Key financial indicators

	2006	2005	2004	2003	2002
		Restated[a]			
Earnings per Share (Cents)	406	366	346	284	262
Net Income before Tax (Rs M)	1,524	1,489	1,360	1,176	1,022
Net Income available to Shareholders (Rs M)	1,319	1,191	1,127	1,018	952
Economic Value Added (Rs M)	392	304	338	286	247
Capital to Risk Weighted Assets (%)[b]	20.77	21.78	17.79	18.16	20.55
Return on Average Risk Weighted Assets (%)[c]	4.22	4.01	4.11	4.23	4.46
Return on Average Assets (%)[d]	2.61	2.64	2.90	2.93	2.94
Return on Average Shareholders' Funds (%)[d]	15.62	15.45	19.29	19.65	20.31
Return on Average Tier I Capital (%)[d]	22.36	22.41	24.13	20.29	21.34
Risk Adjusted Return on Capital (RAROC) (%)[e]	41.38	39.37	39.87	N/A	N/A
Cost to Income (%)[f]	41.11	38.91	40.15	39.17	38.24
Cost to Income excluding depreciation (%)[f]	30.94	28.55	31.55	28.88	27.01
Electronic to Total Transactions (%)	83.00	82.00	80.00	76.00	72.00

[a] Restated wherever applicable for comparative purposes.

[b] Capital adequacy is computed as per regulatory requirement, based on credit as well as operational risks of the Group in line with Basel II Accord.

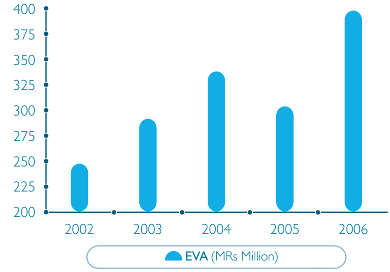
[c] Average Risk Weighted Assets are calculated using year end balances.

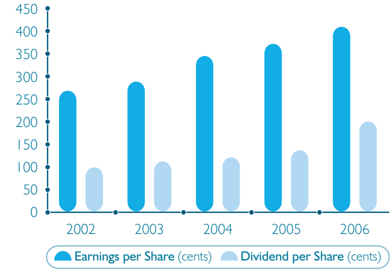
[d] Averages are based on daily balances as from 2003. 2002 average is based on monthly balances.

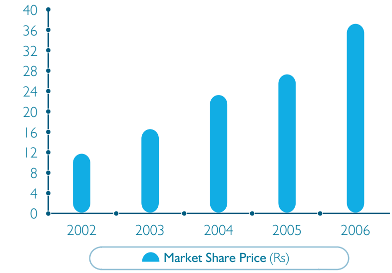
[e] Indicative and restated wherever applicable for comparative purposes arising from refinements in methodology as per Basel II and Bank of Mauritius requirements.

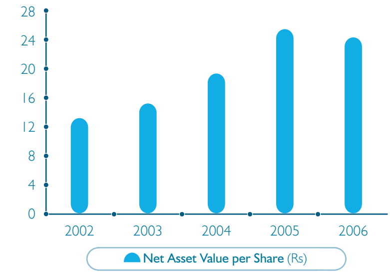
[f] Grossed up for tax exempt debenture interest income.

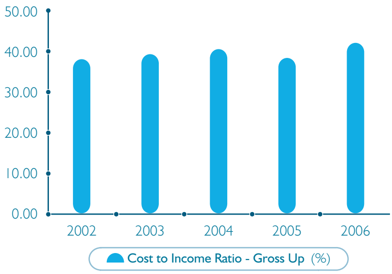
Key financial charts

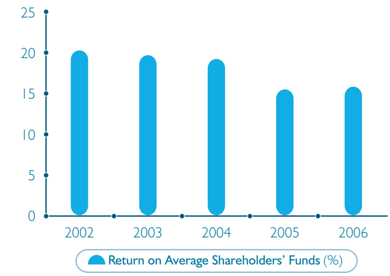


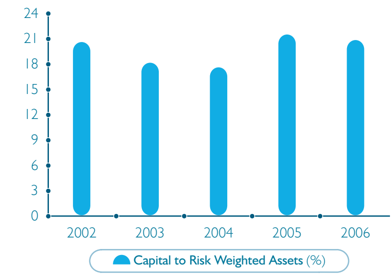












Statement of management's responsibility for financial reporting

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 who are not officers and employees of the Bank, 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.

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, Kemp Chatteris 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.

M. K. T. Reddy, G.O.S.K.
Chairman

M. Ng Thow Hing
Director (Chairperson, Audit Committee)

C. Gunness
Chief Executive

Date: September 26, 2006

Directors' report to the shareholders

The Board of Directors of State Bank of Mauritius Ltd (SBM) is pleased to present its thirty-fourth Annual Report for the Group and the Bank for the year ended June 30, 2006.

OPERATING RESULTS

The Mauritian economy experienced modest GDP growth during the Group's financial year. Sugar production levels were on the low side due to poor prevailing climatic conditions and exports from the textiles and sugar industries were negatively impacted by the dismantling of the Multi-Fibre Agreement and the Lome Convention restructuring respectively. The tourism industry however remained resilient with tourist arrivals on an increasing trend, and together with a buoyant offshore financial services segment, contributed to a major extent to economic growth over the financial year.

Against the above economic backdrop and the increasingly competitive banking environment brought about by the single banking licensing regime, income attributable to shareholders registered a satisfactory growth of 10.7% to Rs1,319M in 2006 from Rs1,191M in 2005. Earnings per share increased by 40cts to reach Rs4.06 for 2006. The Group continued to diversify its sources of income by leveraging on its superior technology to create new business activities and products, and benefited from a lower tax rate on its foreign source revenues under the new fiscal regime. The cost to income ratio of 41.1% in 2006 remained at an internationally enviable level, although having increased slightly. Net income was affected by a squeeze in interest and currency trading margins, a reassessment of the realisable value of collaterals, and increased costs. Consequently, the return on average shareholders' funds only increased marginally in 2006. The Board of Directors is pleased to report that the Group continues to add year-on-year "economic value" of Rs392M for the year ended June 30, 2006.

Group assets reached Rs58.9Bn in 2006 as all lines of business contributed to a stronger balance sheet. Non-bank deposits grew by 14.8% to reach Rs40Bn, with substantial increase in foreign currency denominated deposits, while advances grew by 7.6% to reach Rs26.4Bn at the end of the year. The gross impaired advances have decreased by 7% to Rs636M in June 2006, reducing the percentage to gross advances from 2.72% in 2005 to 2.34% in 2006, thus reflecting a stronger loan book.

DIVIDENDS AND CAPITAL RESOURCES

The Board of Directors proposed a dividend of Rs2.00 per share of Re1.00 for the financial year 2006, which was paid on August 16, 2006. This represents an increase in dividend of 70cts per share over last year and a dividend cover of 2 times (2005: 2.8 times) in order to give a market driven competitive return to shareholders. The Board believes that the current and anticipated level of excess regulatory capital will be sufficient to fund future growth as well as allow the higher dividend payment ratio. SBM remains committed to provide increased value to its shareholders.

In April 2006, it was formally agreed between Nedbank and SBM to terminate the Strategic Alliance Partnership given non-convergent strategy aspirations of the two banks. As part of the exit process, SBM Global Investments Limited acquired Alliance Investments Ltd, which held Nedbank’s 20.1% equity shareholding in SBM and also acquired Nedbank’s stake in Banque SBM Madagascar. Consequently, upon consolidation of the group accounts, the shareholders’ funds are negatively impacted by Rs1.5Bn pending disposal of Alliance Investments Ltd. The Group also divested its stake in the joint ventures with Nedbank in global businesses thereby realising a capital gain of Rs96M.

The Group’s retained profit of Rs800M and gains on the re-measurement of investments amounting to Rs383M were added to reserves during the year. The Group’s shareholders’ funds reached Rs7.8Bn as at June 30, 2006, reflecting a capital adequacy ratio of 20.8%, which is much above the regulatory capital requirement of 10%. The Group continues to maintain sufficient capital to support its expansion plans both for domestic organic growth and overseas expansion. It pursues its objective for growth in the Indian Ocean Rim and remains alert to new business opportunities in the region.

CUSTOMER FOCUS

Retaining and rewarding customer loyalty and improving customer care and service remain entrenched in the core objectives of the Group. During the year, the Group demonstrated its commitment and ability to provide simple but more convenient banking solutions and a wider range of financial services products, as well as modern electronic delivery channels to meet customers’ ever increasing needs.

Moving with the times, the Group has opened e-lobbies at the Cybercity and at its existing Curepipe Service Unit and also installed new ATMs and enhanced POS devices to service a wider client base. The Group continuously strives to bring innovative and value-adding solutions to its diverse customers. SBM was first in Mauritius to launch the “Mobile Phone Banking” service in March 2006, which enables customers “anytime, anywhere” to access their bank accounts using their mobile handsets. In addition, premier banking has been brought “closer to home” with a dedicated team of mobile personal bankers and sales officers. SBM is also first, and the leader in the domestic market, in the convergence programme from magnetic to chip-enabled credit and debit cards with a view to providing a safer and more secure card solution to its clients transacting worldwide.

Through its asset management arm, the Group has introduced a range of products with different risk characteristics. The “SBM Yield Fund” was successfully launched in June 2006. Global products from the well-known investment arm of MAN Group Plc were also introduced and distributed during the year as an alternative investment range of products to cater to the needs of our sophisticated corporate and high net-worth clients. The Group continues to invest in customer-centric technological enhancements, market intelligence and product research to better suit the ever-evolving requirements of its diversified client base.

FLEXIBLE BUSINESS MODEL, SUPERIOR TECHNOLOGY AND COMPETENCIES

The Board is pleased to report that the roll out of the “Flexcube” Core Banking solution across the banking group has been successfully implemented, making on-line and real time banking possible in all geographical locations where SBM has a presence, including Madagascar and India. SBM’s Indian Operations went live on “Flexcube” in March 2006, mirroring the successful system implementation by Banque SBM Madagascar in September 2004, further enhancing the customer-centric model across the Group. This initiative was supported by SBM employees who have gathered skills and experience in the implementation and use of the “Flexcube” Solution, one of the top retail banking solutions in the world. In line with the Group's objective to improve growth in Madagascar, a Service Unit was opened in May 2006 in the Port of Toamasina and is currently fully operational.

In the domestic market, the cyclical renovation programme of Service Units continues as planned. During the year under review, major works were carried out at our Chemin Grenier Service Unit and the Bambous Service Unit was relocated to bank-owned newly built premises, promoting the modern banking image of SBM, improving service and facilitating banking to customers.

As part of the Group's strategy to increase cross-selling and improve cost efficiency, a model Service Unit equipped with optimal resources is planned to be set up in the coming year to benchmark the levels of service and sales and to bring a new and better banking experience to our customers. After initial experience, it is the Bank's intention to roll out the improved and tested model of sales and service across all units.

The Group has maintained its leadership in technological capabilities and modern infrastructure, which enables it to quickly adapt to changes in the market environment, thus continuing to maintain its competitive edge. During the year, the e-Commerce platform was upgraded to internationally recognised standards so as to provide a world class service to the growing and complex e-business segment. The Group also enhanced the e-Commerce systems, business processes and robust controls so as to be pro-actively ever-vigilant to the risks inherent in this line of business.

Keeping abreast of the Basel II requirements, SBM has also implemented Moody's Risk Advisor, which enables the rating of customers based on both financial and non-financial factors in a standardised manner across portfolios.

Coupled with the datawarehousing capabilities for timely performance reporting, adoption of international best practices in risk management and corporate governance, SBM is well geared to face the challenges of a dynamic market and regulatory environment, whilst remaining focused on creating value for its shareholders and its clients.

SBM has also invested significantly in its people and continues to upgrade their skills to have a large pool of requisite competencies in a variety of fields, which are essential to support our business and technology-driven models. Skills gaps are identified through the performance appraisal process and are continuously addressed through both soft and technical training by in-house, as well as, professional trainers and consultants. SBM Park, the Bank's health and learning centre, provides the ideal environment for the staff to be trained, whilst also providing them and their family members with quality recreation time outside office hours, with the added services of trained professionals.

CORPORATE CITIZENSHIP AND GOVERNANCE PRACTICES

SBM recognises that its corporate sustainability depends on its ability to meet the needs of its various stakeholders and hence advocates high standards of ethics, integrity and performance across the organisation. The Code of Banking Practice as well as the Code of Ethics and Business Conduct set out the way SBM carries out business with its customers, suppliers and employees.

SBM aims at maximising value to shareholders through its corporate governance structure. The Board and its committees, comprised of members with banking, industry and technical expertise, provide advice and guidance and have an oversight of the Group's activities, including the subsidiaries as prescribed by the Basel Committee. The Group's Risk Management Framework, including an independent audit function, is firmly established and both the financial and non-financial risks are closely managed.

The Group continues to support national environmental, educational, sport and socio-cultural events that cut across all segments of the population. Sponsorships and donations amounted to more that 1% of net income from operations.

The Group sponsored the games of "Commission de la Jeunesse et des Sports de l'Ocean Indien" held in July 2006 and also co-sponsored the national campaign to combat the Chikungunya disease. SBM continues to be associated with non-profit organisations for the upkeep of the environment and to meet the requirements of the needy and other worthy causes.

The Board is also pleased to report that over Rs10M interests received from assets of Rs100M were donated to the SBM Education Trust, SBM Sport Trust and the SBM Staff Children Education Trust, set up by the Bank in 2005.

AWARDS AND RATINGS

The Board is pleased to share that Euromoney, a leading global financial magazine, has awarded SBM "Best Bank in Mauritius" for the third consecutive year, since its inaugural African Awards for excellence in 2004.

Moody's Investors Service rates SBM Baa2/P2 for long and short term foreign currency deposits and continues to adjudicate a D+ for financial strength to SBM. It is the highest comprehensive rating any Mauritian entity can obtain and the only local bank in Mauritius with such a rating.

PROSPECTS

The economic environment will become increasingly challenging with the progressive cut in EU sugar prices and continued inflationary pressures by virtue of global oil prices. The trade deficit is expected to widen and government measures are also being implemented to aggressively tap new tourist markets, to promote the seafood hub and the BPO sectors and further aggressively promote integrated resort schemes to attract much needed foreign direct investments and thus reduce unemployment and borrowings by the State.

The Board believes that new customer relationships and business opportunities across geographical borders need to be nurtured, as permissible under the single banking licensing regime, for SBM to remain a major player in the financial services sector. Through effective asset and liability management, product innovation and by leveraging on existing competencies and capabilities to generate fee-based business, the Board is confident that the skilled and competent management team will generate the required returns to shareholders and value to clients and employees.

AUDITORS

The auditors, Messrs Kemp Chatteris Deloitte, have expressed their willingness to continue in office and a resolution proposing their re-appointment is recommended to the members.

ACKNOWLEGMENTS

The Board records its appreciation for the valued contribution of Mr Ayub Hussein Nakhuda, C.S.K. and Mr Antoine Louis Harel Jnr, who both retired from the Board in December 2005. The Board welcomes Mr Louis Lai Fat Fur, G.O.S.K. who was elected as a director at the last Annual Meeting.

The Board thanks all the employees for their commitment and dedication for the advancement of the SBM Group and also places on record its appreciation to the regulators for their cooperation.

And, finally, the Board expresses its deep appreciation to its customers and shareholders for their continued trust and support.

Chaitlall Gunness
Chief Executive

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

September 26, 2006

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

Operations Review - Contents

Financial Review - Contents

Management discussions & analysis

OPERATIONS REVIEW

Value and Strategic Management

SBM has embraced a value-based decision making process across the entire organisation, encompassing strategic value-based planning and budgeting, risk management, performance reporting and results-linked rewards systems and continuously benchmarks its operating model and technological architecture against international best practices. The Group is hence in a strong position to face the changing market and regulatory environment whilst maintaining its competitive edge and consistently generating increased value to its shareholders. For the financial year under review, SBM has generated "economic value" to the extent of Rs392M (2005: Rs304M).

In order to realise the Group's medium and long-term goals, strategic and annual operating budgets are established taking into account the prevailing macro economic environment, opportunities that exist, the available capital, the required human and technological resources and the acceptable risk and return trade-offs. Detailed strategies by line of business are set out and performance is measured against the budget on a monthly basis to ensure that the required returns are being generated by business segments, portfolios, products and clients. The strategic planning process is continually reviewed to ensure effectiveness and a half-yearly rolling forecast enables the teams to plan ahead in term of resources and keep in line with the Group's corporate objectives. A rewards system, linked to achievement of key performance indicators, completes the value management chain. It motivates and promotes the good performers and reconciles the aspirations of the individual, the corporation and the shareholder in maximising value.

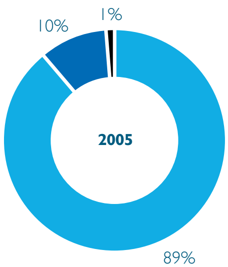
To support the above structure, the Enterprise Data Warehouse and Oracle Financial Services Applications were implemented to enable timely multi-dimensional performance reporting and decision making based on economic returns, while ensuring consistency in the way data is collected and interpreted. Methodologies for Funds Transfer Pricing, Activity Based Costing and Capital Allocation based on levels of risks are continuously being refined to better reflect economic realities, given dynamic market conditions and regulations. The Risk Adjusted Return on Capital (RAROC) remains one of the key performance measurements across the Group and analysis by line of business is illustrated below:

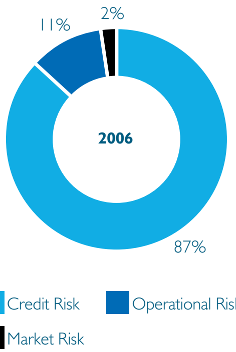
Table 1 – RAROC (%)

MRs'000	Personal Banking	Business Banking	Treasury & Funding Centre	Leasing	Subs & Others	Consolidated Adjustment	Jun-06 Group	Jun-05 Group Restated	Jun-04 Group Restated
Net Income before Income Taxes	207,076	814,605	183,404	84,374	450,010	(215,048)	1,524,422	1,488,659	1,360,345
Net Income after Income Taxes	178,086	700,561	157,728	71,718	427,198	(215,048)	1,320,242	1,196,433	1,130,172
Income after Tax after Comparative Adjustments	187,350	699,970	156,178	71,718	286,676	(215,048)	1,186,844	1,085,044	1,127,172
Allocated Capital	429,690	1,900,065	304,251	75,482	190,549	(32,200)	2,867,837	2,756,174	2,827,025
RAROC	**44**	**37**	**51**	**95**			**41**	**39**	**40**

Prior year data has been restated on a comparable basis to reflect the refinement in methodology in calculating indicative RAROC.

Chart I – Economic Capital Allocation by Risk Type for 2005 & 2006





Given that most of the allocated capital represents the buffer for the management of credit risks, changes in regulatory requirements and recommendations under Basel II relating to credit issues have a significant impact on computed RAROC. For a meaningful comparison, the capital allocated in 2005 has been adjusted to reflect revised risk weights in accordance with recent guidelines issued by the Central Bank on Basel II and adjustments for one-time income and expenses and related tax charges. Group RAROC has improved by 2% to reach 41% in 2006. The increase in capital allocation was 4% despite an increase in average assets of 11.5%, reflecting the overall good quality of credit attracting proportionately less capital, besides increased exposure to sovereign risk. Group Income after tax increased by 10.4% in 2006 on a comparable basis.

