



SBM

The background features a large, stylized 'S' logo in a light blue color, composed of several concentric, overlapping loops. To the right of the logo, there are several curved, overlapping bands in shades of blue and teal, creating a sense of motion and depth. The overall design is clean and modern, with a focus on geometric shapes and a cool color palette.

SBM

In our unwavering commitment to be a bank that offers the opportunity to each and every Mauritian to help their potential grow, we have further enhanced our approach in the crafting of what defines true banking.

Through state-of-the-art, yet approachable technology and a sharpened array of offers, we thrive to offer a seamless experience with the boldest of objectives: weave a smile on our customers' faces. Every day.

the heart
of your life

Vision

To be the leading provider of integrated financial services in the regions of SBM operations through a dedicated and competent professional team.

Mission

Value creation for all stakeholders by achieving consistent improvement in returns and continued enhancement in customer satisfaction levels.

Goal

To continuously improve and innovate SBM's lines of business and achieve strong and sustainable returns for the shareholders. SBM aims to achieve its goals by continuously enhancing customer service, capacities, capabilities, competencies, delivery channels and operating efficiencies as well as maintaining a balanced, acceptable and quality risk profile while effectively managing its balance sheet.

Contents	Pages
Key financial highlights & charts	6-7
Corporate profile	10-13
Board of directors	14-15
Board committees	16
Directors of SBM subsidiaries	17
Report of the directors	20-23
Statement of directors' responsibilities	26
Company Secretary certificate	26
Corporate governance report	27-40
Risk management report	44-63
Executive management	64-67
Management discussion and analysis	70-85
Review of the operating environment	70-74
Business review	74-77
Financial review	78-85
Financial Statements	88-156
Statement of management's responsibility for financial reporting	89
Independent auditor's report to the shareholders of State Bank of Mauritius Ltd	90-91
SBM Group addresses	158



Key financial highlights

	2011	2010	2009	2008 ^a	2007 ^a
Shareholders' equity (Rs m)	15,971	14,656	12,943	10,974	9,515
Capital adequacy ratio (%) ^b	22.42	26.49	24.04	21.61	20.58
Earnings per share (cents)	780	720	784	819 ^c	503
Economic value added (Rs m)	272	398	482	432	478
Profit before income tax (Rs m)	2,475	2,212	2,345	2,397	1,740
Profit attributable to equity holders of the parent (Rs m)	2,013	1,859	2,025	2,114	1,506
Return on average assets (%) ^d	2.33	2.41	2.83	3.47	2.74
Return on average risk-weighted assets (%) ^e	3.80	4.10	4.62	5.12	4.25
Return on average shareholders' equity (%) ^d	13.32	14.75	17.24	21.43	17.73
Return on average Tier 1 capital (%) ^d	19.54	20.41	25.48	30.85	27.81
Credit deposit ratio (%)	81.83	72.83	64.17	66.03	62.87
Cost to income (%)	38.55	39.03	38.43	37.08	40.06
Cost to income, before depreciation (%)	33.82	34.30	30.06	29.05	29.89
Gross impaired advances to gross advances (%)	1.40	1.87	2.00	2.42	2.79
Net impaired advances to net advances (%)	0.46	0.81	0.47	0.48	1.28
Dividend payout ratio (%)	38.47	38.20	35.06	31.14	36.00
Electronic to gross transactions (%)	87	85	84	82	85

^a Restated for comparative purposes.

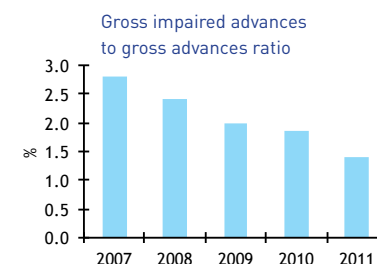
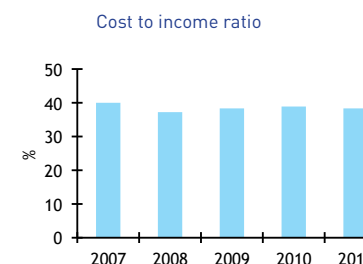
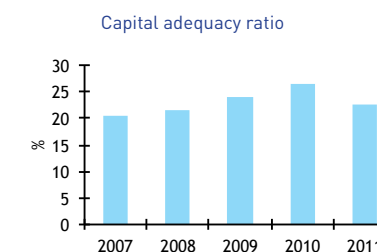
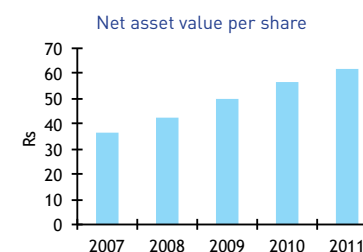
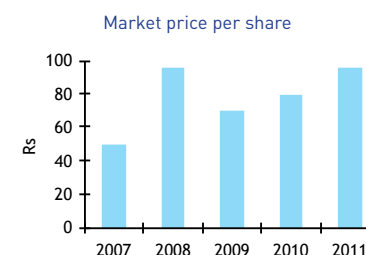
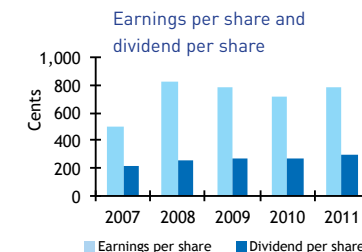
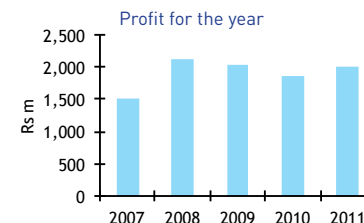
^b Risk-weighted assets are computed as per the then prevailing guidelines existing as at the respective year ends. The 2009, 2010 and 2011 ratios are computed based on the Basel II methodology advocated by the Bank of Mauritius, and earlier years are based on Basel I.

^c EPS, excluding the increase in dividend receipt in 2008, would have been Rs 6.05.

^d Averages are based on daily and monthly average balances where applicable.

^e Average risk-weighted assets are calculated using as at year-end balances.

Key financial charts





@ the heart
of your strategies

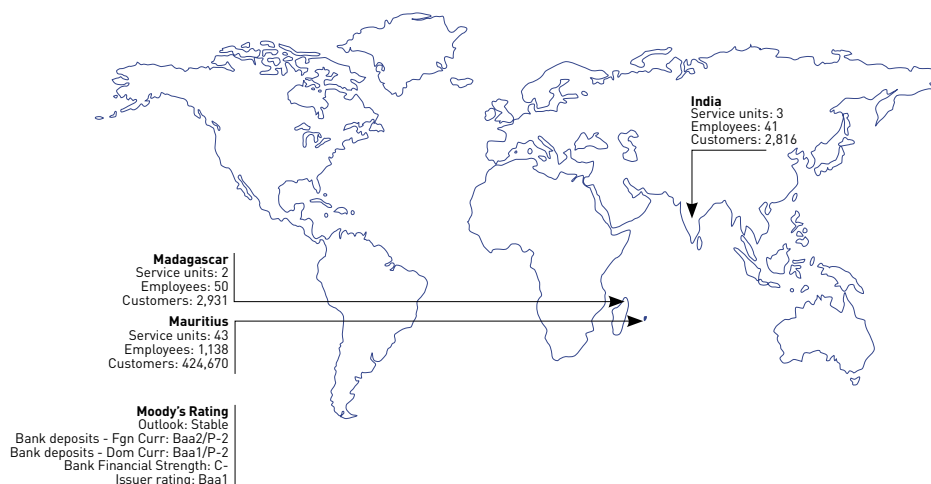
Our business:
to help you explore the
big picture with our
Corporate Solutions

1st bank to introduce settlement of utility bills on its ATMs 2011

Preferred VISA partner in Mauritius

3rd largest e-commerce acquirer in CEMEA region 2010

Set up in 1973 and listed on the Stock Exchange of Mauritius since 1995, the State Bank of Mauritius Group (SBM) is a leading financial services group in Mauritius with a growing presence in emerging markets. It is owned by some 16,500 domestic and international shareholders. SBM provides all services of a universal bank within a diversified business model.



Retail Banking, SMEs, Private Banking and Wealth Management

SBM is well entrenched in the domestic banking landscape with a diversified and loyal customer base, serviced through a large branch network by employees who are increasingly responsive to evolving client needs. Besides a broad range of savings, investment and financing products, in both local and foreign currencies, SBM offers a range of cards, designed to suit the needs of specific customer segments. Innovation, market insights and customer focus continue to drive product development/improvement.

Corporate Banking

The Corporate Banking Division of the Bank, through its team of highly competent and experienced professionals, provides comprehensive financial solutions to its business customers in Mauritius across portfolios. These include traditional banking products and commercial loans, working capital finance, trade finance facilities and structural finance facilities (trade and non trade) in both local and foreign currencies. It also provides 'Asset Finance' or 'Leasing' for the financing of specific fixed assets, namely motor vehicles and other equipments. Structured finance facilities offered to customers are customised in line with their specific requirements.

1st bank to receive Euromoney "Best Bank" Award for Mauritius 2004

1st bank to offer mobile TopUp service in Mauritius 2003

1st "Bank of the Year" Award by The Banker 2001

SBM Cashpaké, a **unique** cash rebate scheme 2010

1st bank in Mauritius to provide internet transaction authentication - 'Verified by Visa' 2007

1st bank in Sub Saharan Africa to launch Chip Cards 2005

International Banking and Global Business

As a growing international bank in the wholesale banking domain in India, SBM India operations provides a wide range of corporate and commercial banking services. These include corporate lending, treasury services, cash and trade transaction services to corporate, financial institutions and small and mid-tier clients across portfolios and segments. In Madagascar, SBM caters for the trading and business requirements of the domestic market, besides offering a range of corporate and commercial banking products and services. In addition to India and Madagascar operations, SBM equally provides banking services to Global Business customers of Mauritian operations involved in cross-border transactions in a number of countries, capitalising on its vast network of correspondent banks and bilateral arrangements with major international banks.

Treasury

Treasury activities at SBM encompass different financial products including currency, money market, fixed income and commodities trading. The treasury team offers an array of services to customers, from up-to-date market information and advice to timely execution of deals. Products offered to customers range from basic spot, forward and swap transactions to currency options and structured deposits, tailored to customer requirements. Treasury services are also provided in India and Madagascar.

E-business

In line with its spirit of innovation, SBM has invested in state-of-the-art technology to put multiple reliable and sophisticated electronic delivery channels at the service of its customers for convenient banking from anywhere on a 24/7 basis. These channels include an e-commerce portal, mobile banking services as well as an extensive network of Point of Sale machines.

Awards

SBM continues to be recognised, both in Mauritius and internationally, for superior achievements.

- SBM has been designated Best Local Bank by the annual Euromoney Private Banking Survey 2011
- SBM won the Best Private Bank Award by the African Banking Awards 2010 presented by emeafinance
- SBM won the Online Reporting category for the PricewaterhouseCoopers Corporate Reporting Awards 2011
- SBM has been chosen as Overall Winner in the BDO CSR Awards 2010

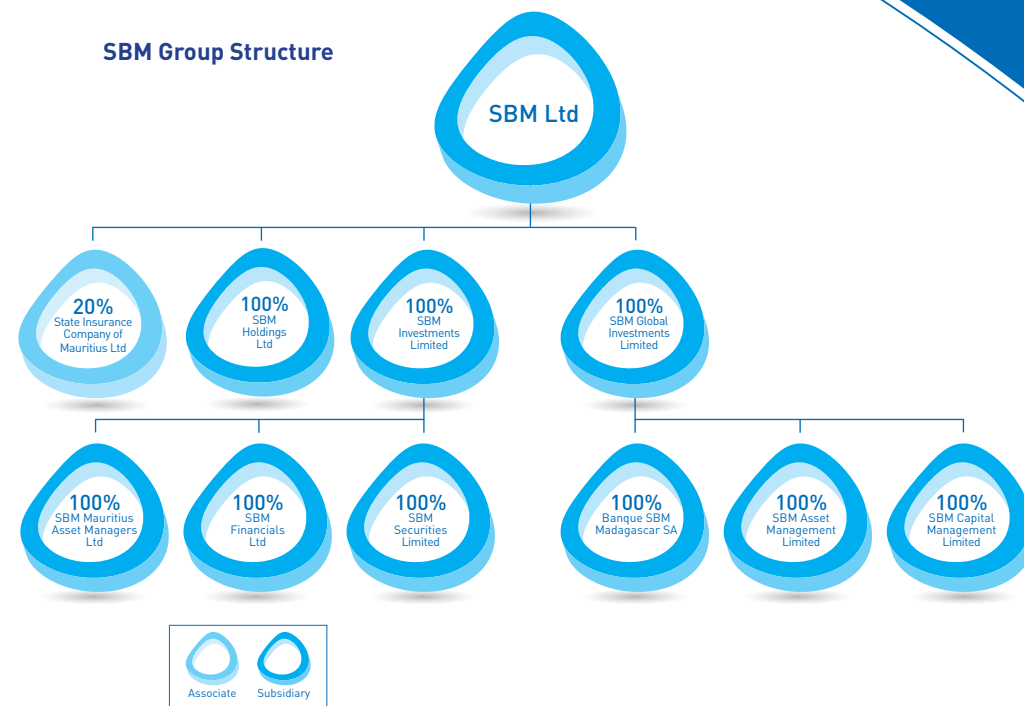
1st listed company to comply with international best practices in corporate governance 1997

1st and only Mauritian bank in India 1994

1st bank in Mauritius to introduce Savings account with Cheque Book Facility 1977



SBM Group Structure



Caution regarding forward-looking statements

Within this report, the State Bank of Mauritius Ltd (SBM) has made various forward-looking statements with respect to its financial position, business strategy and objectives of management. Such forward-looking statements are identified by the use of words such as 'expects', 'estimates', 'anticipates', 'believes', 'intends', 'plans', 'forecasts', 'projects' or words or phrases of a similar nature.

By their nature, forward-looking statements require the company to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that predictions and other forward-looking statements may not prove to be accurate. Readers of this report are thus cautioned not to place undue reliance on forward-looking statements as a number of factors could cause future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed therein.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to interest rate and currency value fluctuations, local and global industry, economic and political conditions, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the company operates, as well as management actions and technological changes. The foregoing list of factors is not exhaustive and when relying on forward-looking statements to make decisions with respect to SBM, investors and other parties should carefully consider these factors, as well as the inherent uncertainty of forward-looking statements and other uncertainties and potential events. SBM does not undertake to update any forward-looking statement that may be made, from time to time, by the organisation or on its behalf.



Muni Krishna T Reddy
G.O.S.K, MSc Agriculture

Chairman

Mr Muni Krishna T. Reddy has a master's degree with over 40 years of experience in the financial services industry. He was the Chief Executive Officer of the State Bank of Mauritius Ltd (SBM) for over 16 years until October 2003

when he was elected as Director and Chairman of the Board of SBM. During his tenure as Chief Executive, SBM was listed on the Mauritian Stock Exchange in 1995, implemented for the first time the bank's automation of its operations and other infrastructure, including SBM tower. SBM also expanded into Madagascar and India. Prior to joining SBM, Mr Reddy has worked in the banking sector in India and Singapore for 17 years. He is a director of various boards of large companies both in Mauritius and outside Mauritius, including Arcelor Mittal Point Lisas Limited (Trinidad), Arcelor Mittal Steel USA Inc (Chicago), Global Capital PLC (Malta) and was a director of Mauritius Telecom (Mauritius), Air Mauritius, NEDC etc. Mr Reddy was conferred with the title Grand Officer of the Star and Key of the Indian Ocean (G.O.S.K) by the Government of Mauritius coinciding with the first anniversary of the Republic of Mauritius in 1993 for distinguished services in the banking industry and for significant contribution to the economic development of Mauritius.

Mr Reddy has been, once again, elected as an independent non-executive director on 17 December 2010 and was designated as Chairman of the SBM Group.



Kalindee Bhanji,
BA (Hons) Economics,
MSc Public Sector Management

Mrs Bhanji has held senior positions in various ministries of the Government of Mauritius and is currently the Permanent Secretary at the Prime Minister's Office. She joined the Board in December 2006 and is a non-executive director.



Azim Fakhruddin Currimjee
BA (Mathematics), MBA

Mr Currimjee is currently the CEO and Managing Director of Quality Beverages Ltd, Vital Water Bottling Co Ltd and Margarine Industries Ltd, and is a director of various companies in the Currimjee Group. He was previously President of the Mauritius Chamber of Commerce and Industry.

He joined the Board in December 2008 and is an independent non-executive director.



Dheerendra Kumar Dabee
SC, LLB (Hons)

Mr Dabee, a Birmingham University graduate in Law and Political Science, Barrister at Law of Middle Temple since 1981 and a Senior Counsel, is currently the Solicitor-General in the Attorney General's Office. He is a director of Air Mauritius Ltd and Mauritius Telecom and acts as Legal Adviser to

a number of public organisations. He joined the Board in May 2008 and is a non-executive director.



George John Dumbell
ACIB (UK)

Mr Dumbell has extensive financial and commercial experience over more than 35 years, having served in Senior Management positions within the HSBC Group in nine countries across Asia, the Middle East, Europe and the Bahamas. He is currently the Chairman of the Constance Group

of Companies and sits on the founding Board of the Mauritius Institute of Directors. Mr Dumbell is also a director of Anglo Mauritius Assurance Society Ltd, Swan Insurance Co Ltd and the Chrys Capital Group of Companies. In 2003 he undertook a two-year contract with the Mauritius Commercial Bank Ltd in the field of Risk Management. He joined the Board in February 2008 and is an independent non-executive director.



Ali Michael Mansoor
MSc (Mathematical Economics
and Econometrics), Master in
Public Policy

Mr Mansoor has wide-ranging technical and managerial experience at the World Bank, European Commission, COMESA Clearing House and the International Monetary

Fund. He was a lead economist at the World Bank with a geographical focus on Eastern Europe and sector attention in public finance, banking and finance, trade and private sector. He is currently the Financial Secretary at the Ministry of Finance and Economic Development of Mauritius and a director of various companies. He joined the Board in December 2006 and is a non-executive director.



Rohit Ramnawaz
FCCA, LLB

Mr Ramnawaz is a Fellow of the Association of Chartered Certified Accountants and also holds a degree in law. He has over 25 years' experience in the fields of banking, finance, accounting, tax advisory and financial services. He is currently

the Managing Director of African Links Ltd, a consultancy firm principally engaged in providing value-added services to clients and multinationals in the Global Business sector. He also acts as independent director on the board of various companies in the Global Business sector. He has previously been a freelance country note sender for Mauritius for the Economist Intelligence Unit. Mr Ramnawaz joined the Board in December 2006 and is an independent non-executive director.



Alfred Joseph Gerard
Robert Alain Rey
BSc (Hons) Economics, ACA

Mr Rey is a graduate in Economics from the London School of Economics and qualified as a Chartered Accountant in 1985. He is currently Project Director as well as a director of various companies. Mr Rey has

wide financial experience having served as Chief Financial Officer of a NASDAQ listed company as well as Regional Corporate Director of a leading bank in Mauritius. He joined the Board in December 2009 and is an independent non-executive director.



Professor Andrew Scott
BA, MSc, D Phil

Professor Scott is Professor and Deputy Dean at the London Business School. He holds a Doctorate in Philosophy from Oxford University, was a Fellow of All Souls, Oxford and has taught at Harvard and Oxford Universities. He is a non-executive director of the UK's Financial

Services Authority. Also Economic Advisor to the Prime Minister of Mauritius. He joined the Board in December 2009 and is an independent non-executive director.



Pauline Sybille Cheh Seeyave
MA (Cantab), ACA

Ms Seeyave was previously managing a portfolio of clients in Audit and Business Assurance in an international firm of Chartered Accountants in London before joining SBM in 2002. She is currently in charge of Corporate Banking and

has previously headed various functions within SBM including Risk Management, Value Based Performance Management and Finance. She is a director of the State Insurance Company of Mauritius Ltd, SICOM General Insurance Ltd and Club Mediterranee Albion Resort Ltd. She joined the Board in December 2010 and is an executive director.



Gautam Vir
BA (Hons), MBA

Mr Vir joined SBM as Chief Executive in May 2009. He has over 32 years of banking experience and has worked in India, Asia Pacific, the Middle East, North America and Europe. Mr Vir has previously worked for Citibank, Bank of America and Standard Chartered, and was Chief

Executive of Hebros Bank in Bulgaria. From 2005 to 2009, he served as Managing Director and Chief Executive Officer of the Development Credit Bank Ltd, India, a bank he helped list on the Bombay Stock Exchange in 2006. Mr Vir is an executive director.

Audit Committee

Alain Rey (Chairman)
Azim Fakhruddin Currimjee
Dheerendra Kumar Dabee, S.C
George Dumbell
Rohit Ramnawaz

Corporate Governance & Conduct Review Committee

Dheerendra Kumar Dabee, S.C (Chairman)
Kalindee Bhanji
Azim Fakhruddin Currimjee
George Dumbell
Rohit Ramnawaz
Muni Krishna T Reddy, G.O.S.K

Risk Management Committee

George Dumbell (Chairman)
Ali Michael Mansoor
Rohit Ramnawaz
Muni Krishna T Reddy, G.O.S.K
Andrew Scott
Pauline Seeyave
Gautam Vir

Credit Committee

Muni Krishna T Reddy, G.O.S.K (Chairman)
Dheerendra Kumar Dabee, S.C
Daniel Ng Tseung (attended up to August 2011)
Rohit Ramnawaz
Alain Rey
Pauline Seeyave (attended up to August 2011)
Gautam Vir

Nomination & Remuneration Committee

Muni Krishna T Reddy, G.O.S.K (Chairman)
Kalindee Bhanji
Azim Fakhruddin Currimjee
Dheerendra Kumar Dabee, S.C
Alain Rey

Strategic Planning Committee

Muni Krishna T Reddy, G.O.S.K (Chairman)
Kalindee Bhanji
Ali Michael Mansoor
Andrew Scott
Pauline Seeyave
Gautam Vir

SBM Asset Management Limited

Gautam Vir (Chairman)
Veronique Lim Hoye Yee
Daniel Ng Tseung
Soopaya Parianen

SBM Financials Limited

Gautam Vir (Chairman)
Pauline Seeyave

SBM Investments Limited

Gautam Vir (Chairman)
Chandradev Appadoo
Soopaya Parianen
Pauline Seeyave

SBM Securities Ltd

Gautam Vir (Chairman)
Vishal Joyram
Daniel Ng Tseung
Soopaya Parianen

SBM Holdings Ltd

Gautam Vir (Chairman)
Soopaya Parianen

SBM Capital Management Limited

Gautam Vir (Chairman)
Chandradev Appadoo
Soopaya Parianen
Pauline Seeyave

SBM Global Investments Limited

Gautam Vir (Chairman)
Soopaya Parianen
Pauline Seeyave

SBM Mauritius Asset Managers Ltd

Gautam Vir (Chairman)
Vishal Joyram
Anil Kundan
Veronique Lim Hoye Yee
Soopaya Parianen

Banque SBM Madagascar SA

Muni Krishna T Reddy, G.O.S.K (Chairman)
Chandradev Appadoo
Veronique Lim Hoye Yee
Soopaya Parianen
Pauline Seeyave
Gautam Vir



@ the heart
of your future

Our promise:
to help you make
tomorrow

Smile upon her

Dear shareholders,

The financial year ended 30 June 2011 has been encouraging for SBM. Whilst the market environment has remained volatile, SBM has successfully bounced back from the previous year's contraction to achieve a net profit of over Rs 2 billion including a one time capital gain on disposal of equity investment, representing a growth of 8.3%. The upturn was underpinned by a rise in the market share of advances in both the retail and the corporate segments in Mauritius and a noticeable increase in fee-based income. On the strength of its positive performance in an uncertain economic context globally, SBM has reintegrated into the top 1,000 global banks list of The Banker and remains the highest rated bank in Mauritius by Moody's Investors Service.

Persisting economic headwinds

While the first half of the financial year saw a general recovery in major advanced economies, performance in the second half was mitigated, with the waning of the effect of stimulus, resurging concerns regarding debt sustainability, notably in the US and the euro zone, and unanticipated shocks like the devastating Japanese earthquake and political unrest in the Middle East and North Africa regions. Emerging markets such as China and India have, for their part, continued to post strong growth, albeit at a slowing pace in the second half of the financial year linked to policy tightening in response to mounting inflation.

The Mauritian economy has depicted a fair degree of resilience, and has on an annual average basis posted an upturn in FY 2011. However, the recovery has been uneven – with a weaker performance in the second half – and remains fragile, not least because of persisting difficulties in the country's main markets. Banking sector credit has picked up but has not gathered significant momentum especially in the corporate segment as

uncertainty over the outlook has dimmed private sector investment while a persisting high liquidity situation has put pressure on interest margins.

As for the Indian economy, notwithstanding a slowdown in the latter half of FY 2011, it has continued to deliver one of the strongest growth rates in the world, which is driving solid banking sector performance. On the other hand, the Madagascar economy remains marred by a political impasse, which is having an adverse impact on growth and investment, but is otherwise offering higher rates of return on placements.

Relationship – key to business building

Within a difficult economic context, it is deemed to be all the more important to be close to customers. This has translated into a series of events including open days at SBM branches, targeted networking events, organized customer visits, revamped complaints management and tailor-made products and services to accompany clients through their business and life cycles. Among the new products launched by SBM during FY 2011 figure SBM BILLPAY, which allows customers to settle utility bills through debit and credit cards at SBM ATMs and selected Point of Sale terminals; SBM BRIC INVESTMENTS, which is a capital guaranteed product that enables clients to benefit from the upside potential in well performing emerging markets; SBM ECOLOAN, designed to finance the purchase of solar panels; and Bancassurance services, whereby the countrywide presence of SBM is leveraged to offer life insurance products to customers.

Proximity with clients has enabled SBM to increase its market share in both the retail and corporate segments, even as competition within the banking sector intensified within a high liquidity environment. It has also resulted in a noteworthy expansion of the customer base to over 420,000, representing an increase of more than 30,000 clients over the financial

year. SBM's approach of consistently remaining close to customers has been in fact one of the factors that enabled it to bounce back rapidly and decisively from last year's downturn. As SBM expands overseas, it will continue to be guided by the same urge to be close to its customers, a policy that has been particularly valuable in Mauritius.

Robust risk management and governance

Proximity with customers not only allows SBM to boost business volumes but also to proactively understand risks and thus better manage them, in line with international best practice. SBM's commendable asset quality metrics, which improved further during the financial year under review, testify to its sound credit risk management practices. SBM is conscious that the risk environment is fast evolving and remains alert to the changes that are being envisaged in the international scene, particularly in relation to Basel III, with a view to continuously improving its already solid risk management framework and adhering to prudential and regulatory norms. A more detailed discussion of SBM's risk management framework and related performance indicators may be found in the Risk Management Report, contained at pages 44 to 63 of the Annual Report.

SBM also prides itself in respect of its strong governance structure. The Code of Ethics and Business Conduct and the Code of Banking Practice, together with established internal policies and procedures, ensure that SBM conducts business with a high level of ethics, integrity and professionalism. SBM was in fact the first listed company in Mauritius to adhere to corporate governance best practices. It is deemed that SBM's corporate governance structure enhances its ability to generate sustainable value to shareholders. The Corporate Governance Report, at pages 27 to 40 of the Annual Report, explains SBM's corporate governance framework in more details, accompanied by relevant disclosures.

Continued focus on efficiency

In a difficult context characterized by pressures on business volumes and margins, SBM's continued focus on productivity has helped to hold up results, enabling it to practise competitive pricing to its customers while offering good risk-adjusted returns to its shareholders. Efficiency is underpinned by a lean structure with centralization of support functions, streamlined processes and an optimal use of technology. SBM's cost to income ratio, which has consistently remained low by international standards, bears evidence of an efficiently-run organization.

Financial results

Total on-balance sheet assets went up by 19.9% to reach Rs 95.7 Bn over FY 2011, driven by a 29.5% rise in the advances book to Rs 58.0 Bn, with strong performances in all segments namely retail, corporate and international. On the other hand, the gilt-edged securities portfolio declined by 16.3% to Rs 16.9 Bn, as lower margins on average made this asset class less attractive. Deposits recovered from last year's drop to reach Rs 70.9 Bn, representing a 15.3% growth. Notwithstanding this commendable performance, net interest income was flat from the previous financial year as a notable share of advances growth occurred in the latter part of FY 2011 – which will positively impact next year's results – while margins were under pressure.

Encouragingly, non interest income went up by a healthy 26.9% to reach Rs 1,706 m, boosted by strong fees and commissions and a robust recovery in e-commerce income. Hence, gross operating income rose by 9.6% to reach Rs 4,205 m in FY 2011. Operating expenses increased by 9% to Rs 1,498 m, mainly on account of higher staff cost as SBM continued to build its human capital for future growth, while impairment charges declined. Hence, the cost to income ratio improved to 38.5%, which highlights strong levels of efficiency by international standards. Against this background, profit before tax increased by 11.9% to reach Rs 2,475 m in FY 2011 while

profit after tax rose by 8.3% to Rs 2,013 m including a one time capital gain on disposal of equity investment and after accounting for a large increase in the taxation charge.

Besides enhanced profitability and efficiency, SBM continues to deliver a strong and balanced outcome in respect of other performance areas. Asset quality has continued to improve, with the gross and net impairment ratios standing at 1.4% (2010: 1.9%) and 0.5% (2010: 0.8%) respectively while capital adequacy and liquidity metrics were maintained at comfortable levels.

A detailed review of this year's achievements is set out in the Management Discussion and Analysis section of the Annual Report, at pages 78 to 85.

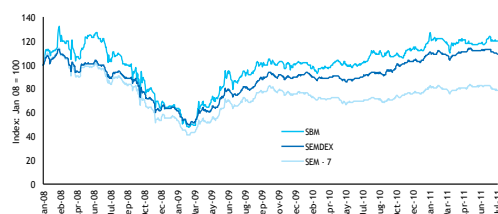
Capital and dividends

The Board of Directors approved an interim dividend of Rs 3.00 per share for the financial year ended 30 June 2011, payable on 3 October 2011. This represents an increase in dividend of 25 cents per share as compared to the previous financial year. The dividend payout ratio stood at 38.5% in FY 2011 (2010: 38.2%).

Shareholders' equity rose by 9.0% to reach Rs 16.0 Bn as at June 2011 while Tier 1 capital was further strengthened, increasing from Rs 9.9 Bn as at June 2010 to Rs 11.2 Bn as at June 2011. The capital adequacy ratio stood at 22.4%, much above the regulatory capital requirement.

SBM maintains sufficient capital to support its plans to pursue both domestic as well as overseas expansion.

Share performance



Beginning at an all-year-low of Rs 79.00, SBM's share price neared its all-time high of Rs 105.00 on 19 January 2011 when it closed at Rs 101.00. Over this time, SBM's share price rose by 27.8% compared to 24.7% for the market index. The first half of the year marked steady gains in line with an improvement in general confidence levels. Some correction was subsequently noted, however, in view of renewed worries in global financial markets leading to a reassessment of market expectations. The domestic market generally moved in the same direction on the back of uncertainty and despite the relatively solid fundamentals of the major listed companies. SBM's share price closed the year at Rs 96.00. This represents a correction of 4.5% from the high reached during the year (SEMDEX: +2.1%) and a gain of 21.5% from the year's opening price (SEMDEX: +27.3%). Market capitalization at financial year end stood at Rs 29.2 Bn, that is, slightly above a billion US dollars. The SBM share price, similar to the market index, traded slightly lower in the first couple of months in FY 2012 amidst worries from international sources.

Ratings and recognition

Moody's Investors Service rates the Bank Baa1 for local currency deposits, Baa2/P-2 for foreign currency deposits and Baa1 for foreign currency issuer. As regards Bank Financial Strength rating, SBM is the first and only Mauritian bank to obtain a rating of C-.

SBM won the Best Private Bank Award from the African Banking Awards 2010 for its unique services tailored to clients' needs and aspirations including innovative investment funds. The good standing of SBM's private banking services also gained recognition during the annual Euromoney Private Banking Survey which designated SBM as the Best Local Bank.

SBM's policy of fair, clear and quality reporting was recognised by PricewaterhouseCoopers during the Corporate Reporting Awards 2011 where SBM won the Online Reporting Award for effective communication with its shareholders and potential investors through its website.

Moreover, SBM's engagement to the society, reflected in various CSR initiatives undertaken, led SBM to emerge as the Overall Winner in the BDO CSR Awards 2010.

Outlook

The Bank is confident in its focused strategy emphasizing pro-active customer proximity, efficiency and re-engineering of the Bank's balance sheet. SBM aims to consolidate existing domestic markets and explore cross border avenues to significantly expand the India business taking into consideration the excellent prospects that this market offers and building on the experience and expertise garnered in Mauritius. One of the important investments that the Bank will make over the coming periods relates to banking technology strategy to gear up for the futuristic banking needs. This should help improve processes and develop new capabilities to serve better clients in a more cost-efficient manner in the medium to long term, whether in terms of new and enhanced products and services, faster turnaround or more convenience. SBM will continue to focus on cost management as pressures on revenue margins are expected to persist in the years to come besides uncertainties in the financial industry.

Acknowledgements

SBM wishes to thank its retiring directors, Mr Geerja Shankar Ramdaursingh - who was also SBM's Chairman for three years - and Mr Soopaya Parianen for their valued contribution to the Board and are pleased to welcome Ms Pauline Seeyave who, in addition to the current Chairman, Mr Muni Krishna T. Reddy, joined the Board in December 2010.

SBM is delighted to serve more and more customers year after year and is grateful to them for their continued trust. They provide SBM added incentive to surpass itself. SBM is also proud of its staff for their dedication to translate the vision into reality. Moreover, SBM appreciates the support and advice given to it by the regulators throughout the year.

Last but not least, your Board is grateful to yourselves (shareholders) for your continued trust and loyalty to SBM.

Gautam Vir
Chief Executive

Alain J.G.R. Rey
Chairman, Audit Committee

Muni Krishna T. Reddy, GOSK
Chairman



Our **calling** :
to help you **grow** your
hard-earned savings with our
Wealth Management solutions



@ the heart
of your assets



The Board of Directors ensures through its system of governance, including the structure of Board Committees, that appropriate internal controls and risk management processes are set in place for the proper running of the business. The Board Risk Management Committee has the responsibility to ensure that effective structures and processes are put in place to properly identify, evaluate, measure, monitor and manage key risks faced by the business. Amongst others, it reviews policies for the management of risks particularly in the areas of credit, market, interest, liquidity, operational and technological risks, ensuring that adequate procedures and limits as well as appropriate methodologies and systems are in place. The Audit Committee monitors the integrity of the Financial Statements and is responsible, amongst others, for reviewing the systems of internal controls and for ascertaining its adequacy. It examines and discusses weaknesses that may be identified in controls and, if necessary, recommends additional procedures to enhance the system of internal controls. An internal audit function, whose Head reports directly to the Chairman of the Audit Committee, is in place to ensure that SBM's operations are conducted according to the established practices by providing an independent and objective assurance, and by advising on best practice. The Audit Committee reviews reports from internal and external auditors and monitors relevant actions taken by management. The Risk Management Report contained in the Annual Report provides further details on the processes for risk management and internal controls.

The directors confirm that (i) an effective system of internal controls and risk

management has been maintained to safeguard the assets and for the prevention and detection of fraud, (ii) there is no reason to believe that the business will not be a going concern in the year ahead and the Financial Statements have been prepared on this basis, and in accordance and in compliance with the International Financial Reporting Standards, the Banking Act 2004, applicable Bank of Mauritius guidelines, and appropriate accounting policies. These were supported by reasonable and prudent judgements, and estimates have been used consistently, (iii) the Financial Statements fairly present the financial position of the Company and the SBM Group as at the end of the financial year ended 30 June 2011 and the financial performance and cash flows for FY 2011, (iv) proper accounting records have been kept, in accordance with the Companies Act 2001, disclosing with reasonable accuracy at any time the financial position of the Company and the SBM Group. The external auditors, Deloitte Chartered Accountants have independently reported on whether the Financial Statements are fairly presented.



Alain J.G.R. Rey
Chairman, Audit Committee



Muni Krishna T. Reddy, GOSK
Chairman

Statement on Corporate Governance

Corporate governance refers to the system by which companies are directed and controlled. The shareholders' role in governance is to appoint the directors and the auditors. The Board of Directors is responsible for the governance of the organisation.

Corporate governance involves managing and controlling relations shared among different stakeholders, including shareholders, the Board of Directors, employees, customers, suppliers and the community at large. Corporate governance is also about commitment to values and ethical business conduct.

The Board plays a key role in the setting up of the system of corporate governance within an organisation to assist in safeguarding policies and procedures, and aligning the incentives of managers with those of shareholders. The Board sets SBM's strategy, develops directional policy, provides the leadership to put them into effect, appoints and supervises the management, and ensures accountability of the organisation to its owners and relevant authorities.

The Code of Corporate Governance for Mauritius

The Code of Corporate Governance for Mauritius (the Code) published in October 2003 subsequently became mandatory as from July 2009. Public interest entities including bank and non bank financial institutions and listed companies must comply with the Code and are required to provide explanations for not adopting any of the provisions of the Code in their financial statements or reports.

SBM Corporate Governance framework

SBM was among the first companies in Mauritius and the first listed one to comply with international best practices in corporate governance as far back as 1997, well ahead of the Bank of Mauritius Guideline on Corporate Governance issued in 2001 and the introduction of the Code in 2003.

SBM's corporate governance framework includes its Board of Directors, Board Committees, management forums, management, employees, internal and external auditors, and other stakeholders. It follows industry best practices as well as established policies and procedures. SBM is highly committed to and embraces the highest standards of effective good governance practices throughout its operations. This framework is crucial in developing and sustaining a successful business and SBM requires all its employees to adopt the highest standard of business integrity, transparency, professionalism and ethical behaviour, and monitors compliance with policies and with the best practices, laws, regulations and standards while conducting business.

SBM's Board Corporate Governance & Conduct Review Committee reviews the corporate governance framework and compliance thereof. This Committee reviews the Board charter and policies on matters such as management or disclosure of conflict of interests and related party transactions on an ongoing basis. At least once annually, it reviews and, if appropriate, recommends new policies to enhance the governance framework and/or comply with new regulations or laws. The Committee also recommends measures to the Board for promoting corporate social responsibility.

Directors' statement of compliance

The directors confirm that the Company has complied in all material respects with the principles of the Code.

Certificate from the Company Secretary

I certify that, to the best of my knowledge and belief, the company has filed with the Registrar of Companies all such returns as are required of the Company under the Companies Act 2001



Chandradev Appadoo
Company Secretary

Board of Directors

The Board of Directors comprises a body of elected non-executive and executive directors appointed as per SBM's constitution. The Board oversees the activities of SBM Group, focusing more on strategy, performance, management of risk and sustainability besides the oversight of operations. As per the Code, the Board of Directors remains the focal point of contact between shareholders and the Company.

The Board is fully committed to ensuring that the highest standards of corporate governance are observed throughout SBM so that the affairs of SBM are conducted with integrity and professionalism with the objective of safeguarding and enhancing the value of shareholders' investments.

The Code requires the Board to have an optimum combination of executive, non-executive and independent non-executive directors to ensure that the corporate objectives are attained in an efficient, transparent and professional way, and in the best interest of the shareholders and other stakeholders.

SBM's Board has a unitary structure currently comprised of 11 directors of which 6 are independent non-executive directors, 3 non-executive directors and 2 executive directors. The independent non-executive directors and non-executive directors are elected or re-elected annually at the meeting of the shareholders by a separate resolution upon recommendation of the Board following assessment by the Board Nomination & Remuneration Committee. The Bank circulates the profiles of the directors standing for election or re-election to the shareholders along with the notice of the annual meeting.

The Board of Directors' key purpose is to ensure the company's prosperity by collectively directing the company's affairs, whilst meeting the appropriate interests of its

shareholders and stakeholders. In addition to business and financial issues, the Board of Directors must deal with challenges and issues relating to corporate governance, corporate social responsibility and corporate ethics. It should discharge this responsibility through ensuring compliance with applicable laws, rules and regulations, the Code, directives and guidelines. The members of the Board provide SBM with a wealth of expertise and experience in banking, finance, law, commerce and industry at both local and international levels. The profiles of the current directors are given at pages 14 to 15.

