281,396	98%
Manufacturing	576,888	99%	601,776	99%
Manufacturing-EPZ	81,784	54%	150,145	72%
Tourism	1,115,457	95%	1,035,824	95%
Transport	164,560	99%	104,804	99%
Construction	2,182,556	99%	1,769,008	99%
Traders	1,907,722	98%	1,621,360	97%
Information Communication and Technology	223,255	100%	245,923	100%
Financial and Business Services	570,588	100%	625,913	100%
Infrastructure	1,026	100%	0	0%
Global Business Licence Holders	1,033,484	100%	697,640	100%
State and Local Government	1,000	100%	2,709	100%
Public Nonfinancial Corporations	21,585	100%	9,307	100%
Freeport Certificate Holders	4,706	100%	-	-
Health Development Certificate Holders	483	100%	892	100%
Modernisation & Expansion Enterprise Cert Holders	0	0%	326	100%
Personal	920,724	89%	819,791	76%
Professional	35,811	100%	15,317	100%
Education	48,014	100%	83,408	100%
Media, Entertainment and Recreational Activities	40,669	33%	43,707	40%
Other	312,532	100%	274,117	100%
Total	**9,559,259**		**8,383,363**	

MARKET RISK & ALCO

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

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

The Bank applies different risk management policies and procedures in respect of the market risk arising from its trading and banking books.

Market risk arising from the trading book

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

Market risk measurement technique

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

(i) Value at risk

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

VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the "maximum" amount the Bank might lose, but only to a certain level of confidence which for the Bank is 95% for a one day holding period. There is therefore a specified statistical probability that actual loss could be greater than the VaR estimate. The VaR model assumes a certain "holding period" until positions can be closed. It is also based on the current mark-to-market value of the positions, the historical correlation and volatilities of the market risk factors over one year. The Bank applies these historical correlation and volatilities in rates, prices, indices, etc. directly to its current positions. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VaR calculation.

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

As VaR constitutes an integral part of the Bank market risk control regime, VaR limits are established and reviewed by the Board annually for all trading portfolio operations and allocated to business units. Actual exposures against limits, together with the Bank's VaR, is reviewed daily.

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

(ii) Stress tests

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

Market risk arising from the banking book

In the banking book, market risk is predominantly associated with positions in debt securities.

(a) Market risk measurement technique

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

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

(b) Sensitivity analysis of non-trading portfolio

(i) Foreign exchange risk

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

The Bank net open position limit as at 31 December 2011, as approved by Bank of Mauritius was 15% of Tier 1 Capital.

As at 31 December 2011, if MUR had weakened by 100 basis points against USD, all the variables held constant there would have been a foreign exchange gain of Rs 2.6m. Conversely, if MUR had strengthened by 100 basis points against US$ with all other variables held constant, profit after tax for the year have been by Rs 2.6m higher.

The Risk Department which is independent of trading operations, measures the daily foreign exchange risk through the Value-at-Risk (VaR) calculations at 95% confidence level and estimates the potential loss arising from adverse movements in the market environment and ensure limits are being respected. Bank One is active in three currencies, namely, USD, EUR and GBP. Other currencies are traded rarely. A report to the ALCO underlying any breach in limits is prepared on a monthly basis and submitted to Board Risk Management Committee on a quarterly basis.

Accordingly as at 31 December 2011, the Value at risk limits vs the actual potential loss are given in the table hereunder.

VaR Limit vs Actual Position Dec 2011	USD	EUR	GBP
VaR limit	Rs 2m	Rs 1.5m	Rs 1m
Actual potential loss	Rs 4k	Rs 2k	Rs (6k)

(ii) Interest rate risk

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

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

Interest Rate Sensitivity Analysis

A detailed analysis of the Interest Rate Sensitivity Analysis as at 31 December 2011 is given in note 2(g) of the financial statements.

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

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

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

Earnings at Risk Analysis as at 31 December 2011

Interest Movement	Impact on Earnings on a/c of interest basis Rs m
+25 bps	-1.424
-25 bps	+1.424
+50 bps	-2.849
-50 bps	+2.849
+75 bps	-4.273
-75 bps	+4.273
+100 bps	-5.697
-100 bps	+5.697
+200 bps	-11.397
-200 bps	+11.397

If interest rates move up by 200bps, the Bank would lose Rs 11.4m in its Net Interest income; Conversely if rates move down by 200 bps, the Bank will gain Rs 11.4m. In the current economic context, the Bank's view is that interest rates will have a downwards tendency which will benefit the Bank. Excluded in the above calculations, is the positive impact of re-pricing of maturing costly term deposits, at more favourable rates which would further add to bottom line.

The Bank is also well positioned to absorb potential interest shocks. Should Interest Rates move up by 200 bps, Net Interest Income drop would represent 0.94% of Capital base, well within the outlier limit of -10%, recommended under Basel II and approved by the Board.

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

LIQUIDITY RISK

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

Liquidity risk management process

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

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

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

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

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

The table in note 2(g) of pages 115 to 116 of the financial statements analyses the Bank's assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting to the contractual maturity date or, where applicable the earlier callable date.

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

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

As at 31 December 2011, the Bank liquidity was comfortable even in stressful conditions of 25% to 50% of deposits run off.

OPERATIONAL RISK

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

The primary aim of Bank One is the early identification, prevention and mitigation of operational risks. The Bank has an operational risk framework, as set in its Operational Risk Management Policy, to ensure that operational risks within the organisation are properly identified, assessed and controlled in a structured, systematic and consistent manner. Furthermore, all major operational risk issues are reported and discussed at the monthly operational risk forum (Management Operational Risk Committee) and quarterly to the Board Risk 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 together with explanations and action plan is communicated to the Board Risk Committee at least on a half-yearly basis.

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

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

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

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

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

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

Monitoring and Measuring Operational Risk

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

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

Key Elements of Operational Risk Framework

Operational risk Heat map as at 31 December 2011 is given below:

The bank exposure to operational risk is at an acceptable level and adequate systems are in place *(given the size, scale and complexity of the Bank's operations)* to detect, manage, monitor and mitigate operational risk issues.

It is our objective to maintain residual risks at the lowest level. Risk rating under Process – *Recording, reporting & MIS* is expected to improve in 2012 as the Bank has just implemented MIS tool from Oracle with the assistance of IT consultants from DCDM.

For the other areas where risk rating is at Medium, and Medium/High, the Bank is closely and constantly monitoring the situation in order to maintain its risk exposure to an acceptable level.

COUNTRY RISK

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

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

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

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

Country Risk Management Framework

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

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

Risk Management Unit

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

Assessment of Country Risk

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

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

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

Bank One also conducts its own country risk assessment, instead of relying entirely on external assessment.

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

Country Exposure Limits

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

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

Risk weighted exposures in any single country should not to exceed 250% of the Bank's capital base. However, exceptions to this can be obtained with specific approval from the full Board. Total cross border risk weighted exposures for the Bank should not exceed 500% the capital base of the Bank. As at 31 December 2011, the Bank was well within these limits.

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

Measurement of Country Risk

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

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

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

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

- Banking Sector
- Public sector exposures
- Private sector exposures.

Monitoring & Reporting of Country Exposures

Management reviews the country exposures and the country specific strategy on a monthly basis through Management Credit Committee (MCC) and submit quarterly reports to the Board Risk Committee.

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

Country Risk Provisioning

Provisioning Policy and Approach

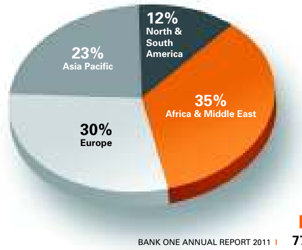
Aggregate exposures to a particular country, for the purpose of computing the allowance for country risk, include loans and advances, investment in shares and securities (excluding equity investments), funds in foreign bank accounts and non-fund based facilities converted into credit equivalents on the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

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

For the financial year ended December 2011 the Bank has adopted a Board approved internal country risk rating and provisioning criteria and made provision of Rs 3m for country risk, which is included in Portfolio Provisions.

Country Risk Exposures by Region as at 31 December 2011 are as under.

Exposures by region



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.

Compliance laws, rules and standards generally cover matters such as observing proper standards of market conduct, managing conflicts of interest, treating customers fairly and ensuring the suitability of customer service.

Philosophy

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

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

- Regulatory Compliance
- Anti Money Laundering and Combating the Financing of Terrorism, including Know Your Customer (KYC) and Know Your Customer's Business (KYB) principles
- Corporate Governance Compliance Monitoring

Compliance Risk Indicators

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

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

Approach

The 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.

Role & Responsibilities of Compliance Manager

The Compliance Manager, who also assumes the function of Money Laundering Reporting Officer (MLRO) and is independent from the business activities of the Bank.

The Compliance officer identifies, assesses, monitors and reports on the Bank's compliance risk thus assists Management in discharging their compliance accountabilities.

The main accountabilities are:

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

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

STRATEGIC RISK

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

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

The business strategy of the Bank, covering a five year planning cycle 2012-2017, has been well defined and documented and approved by the Board. This strategy document is reviewed once a year and forms the basis of the annual business budget and operating plan of the Bank. To support the bank's five year business strategy, detailed strategies are developed and documented separately by function, in the areas of product development, marketing and sales, human resource development and information and communication technology, amongst others.

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

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

As at 31 December 2011, Strategic risk was considered as Low Risk level with no need for capital provisioning

Table: Strategic Risk Score

Key Risk Indicator	Weight	Max Score	Rated Score	Weighted Score
Industry	15%	40	20	7.5
Competition	25%	16	8	12.5
Strategic Plans	30%	32	18	16.88
Access to Capital Markets	15%	16	10	9.4
Management	15%	16	13	12.19
Total	**100%**	**120**	**69**	**58.47**

REPUTATION RISK

1. Introduction

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

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

2. Identification

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

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

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

3. Assessment

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

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

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

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

4. Internal Controls

4.1. Grievance Mechanism

4.1.1. The customers can approach any of the Branch or the Head Office, in case of any grievance.

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

4.2. Communication

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

4.3. Corporate Governance

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

5. Monitoring & Reporting

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

An assessment was made based on positions held as at 31 December 2011. The residual risks have been maintained at a constant, comfortable and manageable level. Areas which have been reported as "Medium, Medium/High Risk" are being closely monitored:

i) People – Loss of staff

2 Heads of department, 2 Managers, 1 Assistant Manager & 1 dealer have left the services of the Bank during last quarter, for various reasons. Internally, actions were taken to ensure business continuity. Since reputation risk is about negative perception, rating has been purposefully downgraded from Medium/Low to Medium.

ii) Conflicting employee and corporate culture

Internally, Bank One brand is more visible with various artifacts (e.g. laminated wall posters displaying the Bank's mission & shared values, pen holders, mouse pad, screen saver, email signature picture, etc).

Cultural change programme, lead by an external consultant, has been closed recently. As culture emerges over time, results will be gradual.

Overall improvements have been noted. However, maintaining a prudent approach, rating is currently being maintained at Medium risk, with potential upgrade in 2012.

iii) Failure to protect customer privacy

Although maximum care is taken to maintain confidentiality of customer information, there is an inherent risk of information leakages; e.g. by staff, 3rd parties, service providers. Due to this inherent risk, rating is kept at Medium.

iv) Unauthorised disclosures

No occurrences noted. However, following a prudent approach, rating is maintained at its current level.

v) Failure of business continuity

Disaster recovery site (DRS) has been implemented and tests performed successfully in December 2010. However, linking ATM network through the DRS is expected to be completed by March 2012. Once this is completed and also in due course, as and when staff become more acquainted with the procedures and periodic tests performed, we may consider an upgrade in the risk ratings.

vi) Honest mistakes and misjudgment

No major incident during review period. Following a prudential approach rating is unchanged. However, we may consider an upgrade for next quarter if trend is maintained.

Table 6: Reputational Risk Heat Map

6. Capital Assessment

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

Internal Audit Function

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

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

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

Internal Audit findings and recommendations are presented and discussed with Management at the monthly Operational Risk Committee. High risk issues as well as full audit reports are submitted to the Board Audit Committee which meets on a quarterly basis. Any issues which require prompt attention are reported immediately to the relevant authorities. Committees are also apprised of the progress regarding implementation of any agreed action plan.