Looking at the lines of business, the RAROC of Personal Banking dropped mostly on account of higher charge-offs compared to previous year in the mortgage portfolio and higher allocated costs from the support and service centres, which have not been sufficiently compensated for by increase in business volumes. On the other hand, the RAROC of Business Banking showed a slight improvement compared to last year, as fee-based income from both traditional banking and new e-business activities was higher, and an increased portion of revenues was generated from non-resident sources and hence taxed at a lower rate. The increase in transactional income was to some extent dampened by the drop in interest margin as the growth in foreign-currency denominated assets yielded lower margins. Given that the overall risk rating of the lines of business did not change significantly year on year, the changes in RAROC were mostly driven by changes in transaction-based income.

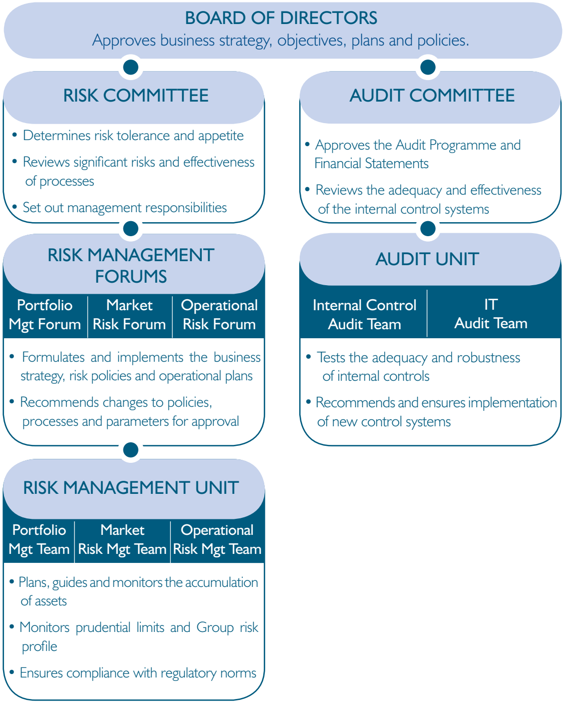
In order to maintain RAROC at such levels, focus will remain on the good quality credit, diversification of income sources and introduction of new and innovative products to retain and widen the Group's customer base. Sales and Service initiatives across the organisation will be started in the forthcoming year to build on and optimise the Group's robust business model, technological capabilities and wide network of delivery channels.

Risk Management

The Enterprise Risk Management Framework complements the strategic management structure in place within the Group. Taking measured risks remains an integral part of the Group's business and managing risks is the business of every member of the organisation. The Board of Directors is ultimately responsible for the effectiveness of the risk management system and approves the risk strategies, policies and prudential limits on an annual basis. It delegates to the Risk Committee its main function to review the risk management processes i.e. the identification, measurement, mitigation, control and reporting of risks.

The Risk Management function is supported by an independent Audit function comprising both internal and external auditors and together they create a comprehensive framework for the management and monitoring of key risks.

Chart 2: Risk Management Framework



Credit Risk

SBM manages its credit risk exposure based on a portfolio management approach, which guides the Group in the achievement of an optimal loan portfolio with sustainable and superior risk-adjusted returns. Standards for accumulation of assets throughout the Group are set out in the risk policy and a comprehensive risk report is submitted to the Risk Committee on a quarterly basis to assess the credit risk profile of the Group. The credit risk policy is reviewed at least once a year.

Credit Risk Measurement

To enable the application of consistent risk measurement across all credit exposures, the Bank has implemented rating tools across different segments, which have been mapped to Moody's international rating scales. During the year, SBM upgraded its macro business rating system and implemented Moody's Risk Advisor, which combined with Moody's Financial Analyst, produces objective and standardised ratings based on both quantitative and qualitative data. This forms part of the Group's objective to comply with the Basel II Internal Ratings Based Approach for capital allocation. These risk rating tools also enable the quantification of expected losses but in the absence of historical data for Mauritius, Moody's USA norms/ guidelines have been used to estimate those losses based on probabilities of default, loss given default and exposure at default. The Bank is however building its own default and loss database as part of its ongoing efforts to be in line with best international practices and is hopeful of implementation in 2007.

Credit Risk Mitigation

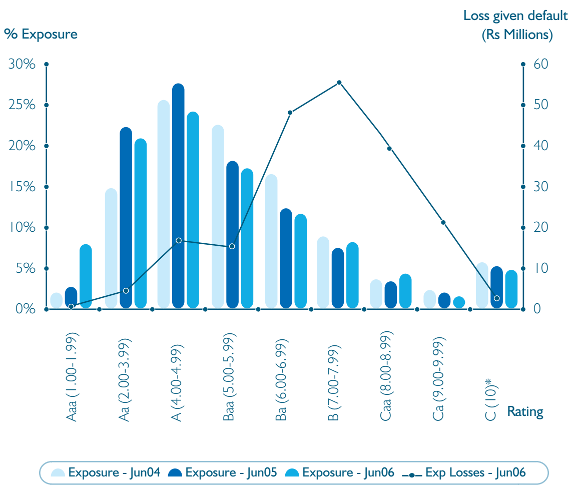
To maintain independence and integrity of credit decision-making, the credit approval function is segregated from loan origination and the approval authority is delegated within a tiered structure according to country and sovereign rating, borrower rating, size of exposure, credit risk type and facility type. SBM also closely monitors risk concentrations across those dimensions. Maximum limits on countries, sovereign governments, banks, portfolios and individual borrowers have been set based on prevailing economic conditions, market opportunities and the Group's credit risk appetite. These limits are periodically reviewed by the Board. SBM actively manages its credit exposures, with particular focus on potentially high-risk accounts, closely monitored through a "watchlist". Criteria used to identify those accounts include risk ratings, exposure and arrears. The Group has also set up an independent and dedicated Intensive Care Unit, comprising senior and experienced officers with specialist skills to work closely with clients to turn around weak accounts to good status and reducing exposure to such accounts. When those accounts cannot be nurtured back to health, they are transferred to Recovery and Workout Team for exit and recovery action.

Credit Risk Profile

Table 2: Group Portfolio Exposures: 2004-2006

Portfolio	% 30-Jun-04	% 30-Jun-05	% 30-Jun-06
Agriculture	2	4	3
Commerce - Retail	8	6	7
Commerce - Wholesale	11	12	13
Financial Institutions	4	5	4
Infrastructure	6	6	6
Job Contractors	4	4	3
Manufacturing - Non Textiles	9	10	9
Textiles	9	9	9
New Economy	5	3	2
Real Estate	3	2	1
Services	5	5	6
Tourism	16	14	13
Credit Card	2	2	2
Consumer	6	6	8
Mortgage	10	12	14
Total	100	100	100

Chart 3: Group Exposure with Loss given default



*Includes impaired advances against which specific provisioning has been made

During the year, the Group pursued its objective to aggressively grow the Personal Banking portfolio and as at the end of June 2006, the personal banking segment represented 24% of the Group's portfolio, an increase of 4% from the previous year. This was achieved through a constant review of the Bank's product and service offerings combined with a dedicated mobile sales and service team. For the Business Banking segment, a prudent but risk/reward based approach has been adopted for accumulation of assets in view of macroeconomic developments. Concentration of exposures to portfolios and individual customers has been capped based on tolerable risks as per the Credit Policy and in line with guidelines from the Central Bank, which have been adhered to. The Group has hence managed its growth in the Textiles and Agriculture portfolios, has grown in the Commerce and Services portfolios in line with its risk strategy and has further appetite for growth in the remaining sectors including Tourism, where market potential is perceived.

Overall credit asset quality remained stable during the year. As at June 30, 2006, exposure to investment grade counterparties (Baa and above) accounted for 70% of credit risk assets compared to 69% in 2005. The exposure to the lowest asset grade C decreased to 4% at June 30, 2006 (2005: 5%). By defaulting the unrated customers to the average portfolio rating, the Group's loss given default as at June 30, 2006 amounted to Rs 202M (2005: Rs193M) which is well within the buffer available for credit risk capital. The ratio of net impaired credit to net advances was reduced to less than 0.4% by June 2006 (2005: 1%). The gross impaired advances also reduced by 7% to Rs636M in 2006 (2005: Rs684M).

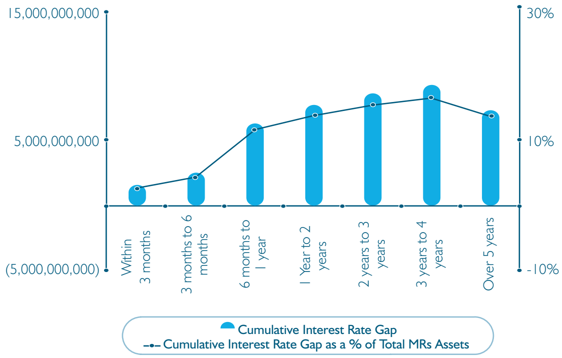
Market risks

Our market risk framework comprises market risk policies and practices, including delegation of authority, market risk limits, risk models and methodologies, and new products process where risk issues are identified prior to the introduction of new products. The market risk policies are updated at least once a year and are in line with the Central Bank and Basel Committee guidelines.

Interest rate risk

The Group operations closely monitor interest rate movements for local rupee and foreign currencies and adjust their asset and liability structure to maintain their exposure to interest rate risk at an acceptable level. SBM also makes use of cash and derivatives instruments to mitigate risks by reducing the effect of interest rate movements across its operations. A combination of gap analysis, earnings at risk and simulation models is used for interest rate measurement. As at June 30 2006, SBM Mauritius operations were within the prudential limits set by the Board for interest rate gap for Mauritian Rupee and US Dollar denominated assets and liabilities.

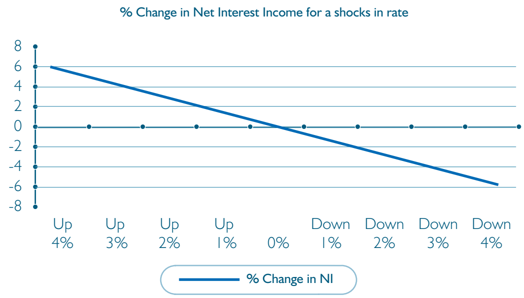
Chart 4: MRs Interest Rate Gap as at June 30, 2006



The Bank had an overall positive gap of Rs8,785M at June 30, 2006, which represents the net difference in the interest rate sensitive assets and liabilities across the time periods. The graph below shows the actual interest rate risk exposure of instantaneous shock in rate over a twelve month period. A change of 2% in interest rate will result in a change in net interest income of 2.75%.

Earnings at Risk on that basis are estimated to be around Rs45M at June 30, 2006.

Chart 5 – Change in Net Interest income (%) for shocks in rate



Foreign exchange risk

SBM exercises strict control over its foreign currency exposures. The Bank reports on foreign currency positions to the Central Bank and has set up more conservative internal limits in order to mitigate foreign exchange risk. The internal prudential limits approved by the Risk Committee are allocated to the dealers and are closely monitored by the Middle Office, independent of the Front Office. To evaluate the foreign exchange risk, SBM makes use of Value-at-Risk (VaR) and also carries out "stress test" on its foreign exchange positions. VaR is a technique that produces estimates of the potential negative change in the market value of a portfolio over a specified time horizon at a given confidence level. The VaR on the Bank's foreign exchange trading positions was as shown in Table 3

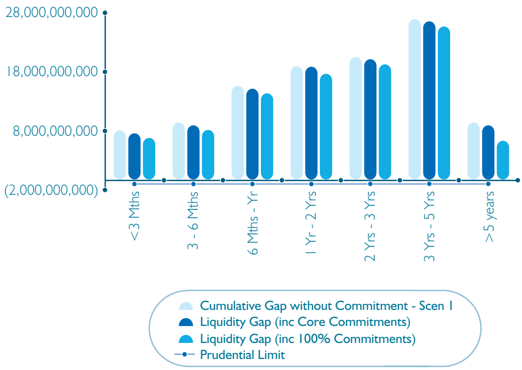
Table 3 – VaR analysis

	June 30		Lowest		Highest		Average	
	MRU	INDIA	MRU	INDIA	MRU	INDIA	MRU	INDIA
2006 (MRs M)	0.60	0.14	0.19	0.01	3.81	0.39	1.39	0.12
2005 (MR sM)	0.48	0.06	0.31	0.06	3.18	1.25	1.51	0.56
2004 (MR sM)	2.63	0.76	0.22	0.08	4.10	1.73	1.29	0.72

Liquidity Risk

The objective of liquidity management is to ensure that the Bank has enough cash on hand or in the pipeline to meet current and future cashflows as well as unexpected withdrawals. SBM measures the liquidity positions on an ongoing basis and also examines how liquidity requirements are likely to evolve under different assumptions/scenarios. Each month, different scenarios of liquidity gap are reported to ALM based on varying levels of drawdown.

Chart 6 – MRs Liquidity Gap as at June 30, 2006



The liquidity management process includes not only the cash flows projection of the local currency and other major currencies but also the monitoring of depositor concentration to ensure an appropriate funding mix and avoid over reliance on large individual depositors. On a daily basis, Treasury is responsible for effectively managing the overall liquidity cash flows. The Middle Office monitors and ensures that liquidity position is in accordance with the Bank's approved liquidity risk management policies and limits. The same principle is applied across the Group operations.

The Bank's Liquid Assets including cash, balance with central bank & banks and traded liquid securities represented 29.1% of total liability base as at 30 June 2006. SBM adhered to the prudential limits set by the Board and Central Bank. Bank of Mauritius has consistently rated SBM's liquidity position on the highest scale over the financial year.

Price Risk

The Mauritius Treasury has started trading on the international bond futures market and the Group has also expanded into equity trading in India. Limits have been set taking into account the risk appetite of the Bank, volatility of the market and the experience of the dealers. The Middle Office closely monitors dealer the stop loss limits and the intraday and overnight exposure limits. All trading exposures are reported on a daily basis and the trading book positions are marked to market and are stress tested. It is the intention of the Group to build up skills in these complex but ever growing segment and tap the opportunities to generate high returns. An increase in dealings in bonds futures is expected for the forthcoming year and SBM is also planning to expand into commodities futures trading to diversify its sources of income and meet customer needs.

Operational Risk

The Group promotes an organisational structure that puts emphasis on high levels of ethical behaviour and integrity across all levels of the organisation whereby each and every employee is involved in the management of operational risk, with additional responsibilities on managers and specialist units to ensure that there is adherence to operation controls. Operational risks include people risk, processing and system risk, information security, legal risk, compliance risk, reputational risk and strategic risk.

An Operational Risk Management Framework has been developed to ensure that operational risks within the Bank are properly identified, monitored, managed and reported in a structured, systematic and consistent manner. All the major operational risk issues are discussed and reported at the monthly Operational Risk Management Forum. A comprehensive loss events and incidents database has been established to monitor changes in the operational risk profile. The loss events database is in line with the Central Bank requirements and will enable the future use of advanced approaches for quantification of operational risk. Business activities have also been mapped to the respective business lines as defined by the Central Bank and by the Basel Committee on Banking Supervision.

The Group recognises the importance of a Business Continuity Plan as an integral part of the Group's strategy to mitigate risks and to manage the impact of unforeseen events. The Business Continuity Plan across all areas of operation is being set up and tested. Training also remains pivotal to the SBM pro-active risk management culture to keep staff members abreast of developments in their areas of operation. During the year, the Group has experienced a reduction in card losses, which was contained with the introduction of the EMV chip cards and the implementation of "Proactive Risk Manager " tool, which alerts the Bank on transaction patterns displaying unusual behaviour. SBM has in place high security standards securing access to the Bank's premises, thus safeguarding its assets and its employees. Finally the Group has a comprehensive insurance cover to mitigate the risk of high impact loss events as part of the operational risk management framework.

In line with the Central Bank requirements and local legislation, a Money Laundering Reporting Officer ensures all identified suspicious transactions are reported to the appropriate authorities.

Internal Audit

The Bank's independent team of internal auditors has been reinforced during the year so that the scope of work could be widened across the organisation on a risk-based approach, complementing the work being carried out by the team of Compliance Officers. The testing and review of internal controls, in addition to the work done by external auditors, is carried out based on a pre-agreed plan approved by the Audit Committee and is designed to rigorously assess and detect weaknesses in internal control systems.

During the year, where higher level of expertise was required, the Bank has sought the assistance of "SIFY" as independent experts to carry out an IT audit and a review of the security controls in the main business applications in use by the organisation. This exercise has helped to identify various areas for improving the effectiveness of our controls and also to strengthen the internal control culture. Recommendations presented to the Audit Committee are targeted to be fully implemented by December 2006. In line with best practice, the Chief Internal Auditor has direct access to the Chairperson of the Audit Committee and the Board.

Lines of business

2006 has witnessed the entrance of new players in the domestic market with the single banking license regime. To continue maintaining its competitive edge, SBM leverages on its superior technology to enhance its portfolio of products and services whilst continuously further improving its sales and service processes. The marketing team, together with the product specialists across the different lines of business, continues to ensure that customers are provided with flexible solutions and are serviced through the most appropriate and convenient delivery channel of their choice. During the year, the in-house Research team became fully operational. Macroeconomic indicators, economic policy, market and sectoral trends were analysed and forecasts derived in order to identify strategic and market risks and opportunities. The economic and sector reports are continuously updated and contribute to dynamic portfolio management and market intelligence.

Personal Banking

During the financial year, various initiatives targeted at specific customer segments were undertaken to be closer to the retail customers and add value to SBM's range of products and services:

- Working closely with the Marketing team, "Open days" were organised at large Service Units and shopping complexes as well as other public events to reach out to existing and potential clients, as part of the "Get Connected" Campaign.
- Enhancements were made to SBM "Boost" consumer loan and to "Flexi" Mortgage Loan, with a view to provide a more flexible solution adaptable to clients' needs and to keep a competitive edge in the market.
- In line with the objective to be a modern bank and to be a service leader in the local banking market, an e-lobby was launched at Cybercity, Ebene in October 2005. Equipped with indoor ATMs and interactive e-kiosks service, it gives customers 24-hour access to the SBM website with online product applications, as well as free Internet access to facilitate banking. Another e-lobby equipped with latest technology was launched at our Curepipe service unit in January 2006 to service an increasing number of customers.

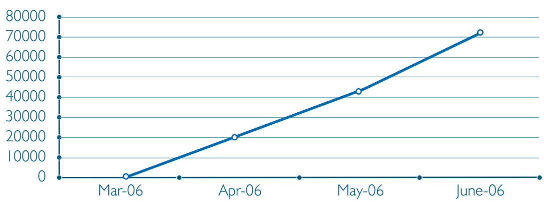
The Bank is now even better positioned to serve our Customers by providing electronic banking solutions 24 hr a day with SBM e-lobbies

- A new delivery channel was pioneered for customers by offering the "Mobile Phone Banking" facility. As from March 2006, SBM customers can conveniently access their accounts "anytime, anywhere" at their fingertips through Short Messaging System (SMS). Registered mobile banking users also receive an SMS alert when there are changes to their account balances, which safeguards against unauthorised transactions. A significant increase in number of SMS banking transactions has been witnessed in the last three months as depicted below.