Good governance requires that the performance of the Board is evaluated at least once a year. The evaluation process is a constructive mechanism for improving board effectiveness, maximising strengths and tackling weaknesses. The SBM's board charter sets out the roles and responsibilities of the Board as follows:

- Formulate strategic objectives of SBM, and set its corporate objectives, mission, values and budget;
- Delegate authority to executive management to implement strategies, policies and plans approved by the Board ;
- Monitor and evaluate management's implementation of strategies, policies, and performance management;
- Ensure that policies, procedures and a healthy risk management framework and system of internal controls are in place to safeguard SBM's assets and reputation;
- Identify key risk areas and key performance indicators of the business;
- Ensure that the Company and its subsidiaries comply with all relevant laws, rules, regulations, policies, the Code and best business practice, and establish mechanisms by which breaches of policies, laws, controls and good corporate governance practices are reported and acted upon;
- Ensure adequate succession planning for senior management;

- Approve the terms and conditions of service contract of directors including compensation benefits for their services;
- Approve the recruitment or promotion to senior executive and the remuneration, benefits and other terms and conditions of the service contract of such officers;
- Ensure effective communication with shareholders and relevant stakeholders;
- Approve strategic capital investment of the Bank, including new business lines;
- Assess both internal and external auditors' work;
- Exercise leadership, enterprise, integrity and judgement in directing SBM.

The approval of the shareholders is sought for crucial matters including changes to the Bank's constitution, acquisition and disposal of major assets/investments and raising capital upon recommendation of the Board.

The annual calendar of board meetings is agreed upon at the beginning of the year. The Board meets at least once quarterly, and additional meetings, including those for approval of budget and policies, are held as and when required. The executive management team is invited to Board and Board Committee meetings.

Board Committees

The Board has established Board Committees as well as various management committees/forums to assist it in the discharge of its duties and responsibilities.

The current Board Committees are as follows:

- Audit Committee
- Corporate Governance & Conduct Review Committee
- Credit Committee
- Nomination & Remuneration Committee
- Risk Management Committee
- Strategic Planning Committee

Each Board Committee operates under approved terms of reference in line with the Code and international best practices which are reviewed at least once a year by the Board. The main terms of reference of the Board Committees are as follows:

Audit Committee

- Critically review the financial performance, the audited Financial Statements and interim financial reports, prospectus and other financial circulars/documents;
- Consider the appropriateness of the accounting policies applied and whether they are prudent and consistent with prior practice and comply with regulations and legal requirements;
- Review and monitor the adequacy of provisions including provision for credit impairment losses;
- Consider any difference of opinion between auditors and management on the level of provisions, on accounting treatment or on disclosure;
- Make recommendations for the appointment and retention of the external auditors;
- Review and discuss the scope of internal and external audit and of the audit plan, including for the subsidiaries;
- Review the internal controls systems to ensure their adequacy and effectiveness;
- Recommend dividend payment to the Board;
- Review significant matters reported by the external auditors;
- Evaluate the performance and view objectivity and independence of the external auditor;
- Review the cooperation and coordination between the internal and external auditors.

Corporate Governance & Conduct Review Committee

- Advise the Board on all aspects of corporate governance and corporate social responsibility and recommend the adoption of best practices as appropriate for SBM;

- Determine, agree and develop SBM's general policy on corporate governance in accordance with the Bank of Mauritius guidelines and the Code;
- Review and recommend to the Board the Directors' Report and approve the Corporate Governance Report to be published in SBM's Annual Report;
- Review the board charter on an annual basis;
- Ascertain from management that all reporting requirements and disclosures made in the Annual Report and on an ongoing basis are in compliance with the disclosure provisions in the Code;
- Ensure that adequate policies and procedures are in place for the conduct of business with related parties, and for monitoring the flow of business and exposure to such related parties, in the light of regulatory requirements and best practices.

Credit Committee

- Ascertain that concentration of risks is within the risk tolerance of SBM;
- Review and approve all facilities exceeding the delegated authority of the Management Credit Forum as stipulated in the Credit Policy;
- Review and approve the restructure of credit facilities as per the Credit Policy;
- Review and recommend all non strategic equity investments to the Board/Board of subsidiaries for approval subject to legal compliance of respective countries;
- Approve appropriate country exposure limits;
- Approve appropriate bank limits in accordance with the risk management framework;
- Take note of/review the minutes of proceedings of the Management Credit Forum and the process.

Nomination & Remuneration Committee

- Review the reward policy to ensure that the senior management are fairly rewarded for their contribution to SBM's overall performance;
- Review and recommend to the Board SBM's plan for orderly succession of management;
- Review and approve policy on staff welfare and benefits;
- Review and recommend to the Board for approval the recruitment, and promotion to the position of senior executives and their remuneration, benefits and other terms and conditions of the service contracts of such officers;
- Approve overall conditions of other employees of SBM, taking into consideration proposals of trade unions;
- Determine the level of Board fees for directors to be recommended to the shareholders;
- Review and recommend to the Board the terms and conditions of the service contracts of other directors both executive and non-executive if any, including compensation benefits for those services;
- Review and recommend nomination of directors to the Board based on a proper director selection process.

Risk Management Committee

- Identify, evaluate, measure and monitor major risks;
- Review policy for management of risks particularly in the areas of credit, market and operational risks, namely:
 - Ensuring adequate prudent credit policies and procedures with clear delegated lending authority and framework, credit concentration limits, credit risk mitigation techniques and credit diversification are in place;
 - Ensuring adequate market risk management policies and procedures are in place;

- Ensuring appropriate methodologies and systems are in place to identify and adequately assess and manage operational and other risks;
- Monitor enterprise-wide risk, portfolio risk profile and the portfolio management plan;
- Review major cases of fraud, irregularities and any legal matters that could have a significant impact on the company's business, together with the legal advisor if necessary;
- Review and recommend to the Board other products and services;
- Review and approve the methodologies for assessing country risks and bank risks, portfolio and line of business;
- Ensure adequate controls and information systems are in place to implement SBM's policies;
- Review and approve the Risk Management Report to be published in SBM's Annual Report;
- Review adequacy of insurance coverage.

Strategic Planning Committee

- Review the effectiveness of SBM strategies;
- Review strategic plans and annual or quarterly corporate objectives and budgets;
- Review the issues of fundamental importance to SBM and proposals from management that are material to SBM's objectives;
- Recommend large projects to the Board and monitor their implementation;
- Ensure that capital is fully optimised/capital management;
- Review and monitor the investment in information technology and strategic assets and ensure that they are prioritised according to SBM's strategy.

Separation of powers between Chairman and Chief Executive

The Code requires that the division of responsibilities between the Chairman and Chief Executive should be clearly established in writing and agreed by the Board to ensure balance of power and authority.

The SBM's Board is led by the Chairman who is responsible for leadership of the Board whilst the Chief Executive is responsible for leadership of the business and managing it within the authorities delegated by the Board. However, the Chairman and Chief Executive do meet regularly to review issues, opportunities and problems on an ongoing basis.

Directors' orientation

New directors are apprised on SBM and its operations as well as their responsibilities as directors through an induction course at the time of joining the Board. Directors are provided with a pack containing relevant documents and changes/updates on regulations/bank policies, on an ongoing basis.

Assessment of the effectiveness of the Board/Board Committees

In order to assess the effectiveness of the Board and Board Committees, a self-evaluation by the directors is conducted annually post the financial year end. The scores given by the individual directors for each of the parameters being assessed are consolidated and these results are presented to the Board and the respective Board Committees with appropriate measures being taken to refine the governance structure and responsibilities based on feedback and comments received from the members on these results.

Attendance of the Board, Board Committee and Annual Meeting during financial year 2010/2011

		Board	Audit ⁽ⁱ⁾	Credit ⁽ⁱⁱ⁾	Nomination & Remuneration	Risk Management ⁽ⁱⁱⁱ⁾	Corporate Governance & Conduct Review	Strategic Planning	Annual Meeting 2010
No of meetings held		8	5	13	7	5	5	5	
Directors: Note:									
Ramdaursingh G S ¹	a	5	-	7	5	3	3	3	1
Reddy, M K T ² , G.O.S.K	a	3	-	6	2	2	2	2	-
Bhanji K	c	6	-	-	5	-	1	3	1
Currimjee A. F	a	7	5	-	6	-	5	-	1
Dabee D K, S.C	c	6	5	11	6	-	5	-	-
Dumbell G	a	7	4	-	-	5	5	-	1
Mansoor A. M	c	2	-	-	-	1	-	1	-
Parianen S ¹	b	5	-	4	-	-	-	2	1
Professor Scott A	a	7	-	-	-	4	-	3	-
Ram Nawaz R	a	7	5	10	-	4	5	-	1
Rey A. J. G. R	a	8	5	12	7	-	-	-	1
Seeyave P ²	b	2	-	6	-	2	-	1	-
Vir G	b	8	-	13	-	5	-	5	1
In attendance									
Reddy M K T, G.O.S.K	a	-	1	-	-	-	-	-	-
Seeyave P		-	4	-	-	-	-	3	-
Vir G	b	-	5	-	7	-	5	-	-
Co-opted executives³									
Ng Tseung D		-	-	13	-	-	-	-	-
Ramgobin M		-	-	-	-	-	-	4	-
Seeyave P		-	-	-	-	3	-	-	-

a. - Independent non-executive director

b. - Executive director

c. - Non-executive director

¹Retired on 17.12.10²Appointed on 17.12.10³Executives co-opted as Members of Board Committees**Note:**

(i) - The external auditors and the internal audit team are in attendance at the Audit Committee

(ii) - The Head of Credit Underwriting and Head of Sales and Services - Corporate Banking are in attendance at the Credit Committee

(iii) - The Team Leader - Risk Management is in attendance at the Risk Management Committee

Disclosures**Directors' interest and dealings in SBM shares**

The directors of SBM follow the principles of the model code on securities transaction as detailed in Appendix 6 of the Mauritius Stock Exchange Listing Rules.

The table below outlines the interests of the directors of the Company in the share capital of SBM as at 30 June 2011.

Directors	Direct shareholding	Indirect shareholding	Phantom shares options outstanding
Mr Gautam Vir	Nil	Nil	75,000
Mr Soopaya Parianen (retired on 17 December 2010)	11,500	Nil	139,500*
Ms Pauline Seeyave	5,387	Nil	160,750

* as at 17 December 2010

The phantom shares options have been granted to Mr Gautam Vir on the date he joined the Bank. The phantom shares options held by Mr Soopaya Parianen and Ms Pauline Seeyave represent the cumulative options granted to them on an annual basis based on their performance and the performance of SBM.

Apart from the above mentioned directors, no other director had an equity stake in the company either direct or indirect as at 30 June 2011.

Directors' emoluments

During the year under review, the executive and non-executive directors received emoluments amounting to Rs 24,330,588 (2010: Rs 21,244,461) and Rs 16,173,792 (2010: Rs 19,251,690) respectively. Due to commercial sensitivity, the remuneration of directors has not been disclosed on an individual basis.

None of the executive directors, independent non-executive directors and non-executive directors serving on the board of the subsidiaries/associated/related companies received any emoluments from the subsidiaries/associated/related companies.

As per SBM's policy, fees derived by the executives of SBM serving on the board of related companies in which SBM has an equity stake, are credited to the income account of the Bank.

Service contracts

Mr Muni Krishna T Reddy, G.O.S.K, has a service contract of 3 years as part time non employee and independent non-executive Director/Chairman, commencing 17 December 2010. Mr Gautam Vir has an employment contract of 3 years with the Company starting from 5 May 2009 whilst Ms Pauline Sybille Cheh Seeyave's employment contract with the Company is for 5 years starting from 24 December 2007.

Significant contracts

No contract of significance other than loans and credit facilities granted in the ordinary course of business subsisted during the period under review between the Company or any of its subsidiaries and any director of SBM, either directly or indirectly.

Directors and officers liability insurance

The Company has arranged for appropriate insurance cover in respect of legal actions against its directors and officers.

Donations

SBM donated Rs 1.1 m to the SBM staff Children Education Fund. It also donated MGA 270,000 to Centre Sai d'Antananarivo and MGA 130,000 to Save Youth International (Madagascar) during the financial year.

Executive management

The executive management has the delegated authority of the Board to manage the day to day running of the Bank's business and affairs. Matters are debated and decisions are taken collectively on a unanimous basis. In the event of no unanimity, the issues are escalated to the next higher authority for decision making. All the main Forums are chaired by the Chief Executive and they are as follows:

Executive Forum

It reviews and takes decision on the day to day business and affairs of SBM with the exception of credit approvals. Meets weekly.

Management Credit Forum

It reviews and sanctions credit proposals within its delegated authority. Meets twice weekly

Performance Review Forum

It reviews and monitors performance and achievement against budgets/ targets of the various lines of business. Meets monthly.

Portfolio & Credit Risk Forum

It reviews portfolio risk profiles and makes suitable recommendations to the Risk Management Committee. Meets at least quarterly.

Market Risk Forum (Assets and Liability Committee)

It oversees the management of SBM's liquidity risk, interest rate risk and currency risk. Meets monthly or as often as required.

Operational Risk Forum

It reviews, *inter alia*, the reports of the internal auditors and external auditors, flaws in credit documentation, operational policies, standards and practices, and IT related issues. Meets monthly.

Forum on Disclosure

It reviews the adequacy of SBM's disclosures with respect to regulatory requirements and best practices. Meets at least quarterly.

The profiles of the management team are given at pages 64 to 67.

Related party transactions

The Board Corporate Governance & Conduct Review Committee reviews all related party transactions conducted during the previous quarter under review in accordance with the Bank of Mauritius guidelines and international best practices. The Committee meets on a quarterly basis and matters reviewed by same are reported to the Board of Directors.

Note 34 to the Financial Statements outlines the on and off-balance items and other related party transactions for the past years. None of the advances to related parties were impaired as at 30 June 2011. Exposure to major related parties are given at page 50.

External auditors' fees

The table below shows the fees paid to the statutory auditors for the last three financial years:

Rs000	2011		2010		2009	
	Audit	Other	Audit	Other	Audit	Other
Deloitte						
State Bank of Mauritius Ltd	4,548	15	4,244	72	4,174	-
Other Local Subsidiaries	308	-	367	-	437	-
Other auditors						
State Bank of Mauritius Ltd India Operations						
Ms Devdhar Joglekar/Srinivasan	-	-	-	-	338	-
Haribhakti & Co	465	-	301	-	-	-
Banque SBM Madagascar SA						
Delta Audit Deloitte Associates	244	-	219	-	250	-
Mazars Fivoarana (appointed in May 2011)	116	-	-	-	-	-

* Other fees paid to Deloitte represent fees paid for training conducted by the firm and attended by SBM staff

Remuneration, health and safety

Statement of remuneration philosophy

SBM's remuneration philosophy is to encourage sustainable long term performance and at all times align performance with the strategic direction and specific value drivers of the business as well as with the creation of shareholders' wealth. It recognises that SBM operates in the services industry and that its human capital is its key asset and, as such, its people need to be properly trained and motivated.

The Nomination & Remuneration Committee is responsible for SBM's remuneration strategy. Remuneration is reviewed after taking into cognisance market norms and practices as well as the responsibilities assumed by the non-executive directors, executive management and employees. The remuneration of the non-executive directors is approved by the shareholders whereas the Board and the Board Nomination and Remuneration Committee approve the remuneration of the senior management.

The remuneration package of the executive management comprises a basic salary and performance related reward consistent with SBM's policy to promote a reward system linked to SBM results. The performance related reward is dependent on the overall performance of the executive in terms of Key Performance Indicators (KPIs) approved at start of the financial year and the performance of SBM for the financial year under review. It constitutes of cash bonuses and phantom shares options and/or deferred cash to reconcile management's commitment to achieve both operating targets and longer term objectives. Note 35 to the Financial Statements outlines the number of options granted and exercised during the financial year and the number of outstanding options as at 30 June 2011.

SBM also pays out productivity linked bonuses to employees at all levels based on achievement of SBM's objectives as well as Company, line of business, team and personal KPIs.

As an Equal Opportunity Employer, SBM considers individuals for employment or promotion on merit and according to their skills, abilities and experience and strives for equal treatment and respect of all employees at the workplace. In the same vein, SBM pledges not to discriminate against a candidate for a job, or subject him/her to adverse exclusionary criteria, based on race, sex, religion, or national origin. SBM's equal opportunity practices include measures taken to ensure fairness in the recruitment process, talent management related initiatives, retention strategies as well as career path related initiatives. SBM considers diversity as a significant plus as it generates self-reinforcing dynamics which helps it grow into a stronger and more balanced organisation.

Code of Ethics and Business Conduct

SBM has in place a Code of Ethics and Business Conduct which is given to each employee and director upon joining the organisation. The code sets out the general principles, obligations and business etiquette directors and employees are required to abide by. The code is reviewed at least once annually by the Board of Directors.

Health and safety

SBM is committed to providing a healthy, sound, safe and secure working environment for all its employees, customers and visitors. SBM has put in place policies and practices that in all material aspects comply with regulatory guidelines and requirements. Occupational risk assessments are carried out on an ongoing basis to further improve the working environment.

Risk Management

The risk management framework of SBM is covered at pages 44 to 63.

Promoting Sustainability

- During the year, SBM implemented initiative to reduce paper consumption through avoiding to print papers that are not really required or printing on both sided or



splitting pages. SBM also introduced emailing statement of accounts to its customers;

- SBM introduced the ECOLOAN whereby funding is provided to customers to install solar panel to generate electricity for own use plus selling to the national grid;
- SBM also availed of line of credit from the Agence Française de Développement to finance green projects.

Corporate Social Responsibility

SBM's priority areas of intervention are based on Empowerment through Education and Social Housing. In line with SBM's strategy of providing skills through education to combat poverty, a unique Scholarship Scheme for bright and needy students was launched through The SBM Education Fund in FY 2010. From 57 scholarships awarded (including 5 students from Rodrigues Island) in FY 2010, the number of scholarships has almost doubled to 100 at tertiary level in FY 2011. In addition, a special scheme has been set up for the Vocational sector where 122 scholarships are being awarded in collaboration with the Mauritius Institute of Training and Development (MITD). In addition, SBM launched an IT Project with the e-Inclusion Foundation for the distribution of free refurbished PCs to around 3,000 needy students presently studying at HSC or at university level. In line with Government defined priority areas, SBM is also supporting the Social Housing project of the National Empowerment Foundation (NEF). Other major projects have been support to ABAIM (acquisition of skills to underprivileged children and youth through music, arts, culture and sports), Association Kinouété (training programme for 40 women ex-detainees), Gandhian Basic School (extension project to accommodate a multimedia room and library, a Fashion and Fabrics Workshop and a Demonstration Room as well as the provision of a daily balanced meal for some 120 students), Club Maurice (Indian Ocean Island Games) and the SSR National Cricket Grounds Trust (training of 200 youngsters from vulnerable groups). Most of the projects focus on providing tools and opportunities to vulnerable groups so that they acquire the required skills to enhance their

employability and thus become economically independent. The CSR initiatives of SBM and its commitment to the community have been recognised at National level with SBM being awarded the 'Overall Winner' of the First Edition of the BDO CSR Awards 2010 as well as the Winner of the Education and Sports category.

Shareholder information and communication

SBM recognises the importance of maintaining accountability and transparency to its shareholders through effective communication with them. In addition to press communiqués and letters to shareholders, the website, hosted at <http://www.sbmgroup.mu>, is regularly updated with share information, interim and audited Financial Statements, products and corporate events. The shareholders are apprised on SBM results for the period under review and initiatives/projects at the Annual Meeting.

Material clauses of the constitution of the Company

Shareholding

The Bank's constitution requires that no shareholder shall hold more than 3%, either direct or indirect, of the Company's issued share capital less treasury shares of the Company without previous authorisation of the Board of Directors of the Company. No authorisation shall be given to that effect unless a Special Notice has been sent to the directors specifying that such a question is included in the Agenda of a Meeting of the said Board. Shareholders holding more than 3% of the issued share capital prior to adoption of the new constitution are entitled to continue to hold their existing shareholdings.

Shareholders' agreement

There is no shareholders' agreement.

Share capital

Register Date	: 30 June 2011
Authorised Share Capital	: 1,000,000,000 shares
Issued Share Capital	: 303,740,223 shares

Large shareholders

The below table shows the top 10 shareholders of the Company as at 30 June 2011, besides the Treasury shares.

Name of shareholder	No of Shares Held
National Pensions Fund	49,261,527
State Bank of Mauritius Ltd -Treasury Shares	45,561,033
State Insurance Company of Mauritius Ltd [Pension and Life Funds]	44,108,421
Government of Mauritius	14,952,615
SSLN C/O SSB Boston Old Mutual Life Assurance Co (South Africa) Ltd.	10,002,858
State Street Bank and Trust Co A/C The Africa Emerging Markets Fund	9,951,789
Pictet et Cie A/C Blakeney LP	7,433,136
Development Bank of Mauritius Ltd	5,779,500
The Anglo-Mauritius Assurance Society Limited	5,209,788
Pictet et Cie A/C Blakeney Investors	5,201,029
TOTAL	197,461,696

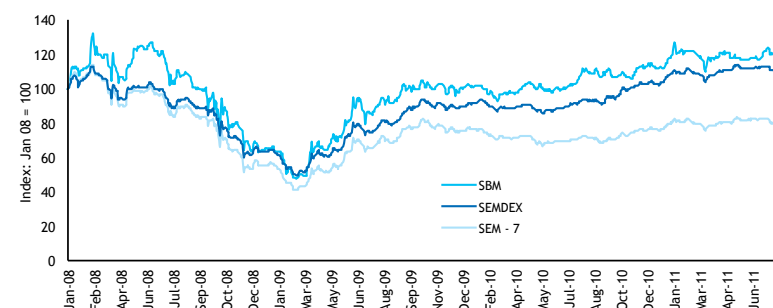
Shareholders spread

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1-500	6,235	37.68	1,482,448	0.49
501-1000	4,970	30.03	4,383,856	1.44
1,001-5,000	3,806	23.00	9,344,660	3.08
5,001-10,000	702	4.24	5,279,645	1.74
10,001-50,000	613	3.70	12,651,988	4.17
50,001-100,000	88	0.53	6,152,123	2.03
100,001-250,000	65	0.39	9,613,775	3.17
250,001-500,000	23	0.14	8,326,120	2.74
500,001-1,000,000	19	0.11	13,438,363	4.42
>1,000,000	27	0.16	233,067,245	76.73
Total	16,548	100	303,740,223	100

Local and foreign shareholders as at 30 June 2011

	Number of Shareholders	Number of Shares Held	% of total issued shares
Foreign Shareholders	268	66,817,173	22
Local Shareholders	16,279	191,362,017	63
Treasury shares	1	45,561,033	15
TOTAL	16,548	303,740,223	100

SBM share performance



Share price information

	2011	2010	2009	2008	2007
Earnings per Share (Rs)	7.80	7.20	7.84	8.19	5.03
Share price (Rs)					
Financial year-ended	96.00	79.00	70.00	96.00	50.50
Highest	101.00	83.00	94.00	105.00	52.50
Lowest	79.00	63.00	37.80	50.00	36.90
Average	90.37	77.97	62.09	77.50	44.70
Value of Shares Traded (Rs m)	980.24	1,172.00	1,706.94	1,768.85	3,852.10
Value of Share Traded as a Percentage of Market (%)	8.37	9.91	17.30	14.98	35.83
Price to Book (times)	1.55	1.39	1.40	2.26	1.37
Dividend (Rs)	3.00	2.75	2.75	2.55	2.10
Dividend Yield (%)	3.13	3.48	3.93	2.66	4.16
Total Yield (Rs)	20.00	11.75	(23.25)	48.05	15.60
Total Yield to Average Price (%)	22.13	15.07	(37.45)	60.95	34.92
Dividend Cover	2.60	2.62	2.85	3.21	2.78
Cumulative Yield (Rs)	111.95	91.95	80.20	103.45	55.40
Price Earning Ratio (times)	12.31	10.97	8.92	11.72	10.05

Dividend policy

SBM's dividend policy requires the distribution of a minimum of 25% of its net income available to shareholders for the year subject to approval from Bank of Mauritius and the solvency test under the S61(2) of the Companies Act 2001 being satisfied.

The Board authorised an interim and final dividend of Rs 3.00 per ordinary share for the financial year 2011, representing an increase of 9.1% from the previous year, payable on 3 October 2011. The dividend payout ratio increased from 38.2% to 38.5%.

Shareholder diary

Financial year 2010/11

Financial year-end	: 30 June 2011
Dividend payment	: 3 October 2011
Annual Meeting	: 16 December 2011

Financial year 2011/12

Unaudited quarterly earnings report	: within 45 days from the quarter ending September, December and March
Audited Financial Statement for the year ending 30 June 2012	: within three months from end of June 2012
Dividend payment	: during October 2012
Annual Meeting	: during December 2012

SBM Credit Rating

Category	Moody's rating
Bank deposits – foreign currency	Baa2/P-2
Bank deposits – local currency deposits	Baa1/P-2
Bank Financial Strength*	C-
Issuer Rating	Baa1

*the highest rating assigned by Moody's to a domestic bank in Mauritius

Contact Details for Shareholder Relationship

Company Secretary
SBM Tower,
1, Queen Elizabeth II Avenue
Port Louis
Mauritius
Phone: (230) 202 1560
Fax: (230) 211 8838
Email: chandradev.appadoo@sbmgroup.mu



Our aim:
to allow your Creativity to

blossom

with our SME solutions



at the heart
of your business

Effective risk management is fundamental to the success of SBM, which has an enterprise-wide approach to the identification, measurement, monitoring and mitigation of risk. The Basel II recommendations have been adopted for stronger risk management practices and more risk-sensitive capital requirement and certain internal risk measurement models under the Internal Ratings Based Approach which is compliant with the Bank of Mauritius guidelines.

SBM's risk management framework sets, amongst others, the risk appetite of the organisation. The framework consists of comprehensive risk governance and guides risk-taking activities and ensures that they are aligned with SBM's strategies, customer needs, shareholder expectations, regulatory and legal requirements. The framework is constantly evaluated to ensure that it meets the challenges of a dynamic market while taking into account the acceptable risk-return trade-offs, the risk appetite of SBM and the established controls in place. The risk management capabilities are supported by a solid management structure and information system, an effective risk ratings system and robust policies.

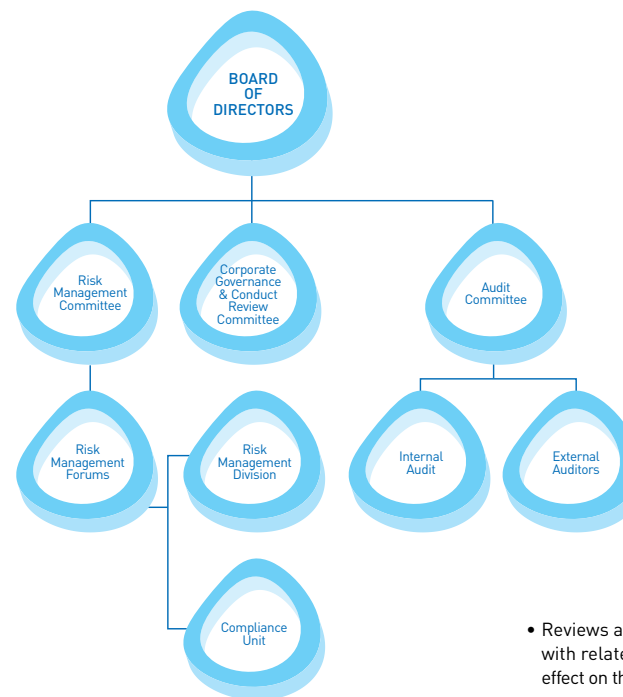
The Board Risk Management Committee oversees the Risk Management function of SBM by establishing its risk appetite and monitoring its risk portfolios against the set limits approved by the Board of Directors. Its objective is to establish a solid and effective Risk Management infrastructure in terms of people, systems, policies, procedures, controls and compliance and recommends

to the Board changes as may be appropriate, in the light of evolving market and business circumstances.

The Risk Management Division is centralised and independent of operations from SBM's other business divisions. It develops methodologies to identify, measure, mitigate and monitor the risks faced by SBM and reports to the Risk Management forums and to the Board Risk Management Committee and ultimately to the Board in a structured manner as described below on credit, market and operational risk matters.

The good risk governance structure will be presented in the Internal Capital Adequacy Assessment Process (ICAAP) document which will be due for submission to the Bank of Mauritius five months after the financial year end, notably in November 2011. This is in adherence to the Guideline on Supervisory Review Process – Basel II Implementation which became effective on 1 July 2010. This is an important principle of the second pillar of the Basel II framework whereby the regulator is required to evaluate banks' internal capital adequacy assessments. The ICAAP document will include all the relevant information that is necessary for SBM and the Bank of Mauritius to make an informed judgement and decision on the appropriate capital and risk management approach to be taken by the former.

SBM Group's Risk Governance Structure



Risk Management Division

- Credit Risk Mgt Team**
- Market Risk Mgt Team**
- Operational Risk Mgt Team**
- Plans, guides and monitors the accumulation of assets
- Monitors prudential limits and SBM risk profile
- Ensures compliance with regulatory norms
- Reports to Risk Management Forums and to Board Risk Management Committee on credit, market, operational risks and compliance matters

Corporate Governance & Conduct Review Committee

- Monitors and makes recommendations to the Board to enhance the effectiveness of Corporate Governance
- Ensures that procedures are established to comply with regulatory requirements on related party transactions

- Reviews all proposed material transactions with related parties that may have material effect on the stability and solvency of SBM

Risk Management Committee

- Assists the Board in fulfilling its oversight responsibilities in relation to risk management, adherence to internal policies and compliance with regulatory and legal requirements
- Determines risk tolerance and appetite for credit, market and operational risks
- Monitors risk portfolios against agreed limits
- Ensures an effective Risk Management infrastructure is in place
- Sets out management responsibilities

Audit Committee

- Provides assurance that financial disclosures made by management reasonably portray the Company and its subsidiaries financial conditions, results of operations and long term commitments
- Reviews the scope of internal audit and the annual audit plan
- Reviews significant matters reported by the internal auditor
- Reviews, evaluates and approves accounting, internal control and financial disclosure procedures implemented and maintained by Management

Risk Management Forums

- Portfolio and Credit Risk Forum**
- Market Risk Forum (ALCO)**
- Operational Risk Forum**

- Formulates and implements the business strategy, credit, market and operational risks policies and operational plans
- Recommends changes to policies, processes and parameters

CREDIT RISK MANAGEMENT

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to SBM as and when they fall due. Credit risk arises from direct lending, trade finance activities, and also from off-balance sheet transactions. Amongst the risks faced by SBM, credit risk generates the largest regulatory capital requirement, accounting for approximately 90% of SBM's economic capital.

The management of SBM's credit risk exposure is based on a well-defined portfolio management approach with a strong adherence to risk diversification across various geographical boundaries, sectors, borrower groups and products with the main objective of maximising shareholder value.

Credit approval process

The credit approval process is segregated from loan origination in order to maintain the independence and integrity of credit decision making. Credit approval authority is delegated within a structure that is tiered according to borrower rating, exposures, credit risk type and facility type. Key parameters associated with credit structuring and approval are periodically reviewed to ensure their continued relevance.

Credit risk measurement

SBM's main objective of credit risk measurement is to use various tools to support quantitative risk assessment from the level of individual facilities up to the total portfolio, including element of the credit approval process, ongoing credit risk management, monitoring and reporting and portfolio analysis.

Measurement tools include the use of rating system which are used in the calculation of regulatory and economic capital, expected/unexpected loss and stress testing. However, SBM considers sound and experienced judgement to be the most effective risk mitigation against any risk, and avoids over reliance on quantitative risk methodologies and models.

Internal Rating Systems

Credit risk rating is a summary indicator of a bank's individual credit exposure. SBM's internal rating system categorizes all credits into various classes on the basis of underlying credit quality.

SBM has different internal rating tools to assess the credit risk on Corporate Banking clients, SME clients and Retail Banking clients. SBM's default risk management is characterised by a well calibrated risk rating scale. SBM uses a rating scale ranging from 1–10 whereby the 1–6 risk rates are tagged as acceptable risks whilst 7–10 risk rates are considered as high risk.

Monitoring and Reporting

SBM's Credit Risk Policy sets out the diverse standards by which its assets are prudently managed. They reflect industry best practices and any regulatory requirements. These policies are guided by SBM's risk appetite, and set the limits and controls within which SBM can operate. It is reviewed at least once a year by the Board Risk Management Committee with required changes recommended to the Board for approval.

SBM regularly monitors its risk exposures to ensure business activities are operating within approved limits or guidelines, and SBM's strategies and risk appetite. A risk report is submitted to the Portfolio and Credit Risk Forum at least on a quarterly basis and to the Board Risk Management Committee on a quarterly basis to assess the credit risk profile of SBM.

Stress Testing

Stress testing is an important risk management tool that is used by SBM as part of its internal risk management based on the Basel II capital adequacy framework, to set its risk tolerance. It is also a requirement of the Bank of Mauritius for financial institutions to stress their portfolios with respect to factors that would impact their earnings, asset value and capital base.

SBM generates specific forward-looking scenarios and analyses how well its profitability would be maintained, whether its levels of capital would be adequate to absorb potential losses from abnormal events and what could be done in advance to mitigate the risk. It also enables SBM to set up its risk tolerance.

Credit risk mitigation

SBM employs a wide variety of structures and techniques to mitigate credit risk on its lending book:

- Assessment is primarily based on the ability of the borrowers to service their loans. Adequate security is taken to further mitigate the risk. The amount and type of collateral taken depends on the counterparty credit quality and repayment capacity. Collaterals taken by SBM are well documented to ensure that credit risk mitigation is legally effective and enforceable.

- Netting agreements as well as financial guarantees are used to offset balances with customers, in certain circumstances, to minimise the exposure at default. They are utilised in accordance with relevant regulatory and internal policies and require a formal agreement with the customer to net the balances.
- SBM has a set of prudential limits approved by the Board to address concentration of risk by counterparties, e.g. country, sovereign, bank and corporate customer. These allow higher exposures to better rated customers and lower exposures to lower rated customers. Excesses are considered on a case by case basis at the time of credit sanctioning, and are reported quarterly to the Board beyond tolerance limits.

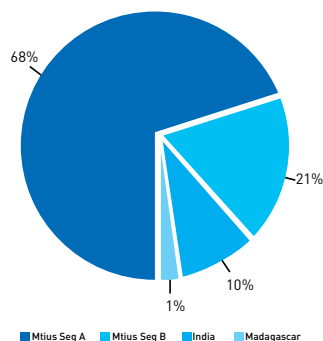
Credit risk exposure

SBM regularly reviews the diversification of its credit portfolio, taking into consideration changes to the economic and financial environment, by varying the exposures by business segments, geographical borders, industries and size of exposures which are the strategies for managing its credit risk.

The majority of SBM's exposure is in Mauritius Operations, with 67.6% of the exposures being to Segment A and 20.8% to Segment B. The remaining SBM exposure is in India (10.2%) and Madagascar (1.3%).

SBM enjoys a well-diversified credit portfolio, whereby its credit risk is spread across extensive range of portfolios as shown below.

SBM credit exposure by portfolio
(including Segment A, B, India & Madagascar)



Credit risk concentration

SBM manages exposures to countries, banks, sovereign, customers and sectors while diversifying its credit risk within the limits approved by the Board so as to achieve a more balanced portfolio. Deteriorations in ratings and the risk profile provide early warning signals for weak assets, which are actively monitored and managed. Exposures showing signs of deterioration are categorised and placed on a watchlist for closer monitoring.

Large credit concentrations, notably concentrations over 15% of Bank's capital base, as governed by the Bank of Mauritius Guideline on Credit Concentration Risk, are reported (i) monthly to the Portfolio and Credit Risk Forum members (ii) quarterly to the Board Risk Management Committee/ the Board and (iii) quarterly to the Bank of Mauritius.

Bank of Mauritius guidelines also require banks to report concentration limits on (a) a stand-alone basis and (b) as a banking operating group. The Bank of Mauritius regulatory limits are set out below:

- (a) Credit exposure to a single customer shall not exceed 25% of the Bank's/SBM Group's capital base
- (b) Credit exposure to any group of closely related customers shall not exceed 40% of the Bank's/SBM Group's capital base
- (c) Aggregate of all exposures to a single customer or a group of closely-related customers which are over 15% of the Bank's/SBM Group's capital base shall not exceed 800% of the Bank's/SBM Group's capital base.

SBM complies with the Bank of Mauritius guidelines with regards to the above limits. With respect to (c) above, the Bank has laid down a more stringent prudential limit of 400% of capital base for the Bank entity on a stand-alone basis and banking operating group to ensure diversification of risks.

As at 30 June 2011 no regulatory limit was exceeded in respect of credit concentration risk.

The following table provides a breakdown of the Bank's top credit exposures that are over 10% of the Bank's capital base after netting off of deposits. The main credit exposures include credit advances, guarantees, acceptances and other similar commitments extended by the Bank.

Customer Group	Gross Exp (Rs m)	Set-off (Rs m)	Net Exp (Rs m)	% of Aggregate amount of exposures after set-off to Bank's Capital Base
A	3,679	-	3,679	32.4%
D	2,329	-	2,329	20.5%
F	2,184	-	2,184	19.3%
G	1,811	-	1,811	16.0%
H	1,761	-	1,761	15.5%
I	1,633	-	1,633	14.4%
J	1,322	-	1,322	11.7%

If the Bank's capital base, on a stand-alone basis, were reduced by 25% at 30 June 2011, it would have seven single customers or groups of closely related customers with exposures of above 15% of the capital base, aggregating to 173% of the Bank's capital base. This would still be well within the regulatory limit of 800% and SBM's prudential limit of 400% of the capital base.

Similarly, for the banking operating group, if the capital base were reduced by 25%, six single customer/groups of closely related customers would have exposures of above 15% of the SBM Group's capital base, aggregating to 132.8% of the capital base, thus remaining well within regulatory limits.

The Bank's portfolio has remained adequately diversified with the top twenty credit risk weighted exposures now accounting for 27% of its total credit exposures as at 30 June 2011, (2010: 31%) and representing 168% of its core capital as at 30 June 2011 (2010: 151%)

Country risk exposure

Country risk is defined as the risk that a counterparty is unable to honour its obligations due to sovereign events (for example, default or restructuring); economic events (for example, contagion of sovereign default to other parts of the economy, cyclical economic shock); political events (for example, convertibility restrictions and expropriation or nationalisation); and natural disaster or conflict.

SBM's appetite for country risk is set by the Board at the recommendation of the Board Risk Management Committee in the form of limits based on a risk assessment taking into account its overall strategy, whether it has physical presence and the business opportunities in that country. SBM also uses a country watch list to proactively monitor emerging issues and facilitate the development of mitigation strategies.

As at 30 June 2011, 41% of SBM's overseas exposure was concentrated in countries with ratings grade A (Aaa-A3), 57% was to countries with ratings grade B (Baa-B3) and 2% was to unrated countries. The bulk of SBM's overseas exposures to countries with rating grade B was to India, where it has physical presence, inclusive of funded and non-funded exposures.

Sovereign risk exposure

The Bank has a high exposure in Government of Mauritius securities that carry a zero risk weight for capital allocation purposes under Basel II requirements and the Bank of Mauritius guidelines.

At 30 June 2011, the exposure to Government related entities (excluding investments in Government of Mauritius securities) amounted to Rs 1.38 Bn representing 2.5% of the Bank's total loans and advances and 17% of Bank's core capital (2010: Rs 2.7 Bn, 6.6% of total loans and advances, 36.3% of Bank's core capital). Total investments in Government securities aggregated to Rs 15.6 Bn representing 37% of the Bank's total Mauritian rupee-denominated deposits (2010: Rs 18.2 Bn, 43%).

At 30 June 2011, SBM also had exposures in India and Madagascar Government Securities (India: Rs 1.92 Bn, Madagascar: Rs 952 m) representing 17.1% and 8.5% of SBM's core capital respectively. (2010: India: Rs 1,243 m, Madagascar: Rs 817 m representing 12.6% and 8.3% of SBM's Core Capital respectively).

Related party transactions

The Bank of Mauritius determines limits to which a bank or non-bank deposit taking institution may grant credit to a related party and provides guidelines governing related party transactions of such institution.

A "related party" means:

- (i) A person who has significant interest in the financial institution or a financial institution which has significant interest in the person
- (ii) A director or senior officer of the financial institution or of a body corporate that controls the financial institution
- (iii) The spouse, a child or a parent of a natural person covered in (i) and (ii)
- (iv) An entity that is controlled by a person described in (i), (ii) and (iii)
- (v) A person or class of persons who has been designated by the Central Bank as a related party.

SBM adheres to the guideline and as at 30 June 2011, there were two non-exempted exposures to related parties which were 5.9% and 3.5% of its Core Capital respectively. As at 30 June 2011, none of the facilities granted to related parties was impaired. The Corporate Governance and Conduct Review Committee reviews and approves the related party aspect of credit granted to related parties.