The Bank's Internal Auditor reports administratively to the Chief Executive Officer and has a functional reporting line to the Board Audit Committee.

In line with the expansion of the Bank, the challenges of Internal Audit will also grow. To this end, the Bank's audit team constitute of members having a good blend of relevant professional & academic qualifications and experience in banking and auditing. The Internal Audit function will remain one of the key elements of the Bank's Risk Management framework.

RISK CAPITAL MANAGEMENT

The Bank's capital management approach is driven by its strategic and organisational requirements, taking into account the regulatory, economic and commercial environment in which it operates. Sufficient capital must be in place to support current and projected business activities according to its own internal assessment and to meet regulatory requirements. The capital adequacy framework is supported by a Board approved internal capital adequacy assessment process (ICAAP), which encompasses our capital planning for current and future periods by taking into consideration our strategic focus and business plan and assessment of all material risks including stress testing.

The Bank's objectives when managing capital are:

- To comply 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 capital that 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% under Basel II guidelines, the Bank of Mauritius has set the minimum capital adequacy requirements at 10%.

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

The eligible capital available to support risk weighted assets consists of Tier 1 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. 50% of investment in other financial institutions, goodwill, intangibles are deducted from Tier I capital and balance 50% from Tier II capital.

Movement during the year

Total capital base stood at Rs 1.2bn as at 31 December 2011, representing an increase of Rs 200m over last year. Tier 1 capital expanded by Rs 151m with an improvement in Tier 1 ratio of 67bps. This increase is due to a combination of retained earnings, dividend payment and increase in risk weighted assets.

Tier 2 capital increased to Rs 439m as at 31 December 2011, due to the raising of Rs 50m of subordinated debt from the Mauritius Union Assurance Group, in July 2011.

As at 31 December 2011, the total Risk weighted assets was Rs 10.1bn representing an increase of 13% over last year.

Operational risk RWA increased by Rs 243m or 62%. Given that this is primarily determined by the average income over a rolling three-year time horizon, the growth reflects the strong performance of Bank One over that period.

Basel II

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 implemented the standardised approach for the measurement of Credit Risk and Market Risk and the Basic Indicator Approach for the Operational Risk. These are the default approaches as specified in the Basel II guidelines.

Basel II Accord is structured around three "pillars".

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

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

Approaches adopted for determining regulatory capital requirements

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

a) Credit Risk: Standardised approach

b) Market Risk: Standardised approach

c) Operational Risk: Basic Indicator approach

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

Pillar II comprises two processes:

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

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

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

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

Capital Structure	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Core Capital (Tier 1 Capital)			
Paid up Capital	551,456	551,456	551,456
Statutory Reserve	54,918	28,618	3,319
Retained Earnings	275,562	151,574	8,586
Less Deductions			
Goodwill	(15,147)	(15,147)	(15,147)
Intangibles	(36,142)	(31,005)	(32,528)
Deferred Tax	(36,983)	(49,461)	(68,961)
Unrealised cumulative losses	(7,555)	(654)	-
Less investments in capital of other banks	(10,453)	(10,453)	(10,997)
Total Tier 1 Capital	**775,656**	**624,928**	**435,728**
Supplementary Capital (Tier 2 Capital)			
Reserves arising from revaluation of Assets	34,059	34,059	34,059
Portfolio Provision	92,742	85,390	70,690
Subordinated debt	323,096	281,376	178,578
Less investments in capital of other banks	(10,453)	(10,453)	(10,997)
Fair Value Gains	-	-	1,428
Total Tier 2 Capital	**439,444**	**390,372**	**273,758**
Total Capital Base	**1,215,100**	**1,015,300**	**709,486**
Risk Weighted Assets for:			
Credit Risk	9,396,664	8,506,388	5,958,387
Market Risk	79,115	32,471	46,092
Operational Risk	638,009	394,017	208,849
Total Risk Weighted Assets	**10,113,788**	**8,932,876**	**6,213,328**
Capital Adequacy Ratio	**12.01%**	**11.37%**	**11.42%**

Risk Weighted Assets

Risk Weighted On-Balance Sheet Items

	Dec-11			Dec-10	Dec-09
	Rs 000	Risk Weight %	Risk Weighted Rs 000	Risk Weighted Rs 000	Risk Weighted Rs 000
Cash in Hand & with Central Bank	1,242,295	0%	-	-	-
Balance and Placements with Banks	2,678,959	20-100%	626,980	809,876	538,720
Balance in Process of Collection	212,992	20%	42,598	9,351	53,867
Treasury Bills and GOM Bills	1,349,696	0%	-	-	-
Other Investment	466,205	20-100%	264,285	105,263	66,932
Fixed Assets and Other Assets	408,098	100%	408,098	397,487	417,005
Loans and Advances	9,297,864	0-100%	7,544,990	6,649,510	4,554,881
	15,656,109		**8,886,951**	**7,971,487**	**5,631,405**

Risk Weighted Off-Balance Sheet Items

	Dec-11				Dec-10	Dec-09
	Rs 000	Credit Conversion Factor (%)	Risk Weight %	Risk Weighted Rs 000	Risk Weighted Rs 000	Risk Weighted Rs 000
Acceptances and Bill of Exchange	233,208	100%	100%	233,208	173,978	169,244
Guarantees, bonds, etc	407,842	50%	100%	203,921	341,020	141,701
Letter of credit	362,920	20%	100%	72,584	19,903	16,037
				509,713	**534,901**	**326,982**

Risk Weighted Exposures

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Risk Weighted On-Balance Sheet Assets	8,886,951	7,971,487	5,631,405
Risk Weighted Off-Balance Sheet Exposures	509,713	534,901	326,982
Risk Weighted on Market Risk	79,115	32,471	46,092
Risk Weighted on Operational Risk	638,009	394,017	208,849
Total Risk Weighted Assets	**10,113,788**	**8,932,876**	**6,213,328**

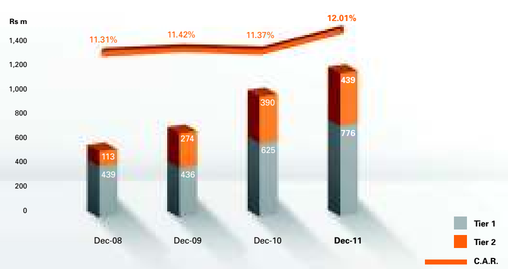
Risk Weighted Assets for Market Risk

	Dec-11	Dec-10	Dec-09
Foreign Exchange Risk	79,115	32,471	46,092
Interest Rate Risk	-	-	-
Equivalent Risk Weighted Assets	**79,115**	**32,471**	**46,092**

Risk Weighted Assets for Operational Risk

	Dec-11	Dec-10	Dec-09
Average Gross Income for last 3 years	425,339	262,678	139,233
Capital Charge	63,801	39,402	20,885
Equivalent Risk Weighted Assets	**638,009**	**394,017**	**208,849**

Capital Adequacy Ratio Trendline



Supervisory Review Process (SRP)

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

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

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

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

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

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

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

The Internal Capital Adequacy Assessment Process (ICAAP)

Good banking practice requires banks to identify the risks to which they are exposed and to manage and mitigate those risks. Consistent with that, a bank is expected to have an ICAAP for assessing its overall capital adequacy in relation to its risk profile and a strategy for maintaining its capital levels. Its chosen internal capital targets should be well founded and consistent with its overall risk profile and current operating environment.

The essential elements of Bank's ICAAP include:

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

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

(c) a process that states the Bank's capital adequacy goals with respect to risks, taking account of the bank's strategic focus, business plan and operating environment; and

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

Internal Assessment of Capital

The Bank's capital management framework includes a comprehensive internal capital adequacy assessment process (ICAAP) conducted annually and which determines the adequate level of capitalisation for Bank One to meet regulatory norms and current and future business needs, including under stress scenarios.

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

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

As part of ICAAP, the Bank has conducted stress testing under various historical and stress test scenarios to assess the impact of stress on its capital position as at 31 December 2011. The methodology for the stress testing is approved by the Board of Directors. The results of stress testing are reported to the Board of Directors and to the Bank of Mauritius.

Methodology and Assumptions

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

Methodology of Assessment for Material Risks

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

Stress Testing

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

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

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

The Stress Test Policy of the Bank details:

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

Descriptions of Stress Scenarios

Risk Type	Scenario I - Assumptions	Scenario II - Assumptions
Credit Risk	• Downgrade of one notch ratings to all loans to banks portfolios and foreign bonds portfolios.	• Downgrade of two notches ratings to all loans to banks portfolios and foreign bonds portfolios.
	• 50% of the total residential property is affected by an increase in risk weights from 35% to 75% due to a decline in property value.	• An increase in risk weights from 35% to 75% in residential property due to a decline in property value applicable to the total portfolio.
	• Risk Weight of 100% instead of 75% applied to 50% of the overall regulatory retail portfolio within granularity criterion.	• Risk Weight increase by 25 percentage points by the regulator for all retail loans which are within granularity criterion. (75% to 100%).
	• 3% of corporate portfolio turns to be impaired where specific provision is less than 20% assuming a declined in property value. (R.W from 100% to 150%).	• 5% of corporate portfolio turns to be impaired where specific provision is less than 20% assuming a declined in property value (R.W from 100% to 150%).
	• Assuming 15% of Import LC accepted by the bank. (R.W from 20% to 100%)	• Assuming 25% of Import LC accepted by the bank. (R.W from 20% to 100%).
	• Default in 5% of performance bonds/guarantees (R.W from 50% to 100%).	• Default in 10% of performance bonds/guarantees. (R.W from 50% to 100%).
	• All existing impaired acs which carry a risk weight of 100% are increase to 150% and those carrying 50% to 100%.	• All existing impaired acs carry risk weight of 150%.
Market Risk	• Increase of 5% in net foreign Exchange exposure.	• Increase of a 10% in net foreign Exchange exposure.
Operational Risk	• Risk weighted assets for operational risk is multiplied by 12 times instead of 10 times (15% of average 3 years Gross income).	• Risk weighted assets for operational risk is multiplied by 15 times instead of 10 times (15% of average 3 years Gross income).
Country Risk	• Downgrade ratings of countries with moderate & high risk exposures ranging from 1 notch to 3 notches.	• Downgrade ratings of countries with moderate & high risk exposures from 1 notch to 4 notches.
	• No repayment of Capital invested and interest from countries falling in GRADE D, (risk of default or already defaulted by Fitch & S&P). Provisioning required in such a case is 100%.	• No repayment of Capital invested and interest from countries falling in GRADE D, (risk of default or already defaulted by Fitch & S&P). Provisioning required in such a case is 100%.
Liquidy Risk	• The percentage of cumulative gap to total outflows (up to stress period of 3 months) falls to (-) 20% from +21% under normal situation.	• The percentage of cumulative gap to total outflows (up to stress period of 3 months) falls to (-) 30% from +21% under normal situation.
Interest Rate in Banking Book (IRBB)	• Negative interest rate shock of 100bps across all maturity buckets.	• Negative interest rate shock of 200bps across all maturity buckets.
IRR Trading Book	• A decrease in our total assets where interest rate risk in trading book will become applicable, (just above 5% of total assets) thus results in a capital charge for both general market risk and specific risk.	• A decrease in our total assets where interest rate risk in trading book will become applicable, (just above 5% of total assets) thus results in a capital charge for both general market risk and specific risk.

Stress tests based on two levels of severity (Scenario 1 and 2) have been worked out based on December 2011 figures and the additional capital requirements are given below.

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

		As on 31 December 2011		
S. No.	Risk Analysed	Pillar 1 Rs m	Pillar 2 Stress 1 Rs m	Pillar 3 Stress 2 Rs m
1	Credit Risk	939	1039	1077
2	Market Risk	8	8	9
3	Operational Risk	64	76	96
4	Concentration Risk	-	-	-
5	Country Risk	-	4	6
6	Liquidity Risk	-	-	-
7	Interest Rate Risk	-	-	-
8	Reputation Risk	-	-	-
9	Strategic Risk	-	-	-
10	Compliance Risk	-	-	-
	Total Capital Requirement	**1,011**	**1,127**	**1,188**

The Bank had sufficient capital cushion available as on 31 December 2011 to meet the regulatory requirements, if all the envisaged stress conditions under both scenarios crystallise at the same time.