- SBM's ATM network has increased to 105 terminals consisting of 69 on-sites and 36 off-sites ATMs to service a wider client base and the public. Also, all VISA credit cards have been converted to EMV chip platform and the conversion of SBM Cash debit cards is in progress to provide a safer solution to customers transacting worldwide. In the year ending June 30, 2006, an increase of 28% and 26% in SBM credit and debit cards usage respectively was observed. The "Topup" prepaid mobile phone credit campaign also increased usage during the year as reflected in an increase in the number of transactions by 42% compared to the previous financial year. The momentum of previous years has been sustained and at the end of June 2006, 83% of all banking transactions were conducted through electronic channels.

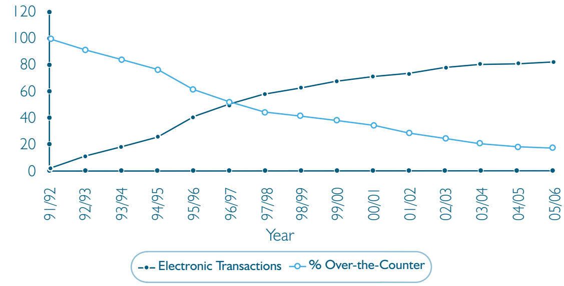
innovating to create banking with 100% mobility

Chart 7: Mobile Banking Transaction since launch in March 06



The launch of our Mobile Banking service has translated "Banking at your fingertips, anytime, anywhere" into reality

Chart 8: Over-the-Counter v/s Electronic Transactions



Business processes are continuously streamlined to improve turnaround time and enhance customer satisfaction and incentives schemes have been set up to reward the best performers in sales and service. With proven technological capabilities, a dedicated team of mobile sales officers as well as personal bankers and a commitment to constantly improve its product offerings, the Group is well positioned to take maximum advantage of the market potential in the new financial year.

Business Banking

The Business Banking team continues to provide comprehensive financial solutions to its business customers across geographical borders and industrial portfolios. These include traditional commercial loans, project financing, working capital finance, lines of credit, trade finance facilities in both domestic and foreign currencies as well as some derivative instruments for the sophisticated clients.

In a segment where homogeneity of products is fairly high, SBM demarcates itself by providing a multi-dimensional offering: multi-currency POS devices that enable businesses to capture transaction in the currency of their choice hence hedging against currency risk; modern and world class e-Commerce platform to tap into the growing e-business market; financial solutions adaptable to individual business cash flows and timely response through a team of relationship and service officers who take banking to the client's doorsteps. By multiplying its corporate relationships, the Business Banking segment also creates opportunities to cross-sell retail and investment products to clients' employees. Through those corporate relationships, SBM also builds partnerships to provide value-added and ancillary services to its customers: "free points" on the Credit Card Reward programme redeemable against different services provided by our select partners; innovative "Mobile Phone Banking" and "Topup" services which have generated new income streams for telecommunications client(s) as well as brought lifestyle changes to our customers; "bundled offers" to corporate clients and their employees to improve retention.

offering 100% flexibility with banking solutions for all ages and needs

Treasury

SBM is the leading primary dealer in the local securities market. However the uptrend in the local interest rates has led to a significantly lower level of activity and as expected, trading income has been subdued. Interest rates forecast being on the uptrend, SBM will therefore not expect any significant growth in trading income in the next financial year from securities both in Mauritius and India.

Similarly in the light of increasingly illiquid market conditions on the local foreign exchange market and narrowing of margins, Group foreign exchange income has decreased significantly from the previous year. This was however partially mitigated by Madagascar Treasury operations, which have recorded a satisfactory growth of 16% over the previous year on the back of increased foreign exchange volumes.

Under prevailing macro economic conditions, Group Treasury needs to find new sources of income. The international bond trading desk has been in operation for over a year and an increased contribution to the bottom line is expected from this relatively new operation over the next year. An equity trading desk was launched in India during the year and has been able to take modest advantage of the buoyant Indian equities market. In the expectation that the Indian stock market will remain on the uprise, the Group may benefit from new market opportunities in the forthcoming year. Commodities trading is also a new initiative that is currently being assessed as a means to grow transaction-based income and also to provide hedging solutions to some of SBM's corporate clients.

Support Services

Strategic marketing

The Marketing team continues to support the lines of business by ensuring that SBM becomes top-of-mind and the better and first choice for potential customers, whenever banking decisions have to be made. SBM embarked on a strategy of going closer to its customer by effectively using the most appropriate media and service channels for bringing awareness. National media campaigns are used to launch new and innovative products that transform the way banking is carried out; selective data mining and direct mailing are used to target specific customer segments; to get closer to the customers serviced by our network of units and build the sales pipeline, week-end "Open Days" and "car rallies" in selected regions have been successfully organised; and to meet and listen to the needs and aspirations of the customers, corporate events are held in neutral environment specific to each market segment.

Coupled with the above, the Group invests in tools and market research to gather market intelligence and in turn, develop new solutions and enhance existing products to maintain their competitive edge. New business delivery models are also tested and modern delivery channels introduced to make it simpler and more convenient for our customers to bank with SBM. The challenge for the forthcoming years will be the roll-out of a tested model service unit across geographical locations, in line with the cyclical renovation programme of service units, to reflect the Group's modern image and the desire to provide a new banking experience to its customers. The Group remains committed to make banking hassle –free. The model service unit is part of the initiative to make banking simpler and better for our customers. The focus will also be to further improve market share in both assets and liabilities products by promoting the corporate brand and talking directly to potential customers through a variety of channels, besides personal contacts

'Open Days' at Service Units on weekends has been a key strategy to getting closer to our Customers

putting all our efforts to achieve 100% customer satisfaction

Talented and skilled human capital

In an ever-demanding service environment, having a talented, competent and dedicated workforce is one of the key elements for success. SBM recognises the need to build its human capital which will enable it to sustain high returns.

Candidates with the requisite experience, skills and qualification are screened through fair and transparent processes. All new recruits follow an Induction Programme that covers a general overview of the working of the organisation and high-level training on the use of the tools and systems in place. In addition, more specialised technical or on-the-job training is provided by the respective Head of Department in his line of operation.

Over the years, considerable emphasis has been laid on upgrading of skills and knowledge of bank staff to keep abreast of new developments in the market and the regulatory environment. The Human Resources team coordinates in-house, external and overseas training programmes, with a view to create a versatile and skilled workforce, well versed with the latest concepts and able to meet the needs of a changing industry.

investing in advanced technology to ensure 100% security

Employees also receive quarterly feedback on their contribution to the organisation. Performance measures are mutually agreed at the beginning of each year based on the job role and staff are eligible for productivity bonuses if they meet their individual and team objectives. SBM believes that a well designed perfomance-linked rewards system motivates the staff, increases productivity and converges towards the Group objectives, which become self-fulfilling.

SBM Park, the Health and Learning Centre, hosts most of the Group's out-of-doors activities, providing opportunities for staff to participate in various sports, educational and cultural events and further build the SBM team spirit. The in-house "Status" magazine facilitates communication across the organisation and the Code of Ethics and Business Conduct issued to each employee sets out the way SBM carries out its business in line with good corporate governance practices.

Our Customers are sharing the benefits of SBM Park – the Bank's Recreational and Learning Centre

Superior Technology

Entrenched in the SBM culture is the forward-thinking approach in doing business. Currently the Group benefits from the foresight of having a fully integrated system, supporting multi-currency transactions, multi-dimensional delivery channels and multi-currency balance sheet. The Group continues to maintain this edge and continuously builds on this solid foundation by adopting top-of-the-range technologies, versatile and adaptable to changing market needs and new opportunities.

The complex technological architecture, including the network of 105 ATMs, over 1400 POS devices and 43 Service Units are supported by a team of in-house IT specialists and external professionals based on mutually agreed service levels. The internal controls and security issues within SBM IT environment are tested by internal and external auditors as well as independent experts to ensure integrity of data, controls and continuity in providing uninterrupted levels of customer service both in Mauritius and abroad. SBM's past track record in system uptime is well within internationally acceptable levels and for the year under review was in the order of 99.9%, reflecting high availability, stability, resiliency and reliability.

Centralised Operations Management

All back office and administrative functions are centralised and co-ordinated by the Operations Management Unit, pivotal in ensuring a smooth day-to-day running of business.

The team adds value by providing quality and timely operational services and support to its stakeholders through secure systems and processes. By doing things right, fast and on time within a well-controlled environment, Operations Management brings quality, speed and reliability to the delivery of the Group's products and services to its numerous customers. Dedicated to supporting the Sales & Service activities of each delivery channel, the Operations Management Unit translates the organisation's goals into operational action and is the backbone to the Group's achievement of its business objectives.

Overseas Operations and subsidiary companies

Indian Operations

SBM Indian Operations, with its three branch network in Chennai, Hyderabad and Mumbai has traditionally focused on Treasury and Corporate Banking activities. The entity is gearing up for expansion in retail and to that end, Indian Operations has successfully implemented the "Flexcube" Core Banking Systems in February 2006 and is currently on the same technological platform as Corporate Office, connected for real-time on-line banking. The entire project including change in the hardware and system platform was completed in a short span, with the assistance of the Business Solutions Team from Mauritius, who has acquired the technical skills and knowledge on "Flexcube" since its implementation in Mauritius and Madagascar.

The prospects for the Indian economy are significant as evidenced by the average GDP growth of 7% over the past three years and forecast annual GDP growth is in the region of 10%. Credit demand has been surging and is expected to remain at high levels. With a rising interest rate environment, the trading opportunities on the local securities market will be limited and the situation is not expected to change in the forthcoming financial year. On the other hand, the equity market in India has been buoyant and it is expected to keep that trend, thus creating market opportunities in the next financial year for alternative income streams.

SBM hence remains alert to growth opportunities in India, leveraging its privileged position as being already present locally and its strong capital base. The focus for Indian Operations for the coming year will be to grow its retail deposit base, maintain its improved credit portfolio quality as well as increase fee-based income through currency and equity trading. SBM Indian Operations contributed to 6% of Group's total assets and less than 2% to Group's profit after tax.

Madagascar Operations

The financial year was marked by the opening of Banque SBM Madagascar's service unit in the Port of Toamasina which is an important stepping stone towards increasing its geographical presence in Madagascar. The bank optimised the use of its core banking system in order to enhance customer service, improve productivity and reduce operational risks.

In April 06, Banque SBM Madagascar also became a fully owned subsidiary of the Group as Nedbank divested fully its equity investment. During the year, Madagascar Treasury operations recorded a satisfactory performance with foreign exchange income approximately 16% higher than the previous year on the back of increased foreign exchange volumes. Banque SBM Madagascar generated profit before tax and provisions of Mga3.2Bn for the financial year 2006, a reduction from the previous year, on account of higher system costs and other costs incurred for opening of service unit. The Madagascar Operations contributed to 2% of group assets, in line with the previous year. There are some control aspects in Madagascar which are being evaluated, but which are not material to the Group. Despite a slight uptake in economic activity, the bank will remain prudent in its expansion plans over the forthcoming year and will focus on improving the quality of its assets and mobilising low cost deposits, especially in Toamasina.

Leasing business

SBM Lease Limited, wholly owned by SBM, holds a Deposit Taking Licence issued by the Bank of Mauritius and a licence issued by the Financial Services Commission to carry leasing business. The company provides finance lease facilities for a gamut of movable assets, supporting businesses across the different sectors of the economy.

Competitive pricing based on risks and market conditions are given to clients. During the year, the company upgraded its operating system to improve timeliness in capture of transactions and management reporting. With a view to meet the evolving needs of its customers, the company is contemplating the introduction of Operating Lease facilities in the next financial year to further build on the company's market share in the leasing market.

The company benefits from the support of the various specialised units within SBM Group such as Credit Underwriting, Credit Management Services, Risk Management, Value Management and Finance for its middle-office function and has a dedicated and independent back-office team to process its transactions. It also leverages on the Group's network of clients for business generation.

During the financial year, Gross Investments in Finance Leases have increased by 5.09% to reach Rs 1.2Bn in June 2006. Deposits have shown a corresponding growth of 4.96% to Rs1.2Bn in 2006. The company achieved a profit after tax of Rs67.1M in 2006, up by 9.51% from 2005. The growth in profitability was driven by better liability management and a modest growth of business.

Asset Management Business

SBM Mauritius Asset Managers Ltd (SBM MAM) is the fund management arm of the SBM Group. The company is licensed and regulated by the Financial Services Commission to conduct asset management services and to distribute financial products. SBM MAM provides portfolio management services and investment solutions to institutional investors, pension funds, private clients and high net worth individuals.

The company's goal is to deliver simple but superior results through its investment expertise and platforms. The dedicated team aims to seek the appropriate solutions based on the clients' needs and objectives by continuously putting the clients first. To this end, after signing a cooperation agreement with the Union Bank of Switzerland (UBS) last year, SBM MAM has also agreed to work together with MAN Investments, the asset management division of MAN Group plc, a global leader and provider of alternative investment products.

Through the delivery of proven and well-known third party range of overseas investment funds, SBM MAM offers its clients the opportunity to invest and diversify in foreign markets and benefit from its professional research, which constantly seeks out attractive asset classes in the various investment universes.

Furthermore, following its commitment to find simple investment solutions for its customers, SBM MAM has launched the "SBM Yield Fund" in June 06. Though the minimum capital was set at Rs 30m, made up of 3 million units of Rs10 each, the initial issue was oversubscribed over three times and an amount of over Rs100M was collected. This new fund complements the company's first unit trust, the SBM Universal Fund.

SBM MAM recorded a profit after tax of Rs12.54M for the year ended June 06 in line with its objectives. It is planning for next year to grow bottom line by at least 25% with the introduction of new products.

Superior results and Customer Value through our investment expertise and customer centric delivery at SBM MAM

Security Broking Business

SBM Securities Ltd is the security broking business arm of the Group. Its activities complement those of its parent company by providing a gateway through which clients can invest on the local stock market, locally managed funds and government issued products.

SBM Securities Ltd assists clients in their investments decisions through its personalised service and regular client contact and independent advice. The company ensures that its clients' short term and long-term financial objectives are achieved and the clients are also kept up to date on local and overseas financial markets through its weekly stock market report. With the changes in the fiscal regime for the forthcoming year, the activity on the local stock exchange is likely to pick up and SBM Securities will strive to increase its share of business whilst maintaining operating efficiency. The company intends to better service its clients and the public at large with the launching of a website in the forthcoming year.

SBM Investments Limited

SBM Investments Limited is the domestic investment arm of SBM and it focuses on equity investments for strategic purpose and long-term capital gains. During the year under review, the company invested in the growing tourism sector which partly explains the increase in assets from Rs125.1M in June 2005 to Rs194.5M in June 2006. Profit from its operations for the year ended June 30, 2006 amounted to Rs17.6M.

SBM Global Investments Limited

SBM Global Investments Limited (SGIL) is SBM's main investment vehicle for non-rupee equity investments. During the year, with the termination of the Strategic Alliance Partnership with Nedbank, SGIL acquired the 20.01% equity stake in Banque SBM Madagascar SA, which became a fully owned subsidiary of SGIL. SGIL also disposed of its 20.1% holding in MN Holdings, previously known as SBM Nedcor Holdings Ltd and acquired Alliance Investments Ltd, previously known as Nedbank Africa Investments Ltd, which held the 20.1% equity in SBM. The profit for the year of SGIL amounted to USD0.43M as at June 30, 2006.

Alliance Investments Ltd (formerly Nedbank Africa Investments Limited)

Alliance Investments Ltd (AIL) is a wholly owned subsidiary of SGIL and it was acquired on the termination of the Strategic Alliance with Nedbank. On the date of acquisition, AIL already had in its books the equity shareholding of 20.1% in SBM. The fair value of that investment amounted to USD78.2M as at June 30, 2006 and was entitled to dividends of USD4.2M.

SBM Financials Limited

SBM Financials Limited, a wholly owned subsidiary of SBM Investments Limited, provides share registry, debenture holder's representative and other fiduciary services. The company achieved profits of Rs0.79M for the year ended June 30, 2006 arising from its operations.

SBM IT Limited

SBM IT Limited is the technology arm of the Group and acts as a service support provider to the Group.