Credit risk quality

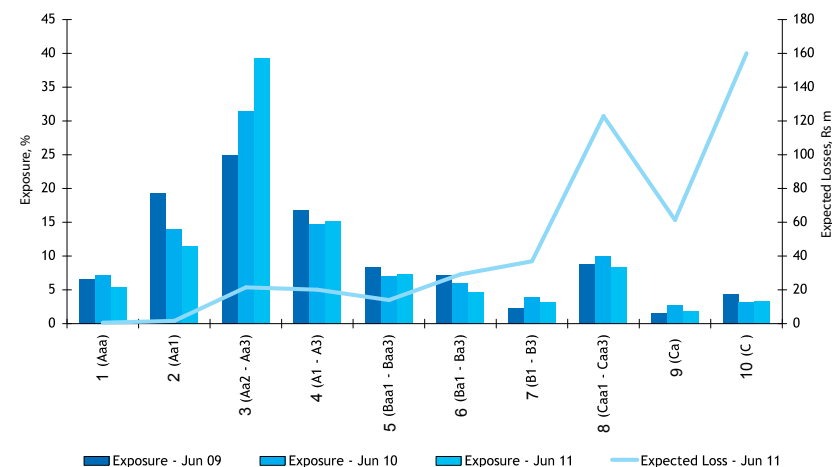
SBM weighted average internal customer risk rating stood at 4.13 as at 30 June 2011, compared to 4.15 as at 30 June 2010, which denotes a slight improvement in the credit quality during the year under review (June 2009: 4.28). The risk profile curve below is skewed to the left, depicting a concentration to well-rated customers.

Gross impaired advances as a percentage of total gross advances stood at 1.4% at 30 June 2011 compared to 1.9% as at 30 June 2010 (June 2009: 2%), while net of suspended interest and allowances, the impaired advances to total advances ratio decreased from 0.8% as at 30 June 2010 to 0.5% as at 30 June 2011 (June 2009: 0.5%).

Further details on the impaired advances can be found in Note 8 to the Financial Statements.

MARKET RISK MANAGEMENT

Market risk is the potential that assets, liabilities and revenues or the ability to meet business objectives will be affected by adverse movements in prices or market rates in particular, changes in interest and currency rates. Market risk is often propagated by other forms of financial risk such as credit and liquidity risks. SBM's market risk framework comprises market risk policies and practices, including delegation of authority, market risk limits, risk models and methodologies which are reviewed at least once a year by the Board Risk Management Committee, in line with its risk appetite as well as regulatory guidelines and international best practices.



Interest rate risk

Interest rate risk is the exposure of SBM's financial condition to adverse movements in interest rates arising from repricing and/or maturity mismatches, changes in underlying rates and other characteristics of assets and liabilities in the normal course of business. Excessive interest rate risk can pose a significant threat to a bank's earnings and capital base. In managing interest rate risk, SBM strives to achieve a desired profile taking into account strategic considerations and market conditions. To assess and manage the impact of interest rates on the assets, liabilities and off-balance sheet items, SBM uses a combination of gap analysis, sensitivity analysis, simulated modeling of earnings at risk and hedging instruments. In line with the Bank of Mauritius Guideline on the Measurement and Management of Market Risk, SBM conducts repricing gap analysis for individual currencies accounting for 5% or more of the Bank's banking book total assets or liabilities. As at 30 June 2011, foreign currencies which accounted for over 5% of the total assets are: USD (22.43%), EUR (8.29%), and GBP (7.56%). The interest rate risk gaps for these currencies were managed within a set of prudential limits set by the Board and with the aim to achieve the desired risk profile.

Earnings at risk measures the sensitivity of net interest income over the next 12 months, and highlights exposures to various rate sensitive factors such as change in the key repo rate, and in pricing strategies on deposits. A 200 basis point change in interest rate would have an impact equal to 0.11% of Bank's core capital at 30 June 2011 compared to 0.39% at 30 June 2010.

Currency risk

Currency risk is the potential that movements in exchange rates might adversely affect the value of SBM's holdings and, thus, its financial condition. Currency rates can be subject to large and sudden swings, and understanding and managing the risk associated with exchange rate volatility can be especially complex.

SBM exercises strict control over its currency exposures by setting conservative prudential limits over its currency exposures in order to mitigate currency risk.

In order to manage their currency exposures, the Treasury dealers operate within regulatory limit as prescribed by the Bank of Mauritius and also within prudential limits approved by the Board including the intraday/overnight open position limits, deal size limit, and stop losses. The regulatory limit was revised down from 20% to 15% of the Bank's Tier 1 Capital in January 2011.

Independent of the Treasury Front Office, the Middle Office closely monitors the Front Office and reports any excesses and deviations from approved limits to the Head of Risk, Chief Executive and on a periodic basis to the Market Risk Forum and to the Board Risk Management Committee.

The Bank also uses Value-at-Risk (VaR) to quantify the potential loss arising from adverse currency movements under normal market conditions. Given that currency positions are also subject to exceptional market movements, crisis situations and worst case scenarios are used as part of the stress testing exercise.

Stress testing captures the Bank's exposure to unlikely but plausible events in abnormal market conditions, while VaR reflects the potential losses in a normal market environment. The methodology used to calculate VaR is based on historical data and assumes that historical changes in market values are representative of future movements. The VaR is based on data for the previous twelve months. SBM calculates VaR using a ten days holding period and based on a 99% one-tailed confidence interval. This implies that losses greater than the VaR estimates would be incurred only once in every 100 trading days, or about two to three times a year. The methodology of using ten days holding period and a one year historical observation period are in line with Basel II recommendations on quantitative standards for market risk measurement.

The average VaR for SBM was Rs 0.64 m for the year ended 30 June 2011 (2010: Rs 1.77 m) and was insignificant relative to its core capital.

The table below shows the minimum, maximum and year-end VaR values for the last three years.

Rs '000	2011			2010			2009		
	Min	Max	June	Min	Max	June	Min	Max	June
Bank	169	8,289	634	115	9,067	328	120	6,352	930
SBM Group	172	8,690	639	116	9,293	342	121	6,434	955

The Bank also simulates for a one-day time horizon at 99% confidence level that best reflects the market environment.

Price risk

The Bank trades in international bonds, futures on commodities and bonds, currency derivatives, interest rate derivatives and in shares quoted on the Stock Exchange of Mauritius with the objective to further diversify its earnings stream and be in line with customers' demands and preferences for different structured products. All open positions are marked-to-market on a daily basis and reported to management.

The dealers are closely monitored by the Middle Office to ensure that trades are within a framework of trading limits set in accordance with the risk appetite of the Bank, dealers' experience and prevailing market volatilities. Any excesses and deviations from approved limits are reported to the Head of Risk, the Chief Executive and, on a periodic basis, to the Market Risk Forum and to the Board Risk Management Committee. At 30 June 2011, the Bank's trading book exposures were insignificant and within the prudential limits set by the Board.

Liquidity risk

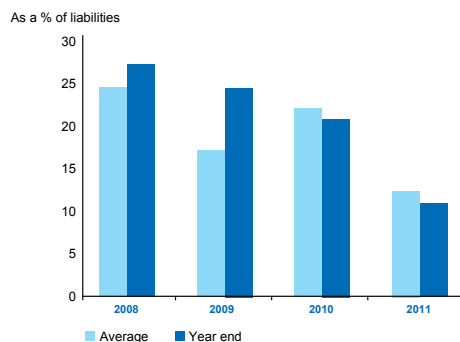
Liquidity risk arises when funds required to meet repayments, withdrawals and other commitments are not readily available due to lack of liquidity in the market, which prevents immediate or effective liquidation of positions or portfolios. For effective liquidity management, SBM has written policies and procedures which clearly define its strategy for managing liquidity, the clear lines of responsibilities and the process for measuring, monitoring and managing liquidity. The policies as well as a set of limits approved by the Board on the recommendation of the Board Risk Management Committee to manage unexpected decreases or changes in funding sources available. These include reducing excessive funding concentrations by diversifying sources and terms of funding as well as preserving a portfolio of high quality and marketable debt securities.

The day to day management of liquidity falls under the responsibility of the Treasurer and the Treasury Middle Office actively monitors the management of cash flows in accordance with the approved liquidity risk management policies and limits set by the Board. Overseas banking operations of branches and subsidiaries are required to comply with their local regulatory liquidity requirements and to be self-sufficient for their local currency funding needs. SBM uses the currency-wise Gap Analysis to measure the difference between assets and liabilities (both on and off-balance sheet) that mature in a particular time period. Various liquidity gap scenarios are performed encompassing a range of specific events, which are examined and reported monthly to the Market Risk Forum and quarterly to the Board Risk Management Committee. SBM has in place a contingency plan in the event of a liquidity crisis to ensure that adequate funds continue to be available

which is reviewed annually by the Board Risk Management Committee. SBM has a positive liquidity gap and has the ability to meet future expected cash flows in local currency and foreign currencies.

To assess the liquidity and funding risk, the liquid asset ratio, the level of core deposits, and the customer deposits concentration are used. The liquid asset ratio provides an assessment of the extent to which assets can be readily converted into cash or cash substitutes to meet financial commitments.

Liquid assets ratio



SBM's liquid asset ratio reflects a strong liquidity position, sufficient to absorb the impact of a stressed funding environment. The cap introduced by the Bank of Mauritius on investment in Government Treasury Bills in April 2011 and the rise in the Cash Reserve Ratio requirement from 6% to 7% on SBM's deposits (effective as from 28 February 2011) in order to tackle the excess liquidity which had been prevailing on the market explained partly the decrease in liquid asset ratio but most importantly the decrease is the result of effective liquidity management. Although a high degree of liquidity may be a positive sign since it indicates a capacity to meet obligations and take advantage of business opportunities, too much liquidity in the form

of cash and low-earning assets can reduce earnings. SBM aims at finding the right balance between liquidity and profitability.

At 30 June 2011, investment in Government Treasury Bills was at 16.33% of the total rupee deposits, within the limit of 20% set by the Bank of Mauritius. The regulatory limit has been further reduced to 18% of total rupee deposits with effect from 1 July 2011.

SBM's funding and liquidity position is underpinned by its significant customer deposit base, and has been supported by stable funding. 85% of the deposit base is made up of customers' current and savings accounts which, although repayable on demand, have traditionally in aggregate provided a stable source of funding. SBM has a large base of customer deposits and at 30 June 2011 deposits represented 125% of total credit (2010: 141%). The top 20 customers accounted for 21.4% of total deposits at 30 June 2011 as compared to 18.1% in the previous year.

The Basel Committee on Banking Supervision brought about critical reforms to the Basel II framework in an attempt to strengthen global capital and liquidity regulations in December 2010. To complement the difficulties faced by some banks due to lapses in basic principles of liquidity risk management, two new liquidity ratios - Liquidity Coverage Ratio (a short term stress liquidity metric) and Net Stable Funding Ratio (a longer term liquidity metric) - were introduced in the Basel III framework. There has not yet been regulatory move to implement these ratios in Mauritius. However, SBM will take the appropriate steps and is fully committed to apply these reforms for better management of its liquidity risk.

A more detailed maturity analysis of the financial liabilities can be found in Note 37 to the Financial Statements.

OPERATIONAL RISK MANAGEMENT

SBM has established an appropriate, comprehensive approach to the identification, measurement, monitoring and control of operational risk. The approach is consistent with the recommendations made by the Basel Committee on Banking Supervision and the Bank of Mauritius.

Operational risk is inherent to all business activities and has been defined by the Basel Committee on Banking Supervision as 'the risk of loss resulting from inadequate or failed internal processes, people, systems or external events'. These diverse risks are explained as follows:

- **Processing risk** - The risk related to the execution and maintenance of transactions, and the various aspects of running a business, including products and services.
- **People risk** - The risk of a loss intentionally or unintentionally caused by an employee - e.g. employee error, employee misdeeds - or involving employees, such as in the area of employment disputes.
- **Systems risk** - The risk of loss caused by a piracy, theft, failure, breakdown or other disruption in technology, data or information; also includes technology that fails to meet business needs.
- **External risk** - The risk of loss due to damage to physical property or assets from natural or non-natural causes. This category also includes the risk presented by actions of external parties, such as the perpetration of fraud, or in the case of regulators, the execution of change that would alter the bank's ability to continue operating in certain markets.

Other related risks are:

- Legal risk
- Reputational risk
- Compliance risk
- Strategic risk

For the effective and efficient identification and management of operational risks, SBM has in place the following:

1. Loss Events and Incidents Database:

Since 2004, the operational risk team has continuously collated loss data including causal information. Events and incidents are analysed to assess the effectiveness of controls in place within SBM. Operational loss data is reported and major incidents are discussed monthly at the Operational Risk Forum and quarterly at the Board Risk Management Committee.

During the financial year 2010/2011, the operational risk events had no material financial impact on SBM. An analysis of operational loss events by count for the year ended 30 June 2011 highlights the fact that the highest frequency of events occurred in Business disruption and system failure (53%), Execution, delivery and process risk (38%) followed by Internal fraud (6%). In terms of loss events by value, Execution, delivery and process risk represented 87% of total operational losses followed by Internal Fraud (8%).

2. Key Risk Indicators

A set of key risk indicators (KRIs) is tracked by the Operational Risk team, which can provide early warning signal of increased risk associated with non-attainment of control objectives. The aim is to enable early detection and quick response to a wide range of operational risks. Major KRIs are reported to the Operational Risk Forum on a monthly basis and quarterly to the Board Risk Management Committee.

3. Risk Assessment

Risk assessments of the businesses and support functions are conducted periodically to ensure a forward-looking view on the operational risk profile. The businesses are required to conduct self risk assessments and report their respective highest perceived risks on a monthly basis to the Operational Risk team. The Operational Risk team ensures the objectivity and comprehensiveness of the risk assessments and recommends corrective measures.

4. Risk Register

A risk register is being developed and reviewed periodically to record all risks identified in a specific process or procedure. A brief description of the risk, the likelihood of occurrence, the potential impact on the business and controls in place are included in the risk register. The aim is to determine high risk areas within the organisation.

Other methods used by SBM to mitigate operational risks include: (i) Insurance policies to cover potential financial loss (ii) Outsourcing of non-key processes (iii) Business Continuity Management.

SBM promotes an organisational structure that stresses high ethical behaviour and integrity across all levels of the organisation whereby each and every employee has a defined level of responsibility for the management of risk, with additional encumbrance on managers and specialised units to ensure full adherence to internal policies, procedures, regulations and best practices.

Processes and procedures are continuously updated with the introduction of new products and services as well as changing regulations. The Operational Risk team reviews all the procedures and ensures adequate controls are in place before providing sign-off.

Quarterly staff appraisals are conducted to ensure that performance standards are met and corrective actions are taken where necessary. In addition, SBM has an established Code of Ethics and Business Conduct, a Conflict of Interest Policy and a Fit and Proper Person Policy to ensure that staff with required skills and qualifications are selected for appropriate positions.

SBM is aware of the business opportunities as well as the criticality of information security and the emerging threats linked to the growth of its e-business activities. As such, SBM is aligned with existing best practices such as ISO 27001 and ISO 27002 and has in place an Information Security Policy which defines the framework, management and staff responsibilities as well as the security directives that apply to it. On the e-business front, the use of a Proactive Risk Manager tool to detect suspicious transaction patterns on a 24-hour basis has greatly contributed to reducing card related losses year-on-year.

In line with the Central Bank requirements and local legislation, the compliance and anti-money laundering tasks are carried out by an independent Compliance team. The independent Anti-Money Laundering (AML) Reporting Officers track transactions on a daily basis and report all identified suspicious transactions to the appropriate authorities. SBM has made it mandatory for all staff to attend an AML training programme to mitigate compliance risks as required by the

Guidance Notes on AML/CFT by the Central Bank. Subsequently, all staff are assessed by way of written test.

The Compliance team monitors compliance with laws, regulations, SBM's policies, procedures and central banks' guidelines. The team conducts in-depth review of areas where compliance with laws/regulations is critical and makes recommendations for enhancement in processes and controls. The Compliance team also provides guidance and acts as a contact point within SBM for compliance queries from staff members. Compliance matters are reported monthly to the Operational Risk Forum and quarterly to the Board Risk Management Committee.

Internal audit

The internal audit function at SBM ensures that its operations are conducted according to the highest standards of best practice by providing an independent, objective assurance to the Management and to the Board. Through a systematic and disciplined approach, internal audit helps SBM to accomplish its objectives by evaluating and recommending improvements to the effectiveness of risk management, control and governance process. The internal audit department is governed by an internal audit charter approved by the Audit Committee. The department reports to the Audit Committee functionally while reporting to the Chief Executive administratively. It maintains a close working relationship with the Risk Management Division, the Compliance Unit and the external auditors.

The objective of the internal audit department is to assist various levels of management in the effective discharge of their responsibilities. Internal audit undertakes reliable assessments and value adding services relating to systems, internal controls and procedures. It also provides a key independent support service to management by identifying and evaluating potential risks in their businesses.

Audits are conducted following the risk-based audit methodology which is in line with global best practices. All businesses of SBM are audited to assess control adequacy and effectiveness from a process perspective. In addition, internal audit has internationally certified information systems auditors to audit the information technology used by SBM.

As outlined in its charter, the internal audit function covers various types of audits, notably process, system, IT and compliance audits, and others, such as product and continuous analytical audits. The work performed by internal audit is taken into consideration by the statutory auditors for the purpose of forming an opinion on the Financial Statements of the Bank.

During the year under review, the SBM internal audit function completed audits of internal control systems, information systems and governance processes in accordance with its pre-approved audit plan. Material or significant control weaknesses and proposed management corrective actions were reported to the Audit Committee on a quarterly basis.

CAPITAL RESOURCES

Capital structure and management

SBM's policy is to maintain a strong capital base and to utilise it efficiently throughout its activities with the objective of optimising the return to shareholders while maintaining a prudent relationship between the capital base and the underlying risks of the business. The capital management process ensures that each entity/segment maintains sufficient capital levels for legal/regulatory compliance purposes and in accordance with the Basel II requirements besides keeping a cushion for uncertainties and for supporting depositors' confidence.

Basel II and regulatory capital

SBM needs to comply with capital requirements set by the Bank of Mauritius in accordance with the Basel II framework of the Basel Committee on Banking Supervision while its overseas operations in India and Madagascar must also adhere to their host country regulators, namely Reserve Bank of India and Banque Centrale de Madagascar respectively. The Bank of Mauritius has issued a series of guidelines in line with the Basel II regulations which must be adhered to by all commercial banks in Mauritius.

The Basel II framework is based on three pillars, which are viewed as mutually reinforcing:

- **Pillar 1: Minimum Capital Requirements** – spells out the different approaches that banks may adopt, with due approval of their supervisor, for the computation of capital adequacy ratio to cover for credit, market and operational risks and eligible capital.
- **Pillar 2: Supervisory Review Process** – discusses the role of supervisors in ensuring that banks have in place a proper process for assessing and maintaining their capital ratios above the minimum requirements to cater for other risks

within their business not covered under Pillar 1. It also sets out specific oversight responsibilities for the Board and Senior Management, thus reinforcing principles of internal controls and other corporate governance practices.

- **Pillar 3: Market Discipline** – sets out the minimum disclosure standards on a bank's capital structure, risk exposures and capital adequacy allowing market participants to assess key information about a bank's risk profile and level of capitalisation. Pillar 3 is intended to act as a complement to the other two pillars.

The Bank of Mauritius Guideline on the Scope of Application of Basel II requires a home banking group – one whose centre of economic interest is in Mauritius – to adhere to capital adequacy requirements on a consolidated basis for SBM and on a stand-alone basis for each majority owned entity as the different entities within SBM may have an impact on the overall risk profile. SBM's subsidiary and foreign branches are also subject to risk based capital guidelines issued by their host countries regulators.

Regulatory capital adequacy is measured by two risk-based ratios; Tier 1 and total capital, stated as a percentage of risk-weighted assets. The Bank of Mauritius Guideline on Eligible Capital defines instruments that are eligible for inclusion in regulatory capital and they are grouped under two tiers.

- Tier 1 Capital refers to core capital and consists of ordinary share capital and retained earnings reduced by disallowed intangible assets and deducting 50% of investment in Associates.

- 'Supplementary' Tier 2 Capital includes 45% of revaluation reserves, undisclosed reserves, general banking reserves, portfolio allowance for credit losses limited to a maximum of 1.25% of total risk weighted assets and deducting remaining 50% of investment in Associates.

The risk weighted assets are principally derived from application of the risk based capital guidelines related to the measurement of credit risk. Pursuant to these guidelines, on-balance sheet assets and the credit equivalent amount of off-balance sheet exposures are assigned to one of several prescribed risk-weight categories based upon the perceived credit risk associated with the obligor, or if relevant, the guarantor, the nature of the collateral, or external credit ratings. SBM has adopted the following approach for computation of total risk-weighted assets for regulatory purpose:

- Credit risk – based on standardised approach as stipulated in the Guideline on Standardised Approach to Credit Risk issued by the Bank of Mauritius. Banks may use the credit ratings of External Credit Assessment Institutions (ECAIs) to determine the risk weights applicable to claims on sovereign, central banks, banks and rated corporates. SBM uses ratings assigned by the following recognised agencies: Standard & Poor's, Moody's Investors Service and Fitch to determine the relevant risk weights applicable for its claims on banks and overseas sovereign. As regards other claims, SBM has applied standard risk weights as proposed in the above mentioned guideline
- Market risk – the Standardized Measurement Approach as per the Guideline on Measurement and Management of Market Risk issued by the Bank of Mauritius

The table below provides comparative figures for the aggregate net open currency position together with the capital required for SBM:

SBM Group Market Risk Figures in Rs m	2011	2010	2009
Aggregate net open foreign exchange position	107.0	92.5	56.7
Capital Requirement	10.7	9.3	5.7

- Operational Risk – SBM has adopted the Alternative Standardised Approach with the approval of the Bank of Mauritius and in line with the Guideline on Operational Risk Management and Capital Adequacy Determination issued by the Central Bank. The capital charge for SBM is worked out as a summation of the following:
 - For Trading & Sales and Payment & Settlement business lines – a beta factor of 18% is applied to the average gross income over 3 years
 - For retail and commercial banking business lines – a beta factor of 12% and 15% respectively is applied to the three-year average outstanding balances of advances and securities for the respective line of business multiplied by a factor which has been fixed at 0.035% as prescribed in the above guideline.

The SBM Group Operational Risk capital for the financial year 2011 stood at Rs 490 m (2010: Rs 473 m, 2009: Rs 445 m).

Whereas the Basel Committee has recommended a minimum capital adequacy ratio of 8%, banks in Mauritius are required to maintain, at all times, a minimum capital adequacy ratio of 10% (with Tier 2 capital limited to 100% Tier 1 capital) while for India and Madagascar, the ratio is set at 9% and 8% respectively.

SBM complied with all norms in terms of capital adequacy requirements as set by regulators.

The Tier 1 and the Eligible capital adequacy ratios under the Basel II framework for the last three years are provided below:

SBM Group Capital Ratios (%)	2011	2010	2009
Tier 1 Capital Ratio	18.63	21.35	19.63
Capital Adequacy Ratio	22.42	26.49	24.04

SBM's Tier 1 capital was Rs 11.2 Bn as at 30 June 2011 (2010: Rs 9.9 Bn) and total capital was Rs 13.5 Bn (2010: Rs 12.2 Bn). The increase in capital was primarily due to retained earnings. SBM maintained a well-capitalised position based upon core Tier 1 and total capital ratios.

The table below shows the components of capital base for SBM as required under the Guideline on the Scope of Application of Basel II and the Guideline on Public Disclosure of Information.

Capital Adequacy Ratio under Basel II Approach	2011 Rs m	2010 Rs m	2009 Rs m
I. CAPITAL BASE			
Core capital (Tier 1 capital)			
Share Capital	304	304	304
Statutory Reserve	505	486	504
Other Reserves*	13,111	11,785	10,590
Deduct			
Treasury (own) shares	(2,333)	(2,333)	(2,333)
Other Intangible assets	(54)	(77)	(79)
	11,532	10,164	8,986
Less 50% of investments in associates	(334)	(294)	(262)
Total Core Capital	11,198	9,870	8,724
Supplementary capital (Tier 2 capital)			
Other Reserves	1,894	2,094	1,851
Portfolio Provision	714	578	370
	2,608	2,672	2,221
Less 50% of investments in associates	(334)	(294)	(262)
Total Supplementary Capital	2,274	2,378	1,959
SBM GROUP CAPITAL BASE	13,472	12,248	10,683
BANK CAPITAL BASE	11,290	10,018	8,116
* including audited profits for the year			
II. WEIGHTED RISK ASSETS			
Credit Risk - on-balance sheet assets	51,462	39,802	38,193
Credit Risk - off-balance sheet assets	3,630	1,616	1,739
Market Risk - Foreign Exchange Risk	107	93	57
Operational Risk	4,896	4,727	4,448
SBM GROUP TOTAL RISK WEIGHTED ASSETS	60,095	46,238	44,437
BANK TOTAL RISK WEIGHTED ASSETS	58,628	44,653	41,526
III. CAPITAL ADEQUACY RATIO (%)			
SBM GROUP	22.42	26.49	24.04
Of which SBM Group Tier 1	18.63	21.35	19.63
BANK	19.26	22.43	19.54
Of which Bank Tier 1	14.65	16.59	14.64

The table below sets out the exposure amounts after risk mitigation under the Standardised Approach for SBM on a consolidated basis as at 30 June 2009, 2010 and 2011

Risk-weighted on-balance sheet assets	2011			2010			2009		
	Exposures after CRM (Rs m)	Weight %	Weighted Assets (Rs m)	Exposures after CRM (Rs m)	Weight %	Weighted Assets (Rs m)	Exposures after CRM (Rs m)	Weight %	Weighted Assets (Rs m)
Cash Items	1,082	0-20	32	949	0-20	29	835	0-20	29
Claims on Sovereigns	17,291	0-20	14	21,052	0-20	9	16,486	0	0
Claims on central banks and international institutions	5,227	0	0	3,607	0	0	4,137	0	0
Claims on banks	17,424	20-100	6,119	8,401	20-50	1,890	13,469	20-50	3,495
Claims on non-central government public sector entities	1,911	0-100	1,064	1,052	0-100	596	1,754	0-100	935
Claims on Corporates	28,971	100	28,971	23,356	100	23,356	21,037	100	21,037
Claims included in the regulatory retail portfolio	6,897	75	5,173	5,893	75	4,420	5,256	75	3,942
Claims secured by residential property	8,402	35-100	3,180	6,664	35-100	2,538	5,821	35-100	2,196
Past due claims	258	50-150	271	359	50-150	390	186	50-150	182
Other assets	6,639	100	6,639	6,574	100	6,574	6,377	100	6,377
Total on-balance sheet credit risk-weighted exposures	94,100		51,462	77,907		39,802	75,358		38,193

Risk weighted off-balance sheet exposures	Credit Conversion Factor (%)	2011			2010			2009		
		Exposures after CRM (Rs m)	Weight %	Weighted Assets (Rs m)	Exposures after CRM (Rs m)	Weight %	Weighted Assets (Rs m)	Exposures after CRM (Rs m)	Weight %	Weighted Assets (Rs m)
Direct credit substitutes	100	371	0 - 100	362	167	0 - 100	156	278	50 - 100	245
Transaction-related contingent items	50	7,293	0 - 100	2,621	2,509	0 - 100	1,142	2,515	20 - 100	1,155
Trade-related contingencies	20	1,020	0 - 100	196	765	0 - 100	147	508	20 - 100	92
Other commitments	0-50	8,366	0 - 100	341	8,175	0 - 100	131	5,044	0 - 100	217
Total non-market-related risk-weighted credit exposures		17,050		3,520	11,615		1,576	8,346		1,709
Total market-related risk-weighted credit exposures				110			40			30
Total off-balance sheet risk-weighted credit exposures				3,630			1,616			1,739

Future developments - Basel III

Basel III is a new global regulatory standard on bank capital adequacy and liquidity agreed by the members of the Basel Committee on Banking Supervision in response to recent global financial crisis and provide for a more stable banking system that is less prone to excessive risk taking. In December 2010 the Basel Committee issued the Basel III rules subsequently revised in July 2011 which require banks to increase minimum Tier 1 capital on a gradual basis to reach 6% in 2015 of which common Equity would account for 4.5% of their risk bearing assets. A capital conservation buffer is being introduced from 2016, starting at 0.625% of risk assets to reach 2.5% by start of 2019. The Basel III rules do not per se replace the existing Basel II rules which for the most part remain unchanged. 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 spill-over 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 would 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 1st January 2019. The implications of these new measures are still being examined at various country levels. In Mauritius the details of exactly how Basel III will be adopted are still to be advised by the Bank of Mauritius.

Basel III requirements

- Raise quality, consistency and transparency of regulatory capital base
- Enhance risk coverage
- Constraining leverage ratio – consistently calculated across jurisdictions
- Reduce procyclicality and introduce new countercyclical buffers
- Address systemic risk and interconnectedness – exposures to financial institutions carry higher risk weights
- Introduce new global liquidity framework – notably the new liquidity coverage ratio (LCR) and Net Stable Funding Ratio (NSFR)
- Commence 2013 with long phase-ins through to 2019

SBM is comforted that at 30 June 2011, the capital adequacy ratio for its banking operations in Mauritius, India and Madagascar on a standalone basis was more than 13% and the leverage ratio for the Bank was more than 7%.





Chief Executive Officer

Gautam Vir,
BA (Hons), MBA

The profile of Mr Gautam Vir is found at page 15.



Head Retail Banking

Soopaya Parianen,
BA (Hons) – Economics
Mr Parianen has 34 years experience in banking out of which 27 years are at Senior Management level.

He was previously the Group Divisional Leader for Corporate Banking, the Group Divisional Leader Retail Banking and Credit Management Support Services and was also overseeing the overall operations management of SBM. Since February 2010, he is heading the Retail Banking Division of SBM. Reports to the Chief Executive.



Divisional Leaders

Chandradev Appadoo,
FCCA, ACIB
Corporate Affairs & Finance and Company Secretary
Has worked for 26 years in the Bank at various levels including branches, Corporate

Banking, Finance, Legal, Compliance and Risk Management. Currently the Company Secretary and also heading Facilities Management, Corporate Affairs and Finance Division. Reports to the Chairman and the Chief Executive.



Suvalaxmi Chakraborty,
B.Com (Hons), CA
Chief Executive Officer SBM India Operations

Has 23 years of work experience, out of which 22 years have been spent in the banking and financial

sector. Worked for ICICI Bank in various senior positions (in Corporate Finance, Project finance, Treasury, General Manager - Corporate Banking and her last assignment in ICICI Bank was Head- Rural and Agri Banking) and was Commercial Banking Director of the Indian Operations of Barclays Bank PLC before joining SBM. Reports to the Chief Executive.



Sridhar Guru,
Bachelors Degree in Computer Science Engineering, Executive Masters in International Business Administration

Chief Information Officer
Has held several successful IT roles within banking,

insurance, financial services, e-commerce and commercial technology industries. Over 20 years of experience, he has acquired global work exposure in the US, UK, India, Australia and New Zealand. Prior to joining SBM, he was the Regional CIO (India & Indian Ocean) - Global Retail and Commercial Banking for Barclays Bank PLC where he set up and managed technology to support one of the fastest growing business franchise in the region. Before that he was, amongst other roles, Senior Vice President & Head of Global IT Delivery Centre of Expertise for Bank of America, Director of Financial Services & Insurance Practice for American Financial Group Inc. and Head of IT Delivery - Institutional and Business Banking for ANZ (Bank). He is a member of The Association of Professional Engineers, Scientists & Managers of Australia and Computer Society of India. He joined the Bank in October 2010 and reports to the Chief Executive.



Anil Kumar Kundan,
B.A (Humanities), Diploma in Automobile Engineering
Credit Underwriting
Has worked in various positions in the credit department of the largest bank in India for 22 years and also in

Mauritius as Chief Credit Officer for 4 years. The experience spans from heading branch operations to credit appraisal, loan syndication and control, supervision and credit approval for overseas operations of the bank in the earlier assignment. Currently, providing leadership to credit function with primary focus on corporate, SME and Retail, including training to staff, presentation of proposals to various forums and Board Committees. Reports to the Chief Executive.



Veronique Lim Hoyee,
BSc (Hons) Economics & Accounting, MSc Economics and Finance, CFA
Credit Administration & Legal
Has 14 years of work experience, including 13 years within SBM Group.

Was previously Head of Credit Underwriting Division, Head of Intensive Care Team and Research Department and Head of Risk Management. Currently, Divisional Leader in charge of Credit Administration & Legal. Reports to the Chief Executive.



Bishwajit Mazumder,
CA, LLB, MBA, CIA, CISA, CISSP, CFE, CAIIB, ISSMP
Operations Management & Trade Finance
Has worked for 28 years in the banking sector in different positions and geographies,

before joining the Bank in February 2010 as Chief Internal Auditor. Has worked as Chief Audit Executive for ING Vysya Bank in India, as Chief Internal Auditor for Central Bank of Oman for five years (till 2007) and for IDBI Bank for 4 years (till 2002) as Assistant Vice

President. Also, held various positions in front office, back office, branch head and corporate office and Information Technology processes at multiple banks. Currently, Divisional Leader in charge of Operations Management & Trade Finance and also oversees the Quality & Customer Service Department. Reports to the Chief Executive.



Louis Nallet,
DES – Institut Technique de Banque / CNAM Paris
Directeur Général Banque SBM Madagascar SA
Has over 46 years of banking experience and has held senior positions in major international

financial institutions, including Citibank and Standard Bank. Before joining SBM in 2010 he was Director of Stanbic Africa, a member of the Standard Bank Group, and Managing Director of Stanbic in the Democratic Republic of Congo. Reports to the Chief Executive.



Daniel Ng Tseung,
BSc Economics
Treasury
Has worked for 9 years as Treasurer at HSBC before joining SBM as Group Treasurer in December 2000. Was also overseeing the e-business activities. Has been a member of the Board. Reports to the Chief Executive.



Pauline Seeayave,
MA (Cantab), ACA
Corporate Banking
The profile of Ms Pauline Seeayave is found at page 15.

Team Leaders

Eshan Amiran
BST - E-business, Alternative Channels
& International Markets

Vikash Bheem Singh
Quality & Customer Service

Anand Bhugun
Sales and Service - Retail

Hemant Kumar Dursun
Facilities Management

Kanand Gooly
Small & Medium Enterprise

Rita Gujadhur
Value Based Performance Management

Bhuvanesh Hingoraney
BST - Banking & Treasury

Geneviève Anne Ho Shun
Internal Audit

Arvind Jha
International Banking & Global Business

Vishal Kumar Joyram
Private Banking & Wealth Management

Liliane Li Chiu Lim
Finance

Kwon Li Pak Man
Risk Management & Compliance

Grant Mackenzie
E-business

Nandraj Moonesawmy
Credit Services

Darrma Rajan Moorogan
Data Centre & IT Production Platforms

Soopaya Pareathumby
Technology Operations

Suren Ramchurn
Card Issuing

Poorunduth Ramgoolam
Sales and Services - Retail

Amaresh Ramlugan
Marketing & Communications

Satyamurti Ravikumar
Senior Vice President - SBM India Operations

Shailen Sreekeessoon
Strategic Planning and Research

Aslam Mohamud Hassim Taher
Corporate Banking

Parvataneni Venkateswara Rao
Head of Treasury - SBM India Operations

Senior Officers

Feriel Aumeerally
Corporate Banking

Avinash Asheesh Autar
Corporate Banking

Anand Babbea
E-business

Shailendra Bheeka
IT Audit

Ashvin Bhuruth
BST - Corporate Support Systems & Analytics

Sudhir Dabedooal
Retail Credit

Shyam Damree
Corporate Credit

Bye Samah Ghoorah
Currency Unit

Deochand Gonpot
Human Resources

Ravi Guiness
Recovery & Workout

Dharmendranath Hurkoo
Corporate Banking

Balkrishna Jhurry
International Banking & Global Business

Rajnish Lutchmah
Corporate Banking

Rishy Raj Lutchman
Treasury

Veeren Manikion
E-business

Carlo Parmasiven Poliah
Bancassurance

Ravindranath Ramdhan
Operations Management

Malinee Devi Ramlagun
Corporate Credit

Hemraj Rubee
Asset Finance

Leena Seetamonee
Human Resources

Chrisnen Vythilingum
Technology Operations



A woman with long dark hair, wearing a green and white striped shirt, is lying down and smiling while using a white laptop. She is resting her chin on her hand. The laptop is open, and her hands are on the keyboard. The background is a vibrant, abstract design with large, overlapping circles in shades of blue, purple, and pink. The text "at the heart of your aspirations" is written in a white, sans-serif font, positioned in the lower right quadrant of the image. The overall composition is dynamic and modern, emphasizing a sense of aspiration and achievement.

our ability:

Upgrade your life

with high-end technology services through Internet Banking & Mobile Banking

REVIEW OF THE OPERATING ENVIRONMENT

The international context

After rebounding from recession in FY 2010, helped by monetary and fiscal stimulus in various countries and continued strong demand in emerging economies like China and India, the world economy started to lose steam in FY 2011, particularly in the second half of the financial year. Barring some exceptions in individual countries, advanced economies have remained relatively weak and have continued to be the main drag on global economic activity. In addition, mounting debt burdens as a result of increased fiscal expenditure and low revenue buoyancy have raised issues of debt sustainability, notably in the US and in the European Union, and have seriously reduced the room for manoeuvre for the authorities to give further boost to their respective economies while undermining consumer and investor confidence. On the other hand, emerging economies, particularly in Asia, have continued to display generally strong performance, albeit slowing down due to monetary tightening, and remain the main drivers of global economic growth.

The outlook for FY 2012 remains challenging. Financial markets have been jittery in the first few months of the financial year, particularly after the downgrade of the US credit rating by Standard & Poor's from the prized AAA to AA+ on the back of debt sustainability concerns. Fears that the debt crisis in the European Union may spill over from peripheral economies to larger economies in the union have also unnerved markets. Some analysts are even suggesting the possibility of a double-dip recession in view of still sluggish activity in advanced markets coupled with overstretched governments in terms of their ability to provide additional economic stimulus. In such a scenario, funding is likely to get scarcer and more expensive, while confidence will suffer, with a dampening effect on investment and consumption.

However, whereas the recurrence of an outright recession cannot be excluded, consensus forecasts suggest that a slowdown of the global economy may be the most likely scenario.

As regards the international banking environment, the Basel Committee on Banking Supervision issued the detailed components of the new Basel III regulatory framework that proposes tighter capital and liquidity requirements with the objective of improving the banking sector's ability to absorb shocks in case of crisis. The major proposals under the new framework include a higher minimum Tier 1 capital ratio of 6% as compared to 4% previously; a new capital conservation buffer of 2.5% to absorb losses during periods of financial and economic stress; and a higher common equity ratio requirement of 4.5%. The changes are expected to be implemented in a phased manner starting in 2013 to allow banks to increase their capital and liquidity standards while supporting lending to the economy. The tighter regulations are expected to affect all banks that would have to revisit their profit-generating strategies to sustain growth.

Mauritius

The domestic economy has maintained its recovery in FY 2011 with a growth rate estimated at 4.4%, up from 3.1% in FY 2009 and 3.8% in FY 2010. Excluding the sugar sector, which registered a large contraction due to adverse climatic conditions, the estimated growth rate for FY 2011 works out at a commendable 4.6%. The performance has, however, been uneven with a strong first half being followed by a more moderate second half outcome as the effects of the global slowdown as well as policy tightening started to be felt.

Export-oriented manufacturing, which was one of the main casualties of the financial crisis, recorded a solid upturn in FY 2011 – with three consecutive quarters of double-digit growth – in line with improved sentiment in major markets, notably in the first half of the financial year, and rising costs in some competitor countries. The tourism industry

also rebounded strongly in the first half of FY 2011, but the recovery started to lose pace thereafter. For its part, the business and financial services sector continued to post high growth rates, led by banking, Global Business and business process outsourcing activities. On the other hand, the performance of the trade and domestic-oriented manufacturing sectors was more moderate as private consumption failed to gather momentum. Similarly, the construction and real estate segments recorded modest growth rates in line with a slow pickup in investment, especially at the private sector level, within a context of persisting uncertainty regarding the economic outlook. Lack of visibility regarding prospects is also holding up an improvement in the labour market.

Alongside the upturn in economic activity, inflation picked up from a low of 1.7% in FY 2010 to 5.1% in FY 2011 due, among others, to base effects, fiscal measures impacting as from December 2010 and the pass-through of higher international commodity prices in the domestic market. With both growth and inflation on the rise, the Bank of Mauritius gradually started removing policy accommodation by raising the Repo rate on two occasions in March and June 2011 respectively by a total of 75 basis points. Earlier during the financial year, the Bank of Mauritius brought down the Repo rate by 100 basis points to 4.75% in September 2010,

which was the last cut in a cycle that saw the reference rate reduced by a cumulative 350 basis points since 31 October 2008.