Capital Requirement under stress scenarios

BASEL III

The Basel Committee issued on 16 December 2010 the Basel III rules text, which presents the details of new global regulatory standards on bank capital adequacy and liquidity.

The Framework has been developed in response to the global financial crisis, as a set of reforming measures to strengthen the regulatory and supervisory framework as well as risk management practices in the Banking Industry. The reforms aim to improve the resilience of individual banks to stress situations and have a higher level focus which caters for system – wide risks arising from pro-cyclicality and contagion that can build across the banking sector.

The reforms will address the level and quality of capital to be held by banks, their risk coverage, the leverage ratio, risk management, market discipline, global liquidity standards and supervisory monitoring. The objective of the reforms is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy.

Under Basel III, greater focus would be placed on Tier 1 capital to absorb losses. The Committee is introducing transitional arrangements to implement the new standards that help ensure that the banking sector can meet the higher capital standards through reasonable earnings retention and capital raising, while still supporting lending to the economy. Banks could be required to be fully compliant to Basel III framework as from 1 January 2018.

The new standards implications are still being examined at various countries level.

Bank One will continue to proactively manage its capital, so as to position itself to support business growth and to deal with regulatory changes as and when they arise.

CAMEL RATING

The Bank of Mauritius monitors individual bank's performance as part of its off-site surveillance and on-site examination. Banks are rated on various criteria including Capital Adequacy, Asset Quality, Management, Earning and liquidity; Overall and individual ratings are communicated quarterly to banks; Overall June and December ratings are published on BOM website in line with Central Bank philosophy to increase transparency and build confidence in the integrity of the banking system. The rating ranges from 1- strong; 2+ and 2- (Satisfactory); 3+ and 3- (Fair); 4 (marginal) and 5 (unsatisfactory).

Since December 2010, Bank One continues to be rated at a satisfactory 2- up to September 2011. The improvements in the level of business and earnings as well as capital adequacy could lead to better rating for December 2011.

Reaching out and taking someone's hand is the beginning of a journey. **Bank One** is engaged, along with **Fondation Nouveau Regard**, in helping the underprivileged through actions like poverty relief, education & training, health and handicap.

we connect
to the community

statement of management's
responsibility for financial reporting

The Bank's financial statements presented in this Annual Report have been prepared by Management, which is responsible for their integrity, consistency, objectivity and reliability. International Accounting Standards/ International Financial Reporting Standards as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder have been applied and 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.

This 07 March 2012

Sarit Suresh RAJA SHAH
Chairman of Board of Directors

Pratul Hemraj Dharamshi SHAH
Director & Chairman of Audit Committee

Raj DUSSOYE
Director & Chief Executive Officer

report of the auditors
to the shareholders of Bank One

Independent Auditors' Report to the Members

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

Report on the Financial Statements

We have audited the financial statements of BANK ONE Limited on pages 98 to 146 which comprise the statement of financial position at 31 December 2011, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Bank and for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001 and Banking Act 2004. 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 98 to 146 give a true and fair view of the financial position of the Bank at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Report on Other Legal and Regulatory Requirements

Companies Act 2001

We have no relationship with, or interests in, the Bank, other than in our capacity as auditors, tax advisers and dealings in the ordinary course of business. We have obtained all information and explanations we have required. In our opinion, proper accounting records have been kept by the Bank as far as it appears from our examination of those records.

Banking Act 2004

In our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius.

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

Financial Reporting Act 2004

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

BDO De Chazal du Mee

BDO & Co
Chartered Accountants

Port Louis, Mauritius
This 07 March 2012

Ameenah RAMDIN, FCCA, ACA
Licensed by FRC

financial statements

for the year ended 31 December 2011

STATEMENT OF FINANCIAL POSITION as at 31 December 2011

	Note	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
ASSETS				
Cash and cash equivalents	13	3,187,034	3,339,743	2,519,966
Derivative assets held for risk management	14	5,094	6,258	5,080
Loans and advances to banks	15	117,247	100,459	164,067
Loans and advances to customers	16	9,087,874	7,965,781	5,604,683
Investment securities	17	1,814,166	1,415,166	1,083,592
Property plant and equipment	18	320,117	322,116	327,795
Intangible assets	19	51,289	46,152	47,676
Deferred tax assets	20	36,983	49,461	68,961
Other assets	21	1,056,137	703,478	700,890
Total assets		**15,675,941**	**13,948,614**	**10,522,710**
LIABILITIES				
Deposits from customers	22	14,118,085	12,598,708	9,479,512
Derivative liabilities held for risk management	14	3,406	5,995	1,821
Subordinated liabilities	23	323,096	281,376	178,578
Current tax liabilities	24	15,307	6,115	534
Other liabilities	25	265,978	249,738	220,044
		14,725,872	13,141,932	9,880,489
Shareholders' Equity				
Stated capital	27	551,456	551,456	491,456
Share capital pending allotment	27	-	-	60,000
Other reserves		123,051	103,652	82,179
Retained earnings		275,562	151,574	8,586
		950,069	806,682	642,221
Total equity and liabilities		**15,675,941**	**13,948,614**	**10,522,710**

These financial statements were approved for issue by the Board of Directors on 07 March 2012

Sarit Suresh RAJA SHAH
Chairman of the Board of Directors

Raj DUSSOYE
Chief Executive Officer

Pratul Hemraj Dharamshi SHAH
Director and Chairman of Audit Committee

The notes on pages 100 to 146 form an integral part of these financial statements. Auditors' report on page 97.

INCOME STATEMENT for the year ended 31 December 2011

	Note	Year ended Dec-11 Rs 000	Year ended Dec-10 Rs 000	Year ended Dec-09 Rs 000
Interest income		825,496	731,286	607,295
Interest expense		(469,306)	(439,124)	(474,754)
Net interest income	3	356,190	292,162	132,541
Fee and commission income		129,063	114,249	69,826
Fee and commission expense		(25,327)	(19,694)	(6,396)
Net fee and commission income	4	103,736	94,555	63,430
Net trading income	5	109,900	57,416	65,788
Other operating income	6	299	10,278	13,259
		110,199	67,694	79,047
Operating income		570,125	454,411	275,018
Net impairment loss on financial assets	7	(35,615)	(26,421)	10,700
Personnel expenses	8	(203,078)	(173,235)	(144,646)
Depreciation and amortisation		(35,043)	(34,640)	(30,422)
Other expenses	9	(93,720)	(83,593)	(68,336)
		(367,456)	(317,889)	(232,704)
		202,669	136,522	42,314
Profit on sale and recovery of assets	10	-	59,322	-
Profit before income tax		202,669	195,844	42,314
Income tax expense	11	(27,381)	(27,556)	(3,826)
Profit for the year		**175,288**	**168,288**	**38,488**
Earnings per share (Rs)	12	31.79	30.93	7.83

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2011

	Note	Year ended Dec-11 Rs 000	Year ended Dec-10 Rs 000	Year ended Dec-09 Rs 000
Profit for the year		175,288	168,288	38,488
Other Comprehensive Income :				
Net (loss)/gain on available for sale investment securities		(6,901)	(3,827)	3,173
Release of deferred tax on revaluation surplus	20	-	-	4,000
Total Comprehensive Income for the year		**168,387**	**164,461**	**45,661**

The notes on pages 100 to 146 form an integral part of these financial statements.
Auditors' report on page 97.

notes to the financial statements
for the year ended 31 December 2011

STATEMENT OF CASH FLOWS for the year ended 31 December 2011

	Note	Year ended Dec-11 Rs 000	Year ended Dec-10 Rs 000	Year ended Dec-09 Rs 000
Cash flows from operating activities				
Profit for the year		175,288	168,288	38,488
Income tax expense recognised		27,381	27,556	3,826
Net movement in derivatives		(1,425)	2,996	(3,259)
Depreciation of property, plant and equipment	18	25,443	26,965	26,999
Amortisation of intangible assets	19	9,618	7,675	3,424
Net change on provision for credit impairment	15(c) & 16(e)	37,014	(85,152)	(34,254)
Gain on sale of land and property, plant and equipment		-	(51)	(834)
Gain on sale of other assets		(395)	(645)	(2,413)
Others		(3,145)	3,756	-
Income tax paid		(5,711)	(2,475)	-
Fair value gain/(loss) on disposal of available for sale securities		96	(9,582)	(8,819)
Changes in operating assets and liabilities				
(Increase)/decrease in loans and advances				
- to banks		(17,132)	64,250	239,155
- to customers		(1,158,763)	(2,276,588)	(1,641,000)
(Increase) in other assets		(353,934)	(5,024)	(127,455)
Increase in deposits from customers		1,519,377	3,119,196	3,345,800
Increase in other liabilities		16,353	29,694	78,622
Net cash from operating activities		270,065	1,070,859	1,918,280
Cash flows (used in)/from investing activities				
Purchase of investment securities		(938,658)	(448,066)	(954,255)
Proceeds from sale and redemption of investment securities		306,600	288,231	1,021,669
Purchase of available for sale investments		(207,764)	(461,533)	(348,433)
Proceeds from sale of available for sale investments		428,690	295,549	166,214
Purchase of property, plant and equipment	18	(23,557)	(21,286)	(36,359)
Proceeds from sale of property and equipment		-	51	1,313
Proceeds from sale of non-banking assets		1,670	3,081	14,485
Purchase of intangible assets	19	(14,755)	(6,151)	(25,069)
Net cash used in investing activities		(447,774)	(350,124)	(160,435)
Cash flows from financing activities				
Proceeds from subordinated liabilities	23	50,000	99,042	178,578
Dividend paid	28	(25,000)	-	-
Share capital pending allotment	27	-	-	60,000
Net cash from financing activities		25,000	99,042	238,578
Net change in cash and cash equivalents		(152,709)	819,777	1,996,423
Cash and cash equivalents at beginning of year		3,339,743	2,519,966	523,543
Cash and cash equivalents at end of year	13	**3,187,034**	**3,339,743**	**2,519,966**

The notes on pages 100 to 146 form an integral part of these financial statements. Auditors' report on page 97.

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2011

	Stated capital Rs 000	Called but not paid shares Rs 000	Share Capital pending allotment Rs 000	Revaluation surplus Rs 000	Statutory reserve Rs 000	Fair value reserve Rs 000	Retained earnings/ (revenue deficit Rs 000	Total Rs 000
Balance as at 1 January 2009	**269,456**	**222,000**	**-**	**71,687**	**1,519**	**-**	**(28,102)**	**536,560**
Share capital pending allotment	-	-	60,000	-	-	-	-	60,000
Called but not paid shares transferred to Stated Capital	222,000	(222,000)	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	1,800	-	(1,800)	-
Total comprehensive income for the year	-	-	-	4,000	-	3,173	38,488	45,661
Balance as at 31 December 2009	**491,456**	**-**	**60,000**	**75,687**	**3,319**	**3,173**	**8,586**	**642,221**
Share capital pending allotment transferred to Stated Capital	60,000	-	(60,000)	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	25,300		(25,300)	-
Total comprehensive income for the year	-	-	-	-	-	(3,827)	168,288	164,461
Balance as at 31 December 2010	**551,456**	**-**	**-**	**75,687**	**28,619**	**(654)**	**151,574**	**806,682**
Transfer to statutory reserve	-	-	-	-	26,300	-	(26,300)	-
Total comprehensive income for the year	-	-	-	-	-	(6,901)	175,288	168,387
Dividend (note 28)	-	-	-	-	-	-	(25,000)	(25,000)
Balance as at 31 December 2011	**551,456**	**-**	**-**	**75,687**	**54,919**	**(7,555)**	**275,562**	**950,069**

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

The notes on pages 100 to 146 form an integral part of these financial statements.
Auditors' report on page 97.

1.1 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

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

Amendment to IAS 32, 'Classification of rights issues', addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. This amendment is not expected to have any impact on the Bank's financial statements.