FINANCIAL REVIEW

		Restated[a]			
Key Financial Indicators	**2006**	**2005**	**2004**	**2003**	**2002**
Consolidated Statement of income for the year ended June 30 (MRs Million)					
Net Interest Income	1,743	1,625	1,481	1,365	1,282
Non Interest Income	961	789	888	665	543
Non Interest Expense	1,031	922	905	769	681
Depreciation and amortisation	255	245	194	202	200
Net Income before Tax & Provisions for Credit Impairment	1,748	1,567	1,525	1,319	1,191
Net Income before Tax	1,524	1,489	1,360	1,176	1,022
Net Income before Tax Grossed Up[b]	1,551	1,523	1,410	1,252	1,147
Net Income after Tax	1,320	1,196	1,130	1,021	959
Net Income Attributable to Shareholders	1,319	1,191	1,127	1,018	952
Consolidated Balance Sheet as at June 30 (MRs Million)					
Total Assets (Including Contra Items)	58,922	57,346	51,300	46,912	43,353
Total Assets (Excluding Contra Items)	50,902	48,607	42,258	38,418	34,245
Deposits from Non-Banks	40,067	34,901	32,796	29,182	26,150
Loans and Advances to Customers	26,363	24,502	22,672	21,566	21,279
Gilt Edged Securities	9,286	9,397	11,089	9,184	5,892
Total Shareholders' funds	7,816[f]	8,183	6,135	5,139	4,887
Total Tier 1 Capital	4,821[f]	5,536	4,740[g]	4,907	4,656
Market Capitalisation	14,149	10,440	8,910	6,388	4,475
Risk Weighted Assets[d]	31,608	30,999	28,694	26,276	21,943
Consolidated Balance Sheet (Average[c] MRs Million)					
Average Assets	50,557	45,357	38,928	34,858	32,665
Average Shareholders' Funds	8,450	7,744	5,859	5,194	4,724
Average Working Funds	50,365	44,945	40,630	36,511	34.062
Average Tier 1 Capital	5,906	5,338	4,683	5,031	4,496
Average Loans and Advances to Non-Banks	26,717	24,170	22,241	21,014	21,149
Average Deposits from Non-Banks	38,111	32,885	29,555	26,190	24,876
Average Gilt-edged Securities	8,158	9,395	9,424	7,404	4,690
Average Interest Earning Assets	42,615	37,921	33,613	29,916	28,223
Average Interest Bearing Liabilities	40,529	36,182	32,059	28,571	26,946
Per Ordinary Share					
Earnings per share(Rs)	4.06	3.66	3.46	2.84	2.62
Dividend(Rs)	2.00	1.30	1.20	1.10	1.00
Net Asset Value (Rs)	24.04[h]	25.17	18.87	15.29	13.45
Market Price (Rs)	37.00	27.30	23.30	16.70	11.70
Dividend Yield (%)	5.41	4.76	5.15	6.59	8.55
Earnings Yield (%)	10.97	13.42	14.86	16.99	22.38
Price Earnings Ratio (times)	9.12	7.45	6.73	5.89	4.47
Dividend Cover (times)	2.03	2.82	2.89	2.85	2.62
Performance Ratios (%)					
Risk Adjusted Return on Capital (RAROC)	41.38	39.37	39.87	n/a	n/a
Capital to Risk Weighted Assets[d]	20.77	21.78	17.79	18.16	20.55
Net Income before Income Tax[b]/ Average Risk Weighted Assets[e]	4.95	5.10	5.13	5.19	5.33
Net Income before Tax[b]/ Average Assets	3.07	3.36	3.62	3.59	3.51
Net Income before Tax[b]/ Average Working Funds	3.08	3.39	3.47	3.43	3.37
Net Income before Tax[b]/ Average Shareholders' Funds	18.35	19.67	24.06	24.11	24.28
Net Income before Tax[b]/ Average Tier 1 capital	26.26	28.53	30.10	24.89	25.51
Recurring Earning Power	3.20	3.30	3.73	3.78	3.65
Return on Average Risk Weighted Assets[e]	4.22	4.01	4.11	4.23	4.46
Return on Average Assets	2.61	2.64	2.90	2.93	2.94
Return on Average Working Funds	2.62	2.66	2.78	2.80	2.82
Return on Average Shareholders' Funds	15.62	15.45	19.29	19.65	20.31
Return on Average Tier 1 Capital	22.36	22.41	24.13	20.29	21.34
Efficiency Ratios (%)					
Cost to Income (grossed-up for tax exempt debentures)	41.11	38.91	40.15	39.17	38.24
Cost to Income (Before Depreciation)	30.94	28.55	31.55	28.88	27.01
Other Key Data as at June 30					
Number of Employees	916	901	887	877	839
Number of Employees - (Mauritius)	848	842	833	818	779
Number of Employees - (Overseas)	68	59	54	59	60
Number of Service Units	49	47	47	46	46
Exchange Rate (US $: MUR)	30.93	29.47	28.15	29.25	30.01

[a] Restated wherever applicable for comparative purposes
[b] Grossed up for tax exempt debenture interest income
[c] Averages are based on daily balances as from 2003. 2002 average is based on monthly balances.
[d] Risk assets are computed as per regulatory requirement based on credit as well as operational risks of the Group as from 2003
[e] Average risk weighted assets are calculated using year end balance
[f] Taking into account the acquisition of Alliance Investments Ltd which impacted Tier 1 capital and shareholders' funds by Rs1.5Bn on consolidation
[g] Including the effects of first time implementation of IAS 39
[h] Excluding the consolidation adjustment to shareholders' funds on the acquisition of Alliance Investments Ltd, the net asset value per share was Rs28.79 at June 30, 2006, an increase of 14.4% from 2005.

The Audited Financial Statements for the Group and the Bank for the year ended June 30, 2006 are presented on pages 66 to 125 An analysis of the Group's key financial information as welll as the Group's performance against key objectives are set out in the sections below.

Table 4 - PERFORMANCE AGAINST OBJECTIVES BY KEY AREAS

	Objectives for 2006	Actual 2006	Objectives for 2007
1. RAROC(%)	To improve by around 200 bp	Improved by around 200 bp	To improve by around 300 bp
2. Return on Average Tier 1 Capital (%)	To maintain/improve marginally	Decreased marginally by around 6 bp	To maintain/improve marginally
3. Return on Average Assets (%)	To improve by 10 bp	Decreased marginally by around 3 bp	To improve by 10 bp
4. Net income attributable to Shareholders	To grow by around 12%	Grew by more than 10%	To grow more than 15%
5. Non Interest Income to Average Assets (%)	To improve by around 20 bp	Improved by 16 bp	To improve by around 20 bp
6. Cost to Income Ratio excluding one-time items (%)	To improve by around 300 bp	Deteriorated by around 200 bp	To improve by at least 300 bp
7. Average Advances	To grow by around 7%	Grew by around 10%	To grow by around 10 -15%
8. Average Deposits	To grow by around 5%	Grew by around16%	To grow by around 10-15%
9. Assets Quality: Impaired assets to Advances (%) (Net)	To improve to around 0.5%	Improved to around 0.4%	To maintain

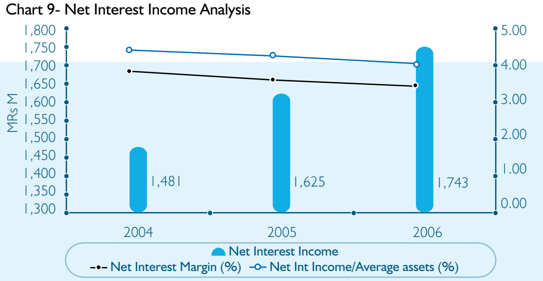
Results

SBM Group achieved a satisfactory performance for the year ended June 30, 2006 despite the difficult macro economic environment in Mauritius, characterised by modest GDP growth, a drop in sugar production levels, a contraction in EPZ exports and mitigated to some extent by a resilient tourism sector. Net Income available to shareholders grew by 10.73% to Rs1,319M in 2006 from Rs1,191M in 2005. Consequently, return on average shareholders' funds increased marginally to 15.62% in June 2006.

Net Interest Income and margins

The Group's Net Interest Income recorded a growth of 7.30% to reach Rs1,743M in 2006, maintaining its upward trend over the years as the Group's assets continue to grow. The pressure on net interest margins however remains, resulting in a drop of 19bp to 4.09% in 2006 from 4.28% in 2005.

Chart 9- Net Interest Income Analysis

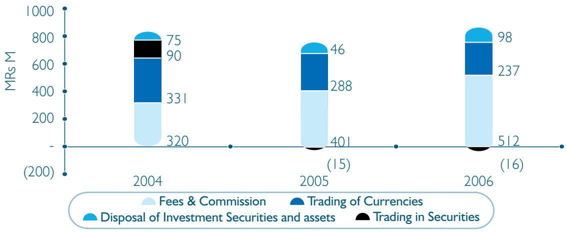


During the year, average interest earning assets and average interest bearing liabilities have increased by around 12% to reach Rs42.6Bn (2005: Rs37.9Bn) and Rs40.5Bn (2005: 36.2Bn) respectively. Net interest income grew at a relatively slower pace and the decrease in interest margin is due to a combination of factors: a shift in balance sheet mix with an increase in non-rupee assets and liabilities yielding lower margins, pressure on pricing for credit in an increasingly competitive environment under the single banking licence regime, lower average gilt-edged securities held during the year, coupled with an increase in the term deposits. Consequently, the net interest income to average assets also declined by 13bp to reach 3.45% in 2006 from 3.58% in 2005.

Non Interest Income

Non Interest Income is analysed under four broad categories, namely currency trading, fees and commissions, securities trading and other income.

Chart 10 - Analysis of Non Interest Income



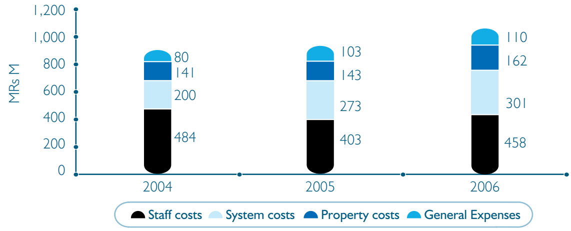
Non Interest Income registered a growth of 15.50% from Rs720M for 2005 to Rs831M for 2006. Excluding one-time capital gains on disposal of investments of Rs35M in 2005 and Rs96M in 2006, the year on year growth on a comparable basis is reduced to 7.39%. The growth in fees and commissions year on year reflects the increase in the average credit portfolio, transactional income from asset management operations, cards operations, new delivery channels and other e-business operations. Currency trading income however registered a decrease of 17.59% in 2006 mostly on account of a squeeze in margins in the highly illiquid and competitive environment. The loss on securities trading relates mainly to Indian Operations. The contribution of overseas operations to non Interest Income was 3.8% in 2006 (2005: 4.8%), the reduction largely on account of the negative contribution from Indian Operations, which during the year was focusing on implementing its core banking system.

Non Interest Income to gross operating income, defined as net Interest Income and non Interest Income before dividends and provisions for credit impairment, improved by 1.56% to reach 32.29% at June 30, 2006 (2005: 30.70%). Excluding one-time capital gains arising from disposal of equities, the ratio improves marginally year on year.

Non Interest Expense

Non Interest Expense increased by 11.81% from Rs922M for 2005 to Rs1,031M for 2006. Non Interest Expense is analysed under the following broad categories: staff, system, property and other expenses.

Chart 11 - Analysis of Non Interest Expense



Staff costs increased by 13.56% to reach Rs458M in 2006 on account of the first time adoption of IFRS 2 and recruitment of skilled and competent staff to cater for new business activities and provide adequate support both locally and internationally. System costs increased by Rs28M or 10.24% to reach Rs301M in 2006 mostly due to additional depreciation charge as the Group continues to invest in state-of-the-art technologies, additional costs incurred for with the implementation of the core system in India, and increase in hardware and software maintenance due to the lapse of the warranty periods and the weakening of the rupee over the year. Property costs increased by 13.51% to reach Rs 162M in 2006, coinciding with the cyclical renovation programme of the service units. Critical equipment was overhauled and related works within SBM premises were carried out to maintain existing high standards of security within the working environment. Increase in general costs of Rs7m in 2006 reflects the first year donation of over Rs10m to the SBM welfare trusts as well as increased legal costs on account of complex transactions carried out during the year.

Cost to Income Ratio

The cost to income ratio of the group has increased to 41.11% in 2006 from 38.91% in 2005 but remains at an enviable level compared to other domestic and foreign banks. The deterioration of the cost to income ratio is mainly due to an increase in charge-off from the previous year, combined with a slower growth in income. Excluding provision for credit impairment, the cost to income ratio would have remained almost constant year on year. This ratio is expected to be brought down below the 40% mark in the forthcoming year as initiatives have been put in place across the organisation to contain manageable costs.

Provisions for Credit Impairment

The net charge for credit impairment to the income statement has increased by Rs145M from Rs79M in 2005 to Rs224M in 2006. The charge for credit impairment in 2005 was arrived at after adjusting for reversals of Rs88M from credit recoveries. In

2006, as prescribed under IAS 39 and Central Bank guidelines, the Group reassessed the realisable value of collaterals securing advances and the timeframe to realise those assets. Consideration has been given to the change in the legal procedures making it more difficult to enforce sale of properties and other assets, the lengthy legal process and ensuing costs for recovery and the valuation of assets by independent professionals. Consequently additional net specific provisions of Rs184M have been made of which Rs69M relate to overseas operations. With the weakening of the economy over the past year as signaled by declining economic indicators, portfolio provisions have increased by Rs53M in 2006. The charge for credit impairment has been reduced by credit recoveries of Rs14M during the year.

Income Tax Expense

Income Tax Expense reduced from Rs292M in 2005 to Rs204M in 2006, mostly on account of the lower effective tax rate on non-resident source income under the new fiscal regime and higher tax exempt income by Rs250M compared to last year for the Bank. Moreover investment allowance, which is a one time relief of 25% of qualifying capital expenditure in respect of the year in which the capital expenditure was incurred, amounted to Rs51M in 2006 compared to Rs19M in 2005. The Income Tax Authorities in Mauritius reviewed the income tax returns of the Bank for the financial years ended June 30, 2002 and finalised their assessment during the current year. The net impact of the assessment on the tax expense for the Group amounted to Rs6.2M as most of the claim related to timing difference with respect to tax relief on specific allowance for credit impairment and advances to tax incentive companies.

Assets

Total assets reached Rs50.9Bn as at June 30, 2006, an increase of 4.72% from the previous year. Loans and advances grew by Rs2.0Bn to reach Rs27.2Bn at the year end. Cash and bank balance also grew by Rs1Bn to reach Rs9.2Bn in June 2006, mostly driven by increases in foreign currency non-bank deposits. Investments in gilt edged securities remained constant year on year on a terminal basis.

Overseas operations contributed to 8.34% of group assets as at June 30, 2006 (2005: 8.26%). Assets of the Madagascar subsidiary increased by 4.14% from 2005 to 2006 as it cautiously invested in gilt-edged securities and increased its placements with banks. Indian Operations registered an increase in assets of 6.31%, representing mostly low-risk short term advances and placements.

Chart 12: Average assets mix

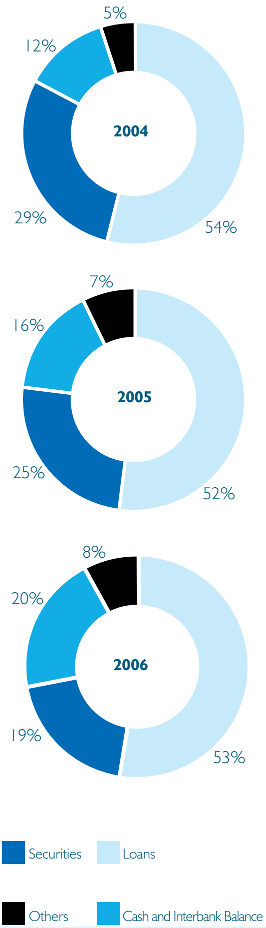


Chart 12 shows average assets mix for the Group. Average assets have grown by 11.47% to reach Rs50.5Bn in 2006 and the increase was mostly in foreign-currency denominated assets as illustrated above.

Loans and Advances

Gross advances increased by 8.14% from Rs25.1Bn as at June 30, 2005 to Rs.27.2Bn as at June 30, 2006, with the increase to the personal banking segment representing 63.1% of the growth reaching Rs7.0Bn in June 2006 from Rs5.7Bn in June 2005. The Group has extended credit facilities in accordance with the Group's credit policy and regulatory guidelines. The advances from Mauritius operations represented 94.46% of the Group's loan book as at June 30, 2006.

With the introduction of single bank licensing, banks report separately their assets and liabilities to/from residents (Segment A) and non-residents/global business licence holders (Segment B) on a monthly basis. The Mauritius Operations advances to Segment A grew by a higher rate of 16.6% compared to the market growth of 12.2% over the year, thereby increasing its market share from 20.7% at June 2005 to 21.5% at June 2006 on a terminal basis. Total advances from Mauritius Operations grew by 14.3% ahead of market growth of 11.7% for 2006 and market share increased marginally by 28bp to reach 12.1% as at June 30, 2006.

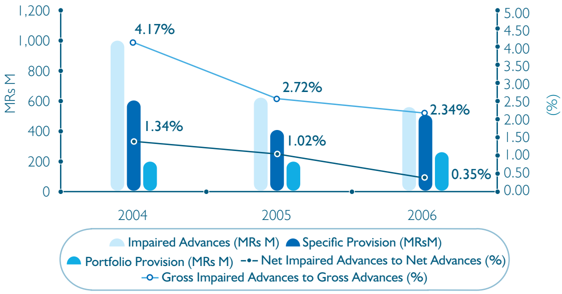
Allowance for Credit Impairment

In line with the Group's risk appetite and credit risk policy, the Group maintained well balanced and good quality portfolios. Impaired advances have decreased by 7.01% from Rs684M in 2005 to Rs636M in 2006. Close account monitoring by specialist teams and pro-active work-out strategies have been established to manage accounts showing signs of weakness, thereby containing impairment.

Table 5: Impaired advances and allowance for credit impairment

MRs Million	2004	2005	2006
Gross Advances	23,538	25,128	27,175
Gross Impaired Advances	982	684	636
Net Impaired Advances	331	274	94
Specific Provision	651	410	542
Portfolio Provision	215	216	270
Total Provision for credit impairment	866	626	812

Chart 13 - Allowance for credit impairment



Gross Impaired advances as a percentage of gross advances have dropped from 2.72% in 2005 to 2.34%, on account of net increase in specific provision for credit impairment of Rs132M in 2006, recovery and improved quality of assets. Net impaired advances to net advances improved further from 1.02% as at end of 2005 to 0.35% as at end of 2006, reflecting a strong loan book. The quality of credit is expected to be maintained with our enhanced credit assessment tools, Moody's Risk Advisor, and credit expansion will be driven by both market opportunities and acceptable risk/rewards trade-offs.

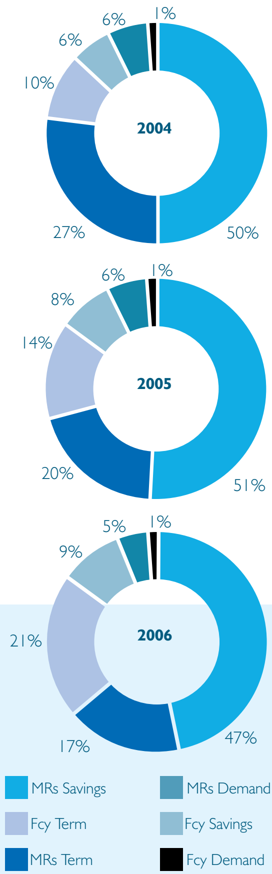
Specific provision for credit impairment relates to identified impaired advances and is calculated as the difference between the carrying amount of the impaired advance and recoverable amount, i.e. the present value of estimated future cash flows discounted at the original effective rate in accordance with IAS 39. The above criteria does not apply to collateral of liquid assets. Portfolio provision is the amount of incurred losses not specifically identified but which experience indicates are present in the portfolio of loans. The Group's specific and portfolio provisioning was done in accordance with the accounting standards and was in compliance with the regulatory guidelines issued from time to time. Note 9D to the Financial Statements shows the movement in the allowances for credit impairment during the year.

Deposits

Group's deposits registered an increase of 14.5% and reached Rs40.0Bn at the end of June 2006 from Rs35Bn at end of June 2005. The growth came mainly from Mauritius Operations which contributed to 92.7% of the increase in total deposits for the period under review. Mauritius Operations deposits grew by 14.9% from June 2005 to June 2006, higher than the market growth rate of 11.1%.

For the Mauritius operations, the market share in rupee deposits remained constant at around 20% for June 2005 and 2006, whereas market share in non-rupee deposits increased by 0.7% to 4.2% as at June 2006.

Chart 14: Average non-bank deposits for 2004-2006



Analysis of average non-bank deposits is illustrated in Chart 14 above. Average non-bank deposits grew by 16% to reach Rs38.1Bn for 2006, with 85% of the deposit increase denominated in foreign currency and particularly in term deposits. Average rupee savings increased by 6% during 2006, to reach Rs18.2Bn but its proportion of total deposits declined to 47% in 2006 from 51% in 2005. The Group will focus on growing low cost deposits over the next few years to better manage its balance sheet.

Shareholders' Funds

Shareholders' Funds registered a decline of Rs363M from Rs8,183M at June 30, 2005 to Rs7,816m in 2006 due to capital impairment of Rs1.5Bn on the acquisition of Alliance Investments Ltd, which held before acquisition date and as at June 30, 2006, the 20.1% equity investment in SBM. Adjusting for that item, shareholders' funds increased on a comparable basis by Rs 1.2Bn, mostly explained by the following:

- retained profits for the year of Rs0.8Bn
- increase in fair value of equity investments by Rs0.4Bn

The Group's capital adequacy ratio at June 30, 2006 which includes capital charge for operational risk stood at 20.77%, down from 21.78% on account of the acquisition of Alliance Investments Ltd but still much above the regulatory requirement of 10%. Return on Average Tier 1 Capital decreased marginally by 5bp to 22.36% and return on average shareholders' funds increased by 17bp to 15.62%.