As at end June 2011, banks total assets increased by 3.8% year-on-year to Rs 875.1 Bn mainly driven by a 10% rise in Segment A assets while Segment B assets were flat from a year earlier with an increase in claims on Global Business companies compensating for a decline in foreign assets against the backdrop of low interest rates in key global markets. The increase in domestic assets was underpinned by a recovery in advances to the economy, which went up by 9.5% year-on-year to reach Rs 216.0 Bn as at June 2011.

The retail credit market – notably in the mortgage loan segment – performed particularly well with a rise of 16.2% while expansion in the corporate credit market was more moderate at 8.1%, albeit slightly higher than the previous year's growth. Among the better performing economic sectors in terms of credit growth were tourism and financial services, wherein activity levels picked up markedly, as well as the commerce sector which benefited from increased external trade. On the other hand, notable contractions were recorded in the parastatal, agriculture and real estate sectors. In the latter case, in particular, the decline may be explained by lack of demand for premium property amidst persisting economic uncertainty.

BANKING SECTOR	Jun-11	Jun-10	Change
Credit to the domestic economy	Rs m	Rs m	%
Personal	51,982	44,746	16.2
Consumer	21,144	19,369	9.2
Mortgage	30,838	25,377	21.5
Corporate	186,290	172,313	8.1
Agriculture	13,727	14,560	(5.7)
Commerce	25,186	22,387	12.5
Financial Services	23,933	19,820	20.8
Infrastructure	4,870	4,627	5.3
Manufacturing	18,187	17,639	3.1
New Economy	1,176	1,234	(4.7)
Real Estate	11,082	11,575	(4.3)
Services - Others	12,974	12,056	7.6
Services - Job Con/Civil Engineering	3,624	3,140	15.4
Tourism	42,205	35,180	20.0
Statutory & Parastatal Bodies	7,091	10,255	(30.9)
Total (excl. GBL)	216,037	197,220	9.5
Global Business Licence Holders	22,235	19,839	12.1
Total (incl. GBL)	238,272	217,059	9.8

In contrast to the increase in advances, investment in gilt-edged securities declined in FY 2011 in line with lower Government borrowing requirements. The weak supply of Government paper engendered a high liquidity situation in the market, even though deposit growth was relatively moderate, and depressed yields for a large part of the financial year, with troughs of 2.40% and 2.25% in the Bank rate (which is the weighted average rate on 3-month, 6-month and 12-month Treasury bills) on 3 September 2010 and 25 March 2011 respectively. With a view to reducing excess liquidity in the system, the Bank of Mauritius raised the cash reserve ratio on three occasions since June 2010, from 4.5% to 5.0% on 18 June 2010, from 5.0% to 6.0% on 8 October 2010 and from 6.0% to 7.0% on 25 February 2011.

In an attempt to encourage banks to increase lending and to develop a secondary market for Treasury bills, the Bank of Mauritius introduced a new limit on the holdings of Treasury bills by banks. With effect from 8 April 2011, banks have been required to maintain in their banking book Treasury bills equivalent to a maximum of 20% of their average rupee deposits over a two-week period. The cap has been brought down to 18% effective 1 July 2011. The new limits imposed have encouraged banks to shift towards longer maturity paper. These moves seem to have had some effect on tempering liquidity as gauged by a decline in banks' excess reserve holdings with the central bank to Rs 3.5 Bn for the fortnight ending 30 June 2011 as compared to a high of Rs 6.9 Bn for the fortnight ending 24 February 2011.

On the funding side, segment A (resident) deposits went up by 8.2% year on year to reach Rs 284.1 Bn as at June 2011, on the back of a rise of 16.9% in foreign currency denominated deposits. Within the rupee-denominated deposits, which account for 77% of segment A deposits, notable increases of 16.1% and 11.8% were recorded in demand and savings deposits respectively while time deposits dropped as banks focused on

reducing their cost of funds within a highly liquid and low yield environment. Segment B deposits were relatively flat on a point to point basis from June 2010 to June 2011.

The performance of the banking sector in FY 2012 will continue to depend on the health of the broader economy which is expected to slow down in FY 2012 in line with persisting weakness in the country's main markets. In fact, conditions could rapidly deteriorate should the slowdown in the world economy be far more severe than anticipated taking into consideration that the recovery of the domestic economy has been largely export led, with private consumption and investment being relatively weak. The tourism and textiles segments are particularly at risk, and a broader spill-over to the domestic economy cannot be excluded through both the income and confidence channels. Encouragingly, the authorities will still have some policy room, on both the monetary and fiscal fronts, to respond to a downturn in activity, albeit not as much as in 2008-2009. Credit granted by banks is expected to remain below trend unless a sustained recovery begins to take hold and, crucially, investor and consumer confidence edge up significantly.

India

The Indian economy grew by a robust 8.9% in 3Q10 as the services sector expanded by 9.9% led by "trade, hotels, restaurants, transport and communication", agricultural sector growth picked up to 5.4% due to supportive weather while industrial sector growth moderated to a still high 8.4%. Although GDP growth eased thereafter to 8.3% in 4Q 10 and 7.8% in 1Q 11 partly on account of a further slowdown of the industrial sector as activity in certain core industries including cement and natural gas declined, there were no evidence of any broad-based deceleration. On the expenditure side, growth continued to be supported by strong private consumption while investment growth slowed down markedly (from 11.9% in 3Q 10 to 0.4% in 1Q 11) against the backdrop of a tighter monetary policy stance. Corporate earnings growth and profit margins in 1Q 11 were broadly comparable to the previous two quarters, suggesting that demand remained steady, and in the face of sharp increases in input costs, pricing power remained unaltered.

In July 2010, India's wholesale price inflation (WPI) stood at 10.0% and has been on a general declining trend up to November 2010 when it reached 7.5%. The trend reversed as from December 2010 as inflation moved above the 8% mark again to reach 9.4% in June 2011 and becoming more generalised as reflected by higher prices of fuel and non-food manufactured products. The average WPI rate between July 2010 and June 2011 was 9.3% as compared to 6.2% during the same period of the previous year. Upside risks to inflation led to a continuation in the monetary policy tightening process by the Reserve Bank of India with the key interest rate being raised from 5.75% as at end July 2010 to 7.50% as at end June 2011 in a number of steps.

Going ahead, the Indian economy is expected to continue to expand strongly at around 8.2% in fiscal year 2011/12, but slightly milder than the 8.5% recorded in 2010/11 partly on account of tighter monetary policy and uncertainties that prevail on the global scene especially in the US which is a major export destination of the country. In terms of sectoral growth rates, agriculture is projected to grow by 3.0%, industry by 7.1% and services by a robust 10.0%. FDI inflows are estimated to rise to USD 35 Bn in 2011/12 and even higher if substantial improvement in investment conditions materialise.

Reflecting a robust economic performance and outlook, credit to the Indian economy has remained upbeat, with an expansion of 19.6% in June 2011 as credit to industry, services and personal categories expanded further. Credit to the industrial sector continued to be led by infrastructure. The higher interest rates led to sharper deposits growth of 17.7% in June 2011 as compared to 15.9% in March 2011. Credit growth for 2011/12 is expected to remain around 18.0%.

Future changes in the banking sector regulatory environment are being considered by the Reserve Bank of India relating to the mode of presence of foreign banks in the country. With the aim of promoting greater stability and control within the banking system in India, the RBI would favour local incorporation by foreign banks such that these will be wholly-owned subsidiaries of foreign parents as opposed to branches of

foreign banks. To this end, changes to the operating environment for foreign banks have been proposed to encourage them to incorporate locally. SBM will carefully assess the prospects pertaining to the new RBI proposals and review its strategy in India accordingly.

Madagascar

After contracting by 4.1% in 2009, the Malagasy economy grew by a modest 0.5% in 2010 driven by significant expansion in the extractive industry (+54.7%), an upturn in tourist related activities and a rebound in activity in a number of sectors including energy and transport. Growth for 2011 is projected at around 0.6% and is likely to improve further should the political situation improve.

The primary sector, which accounted for some 26.7% of GDP in 2009, contracted by 3.3% in 2010 as opposed to a solid growth of 8.5% registered in 2009. Despite favourable climatic conditions, the agricultural sector contracted by 0.2% in 2010 but is projected to return to growth in 2011 on the back of supportive government initiatives, the emergence of new entrepreneurs and the rehabilitation of irrigation facilities. The extractive industries are expected to maintain robust growth with the production of cobalt and nickel, and on announced plans to boost output of ilmenite, a major input in the manufacture of paints. After contracting sharply by 24.6% in 2009 on account of the suspension from trade preferences under the US Africa Growth and Opportunities Act, the textile industry rebounded in 2010 and posted a positive growth of 7.3%. The construction and public works sector grew by 2.6% following a contraction of 17.7% in 2009. The tertiary sector was driven by the banking and insurance sectors which expanded by 9.8% and 16.7%, respectively, while further support came from the tourism sector. In 2010, tourist arrivals reached 196,052 as compared to 162,687 in 2009. Over the first half of 2011, tourist arrivals and tourism receipts both expanded by 16.0% year-on-year. The commerce sector, on the other hand, contracted by 1.3% in 2010.

Private consumption contracted by about 2.3% in 2010 mainly on account of the loss in formal jobs and is projected to contract by 1.3% in 2011. Private investment contracted by about 7.0% as a result of the completion of major projects while lack of funding led to declining public investment.

Between June 2010 and June 2011, credit to the Malagasy economy expanded by a modest 6.2% to about MGA 2,156 Bn as investment projects remained limited amidst the political standoff. As at end March 2011, the deposit base of banks stood at MGA 3,763 Bn as compared to MGA 3,469 Bn a year ago. As a whole, the performance of the banking sector improved as reflected by a rise in pre-tax profit by about 11% to MGA 31 Bn as at end March 2011.

BUSINESS REVIEW

Despite a highly competitive environment within the context of a sluggish economic recovery, SBM increased its market share in both the corporate and retail segments in Mauritius thanks to enhanced relationship building and continued proximity with customers as well as a proactive response to changing market conditions. SBM has also added more than 30,000 relationships to its customer base. Understanding customer needs and providing high-quality service will continue to underpin SBM's strategy to grow the business and the number of clients.

In line with its spirit of innovation, SBM has also revamped its product portfolio with the launch of a new SBM ECOLOAN to finance the purchase of solar panels and the SBM BILLPAY which allows customers to settle their electricity and phone bills on SBM ATMs and selected POS terminals and retailers. Besides, a new investment product, SBM BRIC INVESTMENTS, was introduced while Bancassurance was launched in August 2011. Other products were also reviewed taking into consideration evolving market preferences.

In India, additional capital of USD 33 million was injected and human capital upgraded

to give a boost to operations. Early results in terms of growth in advances, deposits and profitability are encouraging. With the Indian economy presenting bright prospects for years to come, SBM plans to ambitiously grow the business in India, taking into account opportunities offered by proposed changes on the regulatory front.

Conscious that its people are key to the growth of its business, SBM has continued to invest heavily in human capital development. As an indication, the number of training hours increased by nearly 40% over FY 2011. SBM has also launched a Service Excellence Award to reward employees who go the extra mile to provide superior service to customers and colleagues. Besides, SBM pursued its policy of strengthening its human capital with the coming on board of a new Chief Information Officer in October 2010. He will play an important part in the upgrade of SBM's technology platform over the coming years. Through this major initiative and building on its past experience of using technology as a competitive differentiator, SBM aims to bolster its capabilities for delivering new and enhanced products, better customer service and improved efficiency.

In the same vein, SBM is continuously encouraging customers to shift to electronic channels. The share of electronic to total transactions has thus pursued an upward trend to reach 86.9% in FY 2011. Furthermore, the Bank launched the e-statement initiative in August 2011, whereby customers are encouraged to opt for receiving their bank statements through email rather than by post. Besides improving efficiency, this initiative fosters greater eco-friendliness.

Review of lines of business

Corporate Banking

The corporate market has remained challenging with only a slow pickup in credit demand amidst lacklustre private sector investment, notably in relation to large projects. Against this background, the corporate banking sector witnessed heightened competition, particularly given that liquidity in the banking system remained high throughout the financial year, leading

to pressures on both volumes and rates. Nonetheless, SBM's corporate banking arm achieved a robust performance with strong growth rates in advances, deposits and fees in FY 2011 as it focused on client proximity, relationship building and value added services, enabling SBM to significantly increase its market share and penetrate new business areas.

Persisting uncertainty regarding the economic climate – notably with debt sustainability concerns in the US and Europe – is likely to undermine investor confidence and thus dampen an eventual recovery in private sector investment in Mauritius in FY 2012, which does not bode well for the corporate banking market. As a major player in the domestic market and in line with its strategic objectives, SBM will continue to be close to its clients and accompany them with their financing needs in both good times and in downturns. SBM will also harness new growth opportunities by capitalising on the continuous enhancement of service delivery, notably through the ongoing upgrade in human capital and in business processes.

Retail Banking, SMEs and Wealth Management

In spite of a slowdown in consumption expenditure at national level, the retail banking market has sustained an upturn driven by the mortgage segment, as banks have been aggressively promoting their products with reduced rates and increased benefits to customers. Notwithstanding this competitive environment, SBM has achieved a noteworthy performance during FY 2011, with an increase of 22.6% in advances, which enabled it to gain market share in both the consumer and mortgage segments. In the same vein, retail banking fees increased by a significant 23.8%.

This achievement bears the result of a number of initiatives aimed at better understanding and meeting customer needs. These include training in customer service and product knowledge; proximity events such as 'Get Connected Activities' and 'SBM in the Community' whereby closer contact with customers is favoured; improved complaints resolution and the setting up of a mobile sales team. Moreover, leveraging its extensive

distribution network, the Bank embarked upon bancassurance services towards the end of the financial year through the distribution model. This should support fee income in the coming years. Recognising the opportunity in the 'green' segment in line with the Government's vision, a new product, SBM ECOLOAN, was designed to enable customers to finance the purchase of solar panels. The above host of initiatives was buttressed by innovative marketing campaigns aimed at enhancing visibility of SBM products and its brand. Reflective of continued confidence in the SBM brand, the number of retail banking customers increased by more than 30,000 over FY 2011. On the funding side, retail banking deposits grew by some 3.2% as SBM was not very active in pursuing deposit growth given the highly liquid market. Looking ahead, SBM expects to build on the momentum generated to further increase its market share in the retail segment, with continued focus on customer service, product development and market knowledge.

SBM's wealth management arm also performed well, with brokerage and asset management fees going up by 34.7% on the back of a 28% increase in assets under management. This was underpinned by several innovations particularly the launch of SBM BRIC INVESTMENTS, an in house structured product denominated in MUR with capital guarantee in MUR and guaranteed return in USD. SBM also introduced international trading including through exchange traded funds as well as a 'Daily Brief' to update its high net-worth clients on major global economic and financial events and indicators. Whereas jittery financial markets, if they persist, could be a constraint to growth in the wealth management segment in FY 2012, SBM will strive to carefully assess the potential of different regions and product classes and optimise return of funds with a view to providing value addition to clients.

As regards small and medium enterprises (SMEs), the Bank launched a new product, SBM SMEase, to provide them with a range of facilities encompassing advances, deposits, trade finance, payments capabilities

and advisory services. Supported by an enhancement of human capital and access to the extensive branch network, the SBM SMEase product suite should support growth of the SME segment in coming periods. Besides, a training programme was organized in collaboration with the International Finance Corporation allowing some 60 SME clients to improve their business and managerial skills.

Cross-border business in Mauritius operations

Significant growth in the Global Business segment was recorded during FY 2011 with advances expanding robustly as low domestic interest rates and the uptick in global investor confidence, particularly during the first half of the financial year, encouraged higher borrowing. Deposits from customers also went up following efforts to attract more Global Business Companies within the customer base and to enhance the image of SBM as a serious and long-term player in the Global Business segment. Besides, significant growth was recorded in fee-based income as the tariff structure was reviewed alongside an expansion of the product offering in relation to the India business, taking advantage of SBM's Foreign Institutional Investor (FII) licence.

The way forward will, nonetheless, prove to be testing in the context of the resurgence of uncertainty globally which could impact the banking environment negatively in terms of an increase in risk spreads and a drying up of global liquidity as a result of reluctance on the part of banks to lend on the interbank markets. In addition, the potential renegotiation of the Double Taxation Avoidance Agreement with India has again been brought to the fore. On the positive side, the consolidation of the SBM India operations represents untapped opportunities for the international business in terms of trade finance, loan syndication and fee and commission income. Moreover, SBM's reinforced internal capabilities and higher

visibility on the market should boost its foreign currency deposit garnering capacity.

International operations

SBM India

On account of the bright prospects being offered by the Indian economy, significant attention and resources are being devoted to SBM India operations. Indeed, alongside a major upgrade in human resource capacity in SBM India, some USD 33 million additional capital has been injected therein to boost its lending and deposit mobilisation capacity. The strategy has paid off with the loan book nearly doubling and deposits increasing at a strong pace. Going forward, SBM will be evaluating the prospects opened by the decision of the RBI to review the guidelines that govern foreign banks' presence in India and will adjust its strategy accordingly, if required.

SBM Madagascar

Given the uncertainty surrounding the Madagascar economy with the prevailing political impasse, the focus has been more on consolidating operations and preserving asset quality rather than aggressively growing the advances book. Consequently provision for impairment was lower in the current year.

Treasury

Treasury provides its customers with an extensive suite of financial instruments ranging from plain vanilla to more complex products and in-depth market information. SBM strives to maintain a close relationship with customers to better understand and satisfy their evolving needs.

Currency income remains the key driver of revenue in the line of business of Treasury. Over the previous years, the income stream has been diversified and SBM is now present in the commodities, equities, futures and securities markets. The challenging operating conditions have directly impacted Treasury's local revenue. Indeed, the domestic economic environment, the complex and difficult external economic climate, the changing financial landscape, subdued demand and

heightened competitive pressures are playing against profit margins.

Treasury income grew, albeit insignificantly, over the last year mainly driven by the growth in overseas operations. Mauritius, which contributes over 85% to total revenue, continues to feel the ripples of the financial crisis. As a result of some policy changes by the Bank of Mauritius, a significant drop was witnessed in the volume of transactions. The Central Bank has also raised the cash reserve requirement twice this year and introduced a cap in holdings of Treasury bills in an attempt to control the excess liquidity on the local market. Treasury is raising funds competently in the open market to accommodate SBM's growing asset base and managing the market risks of the Bank efficiently. Mauritius Treasury is the leading provider of rupee and rupee denominated products. With yields rising, the local securities market is expected to be more active this year. As China relaxed their remittance rules, SBM has provided itself the capability to trade in Yuan in line with customers needs.

As opportunities are limited on the domestic market, Treasury is capitalising on overseas operations to increasingly contribute towards total income. Madagascar has been focusing on market penetration, driving currency income higher by 8% during the course of last year. Following the recent restructuring in the Indian operations, a positive contribution to total income has been witnessed this year. SBM has also embarked on new incentives to maintain and improve returns.

E-business

The card issuing business achieved a notable performance despite heightened competition with two additional banks launching their own credit cards. In effect, credit card balances and card usage (both debit and credit) at point of sales increased by 18% and 12% respectively, while the number of credit cards in issue went up by nearly 20%. Overall, the net contribution of the credit card business rose by nearly 50% in FY 2011 while

impairment has been maintained at a very low level. The good performance was mainly due to the implementation of various acquisition and usage campaigns, supported by tie-ups with specific merchants, the expansion of the Merchant Discount Programme with the addition of some key retailers, the revamp of the existing Cash Rebate (Cashpaké) programme, the widening of the product range and the rollout of new card designs.

On the acquiring side, a strong rebound has been recorded in the e-commerce business, largely contributing to a more than doubling of card-related fee income, as new lines of business have been underwritten while relationships with e-commerce partners have been reinforced through better customer service and e-gateway availability. Going forward, SBM aims to cement its position as one of the largest players in e-commerce regionally by continuously enhancing the technological platform while maintaining a stringent risk framework. SBM also plans to capitalise on its presence in the Indian market to explore the booming e-commerce market therein.

The point of sale and mobile recharge businesses, for their part, recorded moderate expansion rates in line with a slowdown in domestic consumption and increasingly competitive conditions. To retain and expand its merchant base, SBM has been focusing on value added services such as migrating high traffic outlets to faster response technology and support through proximity to merchants. The launch of the innovative bill payment product, SBM BILLPAY, which enables the settling of electricity and phone bills on SBM ATMs and selected POS terminals and retailers, has also provided a competitive advantage in the POS merchant acquiring market while generating fee income on its own. In coming periods, SBM will increasingly focus on similar innovations to provide increased convenience to clients for their payments services.

FINANCIAL REVIEW

Cautionary note: The analysis of SBM Group's financial information should be read in conjunction with the Audited Financial Statements for SBM Group and for the Bank for the year ended 30 June 2011 presented on pages 88 to 156. The financial information given is based on the current year under review and may not necessarily reflect the financial results and conditions of operations of SBM Group going forward. Readers are also advised to refer to the statement on page 13 relating to forward-looking statements.

Key financial indicators

SBM GROUP	2011	2010	2009	2008 ^a	2007 ^a
Consolidated statement of income for the year ended 30 June (Rs m)					
Net interest income	2,499	2,493	2,400	2,044	1,806
Non interest income	1,706	1,344	1,582	2,061 ^b	1,319
Non interest expense	1,498	1,373	1,423	1,378	1,134
Depreciation and amortisation	184	166	310	298	288
Profit before income tax and net impairment loss on financial assets	2,794	2,531	2,623	2,789 ^b	2,042
Profit before income tax	2,475	2,212	2,345	2,397 ^b	1,740
Profit for the year	2,013	1,859	2,025	2,114 ^b	1,506
Consolidated statement of financial position as at 30 June (Rs m)					
Total assets (including contra items)	141,590	94,550	90,042	77,089	71,756
Total assets (excluding contra items)	95,728	79,839	79,234	67,557	60,230
Gross loans and advances to customers	58,005	44,792	40,792	36,206	30,477
Gilt-edged securities	16,866	20,210	15,173	11,582	8,121
Deposits from non-bank customers	70,888	61,502	63,569	54,835	48,475
Shareholders' equity	15,971	14,656	12,943	10,974	9,515
Tier 1 capital	11,198	9,870	8,724	7,672	6,073
Risk-weighted assets ^c	60,095	46,238	44,437	43,293	39,211
Consolidated statement of financial position (average^d Rs m)					
Average assets	86,216	77,097	71,581	60,845	54,927
Average loans and advances to customers	48,808	41,981	38,640	32,848	29,106
Average gilt-edged securities	17,784	16,603	13,819	8,963	7,866
Average deposits from non-bank customers	63,803	59,983	56,542	48,518	42,731
Average shareholders' equity	15,110	12,603	11,745	9,862	8,492
Average working funds	84,964	73,643	71,316	60,643	54,584
Average Tier 1 capital	10,303	9,106	7,948	6,853	5,416
Average interest earning assets	73,569	66,352	61,343	52,282	46,630
Average interest bearing liabilities	68,656	61,271	57,652	49,145	44,293

SBM GROUP	2011	2010	2009	2008 ^a	2007 ^a
Share information					
Earnings per share (Rs)	7.80	7.20	7.84	8.19 ^{b,c}	5.03
Dividend per share (Rs) ^e	3.00	2.75	2.75	2.55	2.10
Net asset value per share (Rs)	61.86	56.77	50.13	42.50	36.86
Market price per share (Rs)	96.00	79.00	70.00	96.00	50.50
Dividend yield (%) ^e	3.13	3.48	3.93	2.66	4.16
Earnings yield (%)	8.12	9.11	11.21	8.53	9.95
Price earnings ratio (times)	12.31	10.97	8.92	11.72	10.05
Dividend cover (times)	2.60	2.62	2.85	3.21	2.78
Market capitalisation (Rs m)	29,159	23,995	21,262	29,159	15,339
Performance ratios (%)					
Risk adjusted return on capital (RAROC)	49.22	49.83	52.50	47.56	45.36
Capital adequacy ratio ^c	22.42	26.49	24.04	21.61	20.58
Profit before income tax/ average risk-weighted assets ^f	4.67	4.88	5.35	5.82	4.93
Profit before income tax/ average assets	2.87	2.87	3.28	3.94	3.18
Profit before income tax/ average shareholders' equity	16.38	17.55	19.96	24.32	20.57
Profit before income tax/ average Tier 1 capital	24.02	24.29	29.50	35.01	32.25
Return on average risk-weighted assets ^f	3.80	4.10	4.62	5.12	4.25
Return on average assets ^d	2.33	2.41	2.83	3.47	2.74
Return on average shareholders' equity ^d	13.32	14.75	17.24	21.43	17.73
Return on average Tier 1 capital ^d	19.54	20.41	25.48	30.85	27.81
Efficiency ratios (%)					
Cost to income	38.55	39.03	38.43	37.08	40.06
Cost to income, before depreciation	33.82	34.30	30.06	29.05	29.89
Asset quality ratios (%)					
Gross impaired advances to gross advances	1.40	1.87	2.00	2.42	2.79
Net impaired advances to net advances	0.46	0.81	0.47	0.48	1.28
Other key data as at 30 June					
Number of employees	1,229	1,157	1,116	1,069	973
Number of employees (Mauritius)	1,138	1,084	1,037	1,004	900
Number of employees (Overseas)	91	73	79	65	73
Number of service units	48	48	48	49	49
Exchange rate (USD : MUR)	28.52	31.90	32.06	27.15	31.60

^a Restated wherever applicable for comparative purposes

^b Including a substantial increase in dividend of Rs 552 m in FY 2008, arising mostly from a one-off receipt

^c Risk-weighted assets are computed as per the prevailing guidelines existing at the year-ends. The 2009, 2010 and 2011 ratios are computed based on the Basel II methodology advocated by the Bank of Mauritius

^d Averages are based on daily and monthly average balances where applicable.

^e Including dividend proposed in July 2011, 2010, 2009, 2008 and 2007

^f Average risk-weighted assets are calculated using year-end balances

^g Excluding the one-off increase in dividend in FY 2008, EPS would have been Rs 6.05

Performance against objectives by key areas

Indicator	Objectives for 2011	Performance 2011
1. Profit for the Year	To grow marginally	Growth of 8.3%
2. Return on Average Assets (ROA)	Maintain above 2%	Achieved return on average assets of 2.3% (2010: 2.4%)
3. Return on Average Tier 1 Capital	To maintain above 18%	The return on average Tier 1 capital for 2011 was 19.5% (2010: 20.4%), with average Tier 1 capital growing by 13% in 2011
4. Non Interest Income to Average Assets	To grow marginally with growth of above 15% in non interest income	Increased from 1.74% to 1.98%. Excluding profit on disposal of equity, the ratio was 1.85% and non interest income grew by 18%
5. Cost to Income Ratio	Keep below 39%	Cost to income ratio improved by 50 bps from 39.0% to 38.5%.
6. Advances and Deposits	To grow advances by above 15% with growth of around 50% in the international portfolio and 25% in SMEs	Advances grew by 29.5% while deposits grew by 15.3%. International advances grew by 35.5%
7. Asset Quality	Gross impaired assets ratio to be below 2.5% while net impaired assets ratio to be below 1.5%	Gross impaired assets ratio improved from 1.9% to 1.4% while net impaired assets ratio improved from 0.8% to 0.5%

Results

SBM has achieved a satisfactory performance in the financial year ended 30 June 2011, posting a profit after tax of Rs 2,013 m including a one time capital gain on disposal of equity investment, up by 8.3% over the previous year. The growth was driven mostly by an increase of 26.9% in non interest income boosted by card and e-commerce income, loan fees and a one-off profit on disposal of equity of Rs 114 m. This was mitigated by higher non interest expenses, mainly personnel expenses, impairment of Rs 67 m on equity investments, higher taxes on account of increased chargeable income and a one-off tax adjustment of Rs 25 m pertaining to SBM operations in Madagascar. Consequently, earnings per share stood at Rs 7.80 for the financial year ended 30 June 2011 (2010: Rs 7.20). Dividend per

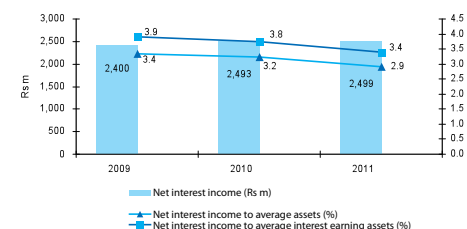
share increased by 9.1% to Rs 3.00, which represented a payout of 38.5% (2010: 38.2%). SBM achieved significant growth in both advances and deposits during the period under review. It maintained a strong capital base and its capital adequacy ratio of 22.4% remained well above the minimum level required by Bank of Mauritius of 10%. SBM achieved a return on average assets of 2.3% (2010: 2.4%) and return on average shareholders equity of 13.3% (2010: 14.7%), slightly lower than the previous year mainly on account of lower spread earned on international business, which accounted for 34.1% of total assets against 27.8% in 2010. Impaired assets were also kept at a relatively low 1.4% of gross advances, reflecting SBM's prudent and proactive risk management practices.

Revenue growth

SBM Group operating income was Rs 4,205 m in 2011, 9.6% higher than in the previous year. Excluding profit on disposal of equity, the increase would have been 6.6%, with growth of 0.2% in net interest income and 18.4% in non interest income. Revenue generated from international business represented around 26.7% of total revenue (2010: 21.3%).

Net interest income and margins

Net Interest Margin

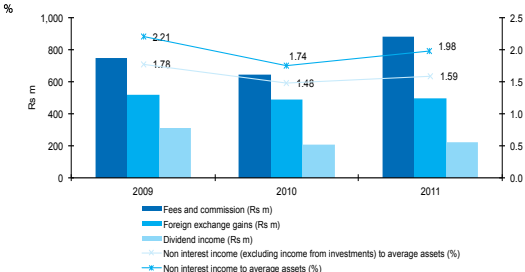


SBM Group interest income registered a flat growth from Rs 4,867 m in FY 2010 to Rs 4,901 m in FY 2011. Interest income from loans and advances grew by 6.5% to reach Rs 3,766 m backed by satisfactory growth in domestic credit to customers in a highly competitive environment, increased cross border financing and SBM branches in India significantly expanding their loan book, dampened by lower lending rates. Average yields on gilt-edged securities decreased to 5.91% in FY 2011 from 7.13% in FY 2010 given the continuing high excess rupee liquidity and higher yielding bonds being reinvested in lower yield securities on maturity, thus resulting in a 13.6% decrease in revenue despite higher average holdings of Rs 17,292 m in FY 2011 against Rs 16,603 m in FY 2010. Income from placements with banks was halved as funds were redeployed into advances denominated in foreign currencies and debt instruments of foreign banks.

SBM Group interest expense was contained at Rs 2,403 m, almost the same level as last year reflecting SBM's focus on raising low cost funding. The drop in cost of deposits was partly offset by higher foreign currency borrowing costs. Net interest income for SBM Group amounted to Rs 2,499 m (2010: Rs 2,493 m). Net interest income to average assets and average interest earning assets stood at 2.9% and 3.4% (2010: 3.2% and 3.8%) respectively, reflecting the shift in the asset mix towards lower yielding foreign currency assets and lower margins on rupee assets.

Non interest income

Non Interest Income by Category

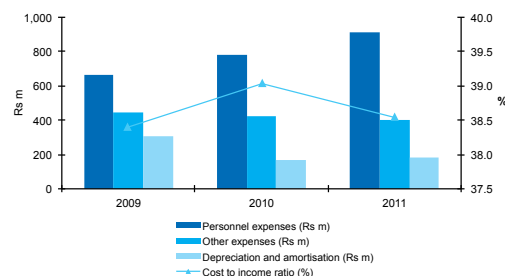


Non interest income amounted to Rs 1,706 m for FY 2011 (2010: Rs 1,344 m), an increase of Rs 362 m or 27%. Excluding a one-off gain of Rs 114 m on disposal of investment in the current year, the increase in non interest income was 18.4%, with higher contribution from all lines of business. Fees and commissions were up by 36%, driven mainly by higher loan fees. E-commerce volume in FY 2011 was significantly higher, generating two-fold income over last year. Card income continued on its upward trend as card spending volumes were encouraged through the 'SBM Cashpaké' programme which gave cash of up to 1% of card purchases back to customers and the 'SBM cards discount' programme where customers were rewarded

with interesting discounts on the use of their SBM credit cards at several merchants. Asset management fees registered almost 50% increase over last year, boosted by successful sales campaigns and good performance of funds under management. Currency income picked up slightly in FY 2011 but margins remained under pressure.

Cost management

Non Interest Expense by Category



Non interest expense grew by 9% year-on-year to Rs 1,498 m, with most of the increase relating to personnel expenses as SBM continued to invest in its human capital to develop/grow new lines of business and expand its overseas operations, particularly in India. Other costs, excluding depreciation, decreased by 4% mainly on account of lower IT maintenance costs as new hardware purchased are covered by warranty, offset by higher rental costs and communication costs. Other costs are expected to increase in the next financial year as IT costs are expected to pick up both in terms of maintenance and implementation of new core banking

system. Depreciation and amortisation costs increased by 10% on account of higher charge on property revalued in June 2010 and hardware acquired during the year.

The cost to income ratio improved slightly from 39.0% in FY 2010 to 38.5% in the current year. Excluding non-recurring items, the cost to income ratio remained flat at 39.0%.

Net impairment loss on financial assets

The net impairment loss on advances and other financial assets stood at Rs 319 m in FY 2011, the same level as the previous year. Portfolio provision charge amounted to Rs 154 m for FY 2011 in line with the growth in terminal advances as well as higher provisions made for off-balance sheet exposures, while in FY 2010 portfolio provision of Rs 208 m included Rs 170 m made on the basis of the uncertain business climate in some sectors. Specific provision increased slightly to Rs 115 m (2010: Rs 107 m) mainly to comply with Reserve Bank of India requirement for higher Provision Coverage ratio introduced during the year while SBM Group impaired one of its equity investments by Rs 67 m in the light of the difficulties encountered by that company.

Income tax expense

SBM Group income tax expense was higher at Rs 461 m (2010: Rs 353 m), mainly due to higher profits, higher non-allowable provisions and a one-off charge of Rs 25 m booked at Madagascar operations relating to prior years. Higher profits booked in the current year by SBM's operations in India and Madagascar attracted tax rates of 42% and 22% respectively. The effective tax rate was thus 19.3% in FY 2011.

Assets

Total assets increased by 20% to Rs 95,728 m at 30 June 2011 (2010: Rs 79,839 m) primarily due to increase in net advances by Rs 13,010 m, higher loans to and placements with banks by Rs 1,634 m and higher balances kept with central banks as cash reserve requirement in

Mauritius was higher at 7% in June 2011 from 5% applicable at June 2010 and also due to higher level of deposits. Investment in gilt-edged securities at 30 June 2011 was lower by 16% compared to June 2010 as SBM Group invested in debt instruments of financial institutions yielding better returns. Assets pertaining to the international segment represented 34.1% of total SBM Group assets (2010: 27.3%).

Loans and advances

SBM Group gross advances grew by 29.5% to reach Rs 58,005 m at 30 June 2011 (2010: Rs 44,792 m), with satisfactory growth achieved by Mauritius and India operations. Advances to domestic corporates excluding Global Business Licence holders (GBL) grew significantly by 29.8% to reach Rs 21,848 m as SBM focused on recouping lost market share in the domestic market. In the second half of FY 2011, SBM launched an aggressive marketing campaign and promotion on home loans, thus boosting disbursements in the retail segment which grew by 22.6%. With higher focus on the international business, Mauritius operations increased its advances to non-residents and GBL by 23.5% compared to FY 2010 while India operations doubled its loan book. Thus, total advances to GBL and entities outside Mauritius, aggregating

Rs 19,642 m at 30 June 2011, represented 33.9% (2010: 32.4%) of the total advances portfolio. Further detailed analysis on the credit portfolio, including a breakdown by economic sectors, can be seen in Note 8 to the Financial Statements.

Allowance for credit impairment

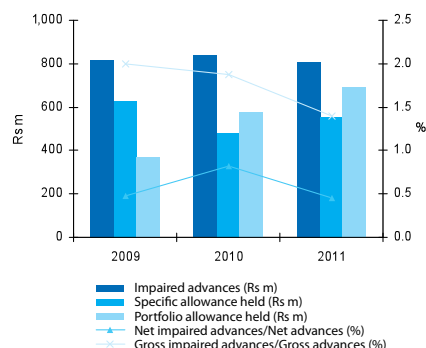
SBM is committed to building and maintaining high asset quality. The gross impaired advances to gross advances ratio further improved from 1.9% in 2010 to 1.4% at 30 June 2011. SBM also ensured that sufficient provisions were maintained to cover losses in its advances portfolio and that portfolio provisions, which are computed based on SBM's historical loss experience as adjusted for current market conditions, are in line with the Bank of Mauritius Guideline on Credit Impairment Measurement and Income Recognition. The specific provision charge for FY 2011 was at around the same amount as the previous year and the provision coverage ratio of impaired advances increased to 67.7% (2010: 57.4%). Portfolio provision increased by Rs 136 m proportionately with the growth in advances. The net impaired advances represented 0.5% of net advances (2010: 0.8%).



Impaired Advances and Allowance for Credit Impairment

	2009 Rs m	2010 Rs m	2011 Rs m
Gross Advances	40,792	44,792	58,005
Impaired Advances	817	839	811
Specific Provision held	628	482	549
Net Impaired Advances	189	357	262
Portfolio Provision held	370	578	714
Total Allowance for Credit Impairment	998	1,060	1,264

Impaired advances and allowance for credit impairment



Deposits

SBM Group deposits from non-bank customers increased by 15.3% to reach Rs 70,888 m (2010: Rs 61,502 m) with the growth coming mainly from low cost deposits and non-Mauritian rupee denominated deposits. At 30 June 2011, demand deposits represented a higher portion of total deposits at 29% (2010: 25%).

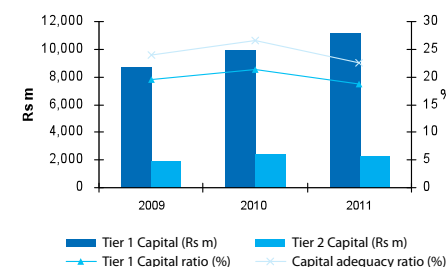
Borrowings

In order to finance its growing international business, SBM increased substantially its borrowings from reputed financial institutions. Total borrowed funds thus grew from Rs 2,083 m at 30 June 2010 to Rs 7,125 m at 30 June 2011.

Shareholders' equity

SBM Group shareholders' equity increased by 9.0% to Rs 15,971 m (2010: Rs 14,656 m) at the year end, with the addition of the current year's profit of Rs 2,013 m, partly offset by dividend payment of Rs 710 m for the financial year 2010. Net asset value per share thus increased from Rs 56.77 to Rs 61.86 at 30 June 2011, reflecting a share price to book ratio of 1.6 times. Return on average shareholders' equity was lower at 13.3% (2010: 14.8%) reflecting the lower growth rate in profit. In July 2011, SBM declared a dividend per share of Rs 3.00 (2010: Rs 2.75).

Capital base & capital adequacy ratio



The capital adequacy ratio stood at 22.4% for SBM Group (2010: 26.5%) and 19.3% for the Bank (2010: 22.4%), well above the minimum regulatory requirement of 10%. SBM is maintaining the high level of capital to pursue its growth strategies.

Further analysis on capital adequacy, especially in respect of Basel II requirements, is available in the Risk Management Report at pages 44 to 63.

Objectives for FY 2012

Indicator	Objectives / target for 2012
1. Profit for the year	To grow operating profit by more than 12%
2. Return on Core Capital	To improve the return by 100 bps to 20.5%
3. Advances and Deposits	To grow average advances and deposits by more than 15%
4. Asset Quality	To continue to have net impaired assets ratio at below 1%
5. Cost to Income Ratio	To continue to maintain cost to income ratio below 40%

FINANCIAL STATEMENTS

CONTENTS

• Statement of management's responsibility for financial reporting	89
• Independent auditor's report to the shareholders of State Bank of Mauritius Ltd	90
• Statements of financial position	92
• Statements of income	93
• Statements of comprehensive income	93
• Statements of changes in equity	94
• Statements of cashflows	96

Notes to the financial statements

1. General information	97
2. Application of new and revised International Financial Reporting Standards (IFRS)	97
3. Accounting policies	99
4. Accounting judgments and key sources of estimation uncertainty	109
5. Cash and cash equivalents	110
6. Trading assets and trading liabilities	110
7. Loans to and placements with banks	111
8. Loans and advances to customers	111
9. Investment securities	114
10. Property and equipment	116
11. Intangible assets	119
12. Other assets	119
13. Pension asset	120
14. Deposits from banks	122
15. Deposits from non-bank customers	123
16. Other borrowed funds	123
17. Taxation	124
18. Other liabilities	125
19. Dividend declared	125
20. Share capital	125
21. Memorandum items	126
22. Assets pledged	126
23. Capital commitments	126
24. Operating lease	127
25. Net interest income	127
26. Net fee and commission income	128
27. Dividend income	128
28. Net trading income	128
29. Other operating income	128
30. Personnel expenses	129
31. Other expenses	129
32. Net impairment loss on financial assets	129
33. Earnings per share	130
34. Related party transactions	130
35. Phantom share options	131
36. Capital management	132
37. Risk management	133
38. Segment information	144
39. Supplementary information as required by Bank Of Mauritius	147

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the Group and of the Bank have been prepared by management, which is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards, as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder, have been applied and management has exercised its judgement and made best estimates where deemed necessary.