Amendment to IFRS 1 Limited Exemption from Comparatives IFRS 7 Disclosures for First-time Adopters provides first-time adopters relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 'Financial Instruments: Disclosures'. This amendment is not expected to have any impact on the Bank's financial statements.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments', clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference swap). It requires a gain between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. This IFRIC will not have any impact on the Bank's financial statements.

IAS 24, 'Related Party Disclosures' (Revised 2009), clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Bank and the parent have disclosed transactions between its subsidiaries and its associates. OR: This revised standard is not expected to have any impact on the Bank's related party disclosures.

Amendments to IFRIC 14, 'Prepayments of a Minimum Funding Requirement' correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. These amendments are not expected to have any impact on the Bank's financial statements.

Improvements to IFRSs (issued 6 May 2010)

IAS 1 (Amendment), 'Presentation of Financial Statements', clarifies that an entity may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. This amendment is not expected to have any impact on the Bank's financial statements.

IAS 27 (Amendment), 'Consolidated and Separate Financial Statements', clarifies that the consequential amendments to IAS 21, IAS 28 and IAS 31 resulting from the 2008 revisions to IAS 27 are to be applied prospectively. This amendment is unlikely to have an impact on the Bank's financial statements.

IAS 34 (Amendment), 'Interim Financial Reporting', emphasises the disclosure principles in IAS 34 and adds further guidance to illustrate how to apply these principles. This amendment will improve the interim financial reporting of the Bank in that respect OR This amendment is not expected to have any impact on the Bank's financial statements.

IFRS 1 (Amendment), 'First-time Adoption of International Financial Reporting Standards', clarifies that a first-time adopter is exempt from all the requirements of IAS 8 for the interim financial report it presents in accordance with IAS 34 for part of the period covered by its first IFRS financial statements and for its first IFRS financial statements. It also allows an entity to recognise an event-driven fair value measurement as deemed cost when the event occurs, provided that this is during the periods covered by its first IFRS financial statements. This amendment is not expected to have any impact on the Bank's financial statements.

IFRS 3 (Amendment), 'Business Combinations', clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by IFRS. The application guidance in IFRS 3 applies to all share-based payment transactions that are part of a business combination, including un-replaced and voluntarily replaced share-based payment awards. This amendment is unlikely to have an impact on the Bank's financial statements.

IFRS 7 (Amendment), Financial Instruments: Disclosures', clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosures regarding renegotiated loans. The Bank has provided the required disclosures OR This amendment is unlikely to have an impact on the Bank's financial statements.

IFRIC 13 (Amendment), 'Customer Loyalty Programmes' clarifies that when the fair value of award credits is measured on the basis of the value of the awards for which they could be redeemed, the fair value of the award credits should take account of expected forfeitures as well as the discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale. This amendment is unlikely to have an impact on the Bank's financial statements.

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

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2012 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:

- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS1) (effective 1 July 2011)
- Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)
- Disclosures - Transfers of Financial Assets (Amendments to IFRS 7) (effective 1 July 2011)
- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income
- IFRS 9 Financial Instruments
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 19 Employee Benefits (Revised 2011)

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

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

(a) Basis of preparation (cont'd...)

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 Bank's accounting policies. In particular information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised are described in note 1.2.

(b) Foreign currency translation

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

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

(c) Functional and presentation currency

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

(d) Derivative Financial Instruments

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

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

(e) Interest income and expense

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

(f) Fees and commissions

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

(g) Net trading income

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

(h) Sale and repurchase agreements

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

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

(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.

Available-for-sale investment securities are initially recognised at cost (which includes transaction costs).

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

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

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

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

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

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

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

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

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

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

(k) Offsetting financial instruments

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

(l) Loans and provisions for loan impairment

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

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

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

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

(l) Loans and provisions for loan impairment (cont'd...)
off against the related provision for impairment; subsequent recoveries are credited to the provision for loan losses in the Income Statement.

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

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

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

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

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

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

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

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

Land is not depreciated.

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

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

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

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

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

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

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

(r) Employee benefits
The bank makes contributions to :

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

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

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

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

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

The rates enacted or subsequently enacted at the reporting date are used to determine deferred tax. 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) Share Capital
Ordinary shares are classified as equity.

(i) Share issue costs

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

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

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

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

Finance leases

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

Operating leases

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

1.2 USE OF ESTIMATES AND JUDGEMENTS

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

Key sources of estimation uncertainty

Allowances for credit losses

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

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, 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. The Risk department identifies, evaluates and monitors financial risk in close cooperation with the operating units including Treasury. The Board (Risk Management Committee) provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

(b) Credit risk

Credit risk arises when customers or counterparties are not able to fulfill their contractual obligations under the contract. Credit Risk Management at the Bank is under the responsibility of the Credit Risk Management unit. The Board of Directors has delegated the function of formulating all matters of credit related policy and procedures in the Bank to the Board Credit Committee.

Credit quality of loans and advances

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Neither past due nor impaired	8,573,602	7,424,852	5,329,105
Past due but not impaired	569,227	531,510	371,559
Impaired	416,429	427,001	470,361
Gross	9,559,258	8,383,363	6,171,025
Less allowance for credit impairment	(354,137)	(317,123)	(402,275)
Net	9,205,121	8,066,240	5,768,750
Fair value of collaterals of past due but not impaired	569,227	531,510	371,559
Net impaired loans after specific allowances	155,034	195,269	138,776
Fair value of collaterals of impaired loans	207,403	229,984	174,116
Loans and advances renegotiated			
Loans and advances renegotiated	547,398	64,928	170,257
Fair value of collaterals	547,398	64,928	170,257

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

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

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Credit risk exposures relating to on-balance sheet assets are as follows:			
Balances with banks in Mauritius, banks abroad and inter bank loans	3,187,034	3,339,743	2,519,966
Derivatives financial instruments	5,094	6,258	5,080
Government of Mauritius/Bank of Mauritius Bills	1,335,508	991,561	821,146
Corporate bonds	457,751	402,698	240,452
Loans and advances to customers & banks	9,559,258	8,383,363	6,171,025
Other assets	1,056,137	703,478	700,890
	15,600,782	13,827,101	10,458,559
Credit risk exposures relating to off-balance sheet assets are as follows:			
Financial guarantees	3,032,053	2,282,304	1,621,446
Loans commitments and other credit related liabilities	1,700,675	798,686	915,271
Total	**20,333,510**	**16,908,091**	**12,995,276**

Types of collateral and credit enhancements held at year end

Fixed and floating charges on properties and other assets
Privilege D'Inscription
Lien on vehicle/equipment/machinery
Pledge on shares/rent/proceeds of crops
Lien on deposits
Assignment of Life Policy/general insurance policy
Bank Guarantee/personal guarantee/Government Guarantee
Nantissement de Parts Sociales dans le capital d'une Societe.
Leasing of Machinery/Equipment/Vehicle with the Bank as a Lessor
Pledge of deposits from other Financial Institution/Licensed Deposit Taker

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 1.7 m (2010: Rs 18m).

(d) Capital Structure

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

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Tier 1 Capital	775,656	624,928	435,728
Tier 2 Capital	439,444	390,372	273,758
Total Capital Base	**1,215,100**	**1,015,300**	**709,486**
Total Risk Weighted Assets	**10,113,788**	**8,932,876**	**6,213,328**
Capital Adequacy Ratio	12.01%	11.37%	11.42%

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

(e) Currency risk

Currency risk is defined as the potential movements in foreign exchanges rates that may adversely affect the Bank's financial condition. Limits are monitored on a daily basis and reported by Treasury Back Office and Risk Management Unit to Management and Bank of Mauritius. Exposure/limits are also reported to ALCO and Board Risk Committee on a monthly and quarterly basis respectively.

Concentration of assets, liabilities and off-balance sheet items

	USD Rs 000	EURO Rs 000	GBP Rs 000	MUR Rs 000	Others Rs 000	Total Rs 000
At 31 December 2011						
ASSETS						
Cash and cash equivalents	1,231,862	542,253	485,890	504,661	422,368	3,187,034
Derivative financial instruments	1,481	1,620	103	-	1,890	5,094
Loans and advances to banks	118,606	-	-	-	-	118,606
Loans and advances to customers	2,662,173	575,743	77,297	6,125,436	3	9,440,652
Investment securities	426,714	-	31,037	1,356,415	-	1,814,166
Goodwill and intangible assets	-	-	-	51,289	-	51,289
Property, plant and equipment	-	-	-	320,117	-	320,117
Deferred tax assets	-	-	-	36,983	-	36,983
Other assets	12,227	9,649	3,412	1,030,471	378	1,056,137
	4,453,063	**1,129,265**	**597,739**	**9,425,372**	**424,639**	**16,030,078**
Allowance for credit impairment						(354,137)
Total Assets						**15,675,941**
LIABILITIES						
Deposits	3,984,059	1,142,329	795,106	7,915,878	280,713	14,118,085
Derivative financial instruments	2,828	263	-	12	303	3,406
Subordinated liabilities	174,876	-	-	148,220	-	323,096
Current tax liabilities	-	-	-	15,307	-	15,307
Other liabilities	19,962	3,171	1,825	240,652	368	265,978
Total Liabilities	**4,181,725**	**1,145,763**	**796,931**	**8,320,069**	**281,384**	**14,725,872**
Net on-balance sheet position	**271,338**	**(16,498)**	**(199,192)**	**1,105,303**	**143,255**	**1,304,206**
Less allowance for credit impairment						(354,137)
						950,069
Currency forwards and swaps						
Contractual/nominal amount	**667,300**	**191,981**	**53,013**	**2,940**	**345,839**	**1,261,073**
Credit commitments	**435,260**	**296,778**	**58,653**	**909,984**	**-**	**1,700,675**

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

(e) Currency risk (cont'd...)

	USD Rs 000	EURO Rs 000	GBP Rs 000	MUR Rs 000	Others Rs 000	Total Rs 000
At 31 December 2010						
Total assets	4,531,037	751,316	371,342	8,511,312	100,730	14,265,737
Total liabilities	4,361,864	720,328	459,099	7,568,799	31,842	13,141,932
Net on-balance sheet position	169,173	30,988	(87,757)	942,513	68,888	1,123,805
Less allowance for credit impairment						(317,123)
						806,682
Credit commitments	**172,298**	**12,369**	**-**	**614,019**	**-**	**798,686**
At 31 December 2009						
Total assets	1,966,738	888,058	386,388	7,581,131	102,670	10,924,985
Total liabilities	1,936,524	744,248	388,831	6,784,550	26,336	9,880,489
Net on-balance sheet position	30,214	143,810	(2,443)	796,581	76,334	1,044,496
Less allowance for credit impairment						(402,275)
						642,221
Credit commitments	**134,144**	**-**	**-**	**781,127**	**-**	**915,271**

(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...)

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

	Up to 1 month Rs 000	1-3 months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-3 years Rs 000	>3 years Rs 000	Non Interest Sensitive Rs 000	Total Rs 000
As at 31 December 2011								
ASSETS								
Cash and cash equivalents	877,422	90,235	149,314	58,556	-	-	2,011,507	3,187,034
Derivative financial instruments	-	-	-	-	-	-	5,094	5,094
Loans and advances to banks	-	109,126	9,480	-	-	-	-	118,606
Loans and advances to customers	442,298	5,774,317	525,710	152,465	976,558	1,569,304	-	9,440,652
Investment securities	59,819	58,724	40,793	569,955	747,830	301,499	35,546	1,814,166
Goodwill and other intangible assets	-	-	-	-	-	-	51,289	51,289
Property, plant and equipment	-	-	-	-	-	-	320,117	320,117
Defered tax assets	-	-	-	-	-	-	36,983	36,983
Other assets	-	-	-	-	-	-	1,056,137	1,056,137
	1,379,539	**6,032,402**	**725,297**	**780,976**	**1,724,388**	**1,870,803**	**3,516,673**	**16,030,078**
Less allowances for credit impairment								(354,137)
Total assets								15,675,941
LIABILITIES								
Deposits	821,450	7,027,742	1,187,688	1,267,954	354,085	50,132	3,409,034	14,118,085
Derivative financial instruments	-	-	-	-	-	-	3,406	3,406
Subordinated liabilities	-	148,220	-	-	15,808	159,068	-	323,096
Current tax liabilities	-	-	-	-	-	-	15,307	15,307
Other liabilities	-	-	-	-	-	-	265,978	265,978
Total liabilities	**821,450**	**7,175,962**	**1,187,688**	**1,267,954**	**369,893**	**209,200**	**3,693,725**	**14,725,872**
								950,069
Interest rate sensitivity gap	**558,089**	**(1,143,560)**	**(462,391)**	**(486,978)**	**1,354,495**	**1,661,603**	**(177,052)**	**1,304,206**
Less allowances for credit impairment								**(354,137)**
								950,069
As at 31 December 2010								
Total Assets	1,679,955	5,803,051	580,054	449,990	1,366,785	1,497,879	2,888,023	14,265,737
Total Liabilities	1,186,605	6,460,552	374,740	1,108,234	446,462	334,302	3,231,037	13,141,932
Interest rate sensitivity gap	493,350	(657,501)	205,314	(658,244)	920,323	1,163,577	(343,014)	1,123,805
Less allowances for credit impairment								(317,123)
								806,682
As at 31 December 2009								
Total Assets	2,351,671	4,602,326	233,269	55,730	996,053	843,070	1,842,866	10,924,985
Total Liabilities	1,777,901	4,611,527	781,675	516,724	1,009,796	424,754	758,112	9,880,489
Interest rate sensitivity gap	573,770	(9,201)	(548,406)	(460,994)	(13,743)	418,316	1,084,754	1,044,496
Less allowances for credit impairment								(402,275)
								642,221

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

(g) Liquidity risk

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

(i) Funding risk,
(ii) Time risk and
(iii) Call risk.