Capital Structure

Capital requirement

The regulatory requirements with respect to Bank's capital structure are set out in the Bank of Mauritius Guidance Notes on Risk Weighted Capital Adequacy (based on the 1988 Basel Capital Accord) and the Guideline on Operational Risk Management and Capital Adequacy determination. For the purpose of assessing capital adequacy, capital is divided into 2 tiers. Core capital also known as Tier 1 capital and Supplementary capital also known as Tier 2 capital. Tier 1 capital includes paid up capital, share premium, statutory reserve and revenue reserve. Tier 2 capital includes revaluation reserve and subordinated debt including portfolio reserve, if any. Only 75% of the property revaluation reserve and 50% of the investment revaluation reserve are included under Tier 2 capital.

Capital adequacy of a bank is gauged by the ratio of the sum of the risk weighted assets and risk assessed off-balance sheet exposures to its capital base. Capital base is the total of Tier 1 and Tier 2 capital less investments in subsidiaries and associates and holdings of other banks' capital instruments. Table 6 shows the calculation of capital adequacy ratio. Bank of Mauritius has set a higher minimum capital adequacy ratio of 10% compared to the Basel Committee minimum level of 8%.

Table 6: Group Capital Structure

MRs Million	June 2004	June 2005	June 2006
I. Capital Base			
Paid up Capital	382.4	382.4	382.4
Share Premium	570.0	570.0	570.0
Statutory Reserve	465.8	480.3	487.5
Revenue Reserve	4,234.4	5,015.9	5,836.6
Treasury Shares	(912.7)	(912.7)	(912.7)
Adjustment on acquisition of Alliance Investment Limited	-	-	(1,543.3)
Total Tier I Capital (A)	**4,739.9**	**5,535.9**	**4,820.5**
Reserves arising from revaluation of properties	-	721.5	725.4
Reserves arising from fair valuation of equity investments	626.9	728.3	921.2
Translation and Other Reserves	147.9	224.4	185.5
Portfolio provision for credit impairment	214.9	216.5	269.5
Total Tier 2 Capital (B)	**989.7**	**1,890.7**	**2,101.6**
Less Investments in Associates (C)	(625.2)	(675.8)	(357.4)
Total Capital Base [(A+(B-C)]	**5,104.4**	**6,750.8**	**6,564.7**
II. Risk Weighted Assets			
Risk Weighted on Balance Sheet Assets	23,248	26,017	26,660
Risk Weighted off Balance Sheet exposure	1,865	2,043	1,716
Aggregate net open Foreign Exchange position	482	52	210
III. Risk Weighted Assets for Operational Risk	**3,099**	**2,887**	**3,022**
Total Risk Weighted Assets	**28,694**	**30,999**	**31,608**
IV. Risk Assets Ratio (%)	17.79	21.78	20.77

Table 7: Risk Weighted on-Balance Sheet Assets

	June 2004			June 2005			June 2006		
MRs Million	Amount	Risk Weight %	Risk Weighted Amount	Amount	Risk Weight %	Risk Weighted Amount	Amount	Risk Weight %	Risk Weighted Amount
Cash in hand & with Central Bank	2,040	0	-	1,895	0	-	3,084	0	-
Balance with local Banks	144	20	29	87	20	17	479	20	96
Balances & Placement with Offshore Banks and Banks abroad	1,987	20	397	6,758	20	1,352	5,727	20	1,145
Gilt-edged Securities	11,089	0-20	138	9,397	0-100	287	9,286	0-100	296
Equity Investments	1,515	100	1,515	1,653	100	1,653	2,064	100	2,064
Fixed/Other Assets	2,069	100	2,069	3,467	100	3,467	3,273	100	3,273
Balance due in Clearing	116	20	23	173	20	35	268	20	54
Advances	22,887	0-100	19,077	24, 718	0-100	19,206	26,633	0-100	19,733
TOTAL	**41,847**		**23,248**	**48,148**		**26,017**	**50,814**		**26,660**

Basel II Capital Accord

Bank of Mauritius is planning a convergence programme for capital allocation in accordance with the recommendations of Basel Committee on Banking Supervision under the Basel II Capital Accord. The main differences between Basel I and Basel II are illustrated below:

Table 8: Basel I and I I Approaches

Basel Approaches	Basel I	Basel II
Credit Risk	Exposure x Risk Weight x 10% **(Risk Weight being 0%, 20%, 50% or 100% depending on type of exposure)**	**Standardised Approach** Exposure x Risk Weight derived from External Credit Assessment x 10%* **Internal Rating Based Approach** Exposure x Risk weight derived from Internal risk ratings assigned x 10%*

Table 8: Basel I and II Approaches (cont'd)

Basel Approaches	Basel I	Basel II
Operational Risk	No Provision	**Basic Indicator Factor** 15% of average gross income over 3 years **Standardised Approach** Beta factors ranging from 12-18% across lines of business applied to average gross income over 3 years **Alternative Standardised Approach** As above except for Retail & Commercial Banking lines of business. For the latter, capital is linked to the size of advances. **Advanced Measurement Approach** Based on banks' operational risk measurement system, using internal and external loss data, stress testing, scenario analysis, risk factors and operating business environment.

**The minimum ratio as per Basel II is 8%. Bank of Mauritius requires that banks maintain a minimum of 10%.*

Whereas Basel I focuses on the capital base of banks, Basel II emphasises the measurement and management of key banking risks including credit, market and operational risks. Basel II is founded on three pillars.

Pillar 1 is essentially an upgrade of Basel I with emphasis on risk sensitive capital requirements depending on borrower profiles rather than the existing flat treatment of credit risk. Besides credit risk and market risk, Pillar 1 introduces a capital charge for operational risk.

Pillar 2 is based on a series of guiding principles, all of which point to the need for banks to assess their capital adequacy positions relative to their overall risks, and for supervisors to review and take appropriate actions in response to these assessments. In addition to ensuring that banks have adequate capital to support all the risks in their business, the Supervisory review process of Basel II aims at encouraging banks to develop and use better risk management techniques. The forward looking approach to capital adequacy supervision advocated by Basel II would facilitate adjustments to the framework to reflect market developments and advances in risk management practices.

Pillar 3 – Market discipline consists of a set of disclosures that will allow market participants to assess key information about a bank's risk profile and level of capitalisation. Public disclosure is particularly important with respect to the new Accord where reliance on internal methodology will provide banks with greater discretion in determining their capital needs.

The Bank is implementing Basel II in a phased manner as directed by the Central Bank. The latter has set up a Committee for the implementation of Basel II, involving members of commercial banks in Mauritius to assess the readiness of bank, plan and implement a comprehensive methodology for Basel II capital allocation.

At an initial stage, commercial banks will be required to adopt the Standardised Approach for Credit Risk as per the guideline issued by Central Bank. The Central Bank has used its discretionary power for certain key criteria, such as the absolute threshold for retail exposure and the treatment of Public Sector Entities (PSEs) and related risk weights. However banks that intend to adopt the Internal Rating Approach for Credit Risk, may do so subject to the explicit approval of the Central Bank. The Bank's methodology for allocation of economic capital is currently based on the Foundation Internal Rating Based approach and the risk weights in use are continuously being refined in accordance with new guidance notes and available data.

A proposal paper on Measurement and Management of Market Risks has been issued to the industry, consistent with the approach recommended by the Basel Committee on Banking Supervision in its papers. It is not proposed to have mandatory capital charges for interest rate risk in the banking book. The proposed framework requires banks to apply an interest rate shock of 200bp on their earnings, using the earnings perspective at a minimum, so as to determine the level of interest rate risk and hold commensurate capital if required. The Bank is already complying with those requirements.

The Bank of Mauritius has issued a Guideline on the Operational Risk Management and Capital adequacy requirements, effective since April 01, 2005. The minimum requirement was to use the Basic Indicator Approach. Given that SBM has well-defined lines of business and available information to support the Alternative Standardised Approach, the latter has been adopted.

SBM will require approximately 7% less capital on the adoption of Basel II IRB approach, using currently available internal and external data, as compared to the current capital regulatory requirements, which is based on a hybrid of Basel I and Basel II.

Corporate citizenship and governance practices

SBM recognises that its corporate sustainability depends on its ability to meet the needs of its various stakeholders and hence advocates high standards of ethics, integrity and performance across the organisation.

Corporate Citizenship

SBM embraces its role as a corporate within the society. It strives to balance and meet the aspirations of its shareholders, customers, employees and the community alike. SBM promotes transparency and good governance practices to gain and retain the confidence of its stakeholders.

Shareholders are kept informed of group performance against targets, supported by independent reviews throughout the year. Material transactions affecting the business as well as critical business assessment are also disclosed. The Group has adopted a Code of Banking Practice and a Code of Ethics and Business Conduct which set out the way business is conducted with customers, suppliers and employees. The Group aims to achieve its business objectives in a socially responsible manner, giving foremost consideration to the needs and requirements of the customers, promoting teamwork and meritocracy amongst the employees and fair practices amongst its suppliers.

SBM continues to support national, environmental, educational, sport and socio-cultural events that cut across all sections of the society. Sponsorships and donations amounted to more that 1% of income from operations and represented over Rs20M for the year ended June 30, 2006 (2005: Rs 17M)

Committed to promote and invest in the future generation, SBM sponsored the "Commission de la Jeunesse et des Sports de l'Ocean Indien" Games held in July 2006. The Group, also responsive to the requirements of the State in times of crisis, has co-sponsored the national campaign to combat the Chikungunya disease to the tune of Rs0.8M.

We are promoting sports among the youth of the Region through the sponsorship of the 2006 CJSOI Games

SBM continues to be associated with non-profit organisations for the upkeep of the Mauritius Wildlife and to meet the requirements of the needy and other worthy causes. Our subsidiary Banque SBM Madagascar SA also donated MGA 8M for the reconstruction of the Rova Palace, promoting the national historical heritage of Madagascar.

During the year, interests of Rs10.4M on the capital sum of Rs100M set aside for the promotion of education and sports were donated to The SBM Education Fund, The SBM Sports Fund and The SBM Staff Children Education Fund, set up by shareholders' approval in 2005. Independent advisory working committees have been set up to assess how to better utilise the funds for the benefit of worthy causes.

Corporate Governance Practices

SBM was the first listed company to introduce international best practices in governance in 1997, well in advance of the Bank of Mauritius guideline on corporate governance in 2001, and the enactment of the Code of Corporate Governance in 2004.

SBM's corporate governance system consists of the Board of Directors, Board Committees, Management Forums, Management, Internal and External auditors, industry best practices as well as established policies and procedures across all operations. This framework ensures that the business and affairs of the Company and the Group are managed in a transparent and ethical manner and in the best interests of the stakeholder in general and in particular the shareholders.

The system provides structures for the following:

- Formulation of strategic directions and plans
- Setting up of corporate objectives and budgets
- Clear lines of responsibility and accountability
- Delegation of authority to Management to implement Board approved plans and strategies and to operate the Bank's business on a-day-to-day basis.
- Sanctioning of banking facilities to related parties and large credit exposure to a customer/Group besides exposure to countries, banks and financial institutions by the Credit Committee of the Board.
- Monitoring of performance and compliance with laws, regulations, policies and procedures
- Risk management framework
- Internal controls systems
- Rewards and incentives
- Succession planning for executives
- Good governance practices

The Board of Directors is made up of a majority of independent directors and comprises members with a mix of banking, financial and industry expertise. The Board fulfills its proper governance responsibilities through the various Board Committees, namely Audit, Risk, Conduct Review, Remuneration, Nomination, Corporate Governance, Credit Sanction and Strategic Planning. These committees, which can co-opt independent professionals, review technical and key specific issues in detail and make decisions and/or advise/make recommendations to the Board enabling the latter to take informed decisions.

In line with the Report of the Basel Committee on Banking Supervision "Enhancing corporate governance for banking organizations" issued in February 2006, SBM's Board (parent company board) Committees currently oversees the activities of the subsidiaries. SBM proactively reviews the implications of corporate governance best practices and adopts those appropriate for the local environment. The Group has complied with the Mauritian Code of Corporate Governance, with the exception of disclosure of remuneration for each director. The Board still believes that it is not yet desirable to do so as the domestic market is presently not mature enough and the Conduct Review Committee/Board will review this issue on an annual basis and comply at an appropriate time.

The Group's board charter, terms of references of board committees and Code of Banking Practice and directors are available on our website: www.sbmonline.com

Board Attendance

Table 9 gives the record of attendance at the SBM Board and its committees meetings for the financial year 2005/06.

Table 9: Record of attendance at Board and Board committee meetings for 2005/2006

			Committees							
		Board	**Strategic Planning**	**Credit Sanction**[1]	**Audit**[2]	**Risk**[3]	**Remuneration**	**Nomination**	**Conduct Review**	**Corporate Governance**
Number of meetings held		7	3	11	5	5	4	1	4	3
Directors	Note									
Reddy M K T	a	7	3	11		5	4	1	4	3
Ganoo H	c	4					3	1		
Gunness C	b	7	3	11						
Harel A L (Retired on 21.12.05)	a	3/4			2/2	2/2			2/2	2/2
Lai Fat Fur L[2] (Appointed on 21.12.05)	a	2/3			3/3	2/3			1/2	0/1
Laubscher R C M	a	7	3	10		5		1		2
Mohamedbhai T G	a	3			3		2	0	3	2
Nakhuda A H[1] (Retired on 21.12.05)	c	2/4				1/2				
Ng Thow Hing M	a	7	3	10	5	5	4		4	3
Parianen S	b	6	3	10						
Poncini A J	a	6	2		4		3	0	3	
Rossouw R	a	7	3	10		5				
In attendance Mr Gunness C *Chief Executive*					5	5	4	1	4	3

a. Non Executive Independent Director
b. Executive Director
c. Non Executive Director

[1] The Credit Underwriting teams are in attendance at the Credit Sanction Committee.

[2] The external and internal audit teams are in attendance at the Audit Committee.

[3] The Risk teams are in attendance at the Risk Committee.

Directors follow the prohibition principles and notification requirements of the model code for securities transactions by directors as prescribed by the Mauritius Stock Exchange Listing Rules in respect to dealings in SBM shares. Such transactions, if any, are conducted outside the close periods specified in the Stock Exchange regulations and require the prior approval of the Chairman of the Board/Board.

To promote transparency, all new directors are required to notify in writing their shareholdings both direct and indirect in SBM shares to the Company Secretary, besides their interest in various companies/business entities to manage effectively any conflict of interest.

The interests of the directors of the Company in the share capital of the Bank as at June 30, 2006 were as follows :-

Table 10: Directors' SBM Share Interest as at June 30, 2006

	ORDINARY SHARES		
	Direct	Indirect	Phantom Shares Options Outstanding
Mr. Chaitlall Gunness	600	600	79,500
Prof Mohamedbhai Goolamhussen, T. G., G.O.S.K	6,000	-	Not eligible
Mr. Soopaya Parianen	36,500	-	119,500
Mr. Muni Krishna T. Reddy, G.O.S.K	80,000	-	Not eligible

Phantom shares options have been granted since 1998 on an annual basis to Messrs Gunness and Parianen depending on their performance and the performance of the Bank/Group as described in Note 33 to Financial Statements. The Chief Executive and all non-executive directors are not eligible presently to phantom shares options.

The other directors have no equity share in the company either directly or indirectly. None of the directors have a direct or indirect share in the equity or debt securities of the subsidiaries of the Bank.

During the period under review, none of the directors bought or sold SBM's shares

Statement of Remuneration Philosophy

In line with the strategic management framework, the remuneration of executive management consists of base and risk salary to promote a reward system linked to Group results. Risk salary is dependent on the overall performance of the executive in terms of Key Performance Indicators (KPI's) approved at the start of the financial year and the performance of the Group for the financial year. It consists of cash bonuses and phantom share options and/or deferred cash to reconcile management's commitment to achieve both operating targets and longer term objectives. Phantom share options are exercisable within ten years of the date of allocation of the options but after an initial lock-in period of 3 years with a maximum of 15% in any one year. On the exercise of an option for a phantom share, executives receive in cash being the difference between the option price and the Bank's quoted share price on the day of exercise of the option(s). Note 33 of the Financial Statements gives details on the number of options granted and exercised during the year and the number of outstanding options as at June 30, 2006. The Group also pays productivity-linked bonuses to all its employees based on achievement of objective for the Group, Company, Line of Business, teams and Personal KPI's.

Service Contracts

Key executives enter into service contracts of pre-determined tenure, reviewable on mutually agreeable terms, as part of Group's policy. Mr Chaitlall Gunness has a contract of employment with the Bank commencing October 28, 2003 and expiring on October 27, 2006. Mr S Parianen has a contract of employment with the Bank commencing on September 08, 2003 and expiring on September 07, 2009.

Mr. M K T Reddy has a service contract as part-time non-employee and non-executive Director/Chairman, that is expiring at end of December 2006. In the event of premature termination of the contract by the Bank, he shall be paid the fees and benefits for the unexpired contract period.

Directors' Emoluments

During the year under review, the executive directors received emoluments amounting to Rs12,302,415 (Rs11,935,277 for 2005) and the non executive directors received 281,667 Pound Sterling (281,677 Pound Sterling for 2005) net of all taxes and Rs3,987,000 (Rs3,624,400 for 2005). None of the executive directors and non-executive directors serving on the boards of the subsidiary companies received any emoluments from the subsidiaries.

As per the Bank's policy, directors' fees received by representatives of the Bank/ Group serving on the boards where SBM/Group has equity interest are credited to the account of the Bank.

Auditors' fees

Table 11 below shows the amount paid/payable inclusive of VAT to our auditors for services rendered to the Group.

Table 11: Auditors Fees

	2004		2005		2006	
Rs 000	Audit	Other	Audit	Other	Audit	Other
Kemp Chatteris Deloitte						
State Bank of Mauritius Ltd	3,131	130	3,131	169	3,648*	40
Other Local Subsidiaries	179	-	200	-	229	173
Other Auditors						
G D Apte & Co	127	-	185	-	153	-
State Bank of Mauritius Ltd						
(Indian Operations)						
Delta Audit Deloitte	279	-	263	-	251	-
Banque SBM Madagascar SA						

**includes fees for review of quarterly financial reports.*

During the financial year, in line with best practices, quarterly reviews have been introduced and carried out by the auditors prior to the publication of the financial statements.

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 the Company, either directly or indirectly.

Related Party Transactions

The Bank of Mauritius has a broader definition for Related Party Transaction in the context of local environment than the International Accounting Standard with a view to monitor closely the material transactions and Bank facilities in relation to Tier I capital level. The Bank of Mauritius Guideline on Related Party Transactions require that all transactions with a Related Party are on terms and conditions that are at least as favourable to the Bank as market terms and conditions. The Guideline imposes limits on exposure/transactions value to individual Related Party which shall not exceed 2% of Tier 1 Capital and further an aggregate limit of 25% of Tier 1 capital to all Related Parties. Prior written approval of the Central Bank is required where the above limits are exceeded. Credit facilities and transactions with Related Parties are reviewed by Conduct Review Committee (CRC) as required by Bank of Mauritius.