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

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

The Bank's internal auditor, who has full and free access to the Audit Committee, conducts a well-designed program of internal audits in coordination with the Bank's external auditors. In addition, the Bank's compliance function maintains policies, procedures and programs 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, Deloitte, 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.



Muni Krishna T. Reddy, G.O.S.K.
Chairman



Alain Rey
Chairman, Audit Committee



Gautam Vir
Chief Executive

29 September 2011

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF STATE BANK OF MAURITIUS LTD

This report is made solely to the shareholders of State Bank of Mauritius Ltd (the "Bank"), as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Bank's shareholders those matters we are required to state to them in an auditor's 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 shareholders 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 the Group and of the Bank set out on pages 92 to 156 which comprise the statements of financial position as at 30 June 2011 and the statements of income, statements of comprehensive income, statements of changes in equity and cash flow statements for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The Bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001, the Banking Act 2004 and the Financial Reporting Act 2004. They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements 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' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF STATE BANK OF MAURITIUS LTD (CONT'D)

Opinion

In our opinion, the financial statements on pages 92 to 156 give a true and fair view of the financial position of the Group and of the Bank as at 30 June 2011 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Mauritius Companies Act 2001 applicable to banks and the Financial Reporting Act 2004.

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

We have no relationship with, or interests in, the Bank or any of its subsidiaries, other than in our capacities as auditors and arm's length dealings in the ordinary course of business.

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

In our opinion, proper accounting records have been kept by the Bank as far as appears from our examination of those records.

Banking Act 2004

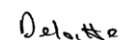
In our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the provisions of the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius.

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

The Financial Reporting Act 2004

The directors are responsible for preparing the Corporate Governance Report and making the disclosures required by Section 8.4 of the Code of Corporate Governance of Mauritius ("Code"). Our responsibility is to report on these disclosures.

In our opinion, the disclosures in the Corporate Governance Report are consistent with the requirements of the Code.



Deloitte
Chartered Accountants



M.J. Burgess, ACA
Licensed by FRC

29 September 2011

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2011

		Group			Bank		
	Note	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
ASSETS							
Cash and cash equivalents	5	6,744,422	5,501,822	11,764,439	6,502,047	5,195,931	11,481,860
Trading assets	6	146,113	148,224	196,280	146,113	148,224	196,280
Loans to and placements with banks	7	943,359	-	2,766,726	943,359	-	2,766,726
Loans and advances to customers	8	56,741,302	43,731,741	39,793,808	56,052,338	43,094,855	38,062,324
Investment securities	9	23,570,849	24,160,809	19,011,409	22,138,108	22,552,091	17,470,368
Property and equipment	10	2,786,920	2,853,003	2,293,755	2,779,732	2,846,929	2,248,934
Intangible assets	11	54,148	77,373	78,988	55,846	82,189	87,307
Mandatory balances with Central Banks		4,180,104	2,892,794	2,822,563	3,866,714	2,586,145	2,499,819
Other assets	12	560,589	473,553	505,670	501,113	397,920	426,060
TOTAL ASSETS		95,727,806	79,839,319	79,233,638	92,985,370	76,904,284	75,239,678
LIABILITIES							
Deposits from banks	14	218,252	195,628	151,725	262,531	253,073	271,771
Deposits from non-bank customers	15	70,888,333	61,502,326	63,569,375	70,396,081	60,914,910	62,060,356
Trading liabilities	6	141,077	84,964	49,071	141,077	84,964	49,071
Other borrowed funds	16	7,124,674	2,083,289	1,057,506	7,124,674	2,083,289	1,129,568
Current tax liabilities		176,292	245,335	400,615	171,701	245,559	392,220
Deferred tax liabilities	17b	177,349	178,705	133,817	177,246	178,578	133,124
Other liabilities	18	1,031,326	893,076	928,855	941,453	823,549	859,082
TOTAL LIABILITIES		79,757,303	65,183,323	66,290,964	79,214,763	64,583,922	64,895,192
SHAREHOLDERS' EQUITY							
Share capital	20	303,740	303,740	303,740	303,740	303,740	303,740
Retained earnings		12,839,632	11,514,037	10,318,964	10,187,914	9,041,522	7,760,462
Other reserves		2,827,131	2,838,219	2,319,970	3,278,953	2,975,100	2,280,284
Total equity attributable to equity holders of the parent		15,970,503	14,655,996	12,942,674	13,770,607	12,320,362	10,344,486
TOTAL EQUITY AND LIABILITIES		95,727,806	79,839,319	79,233,638	92,985,370	76,904,284	75,239,678
MEMORANDUM ITEMS							
Acceptances, guarantees, letters of credit, endorsements, other obligations on account of customers and spot foreign exchange contracts	21a	12,917,916	5,911,337	5,307,272	12,870,306	5,831,206	5,125,241
Financial derivatives	6a	23,642,962	8,604,533	5,353,314	23,642,962	8,604,533	5,353,314
Commitments	21b	8,390,626	8,215,445	5,043,907	8,109,428	8,205,434	4,919,452
Inward bills held for collection		197,404	340,271	296,824	197,131	241,689	215,064
Outward bills sent for collection		712,945	243,530	160,454	705,111	232,484	149,839
		45,861,853	23,315,116	16,161,771	45,524,938	23,115,346	15,762,910

Approved by the Board of Directors and authorised for issue on 29 September 2011.

Muni Krishna T. Reddy G.O.S.K
Chairman

Alain Rey
Chairman, Audit Committee

Gautam Vir
Chief Executive

STATEMENTS OF INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Note	Group			Bank		
		2011 Rs' 000	2010 Rs' 000	2009 Rs' 000	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Interest income		4,901,190	4,867,484	5,333,274	4,727,620	4,707,368	5,042,294
Interest expense		(2,402,661)	(2,374,327)	(2,933,336)	(2,317,247)	(2,299,239)	(2,810,846)
Net interest income	25	2,498,529	2,493,157	2,399,938	2,410,373	2,408,129	2,231,448
Fee and commission income		919,750	660,473	756,862	859,310	611,234	700,655
Fee and commission expense		(39,402)	(12,472)	(9,996)	(37,469)	(12,001)	(9,996)
Net fee and commission income	26	880,348	648,001	746,866	821,841	599,233	690,659
Dividend income	27	219,821	205,582	310,284	221,101	204,985	209,369
Net trading income	28	(4,946)	3,210	1,534	(4,946)	3,210	1,534
Other operating income	29	610,758	487,477	523,173	447,488	446,360	483,620
Non interest income		1,705,981	1,344,270	1,581,857	1,485,484	1,253,788	1,385,182
Operating income		4,204,510	3,837,427	3,981,795	3,895,857	3,661,917	3,616,630
Personnel expenses	30	(909,364)	(784,133)	(705,902)	(884,730)	(761,405)	(681,375)
Depreciation and amortisation		(183,711)	(166,345)	(309,858)	(183,587)	(166,455)	(295,725)
Other expenses	31	(404,545)	(422,898)	(407,196)	(362,820)	(381,925)	(368,099)
Non interest expense		(1,497,620)	(1,373,376)	(1,422,956)	(1,431,137)	(1,309,785)	(1,345,199)
Profit before net impairment loss on financial assets		2,706,890	2,464,051	2,558,839	2,464,720	2,352,132	2,271,431
Net impairment loss on financial assets	32	(319,255)	(318,425)	(278,737)	(220,390)	(248,928)	(199,138)
Operating profit		2,387,635	2,145,626	2,280,102	2,244,330	2,103,204	2,072,293
Share of profit of associates	9	87,027	66,622	64,517	-	-	-
Profit before income tax		2,474,662	2,212,248	2,344,619	2,244,330	2,103,204	2,072,293
Tax expense	17a	(461,567)	(353,408)	(319,281)	(417,414)	(346,692)	(310,572)
Profit for the year attributable to equity holders of the parent		2,013,095	1,858,840	2,025,338	1,826,916	1,756,512	1,761,721
Earnings per share [Rs]	33	7.80	7.20	7.84			

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Note	Group			Bank		
		2011 Rs' 000	2010 Rs' 000	2009 Rs' 000	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Profit for the year attributable to equity holders of the parent		2,013,095	1,858,840	2,025,338	1,826,916	1,756,512	1,761,721
Other comprehensive income :							
Exchange differences on translation of foreign operations		(338,949)	(540)	326,609	(143,689)	27,120	56,863
Increase in value of available-for-sale investments		289,469	22,364	288,453	490,495	363,131	429,313
Fair value realised on disposal of available-for-sale investments		75,181	-	-	-	-	-
Increase in revaluation surplus of property		-	637,196	-	-	637,196	-
Deferred tax on revaluation surplus of property		(13,484)	(98,090)	-	(13,484)	(98,090)	-
Share of other comprehensive income of associates		(812)	3,545	(12,878)	-	-	-
Other comprehensive income for the year		11,405	564,475	602,184	333,322	929,357	486,176
Total comprehensive income attributable to equity holders of the parent		2,024,500	2,423,315	2,627,522	2,160,238	2,685,869	2,247,897

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Share capital Rs' 000	Treasury shares Rs' 000	Reserve arising on share buy back Rs' 000	Statutory reserve Rs' 000	Revenue reserve Rs' 000	Investment fluctuation reserve Rs' 000	Net unrealised investment fair value Rs' 000	Net property revaluation reserve Rs' 000	Net translation reserve Rs' 000	Net other reserve Rs' 000	Total equity Rs' 000
Group											
At 01 July 2008	303,740	(2,333,286)	236,071	488,633	8,941,255	35,122	2,385,444	1,037,217	(203,503)	82,816	10,973,509
Profit for the year	-	-	-	-	2,025,338	-	-	-	-	-	2,025,338
Other comprehensive income for the year	-	-	-	-	-	-	288,453	-	326,609	(12,878)	602,184
Transfer to retained earnings	-	-	-	-	26,280	-	-	(26,280)	-	-	-
Transfer to statutory reserve	-	-	-	15,552	(15,552)	-	-	-	-	-	-
Dividend	-	-	-	-	(658,357)	-	-	-	-	-	(658,357)
At 30 June 2009	303,740	(2,333,286)	236,071	504,185	10,318,964	35,122	2,673,897	1,010,937	123,106	69,938	12,942,674
At 01 July 2009	303,740	(2,333,286)	236,071	504,185	10,318,964	35,122	2,673,897	1,010,937	123,106	69,938	12,942,674
Profit for the year	-	-	-	-	1,888,840	-	-	-	-	-	1,888,840
Other comprehensive income for the year	-	-	-	-	-	-	22,364	539,106	(540)	3,545	564,475
Transfer to retained earnings	-	-	-	(21,786)	49,360	-	-	(27,574)	-	-	-
Transfer to statutory reserve	-	-	-	3,134	(3,134)	-	-	-	-	-	-
Dividend	-	-	-	-	(709,993)	-	-	-	-	-	(709,993)
At 30 June 2010	303,740	(2,333,286)	236,071	485,533	11,514,037	35,122	2,696,261	1,522,469	122,566	73,483	14,655,996
At 01 July 2010	303,740	(2,333,286)	236,071	485,533	11,514,037	35,122	2,696,261	1,522,469	122,566	73,483	14,655,996
Profit for the year	-	-	-	-	2,013,095	-	-	-	-	-	2,013,095
Other comprehensive income for the year	-	-	-	-	-	-	364,450	(13,484)	(338,949)	(812)	11,405
Transfer to retained earnings	-	-	-	-	41,532	-	-	(41,532)	-	-	-
Transfer to statutory reserve	-	-	-	19,039	(19,039)	-	-	-	-	-	-
Dividend	-	-	-	-	(709,993)	-	-	-	-	-	(709,993)
At 30 June 2011	303,740	(2,333,286)	236,071	504,572	12,839,632	35,122	3,060,911	1,467,453	(216,383)	72,671	15,970,503

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

	Share capital Rs' 000	Treasury shares Rs' 000	Share capital Rs' 000	Statutory reserve Rs' 000	Revenue reserve Rs' 000	Investment fluctuation reserve Rs' 000	Net unrealised investment fair value Rs' 000	Net property revaluation reserve Rs' 000	Net translation reserve Rs' 000	Total equity Rs' 000
Bank										
At 01 July 2008	303,740	(2,333,286)	236,071	439,141	6,640,520	35,122	2,583,985	1,037,217	48,507	8,754,946
Profit for the year	-	-	-	-	1,761,721	-	-	-	-	1,761,721
Other comprehensive income for the year	-	-	-	-	-	-	429,313	-	56,863	486,176
Transfer to retained earnings	-	-	-	-	26,280	-	-	(26,280)	-	-
Transfer to statutory reserve	-	-	-	9,702	(9,702)	-	-	-	-	-
Dividend	-	-	-	-	(658,357)	-	-	-	-	(658,357)
At 30 June 2009	303,740	(2,333,286)	236,071	448,843	7,760,462	35,122	3,013,298	1,010,937	105,370	10,344,486
At 01 July 2009	303,740	(2,333,286)	236,071	448,843	7,760,462	35,122	3,013,298	1,010,937	105,370	10,344,486
Profit for the year	-	-	-	-	1,756,512	-	-	-	-	1,756,512
Other comprehensive income for the year	-	-	-	-	-	-	363,131	539,106	27,120	929,357
Amalgamation with subsidiary	-	-	-	-	206,967	-	(206,967)	-	-	-
Transfer to retained earnings	-	-	-	-	27,574	-	-	(27,574)	-	-
Dividend	-	-	-	-	(709,993)	-	-	-	-	(709,993)
At 30 June 2010	303,740	(2,333,286)	236,071	448,843	9,041,522	35,122	3,169,462	1,522,469	132,490	12,320,362
At 01 July 2010	303,740	(2,333,286)	236,071	448,843	9,041,522	35,122	3,169,462	1,522,469	132,490	12,320,362
Profit for the year	-	-	-	-	1,826,916	-	-	-	-	1,826,916
Other comprehensive income for the year	-	-	-	-	-	-	490,495	(13,484)	(143,689)	333,322
Transfer to retained earnings	-	-	-	-	41,532	-	-	(41,532)	-	-
Transfer to statutory reserve	-	-	-	12,063	(12,063)	-	-	-	-	-
Dividend	-	-	-	-	(709,993)	-	-	-	-	(709,993)
At 30 June 2011	303,740	(2,333,286)	236,071	460,906	10,187,914	35,122	3,659,957	1,467,453	(11,199)	13,770,607

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	Group			Bank		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Cash flows from operating activities						
Profit for the year	2,013,095	1,858,840	2,025,338	1,826,916	1,756,512	1,761,721
Adjustments to determine net cash flows:						
Depreciation of tangible assets	156,803	136,012	172,387	153,552	131,362	159,799
Amortisation of intangible assets	26,908	30,333	137,471	30,035	35,093	135,926
Pension expense	15,953	21,967	1,211	15,953	21,967	1,211
Net impairment loss on financial assets	319,255	318,425	278,737	220,390	248,928	199,138
Decrease in revaluation of property	-	6,156	-	-	6,156	-
Exchange difference	(286,294)	(47,366)	278,940	(131,762)	22,356	46,298
Net gain on sale of available-for-sale equity investments	(114,357)	-	-	-	-	-
Net loss / (gain) from dealings in trading securities	4,946	(3,210)	(1,534)	4,946	(3,210)	(1,534)
Net loss / (gain) on disposal of property and equipment	3,565	(66)	(498)	3,565	182	(398)
Tax expense	461,567	353,408	319,281	417,414	346,692	310,572
Share of profit of associate	(87,027)	(66,622)	(64,517)	-	-	-
Dividend income	(219,821)	(205,582)	(310,284)	(221,101)	(204,985)	(209,369)
Operating profit before working capital changes	2,294,593	2,402,295	2,836,532	2,319,908	2,361,053	2,403,364
Change in operating assets and liabilities						
(Increase) / decrease in trading assets	(2,835)	51,266	(57,945)	(2,835)	51,266	(57,945)
(Increase) / decrease in loans to and placements with banks	(943,359)	2,766,726	(2,302,322)	(943,359)	2,766,726	(2,302,322)
Increase in loans and advances to customers	(13,245,995)	(4,198,363)	(4,759,614)	(13,155,818)	(4,268,187)	(4,259,497)
Decrease / (increase) in gilt-edged investment securities	3,271,895	(5,057,835)	(3,515,504)	3,406,132	(4,954,661)	(3,775,059)
Increase in other investment securities	(2,501,628)	-	-	(2,501,628)	-	-
Increase in mandatory balances with Central Banks	(1,287,310)	(70,231)	(2,822,563)	(1,280,569)	(86,326)	(2,499,819)
(Increase) / decrease in other assets	(146,714)	5,808	2,276,146	(135,613)	5,157	2,011,535
Increase / (decrease) in deposits from banks	22,624	43,903	104,967	9,458	(18,698)	115,861
Increase / (decrease) in deposits from non-bank customers	9,386,007	(2,067,049)	8,733,877	9,481,171	(2,067,166)	9,935,837
Increase / (decrease) in trading liabilities	56,113	35,893	(5,424)	56,113	35,893	(5,424)
Increase / (decrease) in other liabilities	116,298	(49,887)	(25,016)	97,827	(51,414)	(12,785)
Other dividend received	219,821	205,582	310,284	214,601	199,235	204,119
Income tax paid	(501,591)	(556,827)	(245,107)	(490,376)	(550,125)	(232,555)
Net cash provided by operating activities	(3,262,081)	(6,488,719)	528,311	(2,924,988)	(6,577,247)	1,525,310
Cash flows from / (used in) financing activities						
Increase in other borrowed funds	5,041,385	1,025,783	690,699	5,041,385	953,722	623,631
Dividend paid on ordinary shares	(709,993)	(709,993)	(658,357)	(709,993)	(709,993)	(658,357)
Net cash from / (used in) financing activities	4,331,392	315,790	32,342	4,331,392	243,729	(34,726)
Cash flows from / (used in) investing activities						
Acquisition of property and equipment	(111,970)	(94,775)	(94,912)	(107,825)	(91,337)	(92,204)
Acquisition of intangible assets	(3,935)	(30,454)	(20,564)	(3,935)	(30,454)	(21,021)
Disposal of property and equipment	4,997	35,948	5,745	4,997	34,935	5,645
Disposal of intangible assets	-	748	-	-	748	-
Dividend received from associate	6,500	5,750	5,250	6,500	5,750	5,250
Investment in subsidiary	-	-	-	(25)	-	-
Amalgamation with subsidiary	-	-	-	-	127,947	-
Acquisition of other equity investments	(2,976)	(6,905)	(226,481)	-	-	-
Disposal of other equity investments	280,673	-	-	-	-	-
Net cash from / (used in) investing activities	173,289	(89,688)	(330,962)	(100,288)	47,589	(102,330)
Net change in cash and cash equivalents	1,242,600	(6,262,617)	229,691	1,306,116	(6,285,929)	1,388,254
Cash and cash equivalents at 01 July	5,501,822	11,764,439	11,534,748	5,195,931	11,481,860	10,093,606
Cash and cash equivalents at 30 June	6,744,422	5,501,822	11,764,439	6,502,047	5,195,931	11,481,860

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. General information

State Bank of Mauritius Ltd ("SBM") is a public company incorporated and domiciled in Mauritius. SBM is listed on the Stock Exchange of Mauritius. The address of its registered office is State Bank Tower, 1 Queen Elizabeth II Avenue, Port Louis, Mauritius.

The Group operates in the financial services sector, principally commercial banking.

2. Application of new and revised International Financial Reporting Standards (IFRS)

In the current year, the Group has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 01 July 2010.

New and revised IFRS applied with no material effect on the financial statements

The following new and revised Standards and Interpretations have been applied in these financial statements. Their application has not had any material effect on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

IAS 1	Presentation of financial statements – Amendments resulting from April 2009 annual improvements to IFRSs
IAS 7	Statement of cash flows – Amendments resulting from April 2009 annual improvements to IFRSs
IAS 17	Leases – Amendments resulting from April 2009 annual improvements to IFRSs
IAS 27	Consolidated and separate financial statements – Amendments resulting from May 2010 annual improvements to IFRSs
IAS 32	Financial Instruments: Presentation – Amendments relating to classification of rights issues
IAS 36	Impairment of Assets – Amendments resulting from April 2009 annual improvements to IFRSs
IAS 39	Financial Instruments: Recognition and Measurement – Amendments resulting from April 2009 annual improvements to IFRSs
IFRS 2	Group cash-settled share-based payment transactions
IFRS 8	Operating segments – Amendments resulting from April 2009 annual improvements to IFRSs

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

2. Application of new and revised International Financial Reporting Standards (IFRS)

(Cont'd)

New and revised IFRS in issue but not yet effective

At the date of authorisation of these financial statements, the following relevant standards and Interpretations were in issue but effective on annual periods beginning on or after the respective dates as indicated.

IAS 1	Presentation of financial statements – Amendments resulting from May 2010 annual improvements to IFRSs (effective 1 January 2011)
IAS 1	Presentation of financial statements – Amendments to revise the way other comprehensive income is presented (effective 1 July 2012)
IAS 12	Income taxes – Limited scope amendment (recovery of underlying assets) (effective 1 January 2012)
IAS 19	Employee benefits – Amended standard resulting from the post-employment benefits and termination benefits projects (effective 1 January 2013)
IAS 24	Related party disclosures – Revised definition of related parties (effective 1 January 2011)
IAS 27	Consolidated and separate financial statements – Amendments resulting from May 2010 annual improvements to IFRSs (effective 1 July 2010)
IAS 28	Investments in associates and joint ventures (effective 1 January 2013)
IAS 34	Interim financial reporting – Amendments resulting from May 2010 annual improvements to IFRSs (effective 1 January 2011)
IFRS 7	Financial instruments: Disclosures – Amendments resulting from May 2010 annual improvements to IFRSs (effective 1 January 2011)
IFRS 7	Financial instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets (effective 1 July 2011)
IFRS 9	Financial instruments – Classification and measurement (effective 1 January 2013)
IFRS 10	Consolidated financial statements (effective 1 January 2013)
IFRS 12	Disclosure of interests in other entities (effective 1 January 2013)
IFRS 13	Fair value measurement (effective 1 January 2013)
IFRIC 14	IAS 19 – Amendment with respect to voluntary prepaid contributions (effective 1 January 2011)

The directors anticipate that these amendments will be applied in the financial statements of the Group and the Company at the above effective dates in future periods. The directors have not yet had an opportunity to consider the potential impact of the application of these amendments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

3. Accounting policies

The principal accounting policies adopted by the Group and the Bank are as follows:

(a) Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain tangible fixed assets and financial instruments, and in accordance with International Financial Reporting Standards ("IFRSs") and the guidelines of Bank of Mauritius.

(b) Basis of consolidation

The consolidated financial statements include the state of affairs and results of the Bank and those of its subsidiaries and its associates. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases. Intragroup transactions are eliminated on consolidation.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are recognised as an expense in profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the *Statement of income*. Goodwill is tested annually for impairment and carried at cost less any accumulated impairment losses.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% to 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the *Statement of income*; its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Gains and losses arising from disposal of investments in associates are recorded as *Other operating income* in the *Statement of income*.

It is the policy of the holding company to have a coterminous financial year end for all its operations and subsidiaries except in jurisdictions where regulations impose different dates. However, in such cases, the state of affairs and results of these branches and subsidiaries are consolidated using financial statements drawn up to correspond with the financial year end of the holding Bank.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

3. Accounting policies (Cont'd)

(c) Revenue recognition

Revenue is generally recognised on an accrual basis.

Interest income is generally recognised on performing interest-earning financial assets using the effective interest method.

Dividend income from equity investments is accounted for in the *Statement of income* when the right to receive payment is established.

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

(d) Foreign currency translation

Assets, liabilities, income and expense items denominated in other currencies are translated into Mauritian Rupees in accordance with IAS 21.

(i) The assets and liabilities of the overseas branches, subsidiaries and associates denominated in foreign currencies are translated into Mauritian Rupees at the rates of exchange ruling at the reporting date. Their statements of income are translated into Mauritian Rupees at weighted average rates. Any translation differences arising are classified as equity and transferred to the *Net translation reserve*. Such translation differences are recognised in the *Statement of income* as part of *Other operating income* in the period in which the foreign entity is disposed of.

(ii) Transactions denominated in foreign currency are converted at the rate prevailing at the date of the transactions.

(iii) Monetary assets and liabilities denominated in foreign currency at the reporting date are translated into Mauritian Rupees at the rates of exchange ruling at that date.

(iv) Non-monetary assets and liabilities denominated in foreign currency are reported using the exchange rates at the date of the transactions, if carried at cost, or the exchange rates that existed when the fair values were determined, if carried at fair value.

(v) Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the *Statement of income* for the period. Exchange differences arising on the translation of non-monetary items carried at fair value are included in the *Statement of income* for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

(vi) Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at closing rate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

3. Accounting policies (Cont'd)

(e) Investment securities(i) Investments in gilt-edged securities

Investments in gilt-edged securities reported under *Investment securities* are classified in the following categories: Loans-and-Receiveables ("L&R"), Held-to-Maturity ("HTM") and Available-for-Sale ("AFS"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Gilt-edged securities that are not held for trading purposes and that are not quoted in an active market are classified as L&R. Those gilt-edged securities that are purchased on the secondary market and that are not held for trading purposes are classified as HTM where management has the intent and ability to hold the securities to their maturity. Otherwise they are classified as AFS.

Investments in gilt-edged securities are recognised on a trade-date basis and are initially measured at fair value plus transaction costs. At subsequent reporting dates, securities classified as L&R or HTM are measured at amortised cost using the effective interest method, less any impairment loss. The impairment loss for investments carried at amortised cost is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows, discounted at the investment's original effective rate.

Securities classified as AFS are subsequently remeasured to fair value based on quoted prices at the reporting date and the unrealised gains and losses on revaluation are recognised directly in equity (*Net unrealised investment fair value reserve*), until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity in respect of that security is included in the *Statement of income* as *Other operating income*. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment has been impacted.

The interest accrued on *Investment in gilt-edged securities* is recorded as *Interest Income* in the *Statement of income* and any gains or losses on disposal are recorded as *Other operating income*.

(ii) Equity investments

In the Bank's separate financial statements, the equity investments in subsidiaries and associates are classified as AFS and reported under *Investment securities* in the *Statement of financial position*. In the Group's and Bank's financial statements, other equity investments, which are not classified as trading securities, are reported under *Investment securities* and classified as AFS. They are recognised on a trade-date basis and are initially measured at fair value plus transaction costs. At subsequent reporting dates, listed equity investments are remeasured at fair value based on quoted prices at that date while the fair value of unlisted equity investments are determined based on valuation techniques. However, AFS equity investments which do not have a quoted market price and whose fair value cannot be reliably measured are subsequently measured at cost less any impairment loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

3. Accounting policies (Cont'd)

(e) Investment securities (Cont'd)

Unrealised gains and losses are recognised directly in *Other comprehensive income*, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in *Other comprehensive income* in respect of that investment is included in the Statement of income as *Other operating income*. Objective evidence of impairment of an AFS equity investment includes a significant and prolonged decline in the fair value of the security below its cost. Any increase in fair value of an equity investment subsequent to an impairment loss is recognised directly through the *Statement of comprehensive income*.

(f) Financial assets at Fair Value through Profit or Loss (FVTPL)

Financial assets are classified as FVTPL where it is either held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading (HFT) if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is part of a portfolio of identified financial instruments that is managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated or effective as a hedging instrument.

A financial asset is designated as FVTPL because either:

- It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or recognising the gains and losses on them on different bases; or
- A group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to key management personnel.

Investments in gilt-edged securities and equity investments that are held for trading purposes are classified as HFT. They are recognised on a trade-date basis and are initially measured at fair value. Subsequently, they are remeasured to fair value with the unrealised gains and losses on revaluation and the realised gains and losses on disposal included in the *Statement of income* as *Net trading income*.

Interest accrued on gilt-edged securities held for trading purposes is accounted for in the *Statement of income* as *Interest income*.

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are included in *Net trading income*.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

3. Accounting policies (Cont'd)

(g) Loans and advances and allowance for credit impairment

- (i) Loans and advances are classified under L&R and are measured at amortised cost, less allowance for credit impairment. Allowance for credit impairment consists of specific and portfolio allowances.

Specific allowances are made on impaired advances and are calculated as the shortfall between the carrying amounts of the advances and their recoverable amounts. The recoverable amount is the present value of expected future cash flows discounted at the original effective interest rate of the advance.

Loans that are either subject to collective impairment assessment or are individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans.

- (ii) A portfolio allowance for credit impairment is maintained on the aggregate amount of all loans and advances to allow for potential losses not specifically identified but which experience indicates are present in the portfolio of loans and advances. The portfolio allowance is estimated based upon historical patterns of losses in each component of the portfolio of loans and advances as well as on current economic and other relevant conditions. The Bank of Mauritius Guideline on Credit Impairment Measurement and Income Recognition prescribes that the portfolio allowance should be no less than 1 per cent of the aggregate amount of loans and advances excluding impaired advances, excluding loans granted to or guaranteed by the Government of Mauritius and excluding loans to the extent that they are supported by collateral of liquid assets held by the Group. The charge for portfolio allowance is recognised in the *Statement of income*.

- (iii) Allowance for credit impairment in respect of on-balance sheet items is deducted from the applicable asset whereas the allowance for credit impairment in respect of off balance sheet items is included in *Other liabilities* in the *Statement of financial position*. Changes in the carrying amount of the allowance accounts are recognised in the *Statement of income*. When an advance is uncollectible, it is written off against the specific allowance. Subsequent recoveries of amounts previously written off are credited to the *Net impairment loss on financial assets* in the *Statement of income*.

- (iv) Interest income is recognised after impairment based on the recoverable amount and the rate of interest used to discount the future cash flows to determine the recoverable amount.

(h) Placements and other receivables

Placements and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified as L&R. They are measured at amortised cost, less any impairment loss. Interest income is recognised applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial. Interest accrued on placements is accounted for in the *Statement of income* as *Interest income*.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

3. Accounting policies (Cont'd)

(i) Borrowings

Borrowings are measured at amortised cost using the effective interest method.

(j) Deposits

Deposits are measured at amortised cost using the effective interest method.

(k) Derivative financial instruments

Derivative financial instruments are initially recorded at fair value and are remeasured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the *Statement of income* as *Net trading income*.

(l) Acceptances

Acceptances are obligations to pay on due dates the bills of exchange drawn on customers and accepted by them. It is expected most of these acceptances will be honoured by the customers on due dates. Acceptances are accounted for as off-balance sheet items and are disclosed as contingent liabilities.

(m) Sale and repurchase agreements

Gilt-edged securities sold subject to linked repurchase agreements ("repos") are retained in the *Statement of financial position* and the counterparty liability is included in *Other borrowed funds*. Gilt-edged securities purchased under agreements to resell ("reverse repos") are recorded as balances due from other banks. The differences between the sale and repurchase price is treated as interest and accrued over the life of the repo agreements using the effective interest method.

(n) Property and equipment

Property and equipment are stated at cost (except for freehold land and buildings) less accumulated depreciation and any cumulative impairment loss. Freehold land is stated at revalued amounts and buildings are stated at revalued amounts less accumulated depreciation and any impairment loss.

It is the Group's policy to revalue its freehold land and buildings at least every five years by independent valuers. Any revaluation surplus is credited to the *Net property revaluation reserve*. Any revaluation decrease is first charged directly against any net property revaluation reserve held in respect of the same asset, and then to the *Statement of income*.

Work in progress is carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other tangible fixed assets, commences when the assets are ready for their intended use.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

3. Accounting policies (Cont'd)

(n) Property and equipment (Cont'd)

Depreciation is calculated to write off the cost or revalued amounts of tangible fixed assets over their estimated useful lives on a straight-line basis. Depreciation is calculated from the month the asset is capitalised. No depreciation is provided on freehold land.

The estimated useful lives of property and equipment are as follows:

Buildings	Over 50 years
Plant, Machinery, Furniture, Fittings and Computer Equipment	Over 3 to 10 years
Motor vehicles	Over 5 to 7 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset. These are included within *Other operating income* in the *Statement of income*.

Each year, the difference, net of the impact of deferred tax, between the depreciation based on the revalued carrying amount of the asset (the depreciation charged to the *Statement of income*) and the depreciation based on the asset's original cost is transferred from the *Net property revaluation reserve* to the *Revenue reserve*.

(o) Leasing(i) The Group and Bank as lessor

Amounts due from lessees under finance leases are recorded as loans and advances in the *Statement of financial position* at the amount of the Bank/Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

(ii) The Group and Bank as lessee

Assets held under finance leases are recognised as assets at their fair value at the date of acquisition and are depreciated over their estimated useful lives. The corresponding liability to the lessor is included in *Other borrowed funds* on the *Statement of financial position*. Lease finance charges are charged to the *Statement of income* over the term of the leases so as to produce a constant periodic rate of interest on the outstanding obligations under finance leases.

Rentals payable under operating leases are charged to the *Statement of income* on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

3. Accounting policies (Cont'd)

(p) Borrowing costs

All borrowing costs are charged to the *Statement of income* in the period in which they are incurred.

(q) Deferred taxation

Deferred taxation is provided on the comprehensive basis using the liability method. Deferred tax liabilities are recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted by the reporting date.

Deferred tax is charged or credited to the *Statement of income*, except when it relates to items credited or charged to equity, in which case the deferred tax is also dealt with in equity.

(r) Employee benefits(i) Pension benefits for eligible participating employees

Eligible participating employees are entitled to retirement pensions under the SBM Group Pension Fund, a defined benefit scheme. The normal retirement age is 65. The cost of providing benefits is determined using the projected unit credit method. The assets of the scheme are managed presently by the SBM Mauritius Asset Managers Ltd.

The net total of the present value of funded obligations, the fair value of plan assets, any unrecognised actuarial gains and losses and any unrecognised past service cost is recognised in the *Statement of financial position* either as a liability (if there is a deficit) or as an asset (if there is a surplus). Any asset resulting is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

The current service cost and any recognised past service cost are included as an expense together with the associated interest cost, net of expected return on plan assets.

A portion of the actuarial gains and losses will be recognised as income or expense if the net cumulative actuarial gains and losses at the end of the previous financial year exceeded the greater of:

- 10% of the present value of the defined benefit obligation at that date; and
- 10% of the fair value of any plan assets at that date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

3. Accounting policies (Cont'd)

(r) Employee benefits (Cont'd)(ii) Pension benefits for employees under term contracts

Employees under term contracts are entitled to defined contribution pension arrangements. Employer contributions are expensed in the *Statement of income*.

(iii) Travel tickets/allowances

Employees are periodically entitled to reimbursements of overseas travelling and allowances up to a certain amount depending on their grade. The expected costs of these benefits are recognised on a straight-line basis over the remaining periods until the benefits are payable.

(iv) Equity compensation benefits for senior executives

The Group issues, to certain employees, phantom share options which are share appreciation rights that require the Group to pay the intrinsic value of the phantom share option at the date of exercise. A phantom share option liability equal to the portion of the services received is recognised at the current fair value determined at each reporting date.

(s) Intangible assets

Intangible assets consist of computer software. The software cost is amortised on a straight line basis over their estimated useful lives of 3 to 10 years.

(t) Impairment

The carrying amounts of assets are assessed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated, being the higher of the asset's net selling price and its value in use, to determine the extent of the impairment loss, if any, and the carrying amount of the asset is reduced to its recoverable amount. The impairment loss is recognised as an expense immediately, unless the asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

(u) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

(v) Cash and cash equivalents

For the purposes of the *Statement of cash flows*, cash and cash equivalents comprise cash and balances with banks and borrowings from banks with maturity of 3 months or less from the reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

3. Accounting policies (Cont'd)

(w) Share capital

(i) Share issue costs

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

(ii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are authorised by the directors.

Dividends that are declared after the reporting date are dealt with in the *notes to the financial statements*.

(iii) Treasury shares

Where the Bank purchases its own equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in *Shareholders' equity*.

(x) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if they have the ability, directly or indirectly, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or vice versa, or if they and the Group are subject to common control. Related parties may be individuals or other entities.

(y) Segmental reporting

Segmental reporting is based on the internal reports regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess their performance. The operating segments are the banking segment and the non-banking segment. Only the banking segment is a reportable segment.

(z) Comparative figures

Where necessary, comparative figures are restated or reclassified to conform to the current year's presentation and to the changes in accounting policies (*see note 2*).

(aa) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, except for financial assets which are measured as described above.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

4. Accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires the directors and management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Actual results could differ as a result of changes in these estimates.

The *notes to the financial statements* include areas where management has applied judgements that have a significant effect on the amounts recognised in the financial statements and include the classification of financial instruments into the FVTPL category, L&R category, HTM category and AFS category. The estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

(i) Fair value of equity investments

The fair value of equity investments that are quoted on active markets are based on the quoted prices for these instruments. Valuation techniques used to estimate the fair value of unquoted equity investments include the dividend growth, net assets and earnings models. Management has made certain assumptions for inputs in the models, such as risk free rate, discount factor, dividend growth rate, future cash flows, which may be different from actual. Inputs are based on information available at the reporting date.

(ii) Fair value of other financial assets and liabilities

The determination of fair values, estimated by discounting future cash flows and by determining the relative interest rates, is subjective. The estimated fair value was calculated according to interest rates prevailing at the reporting date and does not consider interest rate fluctuations. Given other interest rate assumptions, fair value estimates may differ.

(iii) Specific allowance for credit impairment

The calculation of specific allowance for credit impairment requires management to estimate the recoverable amount of each impaired asset, which is the estimated future cash flows discounted at the original effective interest rate of the advance. Where cash flows for large credits include the realisable value of collateral securing the credit, the value of such collateral is based on the opinion of independent and qualified appraisers.

(iv) Portfolio allowance for credit impairment

The portfolio allowance is estimated based upon historical patterns of losses in each component of the portfolio of loans and advances as well as management estimate of the impact of current economic and other relevant conditions on the recoverability of the loans and advances portfolio.

(v) Defined benefit pension plan

The Bank operates a defined benefit pension plan for its employees. The amount shown in the *Statement of financial position* in respect of retirement benefit obligations is subject to estimates in respect of periodic costs which would be dependent on returns on assets, future discount rates, rates of salary increases and inflation rate in respect of the pension plan. The value of the defined benefit pension fund is based on the report submitted by an independent actuarial firm on an annual basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

5. Cash and cash equivalents

	Group			Bank		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Cash in hand	807,099	705,117	679,015	807,099	705,117	679,015
Foreign currency notes and coins	114,083	100,699	140,011	86,354	85,083	94,630
Unrestricted balances with central banks ¹	595,619	156,596	999,310	403,301	148,761	962,451
Loans and placements with banks ²	4,654,142	3,995,985	8,688,725	4,645,940	3,725,893	8,537,781
Balances with banks	573,479	543,425	1,257,378	559,353	531,077	1,207,983
	6,744,422	5,501,822	11,764,439	6,502,047	5,195,931	11,481,860

¹ Unrestricted balances with central banks represent amounts above the minimum cash reserve requirement

² The balances above include loans and placements with banks having an original maturity of up to three months.