The Bank uses the maturity Gap Report for Measurement and Management of liquidity risk. The Maturity Gap Report slots the inflows and outflows in different Maturity Buckets as defined by the Bank of Mauritius, according to the expected timing of cash flows.

Maturities of Assets & Liabilities:

At 31 December 2011	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 cash equivalents	2,888,929	90,235	149,314	58,556	-	-	-	3,187,034
Derivative financial instruments	4,834	260	-	-	-	-	-	5,094
Loans and advances to banks	-	109,126	9,480	-	-	-	-	118,606
Loans and advances to customers	1,820,018	495,843	587,390	296,194	1,367,695	4,873,512	-	9,440,652
Investment securities	59,819	45,244	40,793	584,595	747,830	301,499	34,386	1,814,166
Goodwill and other intangible assets	-	-	-	-	-	-	51,289	51,289
Property, plant and equipment	-	-	-	-	-	-	320,117	320,117
Deferred tax assets	-	-	-	-	-	-	36,983	36,983
Other assets	-	-	-	-	-	-	1,056,137	1,056,137
	4,773,600	**740,708**	**786,977**	**939,345**	**2,115,525**	**5,175,011**	**1,498,912**	**16,030,078**
Less Allowances for Credit Impairment								**(354,137)**
Total Assets								**15,675,941**
LIABILITIES								
Deposits	7,456,416	1,477,260	1,919,970	2,354,354	794,510	115,575	-	14,118,085
Derivative financial instruments	3,406	-	-	-	-	-	-	3,406
Subordinated liabilities	-	-	-	-	15,808	307,288	-	323,096
Current tax liabilities	-	-	15,307	-	-	-	-	15,307
Other liabilities	-	-	-	-	-	-	265,978	265,978
Total Liabilities	**7,459,822**	**1,477,260**	**1,935,277**	**2,354,354**	**810,318**	**422,863**	**265,978**	**14,725,872**
Net liquidity gap	**(2,686,222)**	**(736,552)**	**(1,148,300)**	**(1,415,009)**	**1,305,207**	**4,752,148**	**1,232,934**	**1,304,206**
Less allowances for credit impairment								**(354,137)**
								950,069

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

(g) Liquidity risk

Maturities of Assets & Liabilities:

	Up to 1 month Rs 000	1-3 months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-3 years Rs 000	>3 years Rs 000	Non Maturity Item Rs 000	Total Rs 000
At 31 December 2010								
Total Assets	5,007,864	1,088,259	589,411	554,392	1,824,713	4,058,984	1,142,114	14,265,737
Total Liabilities	7,923,605	1,081,573	899,300	1,528,250	967,015	491,566	250,623	13,141,932
Net Liquidity Gap	(2,915,741)	6,686	(309,889)	(973,858)	857,698	3,567,418	891,491	1,123,805
Less allowances for credit impairment								(317,123)
								806,682
At 31 December 2009								
Total Assets	3,758,271	1,011,874	617,772	755,524	1,652,827	2,362,984	765,733	10,924,985
Total Liabilities	5,435,573	997,049	990,510	847,804	1,084,465	493,055	32,033	9,880,489
Net Liquidity Gap	(1,677,302)	14,825	(372,738)	(92,280)	568,362	1,869,929	733,700	1,044,496
Less allowances for credit impairment								(402,275)
								642,221

3. NET INTEREST INCOME

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Interest income			
Loans and advances to banks	4,417	5,199	12,342
Loans and advances to customers	692,784	604,575	482,818
Investment securities	109,985	98,084	91,843
Placements with other banks	18,310	23,428	20,292
Total interest income	825,496	731,286	607,295
Interest expense			
Deposits from customers	(444,071)	(422,010)	(466,404)
Borrowings from banks	(41)	(402)	(1,633)
Subordinated liabilities	(25,194)	(16,712)	(6,717)
Total interest expense	(469,306)	(439,124)	(474,754)
Net interest income	**356,190**	**292,162**	**132,541**

(a) Segment A

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Interest income			
Loans and advances to customers	595,804	559,058	461,526
Investment securities	86,112	75,200	86,485
Placements with other banks	988	739	748
Total interest income	682,904	634,997	548,759
Interest expense			
Deposits from customers	(385,663)	(397,882)	(434,743)
Borrowings from banks	(41)	(402)	(1,619)
Subordinated liabilities	(11,928)	(2,714)	-
Total interest expense	(397,632)	(400,998)	(436,362)
Net interest income	**285,272**	**233,999**	**112,397**

(b) Segment B

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Interest income			
Loans and advances from banks	4,417	5,199	12,342
Loans and advances from customers	96,980	45,517	21,292
Investment securities	23,873	22,884	5,358
Placements with other banks	17,322	22,689	19,544
Total interest income	**142,592**	**96,289**	**58,536**
Interest expense			
Deposits from customers	(58,408)	(24,128)	(31,661)
Borrowings from banks	-	-	(14)
Subordinated liabilities	(13,266)	(13,998)	(6,717)
Total interest expense	**(71,674)**	**(38,126)**	**(38,392)**
Net interest income	**70,918**	**58,163**	**20,144**

4. NET FEE AND COMMISSION INCOME

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Fee and commission income			
Retail banking customer fees	33,740	26,816	20,946
Corporate banking credit related fees	20,466	26,094	20,093
International banking customer fees	60,230	49,107	19,489
Guarantees	10,131	6,725	8,100
Other	4,496	5,507	1,198
Total fee and commission income	129,063	114,249	69,826
Fee and commission expense			
Interbank transaction fees	(2,338)	(2,479)	(2,175)
Other	(22,989)	(17,215)	(4,221)
Total fee and commission expense	(25,327)	(19,694)	(6,396)
Net fee and commission income	**103,736**	**94,555**	**63,430**

(a) Segment A

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Fee and commission income			
Retail banking customer fees	33,740	26,816	20,946
Corporate banking credit related fees	20,466	26,094	20,093
Guarantees	8,131	5,425	6,986
Other	4,403	5,507	1,198
Total fee and commission income	66,740	63,842	49,223
Fee and commission expense			
Interbank transaction fees	(2,140)	(1,806)	(2,175)
Other	(22,751)	(17,215)	(4,123)
Total fee and commission expense	(24,891)	(19,021)	(6,298)
Net fee and commission income	**41,849**	**44,821**	**42,925**

(b) Segment B

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Fee and commission income			
International banking customer fees	60,230	49,107	19,489
Guarantees	2,000	1,300	1,114
Other	93	-	-
Total fee and commission income	62,323	50,407	20,603
Fee and commission expense			
International banking customers fees	(198)	(673)	-
Other	(238)	-	(98))
Total fee and commission expense	(436)	(673)	(98)
Net fee and commission income	**61,887**	**49,734**	**20,505**

5. NET TRADING INCOME

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Profit arising from dealing in foreign currencies	109,900	57,416	65,788
	109,900	**57,416**	**65,788**
(a) Segment A			
Profit arising from dealing in foreign currencies	2,074	12,573	46,585
	2,074	**12,573**	**46,585**
(b) Segment B			
Profit arising from dealing in foreign currencies	107,826	44,843	19,203
	107,826	**44,843**	**19,203**

6. OTHER OPERATING INCOME

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Rental income	-	-	1,190
Other	299	10,278	12,069
	299	**10,278**	**13,259**
(a) Segment A			
Rental income	-	-	1,190
Other	395	696	3,250
	395	**696**	**4,440**
(b) Segment B			
(Loss)/gain on sale of available for sale securities	(96)	9,582	8,819
	(96)	**9,582**	**8,819**

7. NET IMPAIRMENT ON FINANCIAL ASSETS

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Provision for bad and doubtful debts	(45,636)	(39,179)	(7,501)
Bad debts written off for which no provisions were made	-	-	(500)
Provisions released during the year	9,299	8,146	13,770
Recoveries of advances written off	722	4,612	4,931
Net Allowance for Credit Impairment	**(35,615)**	**(26,421)**	**10,700**
(a) Segment A			
Provision for bad and doubtful debts	(35,842)	(32,149)	(6,741)
Bad debts written off for which no provisions were made	-	-	(500)
Provisions released during the year	9,299	8,146	13,770
Recoveries of advances written off	722	4,612	4,930
Net Allowance for Credit Impairment	**(25,821)**	**(19,391)**	**11,459**
(b) Segment B			
Provision for bad and doubtful debts	(9,794)	(7,030)	(759)
Net Allowance for Credit Impairment	**(9,794)**	**(7,030)**	**(759)**

8. PERSONNEL EXPENSES

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Wages and salaries	(117,179)	(97,678)	(88,272)
Compulsory social security obligations	(4,895)	(3,425)	(3,544)
Contributions to defined benefit plans (note 26)	(3,625)	(3,782)	(4,021)
Deferred contribution plan	(9,663)	(6,133)	(5,361)
Increase in liability for defined benefit plans (note 26)	(2,908)	(2,671)	(1,282)
Other personnel expenses	(64,808)	(59,546)	(42,166)
	(203,078)	**(173,235)**	**(144,646)**
(a) Segment A			
Wages and salaries	(96,674)	(80,512)	(83,275)
Compulsory social security obligations	(4,085)	(2,957)	(3,432)
Contributions to defined benefit plans (note 26)	(3,375)	(3,567)	(3,958)
Deferred contribution plan	(8,168)	(4,416)	(4,835)
Increase in liability for defined benefit plans (note 26)	(2,793)	(2,671)	(1,282)
Other personnel expenses	(55,880)	(50,837)	(40,588)
	(170,975)	**(144,960)**	**(137,370)**
(b) Segment B			
Wages and salaries	(20,505)	(17,166)	(4,997)
Compulsory social security obligations	(810)	(468)	(112)
Contributions to defined benefit plans (note 26)	(250)	(215)	(63)
Deferred contribution plan	(1,495)	(1,717)	(526)
Increase in liability for defined benefit plans (note 26)	(115)	-	-
Other personnel expenses	(8,928)	(8,709)	(1,578)
	(32,103)	**(28,275)**	**(7,276)**

9. OTHER EXPENSES

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Software licensing & other information technology cost	(23,659)	(22,930)	(17,242)
Others	(70,061)	(60,663)	(51,094)
	(93,720)	**(83,593)**	**(68,336)**
(a) Segment A			
Software licensing & other information technology cost	(22,238)	(21,710)	(16,906)
Others	(62,200)	(53,919)	(49,144)
	(84,438)	**(75,629)**	**(66,050)**
(b) Segment B			
Software licensing & other information technology cost	(1,421)	(1,220)	(336)
Others	(7,861)	(6,744)	(1,950)
	(9,282)	**(7,964)**	**(2,286)**