The CRC, consisting of all independent non-executive directors, reviews on every quarter, all transactions conducted during the quarter under review. After each meeting, the matters reviewed by the CRC are reported to the Board of Directors.

The Bank reports on a yearly basis to the Central Bank on the proceedings of the CRC during the year.

Note 32 to the Financial Statements gives on and off balance sheet credit facilities and other Related Party transactions for the past 3 years. At June 30, 2006, there was only one major related party with exposure of Rs1.75bn, representing 36.3% of the Bank's Tier 1 capital. None of the advances granted to Related Parties were impaired as at June 30, 2006

Material Clauses of the Company's Constitution

Capital

2.8 Limitation as to the number of shares that a Shareholder may possess

2.8.1 No shareholder shall hold directly or indirectly more than Three Per Cent (3%) of the issued share capital less any treasury shares of the Company without previous authorisation of the Board of Directors of the Company. No authorization 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 the Meeting of the said Board.

BY DEROGATION the above provisions shall not apply to those of the shareholders who were holding more than THREE PER CENT (3%) of the issued share capital of the Company before the tenth day of March one thousand nine hundred and ninety five, provided always that each of those shareholders shall at not time hold a higher percentage of the issued share capital of the Company than the percentage each said shareholder was holding at above date.

2.8.2 The provision of Article 2.8.1 shall not apply to International Financial Bodies, International Banks, International Institutions and such International Organisations as the Board of Directors of the Company may expressly authorize to hold a higher percentage.

2.8.3 Subject always to Articles 2.8.1 and 2.8.2 above, any shareholder who has been convicted of (I) the offence of trafficking under the Dangerous Drugs Act or (II) money laundering or corruption or any offence under the Anti Corruption or any offence under the Anti Corruption or Money Laundering Act or (III) an offence under the Prevention of Terrorism Act shall by virtue of such conviction cease to be a shareholder of the Company and his shares shall be treated as Affected Shares and shall be disposed as provided in Article 5.4.

Directors

13.2 Qualification of Directors

No Director shall be required to hold shares in the Company to quality him for appointment.

13.2.1 No person shall however be qualified for appointment as a Director (or alternate Director) unless he holds a degree from a University or Institution recognized by the Ministry of Education of Mauritius and has proven experience.

13.2.2 No person shall if he is already a Director or employee of another Commercial Bank licensed in Mauritius be eligible for appointment as a Director on the Board of Directors of the Company. If already a Director, he shall vacate his office forthwith, provided that the prohibition stipulated in the present Article shall not apply to a Director if the other commercial Bank licensed in Mauritius is a subsidiary or joint venture of the Company.

13.2.3 No person shall if he has ever been convicted of an offence relating to financial crime or other criminal acts be eligible for appointment as a director on the Board of Directors of the Company.

13.3. Election of Directors

13.3.1 The Directors shall be elected by the Company in annual meeting.

13.3.2 Subject to Article 13.4, a Director shall be elected for a term not exceeding five years.

A one year period shall be deemed to be a period between two successive annual meetings at which directors are elected in accordance with Article 13.3.1.

13..3.3 A Director elected for a term less than five years initially, shall be eligible to be re-elected so long the total continuous term of tenure shall not exceed five years from initial election.

13.3.4 A former director who has held office for a consecutive period of up to five years shall become re-eligible for election as a director after a lapse of two years since his last tenure.

Proceedings of Directors

15.1.6 Subject to Article 15.1.7, the Directors shall designate one of the Directors to be the Chairman of the Board. The Chairman shall remain in office until he is removed by a decision of the Board or a new Chairman is appointed, but under no circumstances, shall a Chairman remain in office for or more than five consecutive years.

15.1.7 No director can be designated as Chairman unless he possesses demonstrated expertise and experience in the field of Financial Services and is knowledgeable in Information Technology.

Chief Executive

21.1 Power to appoint Chief Executive

21.1.1 Subject to Article 21.1.2 the Directors may from time to time:

21.1.1.1 Appoint one qualified person as Chief Executive of the Company and may fix his remuneration.

21.1.1.2 Remove any Chief Executive and appoint another in his place;

21.1.1.3 At any time not earlier than three months before the expiration of a period of appointment of the Chief Executive (whether or not it is the first such period) renew the appointment for a further period not exceeding three years and any appointment, removal, or reappointment of the Chief Executive shall be effective from the time of the decision of the Directors.

21.1.2 No person shall be qualified for appointment as Chief Executive unless he holds a graduate degree from a recognised University or an equivalent professional qualification and has at least ten years experience as a professional banker in a senior Executive post.

Shareholder's Agreement

There is currently no such agreement.

Shareholders' Information

SBM's share was floated on the Mauritian Stock Exchange in June 1995 at the price of Rs8.00 per share of Re1.00 and is one of the most successful Mauritian stocks. The market capitalisation of SBM increased from Rs3,137M as at June 30, 1995 to Rs14,149M at June 30, 2006, an increase of 351% and ranks second in terms of market capitalisation. At June 30, 2006, SBM accounted for 16.87% of the total Mauritian market capitalisation and 12.85% of the value of shares traded during the financial year 2005/2006.

Shareholders

Table 12 shows the substantial shareholders of SBM as June 30, 2006.

Table 12: Substantial Shareholders

	No. of Shares
Alliance Investments Ltd	63,335,510
State Bank of Mauritius Ltd	
– Treasury Shares	57,362,170
National Pensions Fund	48,518,750
State Insurance Company of Mauritius	
(Pension & Life Funds)	44,108,421

Alliance Investments Ltd, formerly Nedbank Africa Investments Ltd, was acquired by SBM Global Investments Limited, a wholly owned subsidiary of the Bank in accordance with Section 83 of the Companies Act 2004, as part of the termination of the Strategic Alliance partnership with Nedbank. Alliance Investments Ltd became a wholly owned subsidiary of the Bank and under the Companies Act, its voting has no effect so long as Alliance Investment Ltd is a subsidiary of SBM and holds this shareholding in SBM.

Table 13: Number of Shareholders as at June 30, 2006

Value Range	Number of Shareholders	% of Shareholding
1 - 1,000	12,329	2.19
1,001 - 5,000	3,050	2.15
5,001 - 100,00	1,153	6.58
100,001 - 5,00,000	53	2.74
500,001 - 1,000,000	11	2.07
1,000,001 - 5,000,000	19	10.39
5,000,001 - 10,000,000	6	9.58
More than 10 Million	7	64.30
Total	16,628	100

Table 14: Local & Foreign Shareholders as at June 30, 2006

	Shareholders		Shares	
	Number	%	Number	% Holding
Domestic	16,429	98.80	260,812,536	68.20
Overseas	198	1.19	64,239,764	16.80
Treasury shares	1	0.01	57,362,170	15.00
	16,628	**100.00**	**382,414,470**	**100.00**

Dividend

The Board authorised a dividend of Rs2.00 per ordinary share for the financial year 2005/2006, an increase of 54% from last year. The dividend was paid on August 16 2006 and represented a dividend cover ratio of 2 times of net income available to shareholders.

Dividend Policy

SBM's dividend policy is to distribute a minimum 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 is satisfied. The total return for the year ended June 30, 2006 comprising dividend of Rs2.00 and capital appreciation of Rs9.70 amounted to 36.4%. There are no taxes on dividend income and capital gains in Mauritius.

Table 15: The Bank's Share Performance

	2002	2003	2004	2005	2006
Financial Year end (Rs)	11.70	16.70	23.30	27.30	37.00
Highest (Rs)	14.00	16.70	24.00	29.70	37.50
Lowest (Rs)	10.30	10.80	14.80	23.00	26.20
Average (Rs)	11.72	12.95	19.98	26.02	31.31
Value of shares traded (RsM)	374.8	736.4	663.72	401.43	298.60
Value of Shares traded as a percentage of Market (%)	13.73	36.14	21.13	12.85	6.54
Price to Book (times)	0.87	1.09	1.23	1.09	1.54

Table 16: The Bank's Share Price Information

	2002	2003	2004	2005	2006
Earnings per Share (Rs)	2.62	2.84	3.46	3.66	4.06
Market Price - 30 June (Rs)	11.70	16.70	23.30	27.30	37.00
Dividend (Rs)	1.00	1.10	1.20	1.30	2.00
Dividend Yield (%)	8.55	6.59	5.15	4.76	5.41
Total Yield (Rs)	(1.30)	6.10	7.80	5.30	11.70
Total Yield (%)	(10.12)	42.96	39.00	20.95	36.40
Dividend cover	2.62	2.85	2.89	2.82	2.03
Cumulative Yield (Rs)	8.90	15.00	22.80	28.10	39.80
Cumulative Yield (%) (Since Listing in 1995)	111.30	187.50	285.00	351.30	497.50
Price Earnings Ratio (times)	4.47	5.89	6.73	7.45	9.11

Chart 15 - SBM Share Price Movement

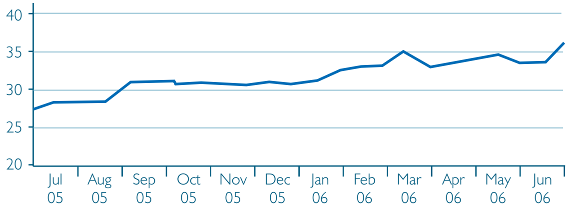
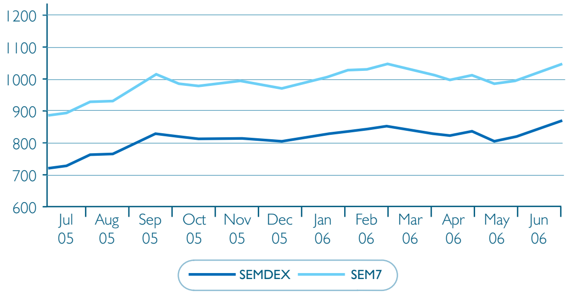


Chart 16 - SEMDEX & SEM 7 Share Price Movement



Dividend Date for 2007 :

Record date : End of July, 2007

Payment date : Mid August, 2007

Quarterly Earnings Reporting

Unaudited quarterly earnings report be released on our website within 45 days from the quarter ending September, December and March and audited accounts for June within 3 months from end of June.

Future Annual Meeting

The Annual Meeting for the year 2007 is scheduled in December 2007.

Contact Details for Shareholder Relationship

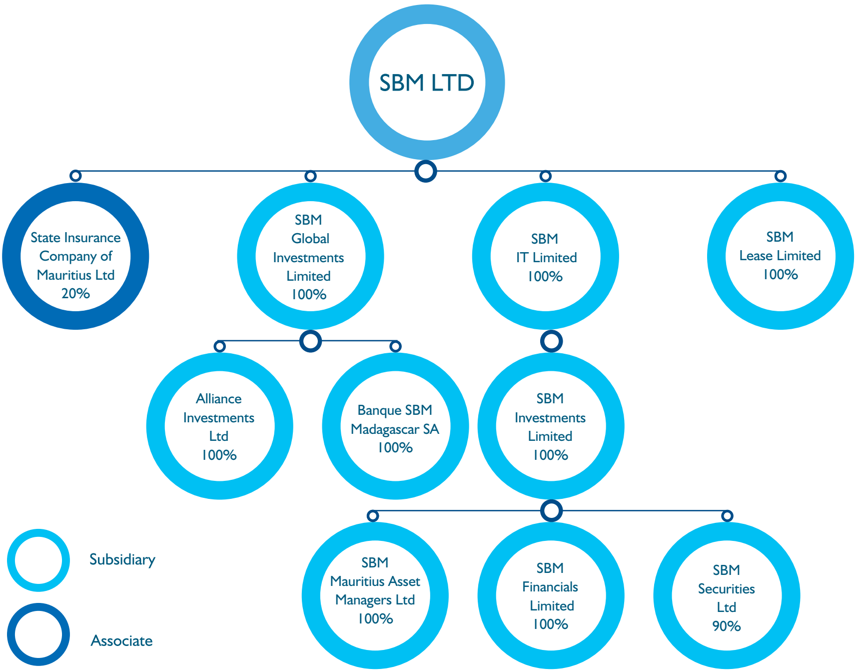
Company Secretary
State Bank Tower,
Queen Elizabeth II Avenue,
Port Louis,
Mauritius
Phone: (230) 202-1560
Fax: (230) 202-1234
Email: chandradev.ca@sbm.intnet.mu

Credit Rating

Moody's rating of the Bank :

Financial strength	D+
Long-term and Short-term foreign currency deposits	Baa2/P2

Chart 17 - SBM Group Holdings Structure



Report of the auditors to the shareholders of State Bank of Mauritius Ltd

We have audited the financial statements of the Group and of the Bank for the year ended 30 June 2006 set out on pages 66 to 125.

This report is made solely to the company's shareholders, as a body, in accordance with section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the company'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 company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Bank. The directors are responsible for the preparation of financial statements which give a true and fair view of the financial position, financial performance and cash flows of the Group and of the Bank, and comply with the provisions of the Banking Act 2004 and of the Companies Act 2001 applicable to banks. They are also responsible for safeguarding the assets of the Group and of the Bank and hence for taking steps for the prevention and detection of fraud and other irregularities. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and the Bank's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

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

Opinion

The information and explanations called for and given to us by the officers or agents of the Group and of the Bank were satisfactory. In our opinion:

- proper accounting records have been kept by the Group and the Bank as far as appears from our examination of those records; and

- the financial statements give a true and fair view of the financial position of the Group and of the Bank as at 30 June 2006 and of the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and comply with the provisions of the Banking Act 2004 and of the Companies Act 2001 applicable to banks, as well as the regulations and guidelines of Bank of Mauritius.

Kemp Chatteris Deloitte

Kemp Chatteris Deloitte
Chartered Accountants
3rd Floor, Cerné House
La Chaussée
Port Louis, Mauritius

Chandra K. Gujadhur, FCA
Signing Partner

Date: September 26, 2006

Balance Sheet at 30 June 2006

	Note	GROUP 2006	GROUP 2005	GROUP 2004	BANK 2006	BANK 2005 (Restated)	BANK 2004 (Restated)
		MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000
ASSETS							
Cash Resources							
Cash and Balances with Central Banks		3,083,739	1,894,720	2,040,409	2,884,125	1,672,411	2,012,529
Balances with Banks and Interbank Loans	5	6,174,670	6,378,422	2,090,179	6,163,330	6,360,702	1,788,798
		9,258,409	8,273,142	4,130,588	9,047,455	8,033,113	3,801,327
Securities, Placements and Other Investments	6						
Investment Securities							
- Available for Sale		2,555,765	2,319,450	2,121,623	2,295,244	2,106,431	1,968,661
- Loans and Receivables		8,938,038	9,253,094	10,844,302	8,703,411	8,787,654	10,118,761
Trading Securities		213,702	144,338	254,791	213,702	144,338	244,937
Placements		45,208	466,261	40,390	45,208	466,261	40,390
Other Investments		-	9,263	8,849	-	-	-
		11,752,713	12,192,406	13,269,955	11,257,565	11,504,684	12,372,749
Loans and Advances	9						
Personal and Credit Cards		7,045,391	5,753,721	4,934,304	7,034,955	5,744,203	4,927,436
Business		13,909,855	13,621,537	13,130,212	14,831,529	13,290,570	12,782,732
Governments		3,505,159	2,665,379	2,665,791	3,501,730	2,650,114	2,665,791
Entities outside Mauritius		300,035	768,346	652,239	300,035	768,346	652,239
Overseas Operations		2,414,264	2,319,098	2,155,137	1,601,201	1,480,406	1,595,079
		27,174,704	25,128,081	23,537,683	27,269,450	23,933,639	22,623,277
Less: Allowance for Credit Impairment		(811,713)	(626,505)	(865,500)	(694,043)	(541,864)	(809,842)
		26,362,991	24,501,576	22,672,183	26,575,407	23,391,775	21,813,435
Other							
Property and Equipment	10	2,451,838	2,517,890	1,230,134	2,431,516	2,504,355	1,225,869
Intangible Assets	11	412,149	476,100	528,972	394,628	454,791	528,936
Other Assets	12	663,495	645,926	425,889	642,616	620,300	410,671
		3,527,482	3,639,916	2,184,995	3,468,760	3,579,446	2,165,476
TOTAL ASSETS		50,901,595	48,607,040	42,257,721	50,349,187	46,509,018	40,152,987
LIABILITIES AND SHAREHOLDERS EQUITY							
Deposits	14						
Personal		22,601,767	20,668,106	19,425,906	21,251,279	19,200,585	17,999,420
Business		11,801,195	11,044,220	8,911,278	11,255,186	10,694,070	8,466,462
Governments		5,663,670	3,188,265	4,458,426	5,386,482	2,935,542	4,232,998
Banks		27,307	100,216	76,643	77,270	100,739	80,135
		40,093,939	35,000,807	32,872,253	37,970,217	32,930,936	30,779,015
Borrowings							
Central Banks	15	452,266	247,829	342,698	452,266	247,829	341,530
Interbank in Mauritius	16	602,046	566,218	278,107	602,046	566,218	277,817
Interbank abroad	17	287,519	2,717,466	1,613,735	286,638	2,712,014	1,613,735
Other Financial Institutions		-	67,697	-	-	67,697	-
		1,341,831	3,599,210	2,234,540	1,340,950	3,593,758	2,233,082

Balance Sheet at 30 June 2006 (cont'd)

	Note	GROUP 2006	GROUP 2005	GROUP 2004	BANK 2006	BANK 2005 (Restated)	BANK 2004 (Restated)
		MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000
Other							
Current Tax Liability	18A	249,757	185,088	56,519	231,873	161,699	39,113
Deferred Tax Liability	18B	286,714	483,324	51,411	288,202	484,900	51,393
Obligations under Finance Leases	19	-	-	-	542,613	621,404	743,960
Other Liabilities	20	1,113,411	1,134,782	889,870	1,202,768	1,062,208	857,886
		1,649,882	1,803,194	997,800	2,265,456	2,330,211	1,692,352
TOTAL LIABILITIES		43,085,652	40,403,211	36,104,593	41,576,623	38,854,905	34,704,449
Minority Interest in Subsidiaries		247	21,008	18,462	-	-	-
Shareholders' Equity							
Ordinary Share Capital	22	382,414	382,414	382,414	382,414	382,414	382,414
Reserves		7,433,282	7,800,407	5,752,252	8,390,150	7,271,699	5,066,124
Equity attributable to equity holders of the parent		7,815,696	8,182,821	6,134,666	8,772,564	7,654,113	5,448,538
TOTAL EQUITY AND LIABILITIES		50,901,595	48,607,040	42,257,721	50,349,187	46,509,018	40,152,987
US$/MRs Mid Exchange Rate as at balance sheet date		30.93	29.47	28.15	30.93	29.47	28.15
MEMORANDUM ITEMS							
Acceptances, Guarantees, Letters of Credit, Endorsements and Other Obligations on Account of Customers	23A	3,475,717	5,014,389	4,612,736	3,309,825	4,769,808	4,312,376
Credit Commitments	23B	3,704,839	2,772,432	3,465,270	3,477,041	2,499,278	3,203,172
Inward Bills held for Collection		270,876	335,561	277,156	212,296	229,757	251,163
Outward Bills sent for Collection		568,996	616,699	687,454	487,971	480,669	687,454
		8,020,428	8,739,081	9,042,616	7,487,133	7,979,512	8,454,165