6. Trading assets and trading liabilities

	Group and Bank		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Trading assets			
Government securities	13,465	85,698	106,839
Equities	985	1,026	12,335
Derivative assets	131,663	61,500	77,106
	146,113	148,224	196,280
Trading liabilities			
Derivative liabilities	141,077	84,964	49,071

a. The fair values of derivative instruments are further analysed as follows:

	Group and Bank			
	Notional Principal Amount Rs' 000	Fair Values		
		Assets Rs' 000	Liabilities Rs' 000	Net Rs' 000
2011				
Forward foreign exchange contracts	18,945,760	121,362	(135,409)	(14,047)
Interest rate swap contracts	4,492,912	8,258	(3,625)	4,633
Options and futures contracts	204,290	2,043	(2,043)	-
	23,642,962	131,663	(141,077)	(9,414)
2010				
Forward foreign exchange contracts	6,509,244	54,273	(84,964)	(30,691)
Interest rate swap contracts	2,095,289	7,227	-	7,227
	8,604,533	61,500	(84,964)	(23,464)
2009				
Forward foreign exchange contracts	3,419,294	69,569	(35,613)	33,956
Interest rate swap contracts	1,934,020	7,537	(13,458)	(5,921)
	5,353,314	77,106	(49,071)	28,035

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

7. Loans to and placements with banks

	Group and Bank		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Loans to and placements with banks outside Mauritius	943,359	-	2,766,726
a. Remaining term to maturity			
Up to 3 months	-	-	2,086,144
Over 3 months and up to 6 months	285,722	-	39,175
Over 6 months and up to 12 months	371,324	-	641,407
Over 1 year and up to 2 years	286,313	-	-
	943,359	-	2,766,726

8. Loans and advances to customers

	Group			Bank		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Retail customers						
Credit cards	358,563	303,554	271,394	358,563	303,554	271,394
Mortgages	9,419,961	7,349,260	6,450,892	9,419,961	7,349,260	6,450,892
Other retail loans	6,736,757	5,814,497	5,179,023	6,736,757	5,814,497	5,055,743
Corporate customers	23,582,800	18,912,487	21,521,708	23,582,800	18,912,487	20,704,520
Governments	2,397	1,904	2,203	2,397	1,904	2,203
Entities outside Mauritius	17,904,358	12,410,134	7,366,592	17,030,912	11,624,754	6,285,746
	58,004,836	44,791,836	40,791,812	57,131,390	44,006,456	38,770,498
Less allowance for credit impairment	(1,263,534)	(1,060,095)	(998,004)	(1,079,052)	(911,601)	(708,174)
	56,741,302	43,731,741	39,793,808	56,052,338	43,094,855	38,062,324
a. Remaining term to maturity						
Up to 3 months	14,498,822	9,190,121	7,673,482	14,201,263	8,739,259	7,125,551
Over 3 months and up to 6 months	7,191,512	1,931,148	2,150,583	7,191,494	1,923,386	2,068,489
Over 6 months and up to 12 months	3,292,642	2,873,375	2,882,663	3,084,333	2,735,909	2,542,660
Over 1 year and up to 2 years	1,961,740	3,424,338	2,275,495	1,692,488	3,413,371	1,805,593
Over 2 years and up to 5 years	10,399,251	7,673,671	8,369,367	10,301,098	7,495,508	7,852,041
Over 5 years	20,660,869	19,699,183	17,440,222	20,660,714	19,699,023	17,376,164
	58,004,836	44,791,836	40,791,812	57,131,390	44,006,456	38,770,498

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

8. Loans and advances to customers (cont'd)

b. Net investment in finance leases

The amount of net investment in finance leases included in loans and advances to customers and the associated allowance for impairment are as follows:

	Group and Bank			
	Up to 1 year Rs' 000	After 1 year and up to 5 years Rs' 000	After 5 years Rs' 000	Total Rs' 000
2011				
Gross investment in finance leases	455,308	948,771	103,988	1,508,067
Less: Unearned finance income	(127,634)	(134,852)	(7,275)	(269,761)
Present value of minimum lease payments	327,674	813,919	96,713	1,238,306
Allowance for impairment				(21,735)
				1,216,571
2010				
Gross investment in finance leases	396,590	767,862	44,013	1,208,465
Less: Unearned finance income	(109,944)	(103,509)	(3,157)	(216,610)
Present value of minimum lease payments	286,646	664,353	40,856	991,855
Allowance for impairment				(13,114)
				978,741
2009				
Gross investment in finance leases	423,262	692,015	36,655	1,151,932
Less: Unearned finance income	(113,108)	(95,835)	(2,521)	(211,464)
Present value of minimum lease payments	310,154	596,180	34,134	940,468
Allowance for impairment				(12,173)
				928,295

Finance lease contracts give the lessees the option to purchase the assets for a residual value at the conclusion of the lease arrangements. The term of lease contracts generally ranges from five to seven years. Finance leases are secured mainly by charges on the leased assets and / or corporate/personal guarantees.

c. Allowance for credit impairment

	Group			Bank		
	Specific allowance for credit impairment Rs' 000	Portfolio allowance for credit impairment Rs' 000	Total Rs' 000	Specific allowance for credit impairment Rs' 000	Portfolio allowance for credit impairment Rs' 000	Total Rs' 000
At 01 July 2008	708,585	312,723	1,021,308	490,125	299,092	789,217
Exchange difference	(8,692)	737	(7,955)	-	923	923
Loans written off out of allowance	(189,194)	-	(189,194)	(175,765)	-	(175,765)
Interest accrued on impaired advances	(17,128)	-	(17,128)	(17,128)	-	(17,128)
Allowance for credit impairment for the year	134,478	56,495	190,973	61,082	49,845	110,927
At 30 June 2009	628,049	369,955	998,004	358,314	349,860	708,174
Balance transferred on amalgamation	-	-	-	1,036	11,137	12,173
Exchange difference	(43,215)	(671)	(43,886)	638	479	1,117
Loans written off out of allowance	(209,132)	-	(209,132)	(54,704)	-	(54,704)
Interest accrued on impaired advances	(24,017)	-	(24,017)	(24,017)	-	(24,017)
Allowance for credit impairment for the year	130,576	208,550	339,126	57,688	211,170	268,858
At 30 June 2010	482,261	577,834	1,060,095	338,955	572,646	911,601
Exchange difference	5,129	(1,099)	4,030	(1,460)	(1,319)	(2,779)
Loans written off out of allowance	(53,185)	-	(53,185)	(43,949)	-	(43,949)
Allowance for credit impairment for the year	115,084	137,510	252,594	81,515	132,664	214,179
At 30 June 2011	549,289	714,245	1,263,534	375,061	703,991	1,079,052

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

8. Loans and advances to customers (cont'd)

d. Allowance for credit impairment by industry sectors

	2011				2010	2009
	Gross amount of loans Rs' 000	Impaired loans Rs' 000	Specific allowance for credit impairment Rs' 000	Portfolio allowance for credit impairment Rs' 000	Total allowances for credit impairment Rs' 000	Total allowances for credit impairment Rs' 000
Group						
Agriculture and fishing	2,331,396	40,855	38,784	13,189	51,973	41,922
Manufacturing	8,988,491	73,307	43,161	115,415	158,576	106,653
of which EPZ	753,260	201	51	25,661	25,712	22,250
Tourism	9,347,881	19,605	10,578	313,380	323,958	284,771
Transport	1,743,328	9,204	5,725	12,406	18,131	10,357
Construction	2,361,694	152,927	79,269	28,387	107,656	74,771
Financial and business services	4,104,116	75,341	39,192	28,228	67,420	29,276
Traders	7,209,882	118,460	80,840	62,785	143,625	131,875
Personal	15,632,318	285,936	220,344	97,319	317,663	300,245
of which credit cards	334,945	8,096	8,096	8,856	16,952	19,004
Professional	146,203	19,965	16,684	726	17,410	17,077
Global Business Licence holders	1,737,521	-	-	13,286	13,286	10,280
Others	4,402,006	15,437	14,712	29,124	43,836	52,868
Additional provision held				-	-	-
	58,004,836	811,037	549,289	714,245	1,263,534	1,060,095
Bank						
Agriculture and fishing	2,293,122	5,252	3,180	13,189	16,369	7,671
Manufacturing	8,902,891	13,728	10,888	115,407	126,295	103,095
of which EPZ	753,260	201	51	25,661	25,712	22,250
Tourism	9,347,881	19,605	10,578	313,380	323,958	284,771
Transport	1,743,328	9,204	5,725	12,406	18,131	10,357
Construction	2,210,470	139,660	69,907	27,310	97,217	67,296
Financial and business services	3,810,612	42,529	6,380	28,228	34,608	6,638
Traders	6,953,474	19,898	16,752	53,844	70,596	66,078
Personal	15,622,074	285,847	220,255	97,091	317,346	298,791
of which credit cards	334,945	8,096	8,096	8,856	16,952	19,004
Professional	108,522	19,965	16,684	726	17,410	17,077
Global Business Licence holders	1,737,521	-	-	13,286	13,286	10,280
Others	4,401,495	15,437	14,712	29,124	43,836	39,547
Additional provision held				-	-	-
	57,131,390	571,125	375,061	703,991	1,079,052	911,601

Total impaired loans for 2010 for the Group and the Bank were Rs 839 m (2009: Rs 817 m) and Rs 613 m (2009: Rs 529 m) respectively.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

9. Investment securities

Remaining term to maturity

Group	2011									2010	2009
	Up to 3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	Over 5 years	No specific maturity	Total		
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
(a) Held-to-maturity investment securities											
Government bonds and treasury notes	-	-	-	-	-	687,977	-	-	687,977	-	-
Treasury bills	1,167,500	-	-	-	-	-	-	-	1,167,500	1,103,628	746,669
Securities issued by government bodies	-	-	-	62,660	-	1,163	-	-	63,823	68,725	-
Bank bonds secured by government	-	-	-	-	-	-	-	-	-	-	1,222
	1,167,500	-	-	62,660	-	689,140	-	-	1,919,300	1,172,353	747,891
(b) Investment securities - loans and receivables											
Government bonds and treasury notes	93,906	678,280	1,013,695	1,028,529	552,834	1,488,253	-	-	4,855,497	5,449,607	6,183,351
Treasury bills	4,350,844	1,660,971	1,191,294	750,284	-	-	-	-	7,953,393	13,502,127	8,135,010
Bank of Mauritius bills / notes	1,093,740	-	-	96,668	472,304	-	-	-	1,662,712	-	-
Other Central Bank bills	298,490	162,800	-	-	-	-	-	-	461,290	-	-
	5,836,980	2,502,051	2,204,989	1,875,481	1,025,138	1,488,253	-	-	14,932,892	18,951,734	14,318,361
(c) Available-for-sale investment securities											
Equity shares of companies:											
- Investment in associates	-	-	-	-	-	-	-	667,803	667,803	588,088	523,670
- Other equity investments	-	-	-	-	-	-	-	3,549,472	3,549,472	3,448,634	3,421,487
Bank bonds	-	-	-	-	-	741,258	882,496	-	1,623,754	-	-
Corporate paper	755,400	122,228	-	-	-	-	-	-	877,628	-	-
	755,400	122,228	-	-	-	741,258	882,496	4,217,275	6,718,657	4,036,722	3,945,157
Total investment securities	7,759,880	2,624,279	2,204,989	1,938,141	1,025,138	2,918,651	882,496	4,217,275	23,570,849	24,160,809	19,011,409
Bank											
(a) Held-to-maturity investment securities											
Government bonds and treasury notes	-	-	-	-	-	687,977	-	-	687,977	-	-
Treasury bills	1,167,500	-	-	-	-	-	-	-	1,167,500	1,103,628	695,771
Securities issued by government bodies	-	-	-	62,660	-	1,163	-	-	63,823	68,725	-
Bank bonds secured by government	-	-	-	-	-	-	-	-	-	-	1,222
	1,167,500	-	-	62,660	-	689,140	-	-	1,919,300	1,172,353	696,993
(b) Investment securities - loans and receivables											
Government bonds and treasury notes	93,906	678,280	1,013,695	1,028,529	552,834	1,488,253	-	-	4,855,497	5,449,607	6,183,351
Treasury bills	4,060,179	1,625,246	1,027,318	750,284	-	-	-	-	7,463,027	12,684,708	7,420,765
Bank of Mauritius bills / notes	1,093,740	-	-	96,668	472,304	-	-	-	1,662,712	-	-
	5,247,825	2,303,526	2,041,013	1,875,481	1,025,138	1,488,253	-	-	13,981,236	18,134,315	13,604,116
(c) Available-for-sale investment securities											
Equity shares of companies:											
- Investment in subsidiaries	-	-	-	-	-	-	-	97	97	72	212,923
- Investment in associates	-	-	-	-	-	-	-	667,803	667,803	423,318	288,692
- Other equity investments	-	-	-	-	-	-	-	3,068,290	3,068,290	2,822,033	2,667,644
Bank bonds	-	-	-	-	-	741,258	882,496	-	1,623,754	-	-
Corporate paper	755,400	122,228	-	-	-	-	-	-	877,628	-	-
	755,400	122,228	-	-	-	741,258	882,496	3,736,190	6,237,572	3,525,423	3,169,259
Total investment securities	7,170,725	2,425,754	2,041,013	1,938,141	1,025,138	2,918,651	882,496	3,736,190	22,138,108	22,552,091	17,470,368

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

9. Investment securities (Cont'd)

c. Available-for-sale investment securities (Cont'd)

(i) Subsidiaries

Details of subsidiaries and associate are as follows:

	Country of Incorporation and Operation	Business Activity	Issued Capital	Effective % holding		
				2011	2010	2009
Subsidiaries						
Banque SBM Madagascar SA	Madagascar	Banking	MGA 7.4 bn	100	100	100
SBM Mauritius Asset Managers Ltd	Mauritius	Asset Management	Rs 1.6 m	100	100	100
SBM Securities Limited	Mauritius	Stockbroking	Rs 1 m	100	100	100
SBM Financials Ltd	Mauritius	Fiduciary services	Rs 0.5 m	100	100	100
SBM Investments Limited	Mauritius	Investments	Rs 25,000	100	100	100
SBM Global Investments Limited	Mauritius	Investments	USD 2,000	100	100	100
SBM Asset Management Limited	Mauritius	Asset Management	USD 40,000	100	100	100
SBM Capital Management Limited	Mauritius	Asset Management	USD 125,000	100	100	100
SBM Holdings Limited	Mauritius	Investments	Rs 25,000	100	-	-
SBM Lease Limited ¹	Mauritius	Leasing	-	-	-	100
SBM IT Ltd ¹	Mauritius	Technology	-	-	-	100
SBM International Investments Limited ²	Mauritius	Asset Management and Advisory	-	-	-	100
Associate						
State Insurance Company of Mauritius Ltd	Mauritius	Insurance	Rs 25 m	20	20	20

The issued share capital of all subsidiaries have remained the same over the 3 years, except for SBM Asset Management Limited (2009 and 2010: USD 10,000), SBM Capital Management Limited (2009 and 2010: USD 10,000) and SBM Mauritius Asset Managers Ltd (2009: Rs 1 m).

¹SBM Lease Limited amalgamated with State Bank of Mauritius Ltd (the 'Bank') and SBM IT Ltd amalgamated with SBM Investments Limited during the Financial Year 2010.

²SBM International Investments Limited was wound up in 2011.

(ii) Associate

Summarised financial information in respect of the Group's associate is set out below:

	2011	2010	2009
	Rs' 000	Rs' 000	Rs' 000
Total assets	15,324,195	14,051,927	12,535,034
Total liabilities	11,985,182	11,111,488	9,895,325
Total revenue	1,072,959	1,340,521	1,155,825
Total profit for the year	435,135	333,112	307,953
Share of profit	87,027	66,622	64,517
Share of net assets	667,803	588,088	523,670

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

10. Property and equipment

	Freehold land and buildings Rs' 000	Leasehold buildings Rs' 000	Other tangible fixed assets Rs' 000	Motor vehicles Rs' 000	Total Rs' 000
Group					
<u>Cost or Valuation</u>					
At 01 July 2008	603,648	1,574,540	1,587,478	26,345	3,792,011
Exchange difference	12,114	-	583	(46)	12,651
Additions	4,111	-	110,138	5,370	119,619
Disposals	-	-	(78,228)	(3,864)	(82,092)
At 30 June 2009	619,873	1,574,540	1,619,971	27,805	3,842,189
Exchange difference	5,768	-	(4,260)	(419)	1,089
Revaluation	24,142	328,518	-	-	352,660
Additions	946	1,487	83,832	2,821	89,086
Disposals	-	-	(76,712)	(13,041)	(89,753)
Write off	-	-	(18)	-	(18)
Transfer from intangible assets	-	-	2,805	-	2,805
Transfer	(2,255)	2,255	-	-	-
At 30 June 2010	648,474	1,906,800	1,625,618	17,166	4,198,058
Exchange difference	(15,677)	-	(989)	(49)	(16,715)
Additions	609	335	79,963	9,320	90,227
Disposals	-	-	(127,304)	(4,977)	(132,281)
At 30 June 2011	633,406	1,907,135	1,577,288	21,460	4,139,289
<u>Accumulated depreciation</u>					
At 01 July 2008	28,163	154,097	1,272,468	7,604	1,462,332
Exchange difference	514	-	711	(39)	1,186
Disposals	-	-	(73,494)	(3,634)	(77,128)
Charge for the year	11,179	38,880	117,584	4,744	172,387
At 30 June 2009	39,856	192,977	1,317,269	8,675	1,558,777
Exchange difference	519	-	(3,525)	(243)	(3,249)
Revaluation	(49,683)	(228,697)	-	-	(278,380)
Disposals	-	-	(49,944)	(3,179)	(53,123)
Write off	-	-	(18)	-	(18)
Transfer from intangible assets	-	-	1,068	-	1,068
Transfer	(76)	76	-	-	-
Charge for the year	11,525	40,270	80,945	3,272	136,012
At 30 June 2010	2,141	4,626	1,345,795	8,525	1,361,087
Exchange difference	(224)	-	(1,114)	14	(1,324)
Disposals	-	-	(123,581)	(2,841)	(126,422)
Charge for the year	12,938	55,509	85,644	2,712	156,803
At 30 June 2011	14,855	60,135	1,306,744	8,410	1,390,144
<u>Net book value</u>					
At 30 June 2011	618,551	1,847,000	270,544	13,050	2,749,145
Progress payments on tangible fixed assets					37,775
					2,786,920
At 30 June 2010	646,333	1,902,174	279,823	8,641	2,836,971
Progress payments on tangible fixed assets					16,032
					2,853,003
At 30 June 2009	580,017	1,381,563	302,702	19,130	2,283,412
Progress payments on tangible fixed assets					10,343
					2,293,755

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

10. Property and equipment

	Freehold land and buildings Rs' 000	Leasehold buildings Rs' 000	Other tangible fixed assets Rs' 000	Motor vehicles Rs' 000	Total Rs' 000
Bank					
<u>Cost or Valuation</u>					
At 01 July 2008	603,648	1,574,540	1,517,223	12,852	3,708,263
Exchange difference	12,114	-	1,852	36	14,002
Additions	4,111	-	109,413	3,385	116,909
Disposals	-	-	(78,228)	(3,449)	(81,677)
At 30 June 2009	619,873	1,574,540	1,550,260	12,824	3,757,497
Transferred on amalgamation with SBM Lease Limited	-	-	34,325	12,065	46,390
Exchange difference	5,768	-	852	17	6,637
Revaluation	24,142	328,518	-	-	352,660
Additions	946	1,487	81,587	1,628	85,648
Disposals	-	-	(76,712)	(12,065)	(88,777)
Write off	-	-	(18)	-	(18)
Transfer from intangible assets	-	-	2,805	-	2,805
Transfer	(2,255)	2,255	-	-	-
At 30 June 2010	648,474	1,906,800	1,593,099	14,469	4,162,842
Exchange difference	(15,677)	-	(2,319)	(164)	(18,160)
Additions	609	335	75,837	9,320	86,101
Disposals	-	-	(127,304)	(4,977)	(132,281)
At 30 June 2011	633,406	1,907,135	1,539,313	18,648	4,098,502
<u>Accumulated Depreciation</u>					
At 01 July 2008	28,163	154,097	1,246,246	5,076	1,433,582
Exchange difference	514	-	1,698	29	2,241
Disposals	-	-	(73,494)	(3,219)	(76,713)
Charge for the year	11,179	38,880	107,225	2,515	159,799
At 30 June 2009	39,856	192,977	1,281,675	4,401	1,518,909
Transferred on amalgamation with SBM Lease Limited	-	-	7,769	2,781	10,550
Exchange difference	519	-	830	17	1,366
Revaluation	(49,683)	(228,697)	-	-	(278,380)
Disposals	-	-	(49,944)	(2,968)	(52,912)
Write off	-	-	(18)	-	(18)
Transfer from intangible assets	-	-	1,068	-	1,068
Transfer	(76)	76	-	-	-
Charge for the year	11,525	40,270	76,840	2,727	131,362
At 30 June 2010	2,141	4,626	1,318,220	6,958	1,331,945
Exchange difference	(224)	-	(2,268)	(57)	(2,549)
Disposals	-	-	(123,581)	(2,841)	(126,422)
Charge for the year	12,938	55,509	82,736	2,369	153,552
At 30 June 2011	14,855	60,135	1,275,107	6,429	1,356,526
<u>Net book value</u>					
At 30 June 2011	618,551	1,847,000	264,206	12,219	2,741,976
Progress payments on tangible fixed assets					37,756
					2,779,732
At 30 June 2010	646,333	1,902,174	274,879	7,511	2,830,897
Progress payments on tangible fixed assets					16,032
					2,846,929
At 30 June 2009	580,017	1,381,563	268,585	8,423	2,238,588
Progress payments on tangible fixed assets					10,346
					2,248,934

Other tangible fixed assets, included within Property and equipment, consist of plant, machinery, fixtures, fittings and computer equipment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

10. Property and equipment (Cont'd)

The carrying amounts of land and buildings, that would have been included in the financial statements had the assets been carried at cost, are as follows:

	Group and Bank		
	2011	2010	2009
	Rs' 000	Rs' 000	Rs' 000
Freehold land and buildings	263,226	271,981	275,659
Leasehold buildings	463,764	476,602	486,060
	726,990	748,583	761,719

The freehold land and buildings and buildings on leasehold land in Mauritius were revalued in June 2010 by an independent Chartered Valuation Surveyor, on an open market value basis. The freehold land and building in India were revalued in March 2010 by independent Chartered Valuation Surveyors, on an open market basis.

The net book value of assets held under finance leases included in property and equipment is as follows:

	Bank		
	2011	2010	2009
	Rs' 000	Rs' 000	Rs' 000
Computer Equipment	-	-	28,449
Plant and Equipment	-	-	8,497
Motor Vehicles	-	-	279
	-	-	37,225

The net book value of assets subject to operating lease included in property and equipment is as follows:

	Group		
	2011	2010	2009
	Rs' 000	Rs' 000	Rs' 000
Plant and equipment	-	-	26,486
Motor vehicles	-	-	9,285
	-	-	35,771

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

11. Intangible assets

	Group			Bank		
	2011	2010	2009	2011	2010	2009
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Cost						
At 1 July	843,494	849,654	829,762	859,083	859,017	842,724
Transferred on amalgamation with SBM Lease Limited	-	-	-	-	6,226	-
Exchange difference	(1,150)	309	648	(1,150)	309	648
Additions	10,289	11,564	24,219	10,289	11,564	20,620
Disposals	(1,071)	(9,740)	(4,975)	(1,071)	(9,740)	(4,975)
Transfer to property and equipment	-	(2,805)	-	-	(2,805)	-
Write off	-	(5,488)	-	-	(5,488)	-
At 30 June	851,562	843,494	849,654	867,151	859,083	859,017
Accumulated amortisation						
At 1 July	785,724	771,379	638,060	796,185	772,111	640,336
Transferred on amalgamation with SBM Lease Limited	-	-	-	-	4,969	-
Exchange difference	(925)	308	540	(935)	308	541
Disposals	(1,044)	(9,740)	(4,692)	(1,044)	(9,740)	(4,692)
Transfer to property and equipment	-	(1,068)	-	-	(1,068)	-
Write off	-	(5,488)	-	-	(5,488)	-
Charge for the year	26,908	30,333	137,471	30,035	35,093	135,926
At 30 June	810,663	785,724	771,379	824,241	796,185	772,111
Net book value	40,899	57,770	78,275	42,909	62,898	86,906
Progress payments on software	13,249	19,603	713	12,937	19,291	401
	54,148	77,373	78,988	55,846	82,189	87,307

Intangible assets disclosed above consist of acquired computer software. The net book value of intangible assets held under finance leases by the Bank is nil at 30 June 2011 (2010: Nil and 2009: Rs 23.4 m).

12. Other assets

	Group			Bank		
	2011	2010	2009	2011	2010	2009
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Accounts receivable ¹	202,713	84,956	75,888	181,967	67,571	62,924
Balances due in clearing	160,504	142,792	170,169	158,617	142,094	155,540
Tax paid in advance ²	138,305	175,751	159,231	104,132	121,934	111,366
Pension asset (Note 13)	1,828	649	7,324	1,828	649	7,324
Balances with Clearing Corporation in India	18,804	20,955	20,982	18,804	20,955	20,982
Non-banking assets acquired in satisfaction of debts ³	320	202	73	320	202	73
Others	38,115	48,248	72,003	35,445	44,515	67,851
	560,589	473,553	505,670	501,113	397,920	426,060

¹ Amounts receivable from other parties included in other assets are generally receivable within three months.

² The tax paid in advance is incurred by the Indian Operations. The amount is shown net of current tax payable.

³ The Group's policy is to dispose of such assets as rapidly as the market permits.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

13. Pension asset

Amount recognised in the Statement of financial position:

	Group and Bank		
	2011	2010	2009
	Rs' 000	Rs' 000	Rs' 000
Present value of funded obligations	589,557	512,959	479,064
Fair value of plan assets	(615,839)	(549,626)	(513,550)
	(26,282)	(36,667)	(34,486)
Unrecognised actuarial gain	24,454	36,018	27,162
(Asset) / liability recognised in the Statement of financial position (Note 12)	(1,828)	(649)	(7,324)

At 30 June 2011, 7.6% (2010: 10.6% and 2009: 17.6%) of the total assets of the SBM Group Pension Fund were invested in shares of State Bank of Mauritius Ltd.

Amount recognised in the Statement of income:

	Group and Bank		
	2011	2010	2009
	Rs' 000	Rs' 000	Rs' 000
Current service cost	19,379	26,162	25,953
Interest cost	54,736	46,913	39,655
Expected return on plan assets	(58,162)	(51,108)	(59,444)
Actuarial gain recognised	-	-	(4,953)
Total, included in staff costs	15,953	21,967	1,211

Movements in the asset recognised in the Statement of financial position:

	Group and Bank		
	2011	2010	2009
	Rs' 000	Rs' 000	Rs' 000
At 1 July	(649)	(7,324)	(6,072)
Contributions and direct benefits paid	(17,132)	(15,292)	(2,463)
Total expense as above	15,953	21,967	1,211
At 30 June	(1,828)	(649)	(7,324)
Actual return on plan assets	57,397	41,145	(48,743)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

13. Pension asset (Cont'd)

Reconciliation of the present value of defined benefit obligation:

	Group and Bank		
	2011	2010	2009
	Rs' 000	Rs' 000	Rs' 000
Present value of obligation at start of year	512,959	479,064	385,352
Current service cost	19,379	26,162	25,953
Interest cost	54,736	46,913	39,655
Benefits paid	(8,316)	(20,361)	(12,658)
Liability loss / (gain)	10,799	(18,819)	40,762
Present value of obligation at end of year	589,557	512,959	479,064

Reconciliation of fair value of plan assets:

Fair value of plan assets at start of year	549,626	513,550	572,488
Expected return on plan assets	58,162	51,108	59,444
Employer contributions	17,132	15,292	2,463
Benefits paid	(8,316)	(20,361)	(12,658)
Asset loss	(765)	(9,963)	(108,187)
Fair value of plan assets at end of year	615,839	549,626	513,550

Distribution of plan assets at end of year:

	%	%	%
Local equities	38	38	43
Local bonds	24	26	27
Foreign securities	33	33	26
Cash and other	5	3	4
	100	100	100

Expected return on plan assets at end of year:

Local equities	12	12	12
Local bonds	10	11	10
Overseas equities	12	12	12
Overseas bonds	10	11	10
Loans and fixed deposits	10	11	10
Property	11	11	11
Cash and other	6	6	6

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

13. Pension asset (Cont'd)

The history of experience adjustments is as follows:

	Group and Bank				
	2011	2010	2009	2008	2007
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Fair value of plan assets	615,839	549,626	513,550	572,488	518,247
Present value of defined benefit obligation	(589,557)	(512,959)	(479,064)	(385,352)	(318,494)
Surplus	26,282	36,667	34,486	187,136	199,753
Asset experience (loss) / gain during the year	(765)	(9,963)	(108,187)	12,368	79,647
Liability experience gain during the year	-	48,916	-	-	55,201

The Group expects to make a contribution of around Rs 18.8 m to the SBM Group Pension Fund during the next financial year.

The principal actuarial assumptions used for accounting purposes were:

	Group and Bank		
	2011	2010	2009
	%	%	%
Discount rate	10.0	10.5	10.0
Expected rate of return on plan assets	10.0	10.5	10.0
Future salary increases	9.0	9.5	9.0
Future pension increases	3.0	3.5	3.0

The overall expected rate of return on plan assets at the end of each year has been based on the expected distribution of plan assets and the corresponding expected return on each class of asset.

Pension amounts and disclosures have been based on the report dated 15 August 2011 submitted by an independent firm of Actuaries and Consultants.

14. Deposits from banks

	Group			Bank		
	2011	2010	2009	2011	2010	2009
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Demand deposits	218,252	195,628	151,725	262,531	253,073	271,771

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

15. Deposits from non-bank customers

	Group			Bank		
	2011	2010	2009	2011	2010	2009
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Retail customers						
Current accounts	7,270,198	6,352,198	5,359,662	7,196,780	6,267,924	5,227,925
Savings accounts	24,000,327	22,044,555	19,850,402	23,922,088	21,975,778	19,779,041
Time deposits with remaining term to maturity:						
Up to 3 months	1,919,794	2,110,773	2,047,465	1,622,541	1,889,957	1,864,732
Over 3 months and up to 6 months	1,396,639	1,798,020	1,299,498	1,214,444	1,648,132	1,176,795
Over 6 months and up to 12 months	3,270,844	3,174,913	2,704,788	3,126,114	2,987,751	2,398,735
Over 1 year and up to 5 years	3,252,092	4,373,142	5,377,453	3,252,092	4,373,142	4,653,330
Over 5 years	472	-	19,430	472	-	-
Corporate customers						
Current accounts	11,918,567	7,648,356	10,034,199	11,712,079	7,331,673	9,872,346
Savings accounts	4,577,507	4,869,986	3,652,535	4,525,254	4,816,682	3,674,330
Time deposits with remaining term to maturity:						
Up to 3 months	2,635,886	2,749,138	3,955,556	2,330,007	2,692,660	3,892,168
Over 3 months and up to 6 months	1,797,499	880,769	1,415,058	2,502,843	858,089	1,375,763
Over 6 months and up to 12 months	2,303,305	264,596	1,705,556	2,446,164	256,807	1,676,684
Over 1 year and up to 5 years	3,583,401	1,614,397	1,370,250	3,583,401	3,013,857	2,662,080
Government						
Current accounts	1,444,318	1,291,955	2,584,613	1,444,318	1,154,297	2,400,322
Savings accounts	1,506,476	1,661,155	1,506,972	1,506,476	1,625,925	1,382,806
Time deposits with remaining term to maturity:						
Up to 3 months	2,305	273,021	3,136	2,305	1,558	3,136
Over 3 months and up to 6 months	4,364	356,909	146,432	4,364	334	335
Over 6 months and up to 12 months	4,237	34,222	127,799	4,237	16,123	5,178
Over 1 year and up to 5 years	102	4,221	408,571	102	4,221	14,650
	70,888,333	61,502,326	63,569,375	70,396,081	60,914,910	62,060,356

16. Other borrowed funds

	Group			Bank		
	2011	2010	2009	2011	2010	2009
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Borrowings from central banks	417,007	242,923	143,245	417,007	242,923	143,245
Borrowings from banks						
in Mauritius	-	615,070	4,648	-	615,070	4,648
abroad	690,278	441,299	3,118	690,278	441,299	3,118
Obligation under finance leases	-	-	-	-	-	72,062
Other financial institutions	6,017,389	783,997	906,495	6,017,389	783,997	906,495
	7,124,674	2,083,289	1,057,506	7,124,674	2,083,289	1,129,568
Up to 3 months	595,104	1,054,257	8,382	595,104	1,054,257	8,382
Over 3 months and up to 6 months	393,495	139,532	-	393,495	139,532	-
Over 6 months and up to 12 months	-	-	-	-	-	12,925
Over 1 year and up to 5 years	2,140,886	301,503	369,714	2,140,886	301,503	428,851
Over 5 years	3,995,189	587,997	679,410	3,995,189	587,997	679,410
	7,124,674	2,083,289	1,057,506	7,124,674	2,083,289	1,129,568

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

17. Taxation

The applicable tax rate in Mauritius is 15% for the year ended 30 June 2011 (2010 and 2009: 15%). An additional charge of 2% of book profit of the preceeding year is applicable for all profitable companies in Mauritius in respect of Corporate Social Responsibility. Banks in Mauritius are also subject to a special levy of 3.4% of book profit (2010 and 2009: 3.4%), and 1% of turnover from operating income (2010 and 2009: 1%). The applicable tax rate for India is 42.23% (2010 and 2009: 42.23%), whereas that of Madagascar is 22% (2010: 23% and 2009: 24%).

17a. Tax expense

	Group			Bank		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Accounting profit	2,474,662	2,212,248	2,344,619	2,244,330	2,103,204	2,072,293
Tax on accounting profit at 15%	371,199	331,837	351,693	336,649	315,481	310,844
Net tax effect of non-taxable and other items	(49,545)	(42,869)	(56,487)	(31,469)	(30,055)	(23,569)
Current tax provision for the year	321,654	288,968	295,206	305,180	285,426	287,275
Exchange difference	585	504	(564)	783	(46)	(793)
Corporate Social Responsibility fund	26,791	29,684	-	26,463	27,034	-
Special levy on banks	115,266	107,241	106,628	115,266	107,241	106,628
[Over] / Under provision in previous years	6,454	(18,020)	(12,400)	(21,119)	(18,024)	(12,501)
Current tax expense	470,750	408,377	388,870	426,573	401,631	380,609
Deferred tax income	(9,183)	(54,969)	(69,589)	(9,159)	(54,939)	(70,037)
Total tax expense	461,567	353,408	319,281	417,414	346,692	310,572

The total tax expense can also be analysed as being incurred as follows:

	Group			Bank		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
In Mauritius	368,914	340,248	293,736	363,488	334,622	284,239
Overseas	92,653	13,160	25,545	53,926	12,070	26,333
Total tax expense	461,567	353,408	319,281	417,414	346,692	310,572

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

17. Taxation (Cont'd)

17b. Deferred tax liabilities

	Group			Bank		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
At 1 July	178,705	133,817	199,227	178,578	133,124	198,982
Transferred on amalgamation of SBM Lease Limited	-	-	-	-	514	-
Exchange difference	(5,657)	1,756	4,179	(5,657)	1,778	4,179
Deferred tax income (Note 17a)	(9,183)	(54,969)	(69,589)	(9,159)	(54,939)	(70,037)
Deferred tax on revaluation of property	13,484	98,101	-	13,484	98,101	-
At 30 June	177,349	178,705	133,817	177,246	178,578	133,124
Analysed as resulting from:						
Accelerated capital allowances	102,256	52,755	55,208	102,153	52,628	52,742
Pension asset and other employee benefits	(3,108)	(2,769)	(2,201)	(3,108)	(2,769)	(2,201)
Allowances for credit impairment	(159,143)	(160,219)	(113,147)	(159,143)	(160,219)	(111,374)
Revaluation of property	243,063	289,476	198,590	243,063	289,476	198,590
Other provisions	(5,719)	(538)	(4,633)	(5,719)	(538)	(4,633)
	177,349	178,705	133,817	177,246	178,578	133,124

18. Other liabilities

	Group			Bank		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Bills payable	167,538	119,739	96,909	161,050	108,704	84,060
Accruals for expenses	274,846	241,023	214,236	267,421	234,398	232,438
Accounts payable	118,744	95,471	71,412	99,636	80,844	56,961
Deferred income	42,395	68,050	13,846	42,364	68,217	13,912
Balance due in clearing	230,402	191,902	184,317	173,590	154,574	149,758
Balances in transit	167,689	165,552	290,812	167,689	165,552	290,812
Allowance on off balance sheet exposure	16,405	-	-	16,405	-	-
Others	13,307	11,339	57,323	13,298	11,260	31,141
	1,031,326	893,076	928,855	941,453	823,549	859,082

19. Dividend declared

	Dividend per share			Dividend payable		
	2011 Rs	2010 Rs	2009 Rs	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Bank						
Dividend declared after the reporting date	3.00	2.75	2.75	774,538	709,993	709,993

Dividend declared after the reporting date is not included as a liability in the financial statements.

20. Share capital

	2011		2010		2009	
	Number	Rs' 000	Number	Rs' 000	Number	Rs' 000
Group and Bank						
Issued, subscribed and paid up share capital						
At 1 July and 30 June	303,740,223	303,740	303,740,223	303,740	303,740,223	303,740
Treasury shares held						
At 1 July and 30 June	45,561,033	45,561	45,561,033	45,561	45,561,033	45,561

The number of shares relates to ordinary shares of Re 1 each. Fully paid ordinary shares carry one vote per share and the right to dividend, except for treasury shares which have no such rights.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

21. Memorandum items

a. Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers, and spot foreign exchange contracts

	Group			Bank		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Acceptances on account of customers	686,147	106,799	209,233	686,147	106,799	207,280
Guarantees on account of customers	8,944,385	2,708,033	2,730,620	8,923,807	2,677,198	2,699,001
Letters of credit and other obligations on account of customers	1,420,664	749,074	495,783	1,405,608	721,671	401,988
Spot foreign exchange contracts	1,866,720	2,347,431	1,058,274	1,854,744	2,325,538	1,003,610
Other contingent items	-	-	813,362	-	-	813,362
	12,917,916	5,911,337	5,307,272	12,870,306	5,831,206	5,125,241

b. Commitments

	Group			Bank		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Undrawn credit facilities	8,366,477	8,215,445	5,043,907	8,085,279	8,205,434	4,919,452
Undisbursed commitments in equities	24,149	-	-	24,149	-	-
	8,390,626	8,215,445	5,043,907	8,109,428	8,205,434	4,919,452

22. Assets pledged

The aggregate carrying amount of assets that have been pledged to secure the credit facilities of the Group and the Bank with Central Banks and with Clearing Corporation of India Limited are as follows:

	Group and Bank		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Treasury bills / government bonds	368,445	199,230	147,180
Deposits	-	-	20,982
	368,445	199,230	168,162

The Group and the Bank are not allowed to trade in the assets that have been pledged. Interest earned on these assets continues to accrue to the Group and the Bank. On maturity of these assets, other similar type of assets may be substituted.

23. Capital commitments

	Group			Bank		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Approved and contracted for	44,597	44,431	19,898	44,597	44,431	19,898
Approved and not contracted for	9,196	38,058	17,250	9,196	38,058	17,250

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

24. Operating lease

Leasing arrangements - The Group as lessee

	Group			Bank		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Operating lease expense	41,469	32,321	29,326	29,260	20,593	17,393

Operating lease payments represent rentals payable for property and equipment and motor vehicles. Operating lease contracts contain renewal clauses in the event that the Group exercises its option to renew the contracts. The Group does not have an option to purchase the assets at the expiry of the lease period.