10. PROFIT ON SALE AND RECOVERY OF ASSETS

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Financial assets recovered (note 31)	-	59,322	-
	-	**59,322**	**-**
Segment B			
Financial assets recovered (note 31)	-	59,322	-
	-	**59,322**	**-**

11. INCOME TAX EXPENSE

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
RECOGNISED IN THE INCOME STATEMENT			
(a) Current tax expense			
Current period	15,307	6,115	534
(Over)/under provision in prior years	(404)	1,941	-
	14,903	**8,056**	**534**
(b) Deferred tax expense			
Originated and reversal of temporary differences (note 20)	12,478	19,500	3,292
	27,381	**27,556**	**3,826**
(c) Reconciliation of effective tax rate			
Profit before income tax	**202,669**	**195,844**	**42,314**
Income tax at a rate of 3% & 15% (2010 & 2009: 3% & 15%)	7,817	8,118	(627)
Non-deductible expenses	630	590	897
Income not subject to tax	-	(2,089)	(265)
Special levy on banks	6,101	5,565	534
Corporate social responsibility fund	92	550	-
(Over)/under provision in prior years	(404)	1,941	-
Other timing differences	13,145	12,881	3,287
Total income tax in income statement	**27,381**	**27,556**	**3,826**
Segment A			
Current tax expense			
Current period	**7,165**	**6,527**	**-**
Deferred tax expense			
Originated and reversal of temporary differences	**12,766**	**19,962**	**3,292**
Segment B			
Current tax expense			
Current period	**7,738**	**1,529**	**534**
Deferred tax expense			
Originated and reversal of temporary differences	**(288)**	**(462)**	**-**

12. EARNINGS PER SHARE

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Profit for the year	175,288	168,288	38,488
Weighted average number of ordinary shares	5,514,560	5,440,587	4,914,560
Earnings per share - Basic (Rs)	**31.79**	**30.93**	**7.83**

13. CASH AND CASH EQUIVALENTS

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Cash in hand	94,788	105,962	79,168
Foreign currency notes and coins	7,168	14,963	6,870
Unrestricted balances with central banks (note 1)	406,118	392,206	184,250
Money market placements (note 2)	599,891	657,491	1,529,584
Other bank placements	207,870	251,038	-
Inter bank loans	-	-	300,000
Balances with banks abroad	1,867,444	1,913,939	420,094
Balance with other financial institutions	3,755	4,144	-
	3,187,034	**3,339,743**	**2,519,966**

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

	Nominal Rs 000	Assets Rs 000	Liabilities Rs 000
As at 31 December 2011			
Currency forwards	526,268	2,215	79
Currency swaps	734,805	2,879	3,327
	1,261,073	**5,094**	**3,406**
As at 31 December 2010			
Currency forwards	291,728	2,728	3,849
Currency swaps	636,699	3,530	2,146
	928,427	**6,258**	**5,995**
As at 31 December 2009			
Currency forwards	**902,474**	**5,080**	**1,821**

15. LOANS AND ADVANCES TO BANKS

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Outside Mauritius	118,606	101,474	165,724
	118,606	101,474	165,724
Less: allowance for credit impairment	(1,359)	(1,015)	(1,657)
	117,247	**100,459**	**164,067**

(a) Segment B

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Outside Mauritius	118,606	101,474	165,724
	118,606	101,474	165,724
Less: allowance for credit impairment	(1,359)	(1,015)	(1,657)
	117,247	**100,459**	**164,067**

15. LOANS AND ADVANCES TO BANKS (cont'd...)

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
(b) Remaining term to maturity			
Up to 3 months	109,126	101,474	132,003
Over 3 months and up to 6 months	9,480	-	33,721
	118,606	**101,474**	**165,724**

(c) Allowance for credit impairment

	Specific allowances for impairment Rs 000	Collective/portfolio allowances & general provisions for impairment Rs 000	Total Rs 000
Balance as at 1 January 2009	-	**4,048**	**4,048**
Release during the year	-	(2,391)	(2,391)
Balance as at 31 December 2009	-	**1,657**	**1,657**
Release during the year	-	(642)	(642)
Balance as at 31 December 2010	-	**1,015**	**1,015**
Provision for credit impairment for the year	-	344	344
Balance as at 31 December 2011	-	**1,359**	**1,359**

16. LOANS AND ADVANCES TO CUSTOMERS

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Retail customers			
- Credit cards	65,614	49,004	3,102
- Mortgages	922,565	523,454	321,496
- Other retail loans	1,951,101	1,565,706	1,204,206
Corporate customers	4,045,733	4,435,922	3,703,656
Governments	1,000	2,709	3,419
Entities outside Mauritius	2,454,639	1,705,094	769,423
	9,440,652	8,281,889	6,005,301
Less: allowance for credit impairment	(352,778)	(316,108)	(400,618)
	9,087,874	**7,965,781**	**5,604,683**
Net finance lease receivables included in loans and advances to customers above are as follows:	**197,672**	**119,631**	**75,778**

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

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
(a) Segment A			
Retail customers			
- Credit cards	65,614	49,004	3,102
- Mortgages	922,565	523,454	321,496
- Other retail loans	1,951,101	1,565,706	1,204,206
Corporate customers	4,045,733	4,435,922	3,703,656
Governments	1,000	2,709	3,419
	6,986,013	6,576,795	5,235,878
Less allowance for credit impairment	(329,005)	(301,717)	(393,899)
	6,657,008	**6,275,078**	**4,841,979**
(b) Segment B			
Entities outside Mauritius	2,454,639	1,705,094	769,423
	2,454,639	1,705,094	769,423
Less allowance for credit impairment	(23,773)	(14,391)	(6,719)
	2,430,866	**1,690,703**	**762,704**
(c) Remaining term to maturity			
Up to 3 months	2,315,861	2,497,348	2,398,518
Over 3 months and up to 6 months	587,390	378,028	185,884
Over 6 months and up to 12 months	296,194	482,954	23,576
Over 1 year and up to 5 years	3,060,568	1,919,645	1,830,702
Over 5 years	3,180,639	3,003,914	1,566,621
	9,440,652	**8,281,889**	**6,005,301**
(d) Credit concentration of risk by industry sectors			
Agriculture and fishing	316,415	281,396	218,956
Manufacturing	658,672	751,921	402,750
of which EPZ	*81,784*	*150,145*	*169,737*
Tourism	1,115,457	1,035,824	823,403
Transport	164,560	104,804	73,860
Construction	2,182,556	1,769,008	1,337,147
Financial and business services	451,982	524,439	466,662
Traders	1,907,722	1,621,360	1,336,647
Personal	920,724	819,791	527,354
of which credit cards	*65,614*	*49,004*	*3,102*
Professional	35,811	15,317	13,070
Global business license holders	1,033,484	697,640	180,440
Others	653,270	660,389	625,011
	9,440,652	**8,281,889**	**6,005,301**

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

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
(d) Credit concentration of risk by industry sectors (cont'd...)			
Segment A			
Agriculture and Fishing	161,464	172,895	206,169
Manufacturing	530,176	645,494	401,846
of which EPZ	*81,784*	*150,145*	*169,737*
Tourism	905,950	871,641	722,334
Transport	164,560	104,804	73,860
Construction	1,954,479	1,672,050	1,293,867
Financial and business services	378,833	509,877	461,841
Traders	1,770,923	1,557,716	1,287,111
Personal	776,931	689,071	494,380
of which credit cards	*65,614*	*49,004*	*3,102*
Professional	35,811	15,317	13,070
Others	306,886	337,930	281,399
	6,986,013	**6,576,795**	**5,235,878**
Segment B			
Agriculture and Fishing	154,951	108,501	12,786
Manufacturing	128,496	106,427	904
Tourism	209,507	164,183	101,069
Construction	228,077	96,958	43,280
Financial and business services	73,149	14,562	4,820
Traders	136,799	63,644	49,536
Personal	143,792	130,720	32,974
Global business license holders	1,033,484	697,640	180,440
Others	346,384	322,459	343,612
	2,454,639	**1,705,094**	**769,423**

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...)

	Specific allowances for impairment Rs 000	Collective/portfolio allowances & general provisions for impairment Rs 000	Total Rs 000
(e) Allowance for credit impairment			
Balance as at 1 January 2009	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
Provision for credit impairment for the year	30,994	15,342	46,336
Loans written off out of allowance	(122,501)	-	(122,501)
Provisions released	(8,345)	-	(8,345)
Balance at end of December 2010	231,732	84,376	316,108
Provision for credit impairment for the year	55,740	7,007	62,747
Loans written off out of allowance	(6,885)	-	(6,885)
Provisions released	(19,192)	-	(19,192)
Balance at end of December 2011	**261,395**	**91,383**	**352,778**

(f) Investment in finance leases

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

	Up to 1 Year Rs 000	1 to 5 Years Rs 000	Over 5 years Rs 000	Dec-11 Total Rs 000	Dec-10 Total Rs 000	Dec-09 Total Rs 000
Gross investment in finance leases	7,598	234,462	82,112	324,172	184,393	103,012
Unearned finance income	(5,772)	(90,826)	(27,905)	(124,503)	(63,554)	(26,469)
Present value of minimum lease payments	**1,826**	**143,636**	**54,207**	199,669	120,839	76,543
Allowance for impairment				(1,997)	(1,208)	(765)
				197,672	**119,631**	**75,778**

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

(g) Allowance for credit impairment by industry sectors

	Dec-11					Dec-10	Dec-09
	Gross amount of loans Rs 000	Impaired loans Rs 000	Specific allowances for credit impairment Rs 000	Collective/ portfolio allowances for credit impairment Rs 000	Total allowances for credit impairment Rs 000	Total allowances for credit impairment Rs 000	Total allowances for credit impairment Rs 000
Agriculture and fishing	316,415	10,330	6,282	2,262	8,544	6,966	6,151
Manufacturing	658,672	44,475	41,983	5,974	47,957	47,642	74,964
of which EPZ	*81,784*	*37,492*	*37,492*	*477*	*37,969*	*38,567*	*70,324*
Tourism	1,115,457	68,893	43,068	11,348	54,416	27,385	60,085
Transport	164,560	2,550	1,242	1,575	2,816	2,273	2,973
Construction	2,182,556	79,628	42,151	21,811	63,962	62,188	58,298
Financial and business services	451,982	-	-	4,118	4,118	3,640	3,109
Traders	1,907,722	123,529	56,412	18,581	74,993	84,565	90,827
Personal	920,724	46,838	42,247	7,472	49,719	38,000	42,574
of which credit cards	*65,614*	*1,997*	*2,050*	*636*	*2,686*	*490*	*31*
Professional	35,811	-	-	382	382	146	123
Global business license holders	1,033,484	-	-	11,253	11,253	6,473	-
Others	653,270	40,186	28,010	6,608	34,617	36,830	61,514
	9,440,652	**416,429**	**261,395**	**91,383**	**352,778**	**316,108**	**400,618**
Segment A							
Agriculture and Fishing	161,464	10,330	6,282	1,585	7,867	6,966	6,151
Manufacturing	530,176	44,475	41,983	5,136	47,119	46,878	74,955
of which EPZ	*81,784*	*37,492*	*37,492*	*477*	*37,969*	*38,567*	*70,324*
Tourism	905,950	68,893	43,068	8,948	52,015	25,805	59,074
Transport	164,560	2,550	1,242	1,575	2,816	2,273	2,973
Construction	1,954,479	71,442	41,881	19,864	61,745	61,595	58,050
Financial and Business Services	378,833	-	-	3,530	3,530	3,618	3,075
Traders	1,770,923	123,529	56,412	17,084	73,497	84,005	90,391
Personal	776,931	46,838	42,247	7,069	49,317	37,115	42,468
of which credit cards	*65,614*	*1,997*	*2,050*	*636*	*2,686*	*490*	*31*
Professional	35,811	-	-	382	382	146	123
Others	306,886	40,186	28,010	2,708	30,718	33,316	56,639
	6,986,013	**408,242**	**261,125**	**67,880**	**329,005**	**301,717**	**393,899**