C.Gunness
Chief Executive

M.K.T. Reddy, G.O.S.K.
Chairman

M. Ng Thow Hing
Director (Chairperson, Audit Committee)

A.J. Poncini, G.O.S,K
Director

Date: September 26, 2006

Statement of Income for the year ended 30 june 2006

	Note	GROUP 2006	GROUP 2005	GROUP 2004	BANK 2006	BANK 2005 (Restated)	BANK 2004 (Restated)
		MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000
Interest Income	25						
Loans and Advances		2,784,927	2,300,563	2,132,163	2,591,664	2,145,708	1,979,785
Securities		575,521	617,760	778,709	537,178	569,679	715,624
Placements and Loans to Banks		306,149	152,880	71,251	306,325	145,028	68,581
		3,666,597	3,071,203	2,982,123	3,435,167	2,860,415	2,763,990
Interest Expense							
Deposits		(1,813,723)	(1,324,486)	(1,400,570)	(1,656,957)	(1,182,264)	(1,214,069)
Deposits and Borrowings from Banks		(102,346)	(118,446)	(100,870)	(101,817)	(116,695)	(100,688)
Lease Finance Charges		-	-	-	(63,349)	(77,258)	(82,534)
Other		(7,258)	(3,575)	-	(7,258)	(3,575)	-
		(1,923,327)	(1,446,507)	(1,501,440)	(1,829,381)	(1,379,792)	(1,397,291)
Net Interest Income		1,743,270	1,624,696	1,480,683	1,605,786	1,480,623	1,366,699
Provisions for Credit Impairment	26	(223,583)	(78,613)	(164,401)	(184,092)	(51,397)	(127,898)
Net Interest Income after Provisions for Credit Impairment		1,519,687	1,546,083	1,316,282	1,421,694	1,429,226	1,238,801
Non Interest Income and Gains							
Net Fee and Commission Income	27	512,041	400,889	320,121	467,118	354,607	284,347
Net Gain from Dealings in Foreign Currencies		237,585	288,288	331,105	224,829	275,263	320,460
Dividend Income		129,515	69,032	72,114	203,368	342,375	215,049
Net (Loss)/Gain from Dealings in Trading Securities and Derivatives		(16,232)	(14,877)	89,576	(16,232)	(15,448)	87,343
Net Gain on Investment Securities		99,261	40,257	63,796	179,011	38,122	18,905
Net Gain on Disposal of Tangible Fixed Assets		635	5,175	11,620	542	5,175	11,616
		960,805	788,764	888,332	1,058,636	1,000,094	937,720
Net Interest and Other Income after Provision for Credit Impairment		2,480,492	2,334,847	2,204,614	2,480,330	2,429,320	2,176,521
Non-Interest Expense	28						
Salaries and Human Resource Development		(321,173)	(285,680)	(314,044)	(313,150)	(279,126)	(306,624)
Pension Contributions and Other Staff Benefits		(79,589)	(77,535)	(136,258)	(76,963)	(76,165)	(136,009)
Depreciation of Tangible Assets		(134,800)	(131,915)	(118,182)	(131,205)	(132,076)	(116,979)
Amortisation of Intangible Assets		(120,289)	(113,383)	(75,685)	(115,767)	(109,104)	(75,630)
Other		(374,786)	(313,283)	(260,832)	(351,488)	(294,145)	(249,082)
		(1,031,637)	(921,796)	(905,001)	(988,573)	(890,616)	(884,324)
Income from Operations		1,449,855	1,413,051	1,299,613	1,491,757	1,538,704	1,292,197
Share of Profit of Associates		74,567	75,607	60,733	-	-	-
Net Income before Tax		1,524,422	1,488,658	1,360,346	1,491,757	1,538,704	1,292,197
Income Tax Expense	18C	(204,181)	(292,226)	(230,173)	(185,637)	(269,380)	(211,459)
Net Income after Tax	29	1,320,241	1,196,432	1,130,173	1,306,120	1,269,324	1,080,738
Attributable to:							
Equity holders of the parent		1,318,998	1,191,213	1,126,521	1,306,120	1,269,324	1,080,738
Minority Interest		1,243	5,219	3,652	-	-	-
		1,320,241	1,196,432	1,130,173	1,306,120	1,269,324	1,080,738
Weighted Average Number of Outstanding Shares (thousands)		325,052	325,052	325,282	325,052	325,052	325,282
Earnings Per Share (Cents)	30	406	366	346	403	390	332

Statement of Changes in Equity for the year ended 30 june 2006

GROUP

	Note	Share Capital MRs'000	Treasury Shares MRs'000	Shares held by Subsidiary MRs'000	Share Premium MRs'000	Statutory Reserve MRs'000	Revenue Reserve MRs'000	Unrealised Investment Fair Value Reserve MRs'000	Investment Fluctuation Reserve MRs'000	Property Revaluation Reserve MRs'000	Translation Reserve MRs'000	Other Reserve MRs'000	Total MRs'000	Minority Interest MRs'000	Total Equity MRs'000
		Attributable to equity holders of the parent													
At 01 July 2003															
- As Previously Stated		336,203	-	-	-	455,865	4,077,654	1,845	36,938	-	170,957	59,430	5,138,892	-	5,138,892
- Effect of applying IAS 39		-	-	-	-	-	(714,978)	1,126,838	-	-	-	-	411,860	-	411,860
- As Previously Restated		336,203	-	-	-	455,865	3,362,676	1,128,683	36,938	-	170,957	59,430	5,550,752	-	5,550,752
- Reclassified		46,297	(726,117)	-	570,000	-	109,820	-	-	-	-	-	-	28,193	28,193
As Restated		382,500	(726,117)	-	570,000	455,865	3,472,496	1,128,683	36,938	-	170,957	59,430	5,550,752	28,193	5,578,945
Changes in Equity for the Year															
Increase in value of Available-for-Sale Investments		-	-	-	-	-	-	151,720	-	-	-	-	151,720	-	151,720
Net Gain Released on Disposal of Available-for-Sale Investments		-	-	-	-	-	-	(33,730)	-	-	-	-	(33,730)	-	(33,730)
Translation Difference		-	-	-	-	-	-	-	-	-	(94,056)	-	(94,056)	(11,581)	(105,637)
Dividend received by Minority Interest		-	-	-	-	-	-	-	-	-	-	-	-	(1,802)	(1,802)
Share of Increase in Reserves of Associates		-	-	-	-	-	-	-	-	-	-	11,658	11,658	-	11,658
Net Income recognised directly in equity		-	-	-	-	-	-	117,990	-	-	(94,056)	11,658	35,592	(13,383)	22,209
Net Profit for the Year		-	-	-	-	-	1,126,521	-	-	-	-	-	1,126,521	3,652	1,130,173
Total recognised income and expense for the year		-	-	-	-	-	1,126,521	117,990	-	-	(94,056)	11,658	1,162,113	(9,731)	1,152,382
Dividend	21	-	-	-	-	-	(389,983)	-	-	-	-	-	(389,983)	-	(389,983)
Buy Back of Treasury Shares		-	(186,750)	-	-	-	-	-	-	-	-	-	(186,750)	-	(186,750)
Shares Bought back and cancelled		(86)	204	-	-	-	(1,584)	-	-	-	-	-	(1,466)	-	(1,466)
Transfer		-	-	-	-	9,960	(26,890)	-	16,930	-	-	-	-	-	-
At 30 June 2004		382,414	(912,663)	-	570,000	465,825	4,180,560	1,246,673	53,868	-	76,901	71,088	6,134,666	18,462	6,153,128
At 01 July 2004		382,414	(912,663)	-	570,000	465,825	4,180,560	1,246,673	53,868	-	76,901	71,088	6,134,666	18,462	6,153,128
Changes in Equity for the Year															
Surplus on Revaluation of Tangible Fixed Assets		-	-	-	-	-	-	-	-	1,282,643	-	-	1,282,643	-	1,282,643
Deferred Tax on Revaluation Surplus of Buildings		-	-	-	-	-	-	-	-	(298,639)	-	-	(298,639)	-	(298,639)
Realisation of Revaluation Surplus of Buildings		-	-	-	-	-	21,994	-	-	(21,994)	-	-	-	-	-
Increase in value of Available-for-Sale Investments		-	-	-	-	-	-	213,234	-	-	-	-	213,234	-	213,234
Net Loss Released on Disposal of Available-for-Sale Investments		-	-	-	-	-	-	587	-	-	-	-	587	-	587
Translation Difference		-	-	-	-	-	-	-	-	-	76,731	-	76,731	163	76,894
Dividend received by Minority Interest		-	-	-	-	-	-	-	-	-	-	-	-	(2,836)	(2,836)
Share of Increase in Reserves of Associates		-	-	-	-	-	-	-	-	-	-	4,954	4,954	-	4,954
Net Income recognised directly in equity		-	-	-	-	-	21,994	213,821	-	962,010	76,731	4,954	1,279,510	(2,673)	1,276,837
Net Profit for the Year		-	-	-	-	-	1,191,213	-	-	-	-	-	1,191,213	5,219	1,196,432
Total recognised income and expense for the year		-	-	-	-	-	1,213,207	213,821	-	962,010	76,731	4,954	2,470,723	2,546	2,473,269
Dividend	21	-	-	-	-	-	(422,568)	-	-	-	-	-	(422,568)	-	(422,568)
Transfer		-	-	-	-	14,424	(13,680)	-	4,488	-	-	(5,232)	-	-	-
At 30 June 2005		382,414	(912,663)	-	570,000	480,249	4,957,519	1,460,494	58,356	962,010	153,632	70,810	8,182,821	21,008	8,203,829

Statement of Changes in Equity for the year ended 30 june 2006 (cont'd)

GROUP

	Note	Share Capital MRs'000	Treasury Shares MRs'000	Shares held by Subsidiary MRs'000	Share Premium MRs'000	Statutory Reserve MRs'000	Revenue Reserve MRs'000	Unrealised Investment Fair Value Reserve MRs'000	Investment Fluctuation Reserve MRs'000	Property Revaluation Reserve MRs'000	Translation Reserve MRs'000	Other Reserve MRs'000	Total MRs'000	Minority Interest MRs'000	Total Equity MRs'000
		Attributable to equity holders of the parent													
At 01 July 2005		382,414	(912,663)	-	570,000	480,249	4,957,519	1,460,494	58,356	962,010	153,632	70,810	8,182,821	21,008	8,203,829
Changes in Equity for the Year															
Realisation of Revaluation Surplus of Buildings		-	-	-	-	-	22,382	-	-	(22,382)	-	-	-	-	-
Change in deferred tax rate on Revaluation Surplus		-	-	-	-	-	-	-	-	27,604	-	-	27,604	-	27,604
Increase in value of Available-for-Sale Investments		-	-	-	-	-	-	382,352	-	-	-	-	382,352	-	382,352
Net Gain Released on Disposal of Available-for-Sale Investments		-	-	-	-	-	-	(386)	-	-	-	-	(386)	-	(386)
Translation reserve released on disposal of Associate		-	-	-	-	-	-	-	-	-	(64,120)	-	(64,120)	-	(64,120)
Purchase of Minority Interest Share		-	-	-	-	-	-	-	-	-	-	-	-	(19,166)	(19,166)
Translation Difference		-	-	-	-	-	-	-	-	-	31,004	-	31.004	(438)	30,566
Dividend received by Minority Interest		-	-	-	-	-	-	-	-	-	-	-	-	(2,400)	(2,400)
Share of Increase in Reserves of Associates		-	-	-	-	-	-	-	-	-	-	178	178	-	178
Net Income recognised directly in equity		-	-	-	-	-	22,382	381,966	-	5,222	(33,116)	178	376,632	(22,004)	354,628
Net Profit for the Year		-	-	-	-	-	1,318,998	-	-	-	-	-	1,318,998	1,243	1,320,241
Total recognised income and expense for the year		-	-	-	-	-	1,341,380	381,966	-	5,222	(33,116)	178	1,695,630	(20,761)	1,674,869
Impairment of capital on acquisation of subsidiary (see note 7E)		-	-	(1,543,321)	-	-	-	-	-	-	-	-	(1,543,321)	-	(1,543,321)
Dividend	21	-	-	-	-	-	(519,434)	-	-	-	-	-	(519,434)	-	(519,434)
Transfer		-	-	-	-	7,261	(10,234)	-	9,209	-	-	(6,236)	-	-	-
At 30 June 2006		382,414	(912,663)	(1,543,321)	570,000	487,510	5,769,231	1,842,460	67,565	967,232	120,516	64,752	7,815,696	247	7,815,943

Statement of Changes in Equity for the year ended 30 june 2006 (cont'd)

BANK

	Note	Share Capital MRs'000	Treasury Shares MRs'000	Share Premium MRs'000	Statutory Reserve MRs'000	Revenue Reserve MRs'000	Unrealised Investment Fair Value Reserve MRs'000	Investment Fluctuation Reserve MRs'000	Property Revaluation Reserve MRs'000	Translation Reserve MRs'000	Other Reserve MRs'000	Total Equity MRs'000
At 01 July 2003												
- As Previously Stated		336,203	-	-	455,865	4,077,654	1,845	36,938	-	170,957	59,430	5,138,892
- Effect of applying IAS 39		-	-	-	-	(714,978)	1,126,838	-	-	-	-	411,860
- As Previously Restated		336,203	-	-	455,865	3,362,676	1,128,683	36,938	-	170,957	59,430	5,550,752
- Reclassified		46,297	(726,117)	570,000	-	109,820	-	-	-	-	-	-
- Change in Accounting policy		-	-	-	(21,808)	(717,296)	168,371	-	-	(99,535)	(59,430)	(729,698)
As Restated		382,500	(726,117)	570,000	434,057	2,755,200	1,297,054	36,938	-	71,422	-	4,821,054
Changes in Equity for the Year												
Increase in value of Available-for-Sale Investments		-	-	-	-	-	166,770	-	-	-	-	166,770
Net Gain Released on Disposal of Available-for-Sale Investments		-	-	-	-	-	(18,905)	-	-	-	-	(18,905)
Translation Difference		-	-	-	-	-	-	-	-	(22,920)	-	(22,920)
Net Income recognised directly in equity		-	-	-	-	-	147,865	-	-	(22,920)	-	124,945
Net Profit for the Year		-	-	-	-	1,080,738	-	-	-	-	-	1,080,738
Total recognised income and expense for the year		-	-	-	-	1,080,738	147,865	-	-	(22,920)	-	1,205,683
Dividend	21	-	-	-	-	(389,983)	-	-	-	-	-	(389,983)
Buy Back of Treasury Shares		-	(186,750)	-	-	-	-	-	-	-	-	(186,750)
Shares Bought back and cancelled		(86)	204	-	-	(1,584)	-	-	-	-	-	(1,466)
Transfer		-	-	-	8,809	(25,739)	-	-	16,930	-	-	-
At 30 June 2004		382,414	(912,663)	570,000	442,866	3,418,632	1,444,918	53,868	-	48,502	-	5,448,538
At 01 July 2004		382,414	(912,663)	570,000	442,866	3,418,632	1,444,918	53,868	-	48,502	-	5,448,538
Changes in Equity for the Year												
Surplus on Revaluation of Tangible Fixed Assets		-	-	-	-	-	-	-	1,282,643	-	-	1,282,643
Deferred Tax on Revaluation Surplus of Buildings		-	-	-	-	-	-	-	(298,639)	-	-	(298,639)
Realisation of Revaluation Surplus of Buildings		-	-	-	-	21,994	-	-	(21,994)	-	-	-
Increase in value of Available-for-Sale Investments		-	-	-	-	-	291,578	-	-	-	-	291,578
Translation Difference		-	-	-	-	-	-	-	-	83,237	-	83,237
Net Income recognised directly in equity		-	-	-	-	21,994	291,578	-	962,010	83,237	-	1,358,819
Net Profit for the Year		-	-	-	-	1,269,324	-	-	-	-	-	1,269,324
Total recognised income and expense for the year		-	-	-	-	1,291,318	291,578	-	962,010	83,237	-	2,628,143
Dividend	21	-	-	-	-	(422,568)	-	-	-	-	-	(422,568)
Transfer		-	-	-	9,192	(13,680)	-	4,488	-	-	-	-
At 30 June 2005		382,414	(912,663)	570,000	452,058	4,273,702	1,736,497	58,356	962,010	131,739	-	7,654,113

Statement of Changes in Equity for the year ended 30 june 2006 (cont'd)

BANK

	Note	Share Capital MRs'000	Treasury Shares MRs'000	Share Premium MRs'000	Statutory Reserve MRs'000	Revenue Reserve MRs'000	Unrealised Investment Fair Value Reserve MRs'000	Investment Fluctuation Reserve MRs'000	Property Revaluation Reserve MRs'000	Translation Reserve MRs'000	Other Reserve MRs'000	Total Equity MRs'000
At 1 July 2005, as restated		382,414	(912,663)	570,000	452,058	4,273,702	1,736,497	58,356	962,010	131,739	-	7,654,113
Changes in Equity for the Year												
Realisation of Revaluation Surplus of Buildings		-	-	-	-	22,382	-	-	(22,382)	-	-	-
Change in deferred tax rate on Revaluation Surplus		-	-	-	-	-	-	-	27,604	-	-	27,604
Increase in value of Available-for-Sale Investments		-	-	-	-	-	462,587	-	-	-	-	462,587
Net Profit Released on Disposal of Available-for-Sale Investments		-	-	-	-	-	(21,402)	-	-	-	-	(21,402)
Translation Difference		-	-	-	-	-	-	-	-	(6,353)	-	(6,353)
Net Income recognised directly in equity		-	-	-	-	22,382	441,185	-	5,222	(6,353)	-	462,436
Net Profit for the Year		-	-	-	-	1,306,120	-	-	-	-	-	1,306,120
Total recognised income and expense for the year		-	-	-	-	1,328,502	441,185	-	5,222	(6,353)	-	1,768,556
Dividend	21	-	-	-	-	(650,105)	-	-	-	-	-	(650,105)
Transfer		-	-	-	5,108	(14,317)	-	9,209	-	-	-	-
At 30 June 2006		382,414	(912,663)	570,000	457,166	4,937,782	2,177,682	67,565	967,232	125,386	-	8,772,564