The future minimum lease payments under non-cancellable operating leases are as follows:

	Group			Bank		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Up to 1 year	20,715	25,307	6,585	16,237	14,728	6,585
After 1 year and before 5 years	16,971	15,313	16,759	15,628	12,602	16,759
After 5 years and up to 25 years	12,021	9,369	4,270	12,021	9,369	4,270
	49,707	49,989	27,614	43,886	36,699	27,614

Leasing arrangements - The Group as lessor

The Group disposed of its operating lease contracts in 2010. The future minimum lease payments receivable under non-cancellable operating leases in prior periods were as follows:

	Group		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Up to 1 year	-	-	11,186
After 1 year and before 5 years	-	-	28,606
After 5 years	-	-	-
	-	-	39,792
Operating lease income	-	2,496	11,237

25. Net interest income

	Group			Bank		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Interest income						
Cash and cash equivalents	49,791	61,074	213,894	48,496	55,964	207,416
Loans to and placements with banks	6,636	15,305	35,308	6,636	15,305	35,308
Loans and advances to customers	3,765,594	3,535,238	3,782,802	3,698,688	3,459,481	3,600,415
Investment securities	1,054,025	1,174,125	1,247,514	948,791	1,094,930	1,145,399
Trading assets	20,158	68,968	53,756	20,158	68,968	53,756
Other	4,986	12,774	-	4,851	12,720	-
Total interest income	4,901,190	4,867,484	5,333,274	4,727,620	4,707,368	5,042,294
Interest expense						
Deposits from banks	(314)	(329)	(2,612)	(314)	(329)	(2,612)
Deposits from non-bank customers	(2,234,488)	(2,347,498)	(2,889,179)	(2,150,020)	(2,272,360)	(2,750,166)
Lease finance charges	-	-	-	-	-	(14,547)
Other borrowed funds	(151,571)	(25,529)	(41,545)	(150,625)	(25,579)	(43,521)
Other	(16,288)	(971)	-	(16,288)	(971)	-
Total interest expense	(2,402,661)	(2,374,327)	(2,933,336)	(2,317,247)	(2,299,239)	(2,810,846)
Net interest income	2,498,529	2,493,157	2,399,938	2,410,373	2,408,129	2,231,448

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

26. Net fee and commission income

	Group			Bank		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Fee and commission income						
Retail banking customer fees	284,980	230,151	209,165	271,407	218,315	199,080
Corporate banking customer fees	234,201	183,304	207,653	227,137	175,458	183,891
Brokerage	8,615	8,596	4,962	-	-	-
Asset management fees	31,188	20,961	17,398	-	-	-
Card income	360,766	217,461	317,684	360,766	217,461	317,684
Total fee and commission income	919,750	660,473	756,862	859,310	611,234	700,655
Fee and commission expense						
Interbank transaction fees	(13,262)	(11,814)	(9,205)	(13,059)	(11,343)	(9,205)
Other	(26,140)	(658)	(791)	(24,410)	(658)	(791)
Total fee and commission expense	(39,402)	(12,472)	(9,996)	(37,469)	(12,001)	(9,996)
Net fee and commission income	880,348	648,001	746,866	821,841	599,233	690,659

27. Dividend income

	Group			Bank		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Available-for-sale securities	219,724	205,370	310,245	221,004	204,773	209,330
Trading securities	97	212	39	97	212	39
	219,821	205,582	310,284	221,101	204,985	209,369

28. Net trading income

	Group and Bank		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Fixed income securities	1,814	(6,689)	12,366
Equities	(3,236)	920	(2,437)
Other	(3,524)	8,979	(8,395)
	(4,946)	3,210	1,534

29. Other operating income

	Group			Bank		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Gain on sale of available-for-sale securities:						
Investment securities	4,734	-	-	4,734	-	-
Equity investments	114,357	-	-	-	-	-
Foreign exchange gain	495,232	487,411	519,340	446,319	446,542	479,878
Other	(3,565)	66	3,833	(3,565)	(182)	3,742
	610,758	487,477	523,173	447,488	446,360	483,620

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

30. Personnel expenses

	Group			Bank		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Wages and salaries	663,945	575,357	557,162	647,389	559,454	539,676
Other social security obligations	9,476	9,251	6,455	9,310	9,082	6,297
Contributions to defined contribution plans	47,205	39,586	33,448	45,219	37,669	31,370
Cash-settled share-based payments	19,934	9,763	(6,420)	19,934	9,763	(6,495)
Increase in liability for defined benefit plans (Note 13)	15,953	21,967	1,211	15,953	21,967	1,211
Other personnel expenses	152,851	128,209	114,046	146,925	123,470	109,316
	909,364	784,133	705,902	884,730	761,405	681,375

31. Other expenses

	Group			Bank		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Software licensing and other information technology cost	118,720	127,274	117,088	112,873	122,257	111,218
Auditors' remuneration (audit fee):						
- Principal auditors	4,857	4,610	4,612	4,548	4,244	4,175
- Other auditors	824	520	588	465	301	338
Other	280,144	290,494	284,908	244,934	255,123	252,368
	404,545	422,898	407,196	362,820	381,925	368,099

32. Net impairment loss on financial assets

	Group			Bank		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Portfolio and specific provisions:						
- On-balance sheet advances (Note 8c)	252,594	339,126	190,973	214,179	268,858	110,927
- Off-balance sheet exposure	16,405	-	-	16,405	-	-
Interest accrued on impaired advances	-	(24,017)	(17,128)	-	(24,017)	(17,128)
Bad debts written off for which no provisions were made	2	-	5	2	-	5
Recoveries of advances written off	(22,068)	(10,792)	(15,113)	(14,943)	(9,918)	(14,666)
Other loss	72,322	14,108	120,000	4,747	14,005	120,000
	319,255	318,425	278,737	220,390	248,928	199,138
Of which:						
Credit exposure	246,933	304,317	158,737	215,643	234,923	79,138
Other financial assets	72,322	14,108	120,000	4,747	14,005	120,000
	319,255	318,425	278,737	220,390	248,928	199,138

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

33. Earnings per share

Earnings per share is calculated by dividing profit attributable to equity holders of the parent by the number of shares outstanding during the year, excluding treasury shares.

	Group		
	2011	2010	2009
Profit attributable to equity holders of the parent (Rs' 000)	2,013,095	1,858,840	2,025,338
Number of shares entitled to dividend (thousands)	258,179	258,179	258,179
Earnings per share (Rs)	7.80	7.20	7.84

34. Related party transactions

	Key management personnel including directors			Associates and other entities in which the Group has significant influence			Entities in which directors, key management personnel and their close family members have significant influence		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Group									
(a) Credit facilities									
(i) Loans									
Balance at beginning of year	12,167	3,352	2,268	-	-	3	-	1,637,502	1,474,995
Loans of directors / entities who ceased to be related parties during the year	(2,657)	-	(1,056)	-	-	-	-	(1,637,502)	-
Existing loans of new related parties	1	3,257	2,739	-	-	-	-	-	-
Other net movements	1,662	5,558	(599)	-	-	(3)	-	-	162,507
Balance at end of year	11,173	12,167	3,352	-	-	-	-	-	1,637,502
(ii) Off-balance sheet obligations									
Balance at end of year	-	-	-	-	3,344	1,054	-	-	253,899
(b) Deposits at end of year	21,740	48,695	45,417	807,580	718,429	425,824	3,756	2,197	775,107
(c) Interest income	726	1,066	295	-	-	3	0	93,361	214,462
(d) Interest expense	1,245	1,130	1,636	35,344	28,062	17,220	6	161	14,081
(e) Other income	73	73	42	2,811	2,783	1,172	11	20,931	49,421
(f) Purchase of goods and services	-	-	-	2,489	9,605	8,286	-	-	-
(g) Emoluments	57,050	40,496	47,504	-	-	-	-	-	-

There is a right of set-off between deposits and advances for entities in which directors, key management personnel, and their close family members have significant influence. The advances and deposits for 2009 have therefore been disclosed on a net basis above.

Amount netted are shown below:

	Group		
	2011	2010	2009
	Rs' 000	Rs' 000	Rs' 000
Loans	-	-	1,465,070
Other advances	-	-	711,139
Deposits	-	-	2,176,209

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

34. Related party transactions (Cont'd)

Related party transactions in relation to Post Employment Benefit plans are as follows:

	Group		
	2011	2010	2009
	Rs' 000	Rs' 000	Rs' 000
Deposits at end of year	29,965	18,819	6,747
Interest expense	755	877	992
Other income	24	35	11
Contributions paid	53,124	52,756	27,214

In addition to the amounts disclosed for the Group, transactions with subsidiaries of the Group are disclosed below:

	Bank		
	2011	2010	2009
	Rs' 000	Rs' 000	Rs' 000
Deposits	1,697,031	1,474,159	1,672,020
Obligations under finance leases	-	-	72,062
Interest income	34	-	1,543
Interest expense	8,287	7,480	49,762
Non interest income	53	289	1,063
Non interest expense	2,824	280	423

Credit facilities to key management personnel and executive directors are as per their contract of employment. All other transactions with key management personnel and directors, whether credit facilities, deposits or purchase of goods and services, are at market terms and conditions and will be settled in cash. Credit facilities are secured except for credit card advances and some personal loans which are granted under an unsecured loan scheme in the normal course of business.

35. Phantom share options

The Group has in place a "Compensation based on Performance Scheme" for senior executives including an element of at-risk pay. The at-risk pay is in the form of options for phantom shares. Under this scheme, senior executives are allocated a number of phantom share options based on individual, team and Group performance. The option price is the price at which the option has been issued. Options lapse if they are not exercised before their expiry date or on the date an option holder ceases to be an employee of the Group, except in certain specific circumstances and at the discretion of the Board. On the exercise of an option for a phantom share, applicants receive in cash the increase in value of a notional share, based on the difference between the Bank's quoted share price at the time of exercise and the option price.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

35. Phantom share options (Cont'd)

Other terms of the phantom share options outstanding as at 30 June 2011 for the Group and Bank:

Grant date	Earliest exercisable date	Maximum exercisable rate per year	Outstanding number	Option price (Rs)	Lapse date
July 2001	July 2004	15%	1,000	10.00	July 2011
August 2002	August 2005	15%	10,250	10.00	August 2012
August 2004	August 2007	15%	53,050	20.00	August 2014
October 2005	October 2008	15%	157,250	25.00	October 2015
August 2006	August 2009	15%	261,750	37.60	August 2016
August 2007	August 2009	25%	391,250	55.90	August 2014
August 2008	August 2010	25%	786,250	85.00	August 2015
May 2009	May 2010	50%	75,000	80.00	April 2012
February 2010	February 2011	50%	13,075	40.00	February 2012
February 2010	February 2012	50%	26,150	80.00	February 2013
March 2010	September 2010	33%	27,000	40.00	March 2012
October 2010	October 2012	100% in October 2012	20,000	50.00	October 2012
October 2010	October 2013	100% in October 2013	40,000	50.00	October 2013

Movements in the number of phantom share options:

	Group			Bank		
	2011 Number	2010 Number	2009 Number	2011 Number	2010 Number	2009 Number
Outstanding at beginning of the year	2,469,400	3,185,300	2,231,750	2,469,400	3,061,800	2,146,750
Allocated during the year	60,000	133,300	1,335,000	60,000	143,300	1,295,000
Lapsed during the year	(78,250)	(500,350)	(249,000)	(78,250)	(405,600)	(249,000)
Exercised during the year	(589,125)	(348,850)	(132,450)	(589,125)	(330,100)	(130,950)
Outstanding at end of the year	1,862,025	2,469,400	3,185,300	1,862,025	2,469,400	3,061,800

As at 30 June 2011, the potential liability relating to the phantom share options was Rs 34.2 m (2010: Rs 23.5 m and 2009: Rs 22.0 m).

36. Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern and maximise returns to shareholders. It also ensures that adequate capital is maintained to support its growth strategies, its risk appetite and depositors' confidence, while complying with statutory and regulatory requirements. The capital resources of the Group are disclosed in the *Statement of changes in equity*.

All entities within the Group have met the respective minimum capital requirements set out by the relevant regulatory body and, where applicable, appropriate transfers have also been made to statutory reserves, ranging from 10% to 25% of yearly profits.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

36. Capital management (Cont'd)

All banking entities within the Group have also met their respective minimum capital adequacy ratio requirements. Banks in Mauritius are required to maintain a ratio of eligible capital to risk weighted assets of at least 10%, whereas for India and Madagascar, the minimum ratio is set at 9% and 8% respectively. As from March 2009, capital adequacy ratio was calculated based on Basel II methodology, as advocated by the Bank of Mauritius.

	Group			Bank		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Tier 1 capital	11,197,809	9,869,807	8,723,978	8,591,503	7,406,716	6,080,536
Eligible capital base	13,472,200	12,248,068	10,683,317	11,290,367	10,017,507	8,116,242
Risk weighted assets	60,095,379	46,237,888	44,437,427	58,627,870	44,652,824	41,526,028
Capital adequacy ratio (%)	22.42	26.49	24.04	19.26	22.43	19.54

37. Risk management

The Board of Directors is ultimately responsible for risk management. It approves the risk policies and sets prudential limits and risk tolerance limits within which the Group operates.

The principal risks arising from financial instruments to which the Group is exposed include:

- Credit risk
- Liquidity risk
- Market risk

a (i) Financial assets and liabilities

Financial assets and liabilities of the Group and Bank are shown in the tables below, grouped by categories.

	Group			Bank		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Financial assets						
Loans and receivables	83,929,869	71,345,052	71,768,480	81,710,111	69,259,511	68,689,192
Held-to-maturity	1,919,300	1,172,353	747,891	1,919,300	1,172,353	696,994
Available-for-sale	6,050,854	3,448,634	3,421,487	6,237,476	3,245,351	3,169,187
FVTPL - Held-for-trading	146,113	148,224	196,280	146,113	148,224	196,280
	92,046,136	76,114,263	76,134,138	90,013,000	73,825,439	72,751,653
Financial liabilities						
Measured at amortised cost	79,268,040	64,606,269	65,693,610	78,730,228	64,006,604	64,306,863
FVTPL - Held-for-trading	141,077	84,964	49,071	141,077	84,964	49,071
	79,409,117	64,691,233	65,742,681	78,871,305	64,091,568	64,355,934

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

37. Risk management (Cont'd)

a (ii) Fair values

Set out below is a comparison of the carrying amounts and fair values of financial instruments held at the reporting date.

Group	2011		2010		2009	
	Carrying Value Rs' 000	Fair Value Rs' 000	Carrying Value Rs' 000	Fair Value Rs' 000	Carrying Value Rs' 000	Fair Value Rs' 000
Financial assets						
Cash and cash equivalents	6,744,422	6,744,422	5,501,822	5,501,822	11,764,439	11,764,439
Trading assets	146,113	146,113	148,224	148,224	196,280	196,280
Loans to and placements with banks	943,359	943,359	-	-	2,766,726	2,766,726
Loans and advances to customers	56,741,302	56,750,861	43,731,741	43,763,388	39,793,808	39,943,599
Investment securities	22,903,047	22,887,216	23,572,721	23,805,680	18,487,739	18,875,580
Mandatory balances with Central Banks	4,180,104	4,180,104	2,892,794	2,892,794	2,822,563	2,822,563
Other assets	387,789	387,789	266,961	266,961	302,583	302,583
	92,046,136	92,039,864	76,114,263	76,378,869	76,134,138	76,671,770
Financial liabilities						
Deposits from banks	218,252	218,252	195,628	195,628	151,725	151,725
Deposits from non-bank customers	70,888,333	70,938,697	61,502,326	61,611,287	63,569,375	64,200,040
Trading liabilities	141,077	141,077	84,964	84,964	49,071	49,071
Other borrowed funds	7,172,525	7,172,525	2,083,289	2,083,289	1,057,506	1,057,506
Other liabilities	988,930	988,930	825,026	825,026	915,004	915,004
	79,409,117	79,459,481	64,691,233	64,800,194	65,742,681	66,373,346
Bank						
Financial assets						
Cash and cash equivalents	6,502,047	6,502,047	5,195,931	5,195,931	11,481,860	11,481,860
Trading assets	146,113	146,113	148,224	148,224	196,280	196,280
Loans to and placements with banks	943,359	943,359	-	-	2,766,726	2,766,726
Loans and advances to customers	56,052,338	56,061,898	43,094,855	43,126,502	38,062,324	38,202,801
Investment securities	22,138,012	22,122,181	22,552,019	22,784,978	16,968,753	17,356,594
Mandatory balances with Central Banks	3,866,714	3,866,714	2,586,145	2,586,145	2,499,819	2,499,819
Other assets	364,417	364,417	248,265	248,265	775,891	775,891
	90,013,000	90,006,729	73,825,439	74,090,045	72,751,653	73,279,971
Financial liabilities						
Deposits from banks	262,531	262,531	253,073	253,073	271,771	271,771
Deposits from non-bank customers	70,396,081	70,446,445	60,914,910	61,023,871	62,060,356	62,593,640
Trading liabilities	141,077	141,077	84,964	84,964	49,071	49,071
Other borrowed funds	7,172,525	7,172,525	2,083,289	2,083,289	1,129,568	1,129,568
Other liabilities	899,091	899,091	755,332	755,332	845,168	845,168
	78,871,305	78,921,669	64,091,568	64,200,529	64,355,934	64,889,218

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

37. Risk management (Cont'd)

a (iii) Fair value measurement hierarchy

Fair value measurements of financial instruments can be grouped into level 1 to 3 based on the degree to which the fair value is observable, namely:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data.

The table below analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised, based on the lowest level input for the entire class of asset or liability.

	Level 1 Rs' 000	Level 2 Rs' 000	Level 3 Rs' 000	Total Rs' 000
Group				
2011				
Trading assets	985	145,128	-	146,113
Investment securities - available-for-sale	390,336	2,501,382	3,128,378	6,020,096
Total	391,321	2,646,510	3,128,378	6,166,209
Trading liabilities	-	141,077	-	141,077
2010				
Trading assets	-	148,224	-	148,224
Investment securities - available-for-sale	112,262	-	3,300,613	3,412,875
Total	112,262	148,224	3,300,613	3,561,099
Trading liabilities	-	84,964	-	84,964
Bank				
2011				
Trading assets	985	145,128	-	146,113
Investment securities - available-for-sale	278,072	2,501,382	3,432,651	6,212,105
Total	279,057	2,646,510	3,432,651	6,358,218
Trading liabilities	-	84,964	-	84,964
2010				
Trading assets	-	148,224	-	148,224
Investment securities - available-for-sale	-	-	3,214,982	3,214,982
Total	-	148,224	3,214,982	3,363,206
Trading liabilities	-	84,964	-	84,964

There was no transfer between Level 1 and 2 during the year.

Reconciliation for Level 3 fair value measurements:

	Group		Bank	
	2011 Rs' 000	2010 Rs' 000	2011 Rs' 000	2010 Rs' 000
Balance at 01 July	3,300,613	3,267,244	3,214,982	2,925,967
Additions	-	6,849	-	-
Disposals	(163,340)	-	-	-
Transfer to Level 1	(236,727)	-	(236,727)	-
Translation	(28,744)	(2,112)	-	-
Increase in fair value	256,576	28,632	454,396	289,015
Balance at 30 June	3,128,378	3,300,613	3,432,651	3,214,982

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

37. Risk management (Cont'd)

b. Credit risk

The Group is exposed to credit risk through its lending, trade finance, treasury and leasing activities. Credit risk is the risk of loss arising from the failure of a counterparty to fulfil its contractual or financial obligations to the Group as and when they fall due. The Group's credit risk is managed through a portfolio approach with prudential limits set across country, bank, industry, group and individual exposures. The Credit Underwriting team, independent of the origination process, ensures the accumulation of assets within acceptable risk norms using internal and external rating systems for the standardisation of credit assessment. The Group has a tiered credit sanctioning process depending on the credit quality, exposure type and amount. Credit exposures and risk profile are monitored by the Credit Risk Management unit and reported regularly to the Board Risk Committee.

(i) Maximum credit exposure

The maximum exposure to credit risk at the reporting date without taking account of any collateral held and other credit enhancements is as disclosed below:

	Group			Bank		
	2011	2010	2009	2011	2010	2009
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Fund-based exposures:						
Cash and cash equivalents	5,823,240	4,796,705	11,225,578	5,608,594	4,490,814	10,988,381
Trading assets	14,450	86,724	119,174	14,450	86,723	119,174
Loans to and placements with banks	943,359	-	2,766,726	943,359	-	2,766,726
Loans and advances to customers	57,892,340	44,658,493	40,716,207	56,998,683	43,852,962	38,632,115
Investment securities	23,570,849	24,160,809	19,011,409	22,138,108	22,552,091	17,470,368
Mandatory balances with Central Banks	4,180,104	2,892,794	2,822,563	3,866,714	2,586,145	2,499,819
	92,424,342	76,595,525	76,661,657	89,569,908	73,568,735	72,476,583
Non-fund based exposures:						
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	11,051,196	3,563,906	3,435,636	11,015,562	3,505,668	3,308,269
Credit commitments	8,366,477	8,215,445	5,043,907	8,085,279	8,205,434	4,919,452
	19,417,673	11,779,351	8,479,543	19,100,841	11,711,102	8,227,721

(ii) Collateral and other credit enhancements

The use of credit risk mitigants is an integral part of the credit risk management process and is documented in the Group Credit Risk policy. The amount and type of collateral required depend on the counterparty's credit quality and repayment capacity. The principal collateral types taken include:

- Fixed / floating charge on assets of borrowers
- Pledge of deposits / securities / life insurance policy / shares
- Government guarantee / bank guarantee / corporate guarantee / personal guarantee
- Lien on vehicle
- Letter of comfort

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

37. Risk management (Cont'd)

b. Credit risk (Cont'd)

(iii) Credit quality

Corporate borrowers are assigned a Customer Risk Rating using Moody's Risk Advisor which is based on the borrower's financial condition and outlook, industry and economic conditions, access to capital and management strength. For the small and medium enterprises, the rating is derived from the Small Business Underwriting Matrix which is primarily based on the customer's financial position and quality of collateral. Individuals are rated using Experian-Transact tool based on a set of personal attributes including income and repayment capacity.

An analysis of credit exposures, including non-fund based facilities, for advances to customers that are neither past due nor impaired using the Group's credit grading system is given below:

	Group			Bank		
	2011	2010	2009	2011	2010	2009
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Grades:						
1 to 3 - Strong	47,322,260	30,232,064	24,854,252	46,400,802	29,648,778	23,586,508
4 to 6 - Satisfactory	18,174,513	14,706,983	15,197,251	18,174,514	14,665,867	14,922,497
7 to 10 (including unrated) - weak	10,764,092	10,274,183	7,366,047	10,719,179	10,267,074	6,933,288
	76,260,865	55,213,230	47,417,550	75,294,495	54,581,719	45,442,293

Grade 1 includes customers with low credit risk factors, strong financial conditions and excellent repayment capacities whereas grade 10 includes unrated customers which have been defaulted to 10 on a prudent basis.

The carrying amount of loans and advances whose terms have been re-negotiated during the year amounted to Rs 3,103.1 m (2010: Rs 1,199.6 m) for the Group and Rs 3,096.3 m (2010: Rs 1,197.7 m) for the Bank.

(iv) Credit exposure by portfolio

Advances that are neither past due nor impaired:

	Group			Bank		
	2011	2010	2009	2011	2010	2009
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Portfolio						
Agriculture	2,300,951	880,483	914,020	2,290,165	871,445	863,265
Commerce	12,189,078	6,337,225	5,831,262	11,935,050	6,070,122	5,298,614
Consumer	17,766,566	13,617,762	12,222,790	17,750,256	13,607,747	12,130,728
Infrastructure	5,653,654	3,476,824	1,732,453	5,652,209	3,476,824	1,717,104
Job Contractors	1,394,433	889,001	839,114	1,353,770	885,822	794,195
Manufacturing	12,332,313	8,655,217	8,218,475	12,202,922	8,613,228	7,681,627
New Economy	1,250,919	1,753,553	644,769	1,250,919	1,753,553	644,562
Real Estate	2,732,534	2,983,886	2,341,516	2,582,039	2,861,512	2,220,017
Services	11,668,812	8,854,516	6,805,544	11,309,714	8,679,919	6,358,240
Tourism	8,971,605	7,764,763	7,867,607	8,967,451	7,761,547	7,733,941
	76,260,865	55,213,230	47,417,550	75,294,495	54,581,719	45,442,293

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

37. Risk management (Cont'd)

b. Credit risk (Cont'd)

(v) Ageing of receivables that are past due but not impaired:

	Group			Bank		
	2011	2010	2009	2011	2010	2009
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Up to 1 month	192,321	341,397	812,650	190,684	338,385	804,994
Over 1 month and up to 3 months	43,221	31,600	128,424	43,220	31,355	83,579
Over 3 months	2,569	12,393	20,111	-	-	-
	238,111	385,390	961,185	233,904	369,740	888,573

(vi) Impaired financial assets

Loans and advances are assessed for impairment when objective evidence, such as default or delinquency in interest or principal payments, significant financial difficulty of the counterparty or evidence that the borrower will enter bankruptcy or financial re-organisation, indicate that the account may be impaired. A financial asset is considered to be impaired if the present value of estimated future cash flows discounted at the asset's original effective rate is less than the asset's carrying amount.

The carrying amount of impaired financial assets and specific allowance held are shown below:

	Group			Bank		
	2011	2010	2009	2011	2010	2009
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Loans and advances	811,037	839,224	817,016	571,125	612,605	528,969
Specific allowance held in respect of impaired advances	549,289	482,261	628,049	375,061	338,957	358,314
Fair value of collaterals of impaired advances	373,596	407,907	303,045	296,679	324,592	203,136

(vii) Credit concentration of risk by industry sectors

Total outstanding credit facilities, net of deposits where there is a right of set off, including guarantees, acceptances, and other similar commitments extended by the Bank to any one customer or group of closely-related customers for amounts aggregating more than 15% of its capital base, classified by industry sectors:

	Group			Bank		
	2011	2010	2009	2011	2010	2009
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Portfolio						
Commerce	3,754	-	-	3,679	-	-
Infrastructure	-	-	-	1,811	-	-
Manufacturing	2,184	2,065	-	2,184	2,037	-
Real Estate	-	-	-	-	-	1,379
Services	-	-	-	1,761	-	-
Tourism	2,329	-	-	2,329	1,624	2,536
	8,267	2,065	-	11,764	3,661	3,915

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

37. Risk management (Cont'd)

c. Liquidity risk

Liquidity risk is the potential earnings volatility arising from being unable to fund assets at reasonable rates over required maturities. The Group ensures that sufficient liquidity is maintained to fund its day-to-day operations, meet deposit withdrawals and loan disbursements. Liquidity risk is managed by setting prudential limits on maturity mismatches, liquid assets ratios, concentration of deposits by type and by entity. Liquidity gap analysis is used to measure and monitor the mismatches by time bucket and currency under realistic and stress scenarios.

The tables below show the maturity analysis of contractual undiscounted cash flows for financial liabilities of the Group and the Bank. Although demand deposits are contractually repayable on demand, the Group's past experience indicates that these deposit balances remain stable over the long-term. In practice, the Group manages its liquidity risks based on expected cash outflows instead of contractual maturities.

	On Demand	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Group								
Financial liabilities								
Deposits	47,786,899	6,239,224	5,320,599	6,844,862	5,934,334	1,452,745	-	73,578,663
Trading liabilities	37,015	-	-	-	-	-	104,062	141,077
Other borrowed funds	237,501	2,690,594	793,731	19,101	38,203	2,439,761	3,712,950	9,931,841
Other liabilities	-	983,997	-	-	-	-	-	983,997
30 June 2011	48,061,415	9,913,815	6,114,330	6,863,963	5,972,537	3,892,506	3,817,012	84,635,578
30 June 2010	43,810,439	7,216,098	3,084,570	3,627,355	5,158,743	1,797,744	254,223	64,949,172
30 June 2009	43,139,945	7,074,583	3,482,444	5,227,739	5,420,503	4,163,982	415,390	68,924,586

Bank

Financial liabilities								
Deposits	49,308,617	5,516,558	4,831,741	6,229,175	5,915,181	1,329,419	-	73,130,691
Trading liabilities	37,015	-	-	-	-	-	104,062	141,077
Other borrowed funds	237,501	2,690,594	793,731	19,101	38,203	2,439,761	3,712,950	9,931,841
Other liabilities	-	894,185	-	-	-	-	-	894,185
30 June 2011	49,583,133	9,101,337	5,625,472	6,248,276	5,953,384	3,769,180	3,817,012	84,097,794
30 June 2010	43,171,956	6,595,757	2,543,545	3,401,911	6,529,008	1,797,744	254,223	64,294,144
30 June 2009	42,608,377	6,759,158	3,175,272	4,766,490	4,758,783	4,925,727	401,224	67,395,031

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

37. Risk management (Cont'd)

d. Market risk

Market risk is the risk of loss resulting from adverse movement in market rates or prices such as interest rates, foreign exchange rates and equity prices. The Group's market risks are monitored by the Market Risk Team and reported to the Market Risk Forum and Board Risk Committee on a regular basis.

(i) (a) Interest rate risk

The Group's interest rate risk arises mostly from mismatches in the repricing of its assets and liabilities. The Group uses an interest rate gap analysis to measure and monitor the interest rate risk. Prudential limits for the gap, expressed as a percentage of assets, have been set for specific time buckets and earnings at risk is calculated based on different shock scenarios across major currencies.

The table below analyses the Group's and the Bank's interest rate risk exposure in terms of the remaining period to the next contractual repricing date or to the maturity date, whichever is the earlier. The 'up to 3 months' column include the financial assets and liabilities which have floating rates of interest that do not reprice at set dates, but rather reprice whenever the underlying interest rate index changes.

	Up to 3 months Rs'000	3-6 months Rs'000	6-12 months Rs'000	1-2 years Rs'000	2-5 years Rs'000	Over 5 years Rs'000	Non-Interest Sensitive Rs'000	Total Rs'000
Group 2011								
Assets								
Cash and cash equivalents	4,657,670	-	-	-	-	-	2,086,752	6,744,422
Trading assets	3,891	-	9,574	-	-	-	132,648	146,113
Loans to and placements with banks	-	285,722	371,324	286,313	-	-	-	943,359
Loans and advances to customers	50,117,108	5,551,527	573,002	251,794	364,501	766,011	(882,641)	56,741,302
Investment securities	7,759,880	2,624,279	4,143,130	1,025,138	2,918,651	882,496	3,549,473	22,903,047
Other assets, including Mandatory balances with Central Banks	-	-	-	-	-	-	4,567,893	4,567,893
Total assets	62,538,549	8,461,528	5,097,030	1,563,245	3,283,152	1,648,507	9,454,125	92,046,136
Liabilities								
Deposits from banks	218,252	-	-	-	-	-	-	218,252
Deposits from non-bank customers	55,792,303	2,454,203	4,233,919	2,918,152	195,178	-	5,294,578	70,888,333
Trading liabilities	-	-	-	-	-	-	141,077	141,077
Other borrowed funds	7,172,525	-	-	-	-	-	-	7,172,525
Other liabilities	-	-	-	-	-	-	988,930	988,930
Total liabilities	63,183,080	2,454,203	4,233,919	2,918,152	195,178	-	6,424,585	79,409,117
On-balance sheet interest rate repricing gap	(644,531)	6,007,325	863,111	(1,354,907)	3,087,974	1,648,507	-	-
Off-balance sheet interest rate repricing gap	(1,917,568)	85,745	362,677	1,611,594	(142,448)	-	-	-
	(2,562,099)	6,093,070	1,225,788	256,687	2,945,526	1,648,507	-	-

2010

Total assets	53,178,249	4,066,307	6,365,685	3,052,006	897,547	694,643	7,859,826	76,114,263
Total liabilities	50,217,780	2,709,725	2,047,254	2,912,942	795,924	-	6,007,608	64,691,233
On-balance sheet interest rate repricing gap	2,960,469	1,356,582	4,318,431	139,064	101,623	694,643	-	-
Off-balance sheet interest rate repricing gap	(1,043,357)	-	-	1,253,187	(209,831)	-	-	-
	1,917,112	1,356,582	4,318,431	1,392,251	(108,208)	694,643	-	-

2009

Total assets	52,158,807	4,066,365	4,514,384	2,630,236	3,167,612	781,650	8,815,084	76,134,138
Total liabilities	47,917,011	2,504,231	3,671,688	2,318,219	2,151,566	-	7,179,986	65,742,681
On-balance sheet interest rate repricing gap	4,241,796	1,562,134	842,696	312,017	1,016,066	781,650	-	-
Off-balance sheet interest rate repricing gap	(1,398,820)	-	686,941	711,879	-	-	-	-
	2,842,976	1,562,134	1,529,637	1,023,896	1,016,066	781,650	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

37. Risk management (Cont'd)

d. Market risk (Cont'd)

(i) (a) Interest rate risk (Cont'd)

	Up to 3 months Rs'000	3-6 months Rs'000	6-12 months Rs'000	1-2 years Rs'000	2-5 years Rs'000	Over 5 years Rs'000	Non-Interest Sensitive Rs'000	Total Rs'000
Bank 2011								
Assets								
Cash and cash equivalents	4,649,426	-	-	-	-	-	1,852,621	6,502,047
Trading assets	3,891	-	9,574	-	-	-	132,648	146,113
Loans to and placements with banks	-	285,722	371,324	286,313	-	-	-	943,359
Loans and advances to customers	49,243,660	5,551,527	573,002	251,794	364,501	766,011	(698,157)	56,052,338
Investment securities	7,170,725	2,425,754	3,979,154	1,025,138	2,918,651	882,496	3,736,094	22,138,012
Other assets, including Mandatory balances with Central Banks	-	-	-	-	-	-	4,231,131	4,231,131
Total assets	61,067,702	8,263,003	4,933,054	1,563,245	3,283,152	1,648,507	9,254,337	90,013,000
Liabilities								
Deposits from banks	262,531	-	-	-	-	-	-	262,531
Deposits from non-bank customers	55,253,307	3,047,225	3,992,818	2,914,974	195,178	-	4,992,579	70,396,081
Trading liabilities	-	-	-	-	-	-	141,077	141,077
Other borrowed funds	7,172,525	-	-	-	-	-	-	7,172,525
Other liabilities	-	-	-	-	-	-	899,091	899,091
Total liabilities	62,688,363	3,047,225	3,992,818	2,914,974	195,178	-	6,032,747	78,871,305
On-balance sheet interest rate repricing gap	(1,620,661)	5,215,778	940,236	(1,351,729)	3,087,974	1,648,507	-	-
Off-balance sheet interest rate repricing gap	(1,917,568)	85,745	362,677	1,611,594	(142,448)	-	-	-
	(3,538,229)	5,301,523	1,302,913	259,865	2,945,526	1,648,507	-	-
2010								
Total assets	52,156,357	3,968,419	5,822,523	3,052,006	897,547	694,643	7,233,944	73,825,439
Total liabilities	51,171,603	2,073,937	1,717,742	2,912,942	795,924	-	5,419,420	64,091,568
On-balance sheet interest rate repricing gap	984,754	1,894,482	4,104,781	139,064	101,623	694,643	-	-
Off-balance sheet interest rate repricing gap	(1,043,357)	-	-	1,253,187	(209,830)	-	-	-
	(58,603)	1,894,482	4,104,781	1,392,251	(108,207)	694,643	-	-
2009								
Total assets	50,839,119	3,872,370	4,040,068	2,560,456	3,059,782	780,948	7,598,910	72,751,653
Total liabilities	48,979,332	2,083,212	3,010,617	2,005,308	1,944,530	-	6,332,935	64,355,934
On-balance sheet interest rate repricing gap	1,859,787	1,789,158	1,029,451	555,148	1,115,252	780,948	-	-
Off-balance sheet interest rate repricing gap	(1,398,820)	-	686,941	711,879	-	-	-	-
	460,967	1,789,158	1,716,392	1,267,027	1,115,252	780,948	-	-

(i) (b) Interest rate sensitivity

In order to measure the Group's and the Bank's vulnerability to interest rate movements, Gap Analysis is used. The Group assesses the impact of various interest rate shocks on net interest income over a 12-month period assuming a static position.

If interest rates had been 2% higher and all other variables were held constant, the Group's and the Bank's profit would have been increased as follows:

	Group			Bank		
	2011	2010	2009	2011	2010	2009
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Increase in profit	35,854	44,589	60,737	8,653	10,545	18,637

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

37. Risk management (Cont'd)

d. Market risk (Cont'd)

(ii) Currency risk (Cont'd)

Foreign exchange risk arises from open and imperfectly offset or hedged positions. Imperfect correlations across currencies and international interest rate markets pose particular challenges to the effectiveness of foreign currency hedging strategies. The Bank exercises strict control over its foreign currency exposures. The Bank reports on foreign currency positions to the Central Bank and has set up conservative internal limits in order to mitigate foreign exchange risk. To manage their foreign currency exposures, dealers operate within prudential limits approved by the Board including intraday/overnight open exposures, stop loss and authorised currencies. These trading limits for Mauritius, Madagascar and Indian Operations are reviewed at least once annually by the Board / Board Risk Management Committee. The Middle Office closely monitors the Front Office and reports any excesses and deviations from approved limits to the Market Risk Forum and to the Board Risk Management Committee.

The tables below show the carrying amounts of the Non-Mauritian Rupee denominated monetary assets and liabilities at the reporting date.

	USD Rs' 000	GBP Rs' 000	EURO Rs' 000	INR Rs' 000	OTHER Rs' 000
Group					
2011					
Total assets	20,113,083	1,070,793	3,444,979	7,236,630	2,512,589
Total liabilities	10,835,180	4,443,976	7,425,101	5,268,721	3,652,827
Net assets	9,277,903	(3,373,183)	(3,980,122)	1,967,909	(1,140,238)
Off-balance sheet net notional position	(7,909,245)	3,390,175	3,900,218	-	1,206,028
2010					
Total assets	11,266,583	2,572,144	3,186,971	3,702,436	2,173,018
Total liabilities	6,024,568	3,878,785	4,035,544	2,971,438	2,490,168
Net assets	5,242,015	(1,306,641)	(848,573)	730,998	(317,150)
Off-balance sheet net notional position	(3,676,577)	1,360,927	943,987	-	382,596
2009					
Total assets	10,254,048	2,457,242	5,701,945	3,477,601	2,946,597
Total liabilities	8,794,027	2,850,868	5,562,324	2,689,929	2,924,123
Net assets	1,460,021	(393,626)	139,621	787,672	22,474
Off-balance sheet net notional position	(1,436,259)	393,063	(152,016)	-	(37,666)

'USD' includes the assets and liabilities of the subsidiaries holding Global Business Licences and whose functional currency, including their capital and reserves, is US dollars.

'INR' includes the assets and liabilities of the Indian operations. 'Other' shows the Mauritian rupee equivalent of all other non-Mauritian currencies than those shown separately and include the assets and liabilities of the subsidiary in Madagascar.

	USD Rs' 000	GBP Rs' 000	EURO Rs' 000	INR Rs' 000	OTHER Rs' 000
Bank					
2011					
Total assets	20,102,295	1,070,764	3,438,482	7,236,630	333,938
Total liabilities	12,341,905	4,443,976	7,409,269	5,268,721	1,571,342
Net assets	7,760,390	(3,373,212)	(3,970,787)	1,967,909	(1,237,404)
Off-balance sheet net notional position	(7,909,245)	3,390,175	3,893,985	-	1,206,028
2010					
Total assets	11,163,229	2,572,135	3,158,466	3,702,436	193,354
Total liabilities	7,336,943	3,879,051	3,996,832	2,971,438	550,360
Net assets	3,826,286	(1,306,916)	(838,366)	730,998	(357,006)
Off-balance sheet net notional position	(3,669,398)	1,360,927	933,234	-	382,596
2009					
Total assets	11,547,520	2,457,190	5,667,997	3,480,480	917,739
Total liabilities	10,100,189	2,850,868	5,520,669	2,689,929	958,070
Net assets	1,447,331	(393,678)	147,328	790,551	(40,331)
Off-balance sheet net notional position	(1,455,004)	393,063	(157,998)	-	(37,666)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

37. Risk management (Cont'd)

d. Market risk (Cont'd)

(ii) Currency risk (Cont'd)

Value-at-Risk Analysis

The Group uses Value-at-Risk (VAR) to estimate the potential foreign exchange loss arising from adverse movements in an ordinary market environment. To calculate VAR, SBM uses the historical method which assumes that historical changes in market values are representative of future changes. The VAR is based on the previous 12 months data. SBM calculates VAR using 10 days holding period and an expected tail-loss methodology, which approximates a 99% confidence level. This would mean that only once in every 100 trading days, SBM would expect to incur losses greater than the VAR estimates, or about two to three times a year. The use of 10 days holding period and a one-year historical observation period are in line with the Basel II recommendation.

The Group's and the Bank's VAR amounted to:

	Group			Bank		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Minimum for the year	172	116	121	169	115	120
Maximum for the year	8,690	9,293	6,434	8,289	9,067	6,352
Year - End	639	342	955	634	328	930

(iii) Equity price sensitivity analysis

The Group is exposed to equity price risks arising from equity investments. Available-for-sale equity investments are held for strategic rather than for trading purposes and the Group does not actively trade in these investments. Changes in prices / valuation of these investments are reflected in the statement of comprehensive income, except for impairment losses which are reported in the statement of income. Changes in prices of held-for-trading investments are reflected in the statement of income.

A 5% increase in the price of equities held at the reporting date would have resulted in an unrealised gain to the statement of comprehensive income or statement of income as reflected below. A 5% decrease would have resulted in an equivalent loss being booked.

	Group			Bank		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Statement of comprehensive income	175,936	170,644	149,431	185,536	160,749	156,901
Statement of income	-	51	617	49	51	617
	175,936	170,695	150,048	185,585	160,800	157,518

e. Accounting policies

Details of the accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability and equity instruments are disclosed in Note 3 to the financial statements (accounting policies).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

38. Segment information - Group

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The Group has only one reportable operating segment based on its business activities, which is the Banking segment. Its revenues mainly arise from advances to customers and banks, investment in gilt-edged securities and equity instruments, bank placements, services provided on deposit products, provision of card and other electronic channel services, trade finance facilities, trading activities and foreign currency operations.

The accounting policies of the operating segment are the same as those described in *Note 3*.