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

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

	Dec-11					Dec-10	Dec-09
	Gross amount of loans Rs 000	Impaired loans Rs 000	Specific allowances for credit impairment Rs 000	Collective/ portfolio allowances for credit impairment Rs 000	Total allowances for credit impairment Rs 000	Total allowances for credit impairment Rs 000	Total allowances for credit impairment Rs 000
Segment B							
Agriculture and fishing	154,951	-	-	677	677	-	-
Manufacturing	128,496	-	-	838	838	764	9
Tourism	209,507	-	-	2,400	2,400	1,580	1,011
Construction	228,077	8,187	270	1,947	2,217	593	248
Financial and Business Services	73,149	-	-	589	589	22	34
Traders	136,799	-	-	1,497	1,497	560	436
Personal	143,792	-	-	461	461	885	106
Global business license holders	1,033,484	-	-	11,253	11,253	6,473	-
Others	346,384	-	-	3,841	3,841	3,514	4,875
	2,454,639	**8,187**	**270**	**23,503**	**23,773**	**14,391**	**6,719**

17. INVESTMENT SECURITIES

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Held to maturity investment securities	1,759,397	1,030,111	870,257
Available for sale investment securities	54,769	385,055	213,335
	1,814,166	**1,415,166**	**1,083,592**

17. INVESTMENT SECURITIES (cont'd...)

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
(a) Held to maturity investment securities			
Government bonds	523,707	476,595	485,669
GOM Bills	308,092	9,993	226,768
Treasury Bills/Notes issued by Government of Mauritius	424,131	395,852	-
Mauritius Development Loan Stock	79,578	109,121	108,710
Corporate Bonds	423,889	38,550	49,111
	1,759,397	**1,030,111**	**870,257**
Segment A			
Government of Mauritius Bonds	523,707	476,595	485,669
GOM Bills	308,092	9,993	226,768
Treasury Bills/Notes issued by Government of Mauritius	424,131	395,852	-
Mauritius Development Loan Stock	79,578	109,121	108,710
	1,335,508	**991,561**	**821,146**
Segment B			
Corporate Bonds	423,889	38,550	49,111
	423,889	**38,550**	**49,111**
(b) Available for sale investment securities			
Equity shares in Oriental Commercial Bank Ltd (Kenya)	20,907	20,907	21,994
Corporate Bonds	33,862	364,148	191,341
	54,769	**385,055**	**213,335**
The Bank holds 4,597,210 shares, representing 5.59% shareholding of Oriental Commercial Bank Ltd, incorporated and operating in Kenya.			
Segment B			
Equity shares in Oriental Commercial Bank Ltd (Kenya)	20,907	20,907	21,994
Corporate Bonds	33,862	364,148	191,341
	54,769	**385,055**	**213,335**

18. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Rs 000	Computer and other equipment Rs 000	Other fixed assets Rs 000	Total Rs 000
Cost or Valuation				
Balance as at 31 December 2008	280,000	138,991	73,552	492,543
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
Acquisitions	-	6,933	14,353	21,286
Scrapped	-	(1,132)	-	(1,132)
Disposals	-	-	(655)	(655)
Balance as at 31 December 2010	280,000	152,709	100,963	533,672
Acquisitions	-	7,583	15,974	23,557
Scrapped	-	(2,449)	(963)	(3,412)
Disposals	-	(132)	-	(132)
Balance as at 31 December 2011	**280,000**	**157,711**	**115,974**	**553,685**
Accumulated Depreciation				
Balance as at 31 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 as at 31 December 2009	24,095	111,560	50,723	186,378
Depreciation for the year	4,740	14,421	7,804	26,965
Scrapped	-	(1,132)	-	(1,132)
Disposal adjustment	-	-	(655)	(655)
Balance as at 31 December 2010	28,835	124,849	57,872	211,556
Depreciation for the year	4,740	12,373	8,330	25,443
Scrapped	-	(2,449)	(963)	(3,412)
Disposal adjustment	-	(19)	-	(19)
Balance as at 31 December 2011	**33,575**	**134,754**	**65,239**	**233,568**
Net book value at end of December 2011	**246,425**	**22,957**	**50,735**	**320,117**
Net book value at end of December 2010	251,165	27,860	43,091	322,116
Net book value at end of December 2009	255,905	35,348	36,542	327,795
Net book value as at 31 December 2011 by segments				
Segment A	239,620	22,775	50,727	313,122
Segment B	6,805	182	8	6,995
	246,425	**22,957**	**50,735**	**320,117**
Net book value as at 31 December 2010 by segments				
Segment A	244,447	27,694	43,091	315,232
Segment B	6,718	166	-	6,884
	251,165	**27,860**	**43,091**	**322,116**
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**

19. INTANGIBLE ASSETS

	Goodwill Rs 000	Computer Software Rs 000	Total Rs 000
Cost			
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
Additions	-	6,151	6,151
Balance as at 31 December 2010	15,147	78,971	94,118
Additions	-	14,755	14,755
Balance as at 31 December 2011	15,147	93,726	108,873
Amortisation			
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
Charge for the year	-	7,675	7,675
Balance as at 31 December 2010	-	47,966	47,966
Charge for the year	-	9,618	9,618
Balance as at 31 December 2011	-	57,584	57,584
Net book value at end of December 2011	15,147	36,142	51,289
Net book value at end of December 2010	15,147	31,005	46,152
Net book value at end of December 2009	15,147	32,529	47,676
Net book value as at 31 December 2011 by segments			
Segment A	15,147	34,113	49,260
Segment B	-	2,029	2,029
	15,147	36,142	51,289
Net book value as at 31 December 2010 by segments			
Segment A	15,147	29,770	44,917
Segment B	-	1,235	1,235
	15,147	**31,005**	**46,152**
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**

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-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
At start of year	49,461	68,961	68,253
Release of deferred tax on revaluation surplus	-	-	4,000
Income Statement charge (note 11)	(12,478)	(19,500)	(3,292)
At end of year	36,983	**49,461**	**68,961**
Deferred tax asset			
Allowances for loan losses	50,105	45,720	60,341
Tax losses carried forward	-	16,816	23,060
Retirement Benefit Obligation	5,349	4,913	4,513
	55,454	67,449	87,914
Deferred tax liabilities			
Accelerated capital allowances	5,892	5,120	5,796
Revaluation reserve	12,579	12,868	13,157
	18,471	17,988	18,953
	36,983	**49,461**	**68,961**

21. OTHER ASSETS

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Mandatory balances with Central Bank*	734,220	559,686	335,477
Balance due in clearing	177,523	22,664	243,415
Accrued interest receivable	50,578	42,729	38,488
Non-banking assets acquired in satisfaction of debts	10,712	11,987	14,423
Contribution to private equity fund	1,852	-	-
Other	81,252	66,412	69,087
	1,056,137	**703,478**	**700,890**

* Balances to be maintained with Central Bank as cash reserve requirement.

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Segment A			
Mandatory balances with Central Bank	734,220	559,686	335,477
Balance due in clearing	177,523	22,664	243,415
Accrued interest receivable	33,940	22,885	25,428
Non-banking assets acquired in satisfaction of debts	10,712	11,987	14,423
Contribution to private equity fund	1,852	-	-
Others	65,963	52,615	69,044
	1,024,210	**669,837**	**687,787**

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

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Segment B			
Accrued interest receivable	16,638	19,844	13,060
Others	15,289	13,797	43
	31,927	**33,641**	**13,103**

22. DEPOSITS FROM CUSTOMERS

(a) Deposits comprise the following:

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Retail customers	5,966,307	5,281,957	4,881,515
Corporates	2,236,193	2,491,055	2,396,961
International	5,841,692	4,775,612	2,152,828
Government	73,893	50,084	48,208
	14,118,085	**12,598,708**	**9,479,512**

22. DEPOSITS FROM CUSTOMERS (cont'd...)

(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 mths and up to 6 mths Rs 000	Over 6 mths and up to 12 mths Rs 000	Over 1 year and up to 5 years Rs 000	Over 5 years Rs 000	Totals Rs 000
At 31 December 2011								
Retail customers	402,153	2,472,731	709,495	541,414	1,093,366	747,148	-	5,966,307
Corporate customers	402,040	478,647	407,777	433,551	502,489	11,689	-	2,236,193
International customers	2,608,723	500,682	946,535	945,005	758,499	82,248	-	5,841,692
Government	-	2,893	2,000	-	-	69,000	-	73,893
Total	**3,412,916**	**3,454,953**	**2,065,807**	**1,919,970**	**2,354,354**	**910,085**	**-**	**14,118,085**
At 31 December 2010								
Retail customers	301,803	2,164,439	1,177,890	241,037	320,323	1,076,465	-	5,281,957
Corporate customers	479,906	325,380	780,891	365,008	522,470	17,400	-	2,491,055
International customers	2,201,328	412,136	1,153,101	285,365	645,458	78,225	-	4,775,613
Government	-	2,083	2,000	-	40,000	6,000	-	50,083
Total	**2,983,037**	**2,904,038**	**3,113,882**	**891,410**	**1,528,251**	**1,178,090**	**-**	**12,598,708**
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	506,286	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**	**974,049**	**810,184**	**1,314,771**	**11,677**	**9,479,512**

23. SUBORDINATED LIABILITIES

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Remaining term to maturity			
Over 2 years and up to 3 years	15,808	-	-
Over 3 years and up to 4 years	31,616	16,576	-
Over 4 years and up to 5 years	130,824	33,152	16,234
Over 5 years	144,848	231,648	162,344
	323,096	**281,376**	**178,578**
Segment A			
Over 4 years and up to 5 years	99,208	-	-
Over 5 years	50,000	99,042	-
	149,208	**99,042**	**-**
Segment B			
Over 2 years and up to 3 years	15,808	-	-
Over 3 years and up to 4 years	31,616	16,576	-
Over 4 years and up to 5 years	31,616	33,152	16,234
Over 5 years	94,848	132,606	162,344
	173,888	**182,334**	**178,578**

24. CURRENT TAX LIABILITIES

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Special levy on banks	6,101	5,565	534
Corporate social responsibility fund	92	550	-
Income tax	9,114	-	-
	15,307	6,115	534

25. OTHER LIABILITIES

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Liability for defined pension plan (note 26)	35,663	32,755	30,084
Bills payable	22,619	14,284	19,783
Other payables	67,204	72,913	23,459
Provision for private equity fund	1,852	-	-
Accrued interest	138,640	129,786	146,718
	265,978	**249,738**	**220,044**
Segment A			
Liability for defined pension plan (note 26)	35,663	32,755	30,084
Bills payable	22,619	14,284	19,783
Other payables	59,299	33,830	23,309
Provision for private equity fund	1,852	-	-
Accrued interest	115,763	108,693	129,822
	235,196	**189,562**	**202,998**
Segment B			
Accrued interest	22,877	21,093	16,896
Other payables	7,905	39,083	150
	30,782	**60,176**	**17,046**

26. PENSION OBLIGATIONS

(a) Amounts recognised in the Balance Sheet

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Pension Obligations under defined benefit plan (note (i))	**35,663**	**32,755**	**30,084**

(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 2011 submitted by the Anglo Mauritius Assurance Society Limited.

26. PENSION OBLIGATIONS (cont'd...)

(a) Amounts recognised in the Balance Sheet (cont'd...)

(ii) The amounts recognised in the Balance Sheet are as follows:

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Present value of funded obligations	71,564	61,613	56,246
Fair value of plan assets	(31,581)	(27,353)	(25,347)
Unrecognised actuarial loss	(4,320)	(1,505)	(815)
Liability in the Balance Sheet	**35,663**	32,755	30,084

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

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
At start of year	61,613	56,246	47,762
Current service cost	2,834	2,678	2,371
Interest cost	6,055	5,866	4,972
Actuarial gain/(losses)	1,798	(90)	4,299
Benefits paid	(736)	(3,087)	(3,158)
At end of year	**71,564**	**61,613**	**56,246**

(iv) Movement in the fair value of plan assets of the year is as follows:

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
At start of year	27,353	25,347	23,509
Expected return on plan assets	2,849	2,561	2,490
Employer's contribution	3,625	3,782	4,021
Scheme expenses	(145)	(153)	(165)
Cost of incurring risk benefits	(348)	(317)	(285)
Actuarial losses	(1,017)	(780)	(1,065)
Benefits paid	(736)	(3,087)	(3,158)
At end of year	**31,581**	**27,353**	**25,347**

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

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Current service cost	2,834	2,678	2,371
Scheme Expenses	145	153	165
Cost of insuring risk benefits	348	317	285
Interest cost	6,055	5,866	4,972
Expected return on plan assets	(2,849)	(2,561)	(2,490)
Total included in staff costs	**6,533**	**6,453**	**5,303**
Total expense shown as:			
Contributions (note 8)	3,625	3,782	4,021
Increase in liability for defined benefit plans (note 8)	2,908	2,671	1,282
	6,533	**6,453**	**5,303**

(vi) Movement in the liability recognised in the Statement of Financial Position:

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
At 1 January	32,755	30,084	28,802
Total expense as above	6,533	6,453	5,303
Contributions paid	(3,625)	(3,782)	(4,021)
At 31 December	**35,663**	32,755	30,084
Actual return on plan assets	**1,832**	1,781	1,425

(vii) The assets in the plan were:

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Local equities	11,843	10,257	9,505
Overseas equities	7,106	6,154	5,703
Fixed interest	11,053	9,574	8,872
Properties	1,579	1,368	1,267
Total market value of assets	31,581	27,353	25,347
Present value of plan liability	(71,564)	(61,613)	(56,246)
Deficit	(39,983)	(34,260)	(30,899)
Unrecognised actuarial loss	4,320	1,505	815
Net liability for retirement obligation recognised in the Statement of Financial Position	**(35,663)**	(32,755)	(30,084)

The principal actuarial assumptions at end of year:

	Dec-11 %	Dec-10 %	Dec-09 %
Discount rate	9.25	9.5	10
Expected return on plan assets	9.25	10	11
Future long term salary inrease	7.75	8	8
Future guaranteed pension increase	-	-	-

(viii) The assets of the plan are invested in Anglo Mauritius' deposit administration fund. The latter is expected to produce a smooth progression of return from one year to the next. The breakdown of the assets above correspond to a notional allocation of the underlying investments based on the long term strategy of the fund.

As the fund is expected to produce a smooth return, a fairly reasonable indication of future returns can be obtained by looking at historical ones. Therefore, the long term expected retun on asset assumption has been based on historical performance of the fund.

In terms of the individual expected returns, the expected return on equities has been based on an equity risk premium above a risk free rate. The risk free rate has been measured in accordance to the yields on government bonds at the measurement date.

The fixed interest portfolio includes government bonds, debentures, mortgages and cash. The expected return for this asset class has been based on yields of government bonds at the measurement date.

(ix) Expected employer contribution in respect of:
(i) defined benefit plan for year 2012 - Rs.3.8m.
(ii) defined contribution plan - the employer contributes around 10% of the expected salary.

27. SHARE CAPITAL

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Shares at no par value			
Stated capital	551,456	551,456	491,456
At start of year	551,456	491,456	269,456
Issue of shares	-	60,000	222,000
At end of year	**551,456**	**551,456**	**491,456**
Capital pending allotment			
Ordinary shares	-	-	**60,000**

28. DIVIDENDS

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Final dividend for financial year 2010 was paid on 16 May 2011	25,000	-	-

29. CONTINGENT LIABILITIES

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Acceptances on account of customers	100,998	40,616	90,501
Guarantees on account of customers	748,006	802,628	489,067
Letters of credit and other obligations on account of customers	486,222	411,390	92,812
Foreign exchange contracts	1,261,073	928,427	902,474
Other contingent items	435,754	99,243	46,593
	3,032,053	**2,282,304**	**1,621,446**
Segment A			
Acceptances on account of customers	74,192	40,616	90,501
Guarantees on account of customers	550,468	643,184	390,016
Letters of credit and other obligations on account of customers	91,408	363,324	85,720
Foreign exchange contracts	675,041	531,395	731,923
Other contingent items	81,439	94,185	46,593
	1,472,548	**1,672,704**	**1,344,752**
Segment B			
Acceptances on account of customers	26,806	-	-
Guarantees on account of customers	197,538	159,444	99,051
Letters of credit and other obligations on account of customers	394,814	48,066	7,092
Foreign exchange contracts	586,032	397,032	170,551
Other contingent items	354,315	5,058	-
	1,559,505	**609,600**	**276,694**

30. COMMITMENTS

	Dec-11 Rs 000	Dec-10 Rs 000	Dec-09 Rs 000
Undrawn credit facilities	1,700,675	798,686	915,271
Segment A	954,812	659,471	781,127
Segment B	745,863	139,215	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	2011 Rs 000	2010 Rs 000	2009 Rs 000
Loans and advances	Related companies	319,407	144,663	113,396
	Key management personnel	20,665	16,821	14,866
Deposits	Related companies	158,777	129,912	171,886
	Key management personnel	4,046	3,281	5,889
Interest income	Related companies	20,650	7,227	14,166
	Key management personnel	1,011	508	360
Interest expense	Related companies	2,083	3,504	1,059
	Key management personnel	182	198	231
Fees and expenses	Directors	5,571	2,122	598
Contingent liabilities	Related companies	147,977	230,207	433,983

32. RELATED PARTIES (cont'd...)

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

Top 6 related party exposures as at 31 December 2011 amounted to Rs 319m, representing 41.2% of Tier 1 capital.

Total related party exposure under Category 1 (as defined in the Guideline on Retaled Party Transactions issued by the BOM in January 2009) was 41.95% of Tier 1 capital against BOM limit of 60%.

No related party credit exposure has been classified as impaired for the last 3 years.

All the above related party transactions were carried out under market terms and conditions with the exception of loans to Key Management Personnel who benefited from preferential rates as applicable to staff.

(a) Key Management personnel compensation

	2011 Rs 000	2010 Rs 000	2009 Rs 000
Remuneration and other benefits relating to key management personnel, including directors were as follows:			
Salaries and short term employee benefits	47,543	40,821	29,949
Post employment benefits	2,747	2,360	3,446

Statement of Financial Position as at 31 December 2011

	Dec-11			Dec-10			Dec-09		
	Bank Rs 000	Segment A Rs 000	Segment B Rs 000	Bank Rs 000	Segment A Rs 000	Segment B Rs 000	Bank Rs 000	Segment A Rs 000	Segment B Rs 000
ASSETS									
Cash and cash equivalents	3,187,034	511,830	2,675,204	3,339,743	517,275	2,822,468	2,519,966	570,289	1,949,677
Derivative assets held for risk management	5,094	1,962	3,132	6,258	6,258	-	5,080	5,080	-
Loan and advances to banks	117,247	-	117,247	100,459	-	100,459	164,067	-	164,067
Loan and advances to customers	9,087,874	6,657,008	2,430,866	7,965,781	6,275,078	1,690,703	5,604,683	4,841,979	762,704
Investment securities	1,814,166	1,335,508	478,658	1,415,166	991,562	423,604	1,083,592	821,146	262,446
Property, plant and equipment	320,117	313,122	6,995	322,116	315,232	6,884	327,795	320,949	6,846
Intangible asset	51,289	49,260	2,029	46,152	44,917	1,235	47,676	46,746	930
Deferred tax asset	36,983	36,233	750	49,461	48,999	462	68,961	68,961	-
Other assets	1,056,137	1,024,210	31,927	703,478	669,837	33,641	700,890	687,787	13,103
TOTAL ASSETS	**15,675,941**	**9,929,133**	**5,746,808**	**13,948,614**	**8,869,158**	**5,079,456**	**10,522,710**	**7,362,937**	**3,159,773**
LIABILITIES									
Deposits from customers	14,118,085	8,276,394	5,841,691	12,598,708	7,823,096	4,775,612	9,479,512	7,326,684	2,152,828
Derivative liabilities held for risk management	3,406	-	3,406	5,995	5,995	-	1,821	1,821	-
Subordinated liabilities	323,096	149,208	173,888	281,376	99,041	182,335	178,578	-	178,578
Other liabilities	265,978	235,196	30,782	249,738	189,562	60,176	220,044	202,998	17,046
Current tax liabilities	15,307	15,307	-	6,115	6,115	-	534	534	-
	14,725,872	**8,676,105**	**6,049,767**	**13,141,932**	**8,123,809**	**5,018,123**	**9,880,489**	**7,532,037**	**2,348,452**
SHAREHOLDERS' EQUITY									
Stated Capital	551,456	551,456	-	551,456	551,456	-	491,456	491,456	-
Share Capital pending allotment	-	-	-	-	-	-	60,000	60,000	-
Reserves	123,051	130,606	(7,555)	103,652	79,006	24,646	82,179	82,179	-
Retained earnings	275,562	(54,739)	330,301	151,574	(49,285)	200,859	8,586	(41,482)	50,068
	950,069	**627,323**	**322,746**	**806,682**	**581,177**	**225,505**	**642,221**	**592,153**	**50,068**
TOTAL EQUITY AND LIABILITIES	**15,675,941**	**9,303,428**	**6,372,513**	**13,948,614**	**8,704,986**	**5,243,628**	**10,522,710**	**8,124,190**	**2,398,520**

Income Statements for the year ended 31 December 2011

	Year ended Dec-11			Year ended Dec-10			Year ended Dec-09		
	Bank Rs 000	Segment A Rs 000	Segment B Rs 000	Bank Rs 000	Segment A Rs 000	Segment B Rs 000	Bank Rs 000	Segment A Rs 000	Segment B Rs 000
Interest income	825,496	682,904	142,592	731,286	634,997	96,289	607,295	548,759	58,536
Interest expense	(469,306)	(397,632)	(71,674)	(439,124)	(400,998)	(38,126)	(474,754)	(436,362)	(38,392)
Net interest income	**356,190**	**285,272**	**70,918**	**292,162**	**233,999**	**58,163**	**132,541**	**112,397**	**20,144**
Fee and commission income	129,063	66,740	62,323	114,249	63,842	50,407	69,826	49,223	20,603
Fee and commission expense	(25,327)	(24,891)	(436)	(19,694)	(19,021)	(673)	(6,396)	(6,298)	(98)
Net fee and commission income	**103,736**	**41,849**	**61,887**	**94,555**	**44,821**	**49,734**	**63,430**	**42,925**	**20,505**
Net trading income	109,900	2,074	107,826	57,416	12,573	44,843	65,788	46,585	19,203
Other operating income	299	395	(96)	10,278	696	9,582	13,259	4,440	8,819
	110,199	**2,469**	**107,730**	**67,694**	**13,269**	**54,425**	**79,047**	**51,025**	**28,022**
Operating income	**570,125**	**329,590**	**240,535**	**454,411**	**292,089**	**162,322**	**275,018**	**206,347**	**68,671**
Non interest expenses									
Net impairment loss in financial assets	(35,615)	(25,821)	(9,794)	(26,421)	(19,391)	(7,030)	10,700	11,459	(759)
Personel expenses	(203,078)	(170,975)	(32,103)	(173,235)	(144,960)	(28,275)	(144,646)	(137,370)	(7,276)
Depreciation & amortisation	(35,043)	(33,879)	(1,164)	(34,640)	(33,423)	(1,217)	(30,422)	(30,189)	(233)
Other Expenses	(93,720)	(84,438)	(9,282)	(83,593)	(75,629)	(7,964)	(68,336)	(66,050)	(2,286)
	(367,456)	**(315,113)**	**(52,343)**	**(317,889)**	**(273,403)**	**(44,486)**	**(232,704)**	**(222,150)**	**(10,554)**
Operating profit/(loss) before exceptional items	**202,669**	**14,477**	**188,192**	**136,522**	**18,686**	**117,836**	**42,314**	**(15,803)**	**58,117**
Exceptional items	-	-	-	59,322	-	59,322	-	-	-
Profit/(loss) before tax	**202,669**	**14,477**	**188,192**	**195,844**	**18,686**	**177,158**	**42,314**	**(15,803)**	**58,117**
Income tax expense	(27,381)	(19,931)	(7,450)	(27,556)	(26,489)	(1,067)	(3,826)	(3,292)	(534)
Profit/(loss) after tax	**175,288**	**(5,454)**	**180,742**	**168,288**	**(7,803)**	**176,091**	**38,488**	**(19,095)**	**57,583**

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