(a) Information about the reportable segment profit, assets and liabilities

Information about the reportable segment and the reconciliation of the reportable segment information to Group total is shown below:

	Banking Rs'000	Others Rs'000	Intersegment adjustments Rs'000	Group Total Rs'000
2011				
Interest income from external customers	4,901,054	136	-	4,901,190
Non interest income from external customers	1,584,246	161,137	-	1,745,383
Revenue from external customers	6,485,300	161,273	-	6,646,573
Interest income from internal customers	-	8,287	(8,287)	-
Non interest income from internal customers	23	2,824	(2,847)	-
Revenue from other segments of the entity	23	11,111	(11,134)	-
Total gross revenue	6,485,323	172,384	(11,134)	6,646,573
Interest and commission expense to external customers	(2,442,062)	(1)	-	(2,442,063)
Interest expense to internal customers	(8,287)	-	8,287	-
	(2,450,349)	(1)	8,287	(2,442,063)
Operating income	4,034,974	172,383	(2,847)	4,204,510
Depreciation and amortisation	(182,847)	(864)	-	(183,711)
Other non interest expenses	(1,297,938)	(18,818)	2,847	(1,313,909)
Net impairment loss on financial assets	(251,682)	(67,573)	-	(319,255)
Operating profit	2,302,507	85,128	-	2,387,635
Share of profit of associates	87,027	-	-	87,027
Profit before income tax	2,389,534	85,128	-	2,474,662
Tax expense	(456,140)	(5,427)	-	(461,567)
Profit for the year attributable to equity holders of the parent	1,933,394	79,701	-	2,013,095
Segment assets	95,214,006	2,238,156	(1,724,356)	95,727,806
Segment liabilities	81,318,029	23,920	(1,584,646)	79,757,303
Additions to tangible and intangible assets	115,557	348	-	115,905

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

38. Segment information - Group (Cont'd)

	Banking Rs'000	Others Rs'000	Intersegment adjustments Rs'000	Group Total Rs'000
2010				
Interest income from external customers	4,867,080	404	-	4,867,484
Non interest income from external customers	1,318,947	37,795	-	1,356,742
Revenue from external customers	6,186,027	38,199	-	6,224,226
Interest income from internal customers	-	7,480	(7,480)	-
Non interest income from internal customers	28	280	(308)	-
Revenue from other segments of the entity	28	7,760	(7,788)	-
Total gross revenue	6,186,055	45,959	(7,788)	6,224,226
Interest and commission expense to external customers	(2,386,797)	(2)	-	(2,386,799)
Interest expense to internal customers	(7,480)	-	7,480	-
	(2,394,277)	(2)	7,480	(2,386,799)
Operating income	3,791,778	45,957	(308)	3,837,427
Depreciation and amortisation	(165,477)	(868)	-	(166,345)
Other non interest expenses	(1,191,413)	(15,926)	308	(1,207,031)
Net impairment loss on financial assets	(318,322)	(103)	-	(318,425)
Operating profit	2,116,566	29,060	-	2,145,626
Share of profit of associates	66,622	-	-	66,622
Profit before income tax	2,183,188	29,060	-	2,212,248
Tax expense	(347,782)	(5,626)	-	(353,408)
Profit for the year attributable to equity holders of the parent	1,835,406	23,434	-	1,858,840
Segment assets	79,191,066	2,184,344	(1,536,091)	79,839,319
Segment liabilities	66,611,338	17,895	(1,445,910)	65,183,323
Additions to tangible and intangible assets	125,229	-	-	125,229
2009				
Interest income from external customers	5,326,659	6,615	-	5,333,274
Non interest income from external customers	1,461,686	130,167	-	1,591,853
Revenue from external customers	6,788,345	136,782	-	6,925,127
Interest income from internal customers	1,543	30,303	(31,846)	-
Non interest income from internal customers	30	424	(454)	-
Revenue from other segments of the entity	1,573	30,727	(32,300)	-
Total gross revenue	6,789,918	167,509	(32,300)	6,925,127
Interest and commission expense to external customers	(2,943,331)	(1)	-	(2,943,332)
Interest expense to internal customers	(30,303)	(1,543)	31,846	-
	(2,973,634)	(1,544)	31,846	(2,943,332)
Operating income	3,816,284	165,965	(454)	3,981,795
Depreciation and amortisation	(309,425)	(433)	-	(309,858)
Other non interest expenses	(1,099,866)	(13,686)	454	(1,113,098)
Net impairment loss on financial assets	(278,737)	-	-	(278,737)
Operating profit	2,128,256	151,846	-	2,280,102
Share of profit of associates	64,517	-	-	64,517
Profit before income tax	2,192,773	151,846	-	2,344,619
Tax expense	(316,786)	(2,495)	-	(319,281)
Profit for the year attributable to equity holders of the parent	1,875,987	149,351	-	2,025,338
Segment assets	78,789,295	2,306,673	(1,862,330)	79,233,638
Segment liabilities	67,827,472	14,938	(1,551,446)	66,290,964
Additions to tangible and intangible assets	111,454	4,022	-	115,476

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

38. Segment information - Group (Cont'd)

(b) Information about the reportable segment revenue from products and services

	Banking		
	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Gross revenue from external customers arising from:			
Loans and advances to customers	4,023,525	3,721,849	3,967,001
Loans to and placements with banks	69,152	136,833	270,789
Exchange income	495,363	487,307	518,959
Card income	350,198	217,461	317,684
Trade finance services	144,166	101,187	106,265
Deposit and other products /services	99,871	123,870	121,377
	5,182,275	4,788,507	5,302,075

(c) Information about revenue of the reportable segment by geographical areas

	Banking		
	Mauritius Rs' 000	Other Countries Rs' 000	Total Rs' 000
2011			
Gross revenue from external customers	4,998,738	1,486,562	6,485,300
Tangible and intangible assets	2,621,231	217,362	2,838,593

2010

Gross revenue from external customers	5,082,680	1,103,347	6,186,027
Tangible and intangible assets	2,697,337	229,747	2,927,084

2009

Gross revenue from external customers	5,381,058	1,407,287	6,788,345
Tangible and intangible assets	2,119,343	212,141	2,331,484

(d) Information about major customers of the reportable segment

Gross revenue from the major customer of the Group represents 2.5% (2010 and 2009: 2.8%) of the Banking segment's total revenue.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

39. Supplementary information as required by Bank Of Mauritius

The Bank of Mauritius requires the Bank to disclose its assets and liabilities, income and expenditure classified into segments A and B. Segment B activity is essentially directed to the provision of international financial services that give rise to 'foreign source income'. Segment A activity relates to all banking business other than Segment B activity. 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.

		Segment A 2011 Rs' 000	Segment B 2011 Rs' 000	Bank 2011 Rs' 000	Segment A 2010 Rs' 000	Segment B 2010 Rs' 000	Bank 2010 Rs' 000	Segment A 2009 Rs' 000	Segment B 2009 Rs' 000	Bank 2009 Rs' 000
	Note									
a. Statements of financial position										
ASSETS										
Cash and cash equivalents		1,349,552	5,152,495	6,502,047	1,049,980	4,145,951	5,195,931	2,183,496	9,298,364	11,481,860
Trading assets	39l	31,143	114,970	146,113	63,037	85,187	148,224	27,290	168,990	196,280
Loans to and placements with banks	39m	-	943,359	943,359	-	-	-	-	2,766,726	2,766,726
Loans and advances to customers	39n	37,488,592	18,563,746	56,052,338	29,527,718	13,567,137	43,094,855	29,402,799	8,659,525	38,062,324
Investment securities	39o	17,438,937	4,699,171	22,138,108	21,142,595	1,409,496	22,552,091	16,649,619	820,749	17,470,368
Property and equipment	39p	2,574,245	205,487	2,779,732	2,626,269	220,660	2,846,929	2,044,233	204,701	2,248,934
Intangible assets	39q	50,833	5,013	55,846	78,762	3,427	82,189	84,177	3,130	87,307
Mandatory balances with Central Banks		3,592,800	273,914	3,866,714	2,448,740	137,405	2,586,145	2,358,125	141,694	2,499,819
Other assets	39r	316,226	184,887	501,113	229,469	168,451	397,920	236,538	189,522	426,060
TOTAL ASSETS		62,842,328	30,143,042	92,985,370	57,166,570	19,737,714	76,904,284	52,986,277	22,253,401	75,239,678
LIABILITIES										
Deposits from banks	39s	12,272	250,259	262,531	50,644	202,429	253,073	11,795	259,976	271,771
Deposits from non-bank customers	39t	57,781,633	12,614,448	70,396,081	50,826,124	10,088,786	60,914,910	50,345,387	11,714,969	62,060,356
Trading liabilities	39l	9,426	131,651	141,077	26,341	58,623	84,964	3,177	45,894	49,071
Other borrowed funds	39u	66,035	7,058,639	7,124,674	720,573	1,362,716	2,083,289	219,954	909,614	1,129,568
Current tax liabilities		148,485	23,216	171,701	227,332	18,227	245,559	392,220	-	392,220
Deferred tax liabilities		104,370	72,876	177,246	99,619	78,959	178,578	59,637	73,487	133,124
Other liabilities	39v	866,049	75,404	941,453	751,841	71,708	823,549	786,410	72,672	859,082
TOTAL LIABILITIES		58,988,270	20,226,493	79,214,763	52,702,474	11,881,448	64,583,922	51,818,580	13,076,612	64,895,192
Shareholders' Equity										
Share capital				303,740			303,740			303,740
Retained earnings				10,187,914			9,041,522			7,760,462
Other reserves				3,278,953			2,975,100			2,280,284
Total equity attributable to equity holders of the parent				13,770,607			12,320,362			10,344,486
TOTAL EQUITY AND LIABILITIES				92,985,370			76,904,284			75,239,678
MEMORANDUM ITEMS										
Acceptances, guarantees, letters of credit, endorsements, other obligations on account of customers and spot foreign exchange contracts	39w	8,241,797	4,628,509	12,870,306	3,242,733	2,588,473	5,831,206	2,730,360	2,394,881	5,125,241
Financial derivatives		1,860,485	21,782,477	23,642,962	3,992,508	4,612,025	8,604,533	2,008,284	3,345,030	5,353,314
Credit commitments		7,252,114	857,314	8,109,428	6,519,924	1,685,510	8,205,434	4,740,013	179,439	4,919,452
Inward bills held for collection		182,561	14,570	197,131	215,397	26,292	241,689	215,064	-	215,064
Outward bills sent for collection		104,649	600,462	705,111	65,638	166,846	232,484	83,956	65,883	149,839
		17,641,606	27,883,332	45,524,938	14,036,200	9,079,146	23,115,346	9,777,677	5,985,233	15,762,910

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

39. Supplementary information as required by Bank Of Mauritius (Cont'd)

		Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
		2011	2011	2011	2010	2010	2010	2009	2009	2009
	Note	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
b. Statements of income										
Interest income		3,833,192	894,428	4,727,620	3,963,506	743,862	4,707,368	4,275,408	766,886	5,042,294
Interest expense		(1,857,103)	(460,144)	(2,317,247)	(1,975,856)	(323,383)	(2,299,239)	(2,410,572)	(400,274)	(2,810,846)
Net interest income	39c	1,976,089	434,284	2,410,373	1,987,650	420,479	2,408,129	1,864,836	366,612	2,231,448
Fee and commission income		580,513	278,797	859,310	457,176	154,058	611,234	415,575	285,080	700,655
Fee and commission expense		(22,131)	(15,338)	(37,469)	-	(12,001)	(12,001)	-	(9,996)	(9,996)
Net fee and commission income	39d	558,382	263,459	821,841	457,176	142,057	599,233	415,575	275,084	690,659
Dividend income	39e	220,028	1,073	221,101	203,811	1,174	204,985	208,181	1,188	209,369
Net trading income	39f	444	(5,390)	(4,946)	14,628	(11,418)	3,210	10,553	(9,019)	1,534
Other operating income	39g	279,941	167,547	447,488	320,179	126,181	446,360	364,962	118,658	483,620
Non interest income		1,058,795	426,689	1,485,484	995,794	257,994	1,253,788	999,271	385,911	1,385,182
Operating income		3,034,884	860,973	3,895,857	2,983,444	678,473	3,661,917	2,864,107	752,523	3,616,630
Personnel expenses	39h	(740,909)	(143,821)	(884,730)	(671,094)	(90,311)	(761,405)	(616,616)	(64,759)	(681,375)
Depreciation and amortisation		(156,938)	(26,649)	(183,587)	(145,057)	(21,398)	(166,455)	(263,616)	(32,109)	(295,725)
Other expenses	39i	(313,472)	(49,348)	(362,820)	(319,813)	(62,112)	(381,925)	(320,629)	(47,470)	(368,099)
Non interest expense		(1,211,319)	(219,818)	(1,431,137)	(1,135,964)	(173,821)	(1,309,785)	(1,200,861)	(144,338)	(1,345,199)
Profit before net impairment loss on financial assets		1,823,565	641,155	2,464,720	1,847,480	504,652	2,352,132	1,663,246	608,185	2,271,431
Net impairment loss on financial assets	39j	(128,136)	(92,254)	(220,390)	(166,822)	(82,106)	(248,928)	(64,015)	(135,123)	(199,138)
Operating profit		1,695,429	548,901	2,244,330	1,680,658	422,546	2,103,204	1,599,231	473,062	2,072,293
Tax expense	39k	(338,215)	(79,199)	(417,414)	(317,271)	(29,421)	(346,692)	(263,232)	(47,340)	(310,572)
Profit for the year		1,357,214	469,702	1,826,916	1,363,387	393,125	1,756,512	1,335,999	425,722	1,761,721
c. Net interest income										
Interest income										
Cash and cash equivalents		6,589	41,907	48,496	7,797	48,167	55,964	14,489	192,927	207,416
Loans to and placements with banks		-	6,636	6,636	-	15,305	15,305	-	35,308	35,308
Loans and advances to customers		3,003,896	694,792	3,698,688	2,892,452	567,029	3,459,481	3,142,741	457,674	3,600,415
Investment securities		814,246	134,545	948,791	1,062,806	32,124	1,094,930	1,101,721	43,678	1,145,399
Trading assets		3,758	16,400	20,158	451	68,517	68,968	16,457	37,299	53,756
Other		4,703	148	4,851	-	12,720	12,720	-	-	-
Total interest income		3,833,192	894,428	4,727,620	3,963,506	743,862	4,707,368	4,275,408	766,886	5,042,294
Interest expense										
Deposits from banks		-	(314)	(314)	-	(329)	(329)	-	(2,612)	(2,612)
Deposits from non-bank customers		(1,848,133)	(301,887)	(2,150,020)	(1,969,611)	(302,749)	(2,272,360)	(2,385,416)	(364,750)	(2,750,166)
Lease finance charges		-	-	-	-	-	-	(14,547)	-	(14,547)
Other borrowed funds		(8,970)	(141,655)	(150,625)	(6,245)	(19,334)	(25,579)	(10,609)	(32,912)	(43,521)
Other		-	(16,288)	(16,288)	-	(971)	(971)	-	-	-
Total interest expense		(1,857,103)	(460,144)	(2,317,247)	(1,975,856)	(323,383)	(2,299,239)	(2,410,572)	(400,274)	(2,810,846)
Net interest income		1,976,089	434,284	2,410,373	1,987,650	420,479	2,408,129	1,864,836	366,612	2,231,448

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

39. Supplementary information as required by Bank Of Mauritius (Cont'd)

	Segment A 2011	Segment B 2011	Bank 2011	Segment A 2010	Segment B 2010	Bank 2010	Segment A 2009	Segment B 2009	Bank 2009
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
d. Net fee and commission income									
Fee and commission income									
Retail banking customer fees	267,025	4,382	271,407	214,784	3,531	218,315	193,610	5,470	199,080
Corporate banking customer fees	105,341	121,796	227,137	111,530	63,928	175,458	83,133	100,758	183,891
Card Income	208,147	152,619	360,766	130,862	86,599	217,461	138,832	178,852	317,684
Total fee and commission income	580,513	278,797	859,310	457,176	154,058	611,234	415,575	285,080	700,655
Fee and commission expense									
Interbank transaction fees	-	(13,059)	(13,059)	-	(11,343)	(11,343)	-	(9,205)	(9,205)
Other	(22,131)	(2,279)	(24,410)	-	(658)	(658)	-	(791)	(791)
Total fee and commission expense	(22,131)	(15,338)	(37,469)	-	(12,001)	(12,001)	-	(9,996)	(9,996)
Net fee and commission income	558,382	263,459	821,841	457,176	142,057	599,233	415,575	275,084	690,659
e. Dividend income									
Available-for-sale securities	219,931	1,073	221,004	203,811	962	204,773	208,181	1,149	209,330
Trading securities	97	-	97	-	212	212	-	39	39
Total dividend income	220,028	1,073	221,101	203,811	1,174	204,985	208,181	1,188	209,369
f. Net trading income									
Fixed income securities	(7)	1,821	1,814	90	(6,779)	(6,689)	20,109	(7,743)	12,366
Equities	450	(3,686)	(3,236)	537	383	920	(2,783)	346	(2,437)
Other	1	(3,525)	(3,524)	14,001	(5,022)	8,979	(6,773)	(1,622)	(8,395)
Total net trading income	444	(5,390)	(4,946)	14,628	(11,418)	3,210	10,553	(9,019)	1,534
g. Other operating income									
Gain on sale of available-for-sale securities:									
Investment securities	3,254	1,480	4,734	-	-	-	-	-	-
Foreign exchange gain	280,365	165,954	446,319	320,361	126,181	446,542	361,038	118,840	479,878
Other	(3,678)	113	(3,565)	(182)	-	(182)	3,924	(182)	3,742
Total other operating income	279,941	167,547	447,488	320,179	126,181	446,360	364,962	118,658	483,620
h. Personnel expenses									
Wages and salaries	532,135	115,254	647,389	487,173	72,281	559,454	485,276	54,400	539,676
Other social security obligations	8,347	963	9,310	8,269	813	9,082	5,832	465	6,297
Contributions to defined contribution plans	38,735	6,484	45,219	32,193	5,476	37,669	28,904	2,466	31,370
Cash-settled share-based payments	17,022	2,912	19,934	7,641	2,122	9,763	(5,966)	(529)	(6,495)
Increase in liability for defined benefit plans	14,967	986	15,953	21,143	824	21,967	1,112	99	1,211
Other personnel expenses	129,703	17,222	146,925	114,675	8,795	123,470	101,458	7,858	109,316
Total personnel expenses	740,909	143,821	884,730	671,094	90,311	761,405	616,616	64,759	681,375

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

39. Supplementary information as required by Bank Of Mauritius (Cont'd)

	Segment A 2011 Rs' 000	Segment B 2011 Rs' 000	Bank 2011 Rs' 000	Segment A 2010 Rs' 000	Segment B 2010 Rs' 000	Bank 2010 Rs' 000	Segment A 2009 Rs' 000	Segment B 2009 Rs' 000	Bank 2009 Rs' 000
i. Other expenses									
Software licensing and other information technology cost	92,041	20,832	112,873	100,436	21,821	122,257	92,227	18,991	111,218
Auditors' remuneration (audit fee):									
- Principal auditors	3,935	613	4,548	3,681	563	4,244	4,010	165	4,175
- Other auditors	-	465	465	-	301	301	-	338	338
Other	217,496	27,438	244,934	215,696	39,427	255,123	224,392	27,976	252,368
	313,472	49,348	362,820	319,813	62,112	381,925	320,629	47,470	368,099
j. Net impairment loss on financial assets									
Portfolio and specific provisions:									
- On-balance sheet advances	123,291	90,888	214,179	199,666	69,192	268,858	88,780	22,147	110,927
- Off-balance sheet exposure	15,039	1,366	16,405	-	-	-	-	-	-
Interest accrued on impaired advances	-	-	-	(24,017)	-	(24,017)	(17,128)	-	(17,128)
Bad debts written off for which no provisions were made	2	-	2	-	-	-	5	-	5
Recoveries of advances written off	(14,943)	-	(14,943)	(8,827)	(1,091)	(9,918)	(7,642)	(7,024)	(14,666)
Other loss	4,747	-	4,747	-	14,005	14,005	-	120,000	120,000
	128,136	92,254	220,390	166,822	82,106	248,928	64,015	135,123	199,138
k. Tax expense									
Income tax expense	346,947	79,626	426,573	366,877	34,754	401,631	332,364	48,245	380,609
Deferred tax expense	(8,732)	(427)	(9,159)	(49,606)	(5,333)	(54,939)	(69,132)	(905)	(70,037)
	338,215	79,199	417,414	317,271	29,421	346,692	263,232	47,340	310,572
l. Trading assets									
Government securities	13,465	-	13,465	14,368	71,330	85,698	1,557	105,282	106,839
Equities	985	-	985	-	1,026	1,026	-	12,335	12,335
Derivative assets	16,693	114,970	131,663	48,669	12,831	61,500	25,733	51,373	77,106
	31,143	114,970	146,113	63,037	85,187	148,224	27,290	168,990	196,280
Trading liabilities									
Derivative liabilities	9,426	131,651	141,077	26,341	58,623	84,964	3,177	45,894	49,071

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

39. Supplementary information as required by Bank Of Mauritius (Cont'd)

	Segment A 2011 Rs' 000	Segment B 2011 Rs' 000	Bank 2011 Rs' 000	Segment A 2010 Rs' 000	Segment B 2010 Rs' 000	Bank 2010 Rs' 000	Segment A 2009 Rs' 000	Segment B 2009 Rs' 000	Bank 2009 Rs' 000
m. Loans to and placements with banks									
Loans to and placements with banks outside Mauritius	-	943,359	943,359	-	-	-	-	2,766,726	2,766,726
Remaining term to maturity									
Up to 3 months	-	-	-	-	-	-	-	2,086,144	2,086,144
Over 3 months and up to 6 months	-	285,722	285,722	-	-	-	-	39,175	39,175
Over 6 months and up to 12 months	-	371,324	371,324	-	-	-	-	641,407	641,407
Over 1 year and up to 2 years	-	286,313	286,313	-	-	-	-	-	-
	-	943,359	943,359	-	-	-	-	2,766,726	2,766,726
n. Loans and advances to customers									
Retail customers									
Credit cards	358,563	-	358,563	303,554	-	303,554	271,394	-	271,394
Mortgages	9,419,961	-	9,419,961	7,349,260	-	7,349,260	6,450,892	-	6,450,892
Other retail loans	6,736,757	-	6,736,757	5,814,497	-	5,814,497	5,055,743	-	5,055,743
Corporate customers	21,845,280	1,737,520	23,582,800	16,827,505	2,084,982	18,912,487	18,284,473	2,420,047	20,704,520
Governments	2,397	-	2,397	1,904	-	1,904	2,203	-	2,203
Entities outside Mauritius	-	17,030,912	17,030,912	-	11,624,754	11,624,754	-	6,285,746	6,285,746
	38,362,958	18,768,432	57,131,390	30,296,720	13,709,736	44,006,456	30,064,705	8,705,793	38,770,498
Less allowance for credit impairment	(874,366)	(204,686)	(1,079,052)	(769,002)	(142,599)	(911,601)	(661,906)	(46,268)	(708,174)
	37,488,592	18,563,746	56,052,338	29,527,718	13,567,137	43,094,855	29,402,799	8,659,525	38,062,324
Remaining term to maturity									
Up to 3 months	5,957,954	8,243,309	14,201,263	3,762,451	4,976,808	8,739,259	5,035,188	2,090,363	7,125,551
Over 3 months and up to 6 months	2,231,421	4,960,073	7,191,494	1,402,722	520,664	1,923,386	997,224	1,071,265	2,068,489
Over 6 months and up to 12 months	2,449,939	634,394	3,084,333	1,287,570	1,448,339	2,735,909	1,727,834	814,826	2,542,660
Over 1 year and up to 5 years	8,623,255	3,370,331	11,993,586	6,430,527	4,478,352	10,908,879	6,704,908	2,952,726	9,657,634
Over 5 years	19,100,389	1,560,325	20,660,714	17,413,450	2,285,573	19,699,023	15,599,551	1,776,613	17,376,164
	38,362,958	18,768,432	57,131,390	30,296,720	13,709,736	44,006,456	30,064,705	8,705,793	38,770,498

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

39. Supplementary information as required by Bank Of Mauritius (Cont'd)

n. Loans and advances to customers (Cont'd)

Allowance for credit impairment by industry sectors

	2011				2010	2009
	Gross amount of loans Rs' 000	Impaired loans Rs' 000	Specific allowance for credit impairment Rs' 000	Portfolio allowance for credit impairment Rs' 000	Total allowances for credit impairment Rs' 000	Total allowances for credit impairment Rs' 000
Segment A						
Agriculture and Fishing	2,265,739	5,252	3,180	13,120	16,300	7,671
Manufacturing	1,917,357	13,728	10,888	45,548	56,436	54,445
of which EPZ	753,260	201	51	25,661	25,712	22,250
Tourism	8,203,966	19,605	10,578	301,941	312,519	275,259
Transport	595,414	9,204	5,725	3,564	9,289	6,366
Construction	1,504,560	29,605	25,183	24,325	49,508	43,723
Financial and business services	1,125,152	-	-	5,024	5,024	3,733
Traders	4,204,129	19,898	16,752	42,699	59,451	60,905
Personal	15,222,640	285,847	220,255	96,123	316,378	297,218
of which credit cards	334,945	8,096	8,096	8,856	16,952	19,004
Professional	108,522	19,965	16,684	726	17,410	17,077
Others	3,215,479	10,462	9,736	22,315	32,051	28,625
	38,362,958	413,566	318,981	555,385	874,366	795,022
Segment B						
Agriculture and Fishing	27,383	-	-	69	69	-
Manufacturing	6,985,534	-	-	69,859	69,859	48,650
Tourism	1,143,915	-	-	11,439	11,439	9,512
Transport	1,147,914	-	-	8,842	8,842	3,991
Construction	705,910	110,055	44,724	2,985	47,709	23,573
Financial and business services	2,685,460	42,529	6,380	23,204	29,584	2,905
Traders	2,749,345	-	-	11,145	11,145	5,173
Personal	399,434	-	-	968	968	1,573
Global Business Licence holders	1,737,521	-	-	13,286	13,286	10,280
Others	1,186,016	4,975	4,976	6,809	11,785	10,922
Additional provision held	-	-	-	-	-	1,644
	18,768,432	157,559	56,080	148,606	204,686	116,579

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

39. Supplementary information as required by Bank Of Mauritius (Cont'd)

o. Investment securities

Remaining term to maturity

	2011										2010	2009
	Up to 3 months Rs' 000	3-6 months Rs' 000	6-9 months Rs' 000	9-12 months Rs' 000	1-2 years Rs' 000	2-5 years Rs' 000	Over 5 years Rs' 000	No specific maturity Rs' 000	Total Rs' 000		Rs' 000	Rs' 000
Segment A												
Investment securities - loans and receivables												
Government bonds and treasury notes	93,906	678,280	1,013,695	1,028,529	552,834	1,488,253	-	-	4,855,497	5,449,607	6,183,351	
Treasury bills	4,060,179	1,625,246	1,027,318	750,284	-	-	-	-	7,463,027	12,684,708	7,420,765	
Bank of Mauritius bills / notes	1,093,740	-	-	96,668	472,304	-	-	-	1,662,712	-	-	
	5,247,825	2,303,526	2,041,013	1,875,481	1,025,138	1,488,253	-	-	13,981,236	18,134,315	13,604,116	
Available-for-sale investment securities												
Equity shares of companies:												
- Investment in subsidiaries	-	-	-	-	-	-	-	50	50	25	212,876	
- Investment in associates	-	-	-	-	-	-	-	667,803	667,803	423,318	288,692	
- Other equity investments	-	-	-	-	-	-	-	2,789,848	2,789,848	2,584,937	2,543,935	
	-	-	-	-	-	-	-	3,457,701	3,457,701	3,008,280	3,045,503	
Total Segment A	5,247,825	2,303,526	2,041,013	1,875,481	1,025,138	1,488,253	-	3,457,701	17,438,937	21,142,595	16,649,619	
Segment B												
Held-to-maturity investment securities												
Government bonds and treasury notes	-	-	-	-	-	687,977	-	-	687,977	-	-	
Treasury bills	1,167,500	-	-	-	-	-	-	-	1,167,500	1,103,628	695,771	
Securities issued by government bodies	-	-	-	62,660	-	1,163	-	-	63,823	68,725	-	
Bank bonds secured by government	-	-	-	-	-	-	-	-	-	-	1,222	
	1,167,500	-	-	62,660	-	689,140	-	-	1,919,300	1,172,353	696,993	
Available-for-sale investment securities												
Equity shares of companies:												
- Investment in subsidiaries	-	-	-	-	-	-	-	47	47	47	47	
- Other equity investments	-	-	-	-	-	-	-	278,442	278,442	237,096	123,709	
Bank bonds	-	-	-	-	-	741,258	882,496	-	1,623,754	-	-	
Corporate paper	755,400	122,228	-	-	-	-	-	-	877,628	-	-	
	755,400	122,228	-	-	-	741,258	882,496	278,489	2,779,871	237,143	123,756	
Total Segment B	1,922,900	122,228	-	62,660	-	1,430,398	882,496	278,489	4,699,171	1,409,496	820,749	
Total Bank	7,170,725	2,425,754	2,041,013	1,938,141	1,025,138	2,918,651	882,496	3,736,190	22,138,108	22,552,091	17,470,368	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

39. Supplementary information as required by Bank Of Mauritius (Cont'd)

p. Property and equipment

	Freehold land and buildings Rs' 000	Leasehold buildings Rs' 000	Other tangible fixed assets Rs' 000	Motor vehicles Rs' 000	Progress payments on tangible fixed assets Rs' 000	Total Rs' 000
Net book value at 30 June 2011						
Segment A	421,648	1,847,000	262,324	11,068	32,205	2,574,245
Segment B	196,903	-	1,882	1,151	5,551	205,487
Bank	618,551	1,847,000	264,206	12,219	37,756	2,779,732
Net book value at 30 June 2010						
Segment A	428,095	1,902,174	274,022	5,946	16,032	2,626,269
Segment B	218,238	-	857	1,565	-	220,660
Bank	646,333	1,902,174	274,879	7,511	16,032	2,846,929
Net book value at 30 June 2009						
Segment A	378,277	1,381,563	265,667	8,380	10,346	2,044,233
Segment B	201,740	-	2,918	43	-	204,701
Bank	580,017	1,381,563	268,585	8,423	10,346	2,248,934

q. Intangible assets

	2011 Rs' 000	2010 Rs' 000	2009 Rs' 000
Software			
Net Book Value			
Segment A	50,833	78,762	84,177
Segment B	5,013	3,427	3,130
Bank	55,846	82,189	87,307

r. Other assets

	Segment A 2011 Rs' 000	Segment B 2011 Rs' 000	Bank 2011 Rs' 000	Segment A 2010 Rs' 000	Segment B 2010 Rs' 000	Bank 2010 Rs' 000	Segment A 2009 Rs' 000	Segment B 2009 Rs' 000	Bank 2009 Rs' 000
Accounts receivable	125,801	56,166	181,967	44,971	22,600	67,571	43,690	19,234	62,924
Balances due in clearing	158,617	-	158,617	142,094	-	142,094	142,566	12,974	155,540
Tax paid in advance	-	104,132	104,132	-	121,934	121,934	-	111,366	111,366
Pension asset	1,828	-	1,828	649	-	649	7,324	-	7,324
Balances with Clearing Corporation in India	-	18,804	18,804	-	20,955	20,955	-	20,982	20,982
Non-banking assets acquired in satisfaction of debts	320	-	320	202	-	202	73	-	73
Others	29,660	5,785	35,445	41,554	2,961	44,515	42,885	24,966	67,851
	316,226	184,887	501,113	229,470	168,450	397,920	236,538	189,522	426,060

s. Deposits from banks

Demand deposits	12,272	250,259	262,531	50,644	202,429	253,073	11,795	259,976	271,771
-----------------	--------	---------	---------	--------	---------	---------	--------	---------	---------

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

39. Supplementary information as required by Bank Of Mauritius (Cont'd)

t. Deposits from non-bank customers

	Segment A 2011 Rs' 000	Segment B 2011 Rs' 000	Bank 2011 Rs' 000	Segment A 2010 Rs' 000	Segment B 2010 Rs' 000	Bank 2010 Rs' 000	Segment A 2009 Rs' 000	Segment B 2009 Rs' 000	Bank 2009 Rs' 000
Retail customers	6,047,026	1,149,754	7,196,780	5,133,094	1,134,830	6,267,924	4,093,256	1,134,669	5,227,925
Current accounts	23,022,666	899,422	23,922,088	21,227,018	748,760	21,975,778	19,227,496	551,545	19,779,041
Savings accounts									
Time deposits with remaining term to maturity:									
Up to 3 months	1,109,528	513,013	1,622,541	1,292,525	597,432	1,889,957	1,304,205	560,527	1,864,732
Over 3 months and up to 6 months	1,002,934	211,510	1,214,444	869,789	778,343	1,648,132	853,343	323,452	1,176,795
Over 6 months and up to 12 months	2,284,656	841,458	3,126,114	2,469,937	517,814	2,987,751	2,022,828	375,907	2,398,735
Over 1 year and up to 5 years	2,382,923	869,169	3,252,092	3,435,334	937,808	4,373,142	4,080,432	572,898	4,653,330
Over 5 years	-	472	472	-	-	-	-	-	-
Corporate customers	8,520,679	3,191,400	11,712,079	5,030,575	2,301,098	7,331,673	6,675,859	3,196,487	9,872,346
Current accounts	4,525,254	-	4,525,254	4,816,630	52	4,816,682	3,674,280	50	3,674,330
Savings accounts									
Time deposits with remaining term to maturity:									
Up to 3 months	1,104,927	1,225,080	2,330,007	1,577,655	1,115,005	2,692,660	2,597,569	1,294,599	3,892,168
Over 3 months and up to 6 months	1,089,293	1,413,550	2,502,843	511,092	346,997	858,089	382,067	993,696	1,375,763
Over 6 months and up to 12 months	863,025	1,583,139	2,446,164	46,147	210,660	256,807	805,432	871,252	1,676,684
Over 1 year and up to 5 years	2,866,920	716,481	3,583,401	1,613,870	1,399,987	3,013,857	822,193	1,839,887	2,662,080
Government	1,444,318	-	1,444,318	1,154,297	-	1,154,297	2,400,322	-	2,400,322
Current accounts	1,506,476	-	1,506,476	1,625,925	-	1,625,925	1,382,806	-	1,382,806
Savings accounts									
Time deposits with remaining term to maturity:									
Up to 3 months	2,305	-	2,305	1,558	-	1,558	3,136	-	3,136
Over 3 months and up to 6 months	4,364	-	4,364	334	-	334	335	-	335
Over 6 months and up to 12 months	4,237	-	4,237	16,123	-	16,123	5,178	-	5,178
Over 1 year and up to 5 years	102	-	102	4,221	-	4,221	14,650	-	14,650
	57,781,633	12,614,448	70,396,081	50,826,124	10,088,786	60,914,910	50,345,387	11,714,969	62,060,356

u. Other borrowed funds

Borrowings from central banks	66,035	350,972	417,007	105,503	137,420	242,923	143,245	-	143,245
Borrowings from banks									
in Mauritius	-	-	-	615,070	-	615,070	4,648	-	4,648
abroad	-	690,278	690,278	-	441,299	441,299	-	3,118	3,118
Obligation under finance leases	-	-	-	-	-	-	72,062	-	72,062
Other financial institutions	-	6,017,389	6,017,389	-	783,997	783,997	-	906,495	906,495
	66,035	7,058,639	7,124,674	720,573	1,362,716	2,083,289	219,955	909,613	1,129,568

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (CONT'D)

39. Supplementary information as required by Bank Of Mauritius (Cont'd)

v. Other liabilities

	Segment A 2011 Rs' 000	Segment B 2011 Rs' 000	Bank 2011 Rs' 000	Segment A 2010 Rs' 000	Segment B 2010 Rs' 000	Bank 2010 Rs' 000	Segment A 2009 Rs' 000	Segment B 2009 Rs' 000	Bank 2009 Rs' 000
Bills payable	155,998	5,052	161,050	107,310	1,394	108,704	77,690	6,370	84,060
Accruals for expenses	256,508	10,913	267,421	230,313	4,085	234,398	202,259	30,179	232,438
Accounts payable	66,524	33,112	99,636	69,758	11,086	80,844	44,236	12,725	56,961
Deferred income	18,596	23,768	42,364	14,364	53,853	68,217	13,734	178	13,912
Balance due in clearing	173,590	-	173,590	154,567	7	154,574	149,410	348	149,758
Balances in transit	167,689	-	167,689	165,552	-	165,552	290,812	-	290,812
Allowance on off-balance sheet exposure	15,039	1,366	16,405	-	-	-	-	-	-
Others	12,105	1,193	13,298	9,977	1,283	11,260	8,269	22,872	31,141
	866,049	75,404	941,453	751,841	71,708	823,549	786,410	72,672	859,082

w. Memorandum items

(i) Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers, and spot foreign exchange contracts

Acceptances on account of customers	203,147	483,000	686,147	106,799	-	106,799	191,851	15,429	207,280
Guarantees on account of customers	7,383,254	1,540,553	8,923,807	2,472,179	205,019	2,677,198	2,136,739	562,262	2,699,001
Letters of credit and other obligations on account of customers	639,197	766,411	1,405,608	425,931	295,740	721,671	385,810	16,178	401,988
Spot foreign exchange contracts	16,199	1,838,545	1,854,744	237,824	2,087,714	2,325,538	15,960	987,650	1,003,610
Other contingent items	-	-	-	-	-	-	-	813,362	813,362
	8,241,797	4,628,509	12,870,306	3,242,733	2,588,473	5,831,206	2,730,360	2,394,881	5,125,241

(ii) Financial derivatives

Forward foreign exchange contracts	1,860,485	17,085,275	18,945,760	3,992,508	2,516,736	6,509,244	2,008,284	1,411,010	3,419,294
Interest rate swap contracts	-	4,492,912	4,492,912	-	2,095,289	2,095,289	-	1,934,020	1,934,020
Options and futures contracts	-	204,290	204,290	-	-	-	-	-	-
	1,860,485	21,782,477	23,642,962	3,992,508	4,612,025	8,604,533	2,008,284	3,345,030	5,353,314

(iii) Commitments

Undrawn credit facilities	7,227,965	857,314	8,085,279	6,519,924	1,685,510	8,205,434	4,740,013	179,439	4,919,452
Undisbursed commitments in equities	24,149	-	24,149	-	-	-	-	-	-
	7,252,114	857,314	8,109,428	6,519,924	1,685,510	8,205,434	4,740,013	179,439	4,919,452

SBM Group Addresses

[Corporate office](#)

SBM Tower
1, Queen Elizabeth II Avenue
Port Louis, Mauritius
Tel: (230) 202 1111
Fax: (230) 202 1234
Swift: STCBMUMU
Home Page: www.sbmgroup.mu
Email: sbm@sbmgroup.mu

[India](#)

101, Raheja Centre
Free Press Journal Marg
Nariman Point
Mumbai - 400 021, India
Tel: (91) (22) 4302 8888
Fax: (91) (22) 2284 2966
Swift: STCBINBX
Email: admin@sbm-india.com

[Subsidiaries](#)

[Banque SBM Madagascar SA](#)

1, Rue Andrianary Ratianarivo
Antsahavola, 101 Antananarivo
Madagascar
Tel: (261) 20 22 666 07
Fax: (261) 20 22 666 08
Swift: BSBMMGMG
Email: bsbmmtana@sbm.intnet.mu

[SBM Asset Management Limited](#)

[SBM Capital Management Limited](#)

[SBM Global Investments Ltd](#)

[SBM Investments Limited](#)

[SBM Holdings Ltd](#)

SBM Tower
1, Queen Elizabeth II Avenue
Port Louis, Mauritius
Tel: (230) 202 1111
Email: finance@sbmgroup.mu

Contact details for shareholder information

Company Secretary
SBM Tower
1, Queen Elizabeth II Avenue
Port Louis, Mauritius
Tel: (230) 202 1560
Fax: (230) 211 8838
Email: company.secretary@sbmgroup.mu

[SBM Financials Ltd](#)

SBM Tower
1, Queen Elizabeth II Avenue
Port Louis, Mauritius
Tel: (230) 202 1111
Email: sbmfinancials@sbmgroup.mu

[SBM Mauritius Asset Managers Ltd](#)

SBM Tower
1, Queen Elizabeth II Avenue
Port Louis, Mauritius
Tel: (230) 202 1111
Email: sbm.assetm@sbmgroup.mu

[SBM Securities Limited](#)

SBM Tower
1, Queen Elizabeth II Avenue
Port Louis, Mauritius
Tel: (230) 202 1111
Home Page: www.sbmsecurities.com
Email: sbmsecurities@sbmgroup.mu

[Associate](#)

[State Insurance Company of Mauritius Ltd](#)

SICOM Building,
Sir Celicourt Antelme Street,
Port Louis, Mauritius
Tel: (230) 203 8400
Email: email@sicom.intnet.mu

SBM

SBM Tower, 1 Queen Elizabeth II Avenue, Port Louis, Republic of Mauritius • Tel: (230) 202 1111 • Fax: (230) 202 1234
Swift: STCBMUMU • Email: sbm@sbmgroup.mu • website: www.sbmgroup.mu