Cash Flow Statements for the year ended 30 june 2006

	Note	GROUP 2006 MRs'000	GROUP 2005 MRs'000	GROUP 2004 MRs'000	BANK 2006 MRs'000	BANK 2005 (Restated) MRs'000	BANK 2004 (Restated) MRs'000
Cash Flows from Operating Activities							
Net Income before Income Taxes		1,524,422	1,488,658	1,360,346	1,491,757	1,538,704	1,292,197
Income Tax Paid		(326,793)	(36,869)	(105,549)	(303,071)	(18,964)	(91,373)
Adjustments to Determine Net Cash Flows:							
Depreciation		134,800	133,838	118,180	131,205	132,077	116,977
Amortisation of Intangible Assets		120,288	111,460	75,685	115,768	109,103	75,630
Pension		(3,889)	(13,058)	21,401	(3,889)	(13,058)	21,401
Provisions and Adjustments to Income for Credit Impairment		223,583	78,613	164,401	184,092	51,397	127,898
Exchange Difference		10,385	84,062	(118,520)	(6,570)	71,179	(21,115)
Net Gain on Disposal of Investment Securities		(97,261)	(40,257)	(63,796)	(179,011)	(38,121)	(18,905)
Net Loss/(Gain) from Dealings in Trading Securities and Derivatives		16,232	14,877	(89,576)	16,232	15,448	(87,343)
Net Gain on Disposal of Tangible Fixed Assets		(635)	(5,175)	(11,620)	(542)	(5,175)	(11,616)
Dividend Income		(129,515)	(69,032)	(72,114)	(203,370)	(342,375)	(215,048)
Share of Profit of Subsidiaries and Associates		(74,567)	(75,607)	(60,733)	-	-	-
Operating Profit before Working Capital Changes		1,397,050	1,671,510	1,218,105	1,242,601	1,500,215	1,188,703
Change in Operating Assets and Liabilities							
(Decrease)/Increase in Other Liabilities and Provisions		(118,237)	212,406	24,646	(86,977)	171,818	7,211
(Increase)/Decrease in Loans and Advances		(2,083,297)	(1,914,685)	(2,196,674)	(3,366,726)	(1,634,648)	(2,668,860)
Decrease/(Increase) in Trading Securities		(85,597)	110,494	1,762,151	(85,597)	100,640	1,761,253
Decrease/(Increase) in Other Assets		5,027	(193,473)	126,471	279	(183,065)	78,275
Increase in Deposits		5,093,132	2,128,554	3,690,118	5,039,281	2,151,921	3,734,097
Decrease/(Increase) in Placements		421,053	(425,871)	1,253	421,053	(425,871)	1,253
Net Cash Provided by Operating Activities		4,629,131	1,588,935	4,626,070	3,163,914	1,681,010	4,101,932
Cash Flows from/(used in) Financing Activities							
Net (Decrease)/Increase in Obligations under Finance Leases		-	-	-	(78,791)	(122,556)	(16,401)
(Decrease)/Increase in Other Borrowings		(381,347)	412,092	(181,853)	(381,347)	413,259	(179,235)
Repurchase of Ordinary Shares		-	-	(188,215)	-	-	(188,215)
Dividend Paid on Ordinary Shares		(422,568)	(390,063)	(357,558)	(422,568)	(390,063)	(357,558)
Dividend Paid to Minority Interest		(2,400)	(2,837)	(1,802)	-	-	-
Net Cash from/(used in) Financing Activities		(806,315)	19,192	(729,428)	(882,706)	(99,360)	(741,409)
Cash Flows from/(used in) Investing Activities							
Acquisition of Tangible Fixed Assets		(71,734)	(128,313)	(64,244)	(61,254)	(117,556)	(62,248)
Acquisition of Intangible Assets		(56,879)	(58,589)	(83,175)	(55,619)	(34,958)	(83,174)
Disposal of Tangible Fixed Assets		2,554	5,316	38,923	2,475	5,314	38,919
Dividend Received from Subsidiaries and Associates		3,250	45,673	3,250	75,750	277,023	148,250
Other Dividend Received		129,515	69,032	72,114	127,620	65,352	66,798
Acquisition of Subsidiaries		(1,561,381)	-	-	-	-	-
Capital Reduction of Subsidiary		-	-	-	-	185,231	-
Acquisition of Other Equity Investments		(29,155)	1,336	(39,999)	-	-	-
Disposal of Investment in Associates		430,192	-	-	430,046	-	-
Disposal of Other Equity Investments		6,964	70,666	131,201	1,337	3,614	24,850
Decrease/(Increase) in Gilt-edged Investment Securities		175,897	1,576,728	(3,578,871)	84,243	1,318,700	(3,104,641)
Loans Repaid by Subsidiaries and Associates		9,263	-	-	-	-	-
Net Cash from/(used in) Investing Activities		(961,514)	1,581,849	(3,520,801)	604,598	1,702,720	(2,971,246)
Net Change in Cash and Cash Equivalents		2,861,302	3,189,976	375,841	2,885,806	3,284,370	389,277
Cash and Cash Equivalents at 01 July		5,507,542	2,317,566	1,941,725	5,272,965	1,988,595	1,599,318
Cash and Cash Equivalents at 30 June	31	8,368,844	5,507,542	2,317,566	8,158,771	5,272,965	1,988,595

Notes to the Financial Statements for the year ended 30 June 2006

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. Its registered office is situated at State Bank Tower, 1 Queen Elizabeth II Avenue, Port Louis, Mauritius.

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Bank and Group have adopted 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 or after 1 January 2005.

Therefore the Bank has adopted a change in its accounting policy with respect to its investment in subsidiaries and associates. These investments, which were previously accounted for using the equity method, are now accounted for in accordance with IAS 39 under the available-for-sale classification. Thus, they are measured at fair value unless they do not have a quoted price in an active market and their fair value cannot be reliably measured in which case they are shown at cost less any impairment loss. Comparative figures have been restated or reclassified, as necessary, to conform to the current period's presentation.

The Group and the Bank have also measured their liability in respect of Phantom share options in accordance with IFRS 2. This change has not been accounted for retrospectively since the amount is not material. Accordingly, comparative figures have not been restated to that effect.

The adoption of IAS 1 has resulted in some changes in presentation to the financial information.

IAS 32 (Revised 2003) and IAS 39 (Revised 2003) as well as the early adoption of the "Amendment to IAS 39 - The Fair Value Option" permit the Group to designate any financial asset or financial liability as at fair value with changes in fair value recognised through profit or loss ("at FVTPL") provided that the financial asset or financial liability satisfies certain conditions.

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations were in issue but not yet effective:

IAS 19 (Revised 2004) Employee Benefits

IFRS 7 Financial Instruments: Disclosure

IFRIC 4 Determining whether an Arrangement contains a Lease

IFRIC 8 Scope of IFRS 2

3. ACCOUNTING POLICIES

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

(a) <u>Basis of Accounting</u>

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.

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

3. ACCOUNTING POLICIES

(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. The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Income from the date of their acquisition or up to the date of their disposal. Intragroup transactions are eliminated on consolidation.

Goodwill or negative goodwill arising on acquisition of a subsidiary, is measured as the difference between the cost of acquisition and the fair value of the share of net assets acquired. Goodwill arising on acquisition of subsidiaries is included in Intangible assets. Goodwill is tested annually for impairment and carried at cost less any accumulated impairment losses. Negative goodwill is recognised immediately in the Statement of Income.

Investments in associates are dealt with in the consolidated financial statements under the equity method and reported under Investment Securities on the Balance Sheet. Gains and losses arising from disposal of investments in associates are recorded as Other 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 company.

(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 as Other Income when the right to receive payment is established.

(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 end of the reporting date. Their results for the period are translated into Mauritian Rupees at average rates. Any translation differences arising are classified as equity and transferred to the Translation Reserve. Such translation differences are recognised in the Statement of Income as part of the Net Gain on Investment Securities 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 balance sheet 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 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 2006 (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-Receivables ("L&R"), Held-to-maturity ("HTM") and Available-for-sale ("AFS"). 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. At subsequent reporting dates, securities classified as L&R or HTM are measured at amortised cost using the effective interest rate method, less any impairment loss. Securities classified as AFS are subsequently remeasured to fair value and the unrealised gains and losses on revaluation are recognised directly in equity (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 Income.

The interest accrued is recorded as Interest Income in the Statement of Income and any gains or losses on disposal are recorded as Other Income.

(ii) *Other 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 Balance Sheet. In the Group's and Bank's financial statements, Other investments are reported under Investment Securities and classified as AFS. They are recognised on a trade-date basis and are initially measured at fair value. At subsequent reporting dates, they are remeasured at fair value and the unrealised gains and losses are recognised directly in equity (Unrealised Investment Fair Value Reserve), until the investment 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 investment is included in the Statement of Income as Other Income.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.

(f) Trading Securities

Investments in gilt-edged securities and equity investments that are held for trading purposes are classified as Held-for-trading ("HFT") which is a subset of the fair-value-through-profit-or-loss ("FVTPL") category. 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 Other Income.

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

(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 provisions.

Specific provisions are made on impaired advances and are calculated as the shortfall between the carrying amount 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.

(ii) A portfolio provision 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 provision is estimated based upon historical patterns of losses in each component of the portfolio of loans and advances as well as current economic and other relevant conditions. The Bank of Mauritius Guideline on Credit Impairment Measurement and Income Recognition prescribes that the portfolio provision should be no less than 1 per cent of the aggregate amount of the loan 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 provision is recognised in the Statement of Income.

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

3. ACCOUNTING POLICIES (CONT'D)

(g) Loans and Advances and Allowance for Credit Impairment (cont'd)

(iii) Allowance for credit impairment in respect of on-balance sheet items is deducted from the applicable asset whereas the allowance for credit losses in respect of off-balance sheet items is included in Other Liabilities in the Balance Sheet.

(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. Such interest income represents a reversal of the specific provision for that impaired advance and is therefore recognised accordingly in the Statement of Income.

(h) Placements

Placements are measured at amortised cost, less any impairment loss.

(i) Borrowings

Borrowings are measured at amortised cost.

(j) Deposits

Deposits are measured at amortised cost.

(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 Other 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 Balance Sheet and the counterparty liability is included in Borrowings. 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, less any cumulative impairment loss. Freehold land is stated at revalued amounts and buildings are stated at revalued amounts less accumulated depreciation, less 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 Property Revaluation Reserve. Any revaluation decrease is first charged directly against any Property Revaluation Reserve held in respect of the same asset, and then to the Statement of Income.

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

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.

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

3. ACCOUNTING POLICIES (CONT'D)

(n) Property and Equipment (cont'd)

Depreciation is calculated from the month the asset is capitalised. No depreciation is provided on freehold land.

Gains and losses on disposal of tangible fixed assets are included within Other 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 income statement) and the depreciation based on the asset's original cost is transferred from Property Revaluation Reserve to Revenue Reserve.

(o) Leasing

(i) *The Group as lessor*

Amounts due from lessees under finance leases are recorded as loans and advances in the Group Balance Sheet at the amount of the 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 Group's 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 the Balance Sheet as Obligations under Finance Leases. 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.

(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 balance sheet 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 60. The cost of providing benefits is determined using the projected unit credit method. The assets of the scheme are managed presently by 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 Balance Sheet either as a liability (if there is a deficit) or as an asset (if there is a surplus).

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

3. ACCOUNTING POLICIES (CONT'D)

(r) Employee Benefits (cont'd)

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.

(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 balance sheet 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 balance sheet 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) Dividends

Dividends are recognised as a liability in the year in which they are declared.

(w) 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.

(x) Segmental Reporting

The Group considers that segmentation of its business is primarily a function of product or services rather than geography. Accordingly, the Group uses its different lines of businesses as primary basis of segmentation and geographical segmentation as secondary basis.

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

3. ACCOUNTING POLICIES (CONT'D)

(y) Comparative Figures

Comparative figures have been restated or reclassified, as necessary, to conform to the current year's presentation and to the changes in accounting policies (see note 2)

(z) 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.

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 certain equity investments have been calculated using models that require management to make certain assumptions relating to comparable companies, dividend growth, forecast profit and discount factor which may be different from actual.

(ii) Specific provision for credit impairment

The calculation of specific provision 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 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.

(iii) Portfolio provision for credit impairment

The portfolio provision 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.

(iv) Defined benefit pension plan

The Bank operates a defined benefit pension plans for its employees. The amount shown in the balance sheet in respect of retirement benefit obligations is subject to estimates in respect of periodic costs which costs 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 report submitted by an independent actuarial firm.

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

5. BALANCES WITH OTHER BANKS AND INTERBANK LOANS

	GROUP 2006 MRs'000	GROUP 2005 MRs'000	GROUP 2004 MRs'000	BANK 2006 MRs'000	BANK 2005 MRs'000	BANK 2004 MRs'000
Balances due within 3 months	6,174,670	6,378,422	2,090,179	6,163,330	6,360,702	1,788,798

The balances above include bank placements with a maturity of within 3 months.

6. SECURITIES, PLACEMENTS AND OTHER INVESTMENTS

6A. GROUP

Remaining Term to Maturity

	Within 3 months MRs'000	3-6 months MRs'000	6-12 months MRs'000	1-2 years MRs'000	2-5 years MRs'000	No Specific Maturity MRs'000	2006 Total MRs'000	2005 Total MRs'000	2004 Total MRs'000
(i) Investment Securities - AFS									
Treasury Bills	-	21,236	117,923	-	-	-	139,159	-	-
Equity Shares of Companies									
- Associates (Note 7)	-	-	-	-	-	357,398	357,398	666,502	616,340
- Other equity investments (Note 8)	-	-	-	-	-	2,059,208	2,059,208	1,652,948	1,505,283
	-	21,236	117,923	-	-	2,416,606	2,555,765	2,319,450	2,121,623
(ii) Investment Securities - L&R									
Government Bonds	-	1,322	-	279,197	250,294	-	530,813	773,650	30,811
Treasury Bills	2,934,121	1,656,993	3,574,084	191,119	50,908	-	8,407,225	8,362,229	10,765,847
Securities of Government Bodies	-	-	-	-	-	-	-	117,215	47,644
	2,934,121	1,658,315	3,574,084	470,316	301,202	-	8,938,038	9,253,094	10,844,302
(iii) Trading Securities – HFT									
Treasury Bills	83,298	-	10,630	-	-	-	93,928	144,338	244,937
Securities of Government Bodies	12,715	-	68,897	33,600	-	-	115,212	-	-
Equity shares of companies:									
- Other equity investments (Note 8)	-	-	-	-	-	4,562	4,562	-	9,854
	96,013	-	79,527	33,600	-	4,562	213,702	144,338	254,791
(iv) Placements									
Banks	-	35,469	9,739	-	-	-	45,208	466,261	40,390
(v) Other Investments									
Loan to Associate (Note 7)	-	-	-	-	-	-	-	9,263	8,849
Total	3,030,134	1,715,020	3,781,273	503,916	301,202	2,421,168	11,752,713	12,192,406	13,269,955

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

6. SECURITIES, PLACEMENTS AND OTHER INVESTMENTS (CONT'D)

6B. BANK

Remaining Term to Maturity

	Within 3 months MRs'000	3-6 months MRs'000	6-12 months MRs'000	1-2 years MRs'000	2-5 years MRs'000	No Specific Maturity MRs'000	2006 Total MRs'000	2005 Total (Restated) MRs'000	2004 Total (Restated) MRs'000
(i) Investment Securities - AFS									
Treasury Bills	-	-	-	-	-	-	-	-	-
Equity Shares of companies									
- Subsidiaries (Note 7)	-	-	-	-	-	224,587	224,587	145,913	280,676
- Associates (Note 7)	-	-	-	-	-	198,983	198,983	445,426	375,764
- Other equity investments (Note 8)	-	-	-	-	-	1,871,674	1,871,674	1,515,092	1,312,221
	-	-	-	-	-	2,295,244	2,295,244	2,106,432	1,968,661
(ii) Investment Securities - L&R									
Government Bonds	-	1,322	-	279,197	250,294	-	530,813	773,650	30,811
Treasury Bills	2,820,483	1,630,125	3,530,871	191,119	-	-	8,172,598	7,896,789	10,040,306
Securities of Government Bodies	-	-	-	-	-	-	-	117,215	47,644
	2,820,483	1,631,447	3,530,871	470,316	250,294	-	8,703,411	8,787,654	10,118,761
(iii) Trading Securities – HFT									
Treasury Bills	83,298	-	10,630	-	-	-	93,928	144,338	244,937
Securities of Government Bodies	12,715	-	68,897	33,600	-	-	115,212	-	-
Equity Shares of companies:									
- Other equity investments (Note 8)	-	-	-	-	-	4,562	4,562	-	-
	96,013	-	79,527	33,600	-	4,562	213,702	144,338	244,937
(iv) Placements									
Banks*	-	35,469	9,739	-	-	-	45,208	466,261	40,390
Total	2,916,496	1,666,916	3,620,137	503,916	250,294	2,299,806	11,257,565	11,504,684	12,372,749

*Bank placements with a maturity of less than 3 months are classified within Balances with Banks and Interbank Loans (Note 5).

Included in Investment Securities for the Group and the Bank is an amount of MRs100 million maturing within 2-5 years representing a capital sum earmarked by SBM and invested in Government Bonds on which all income to be earned has been committed to be donated to three trusts set up by SBM.

6C. UNREALISED GAINS/LOSSES ON AVAILABLE FOR SALE INVESTMENTS

GROUP	2006 Book Value MRs'000	2006 Gross Unrealised Gains/Losses MRs'000	2006 Fair Value MRs'000	2005 Book Value MRs'000	2005 Gross Unrealised Gains/Losses MRs'000	2005 Fair Value MRs'000	2004 Book Value MRs'000	2004 Unrealised Gains/ Losses MRs'000	2004 Fair Value MRs'000
Investment Securities - AFS									
Treasury Bills	139,316	(157)	139,159	-	-	-	-	-	-
Equity Shares of Companies:									
- Associates (Note 7)	357,398	-	357,398	666,502	-	666,502	616,340	-	616,340
- Other equity investments (Note 8)	216,591	1,842,617	2,059,208	192,454	1,460,494	1,652,948	258,610	1,246,673	1,505,283
	713,305	1,842,460	2,555,765	858,956	1,460,494	2,319,450	874,950	1,246,673	2,121,623

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

6. SECURITIES, PLACEMENTS AND OTHER INVESTMENTS (CONT'D)

6C. UNREALISED GAINS/LOSSES ON AVAILABLE FOR SALE INVESTMENTS (CONT'D)

	2006			2005			2004		
	Book Value MRs'000	Gross Unrealised Gains/Losses MRs'000	Fair Value MRs'000	Book Value MRs'000	Gross Unrealised Gains/Losses MRs'000	Fair Value MRs'000	Book Value MRs'000	Unrealised Gains/ Losses MRs'000	Fair Value MRs'000
BANK									
Investment Securities - AFS									
Equity Shares of Companies:									
- Subsidiaries	50,072	174,515	224,587	50,072	95,841	145,913	200,265	80,411	280,676
- Associates (Note 7)	14,000	184,983	198,983	265,036	180,390	445,426	265,038	110,726	375,764
- Other equity investments (Note 8)	53,490	1,818,184	1,871,674	54,826	1,460,266	1,515,092	58,439	1,253,782	1,312,221
	117,562	2,177,682	2,295,244	369,934	1,736,497	2,106,431	523,742	1,444,919	1,968,661

7. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (UNQUOTED)

	GROUP			BANK		
	2006	2005	2004	2006	2005 (Restated)	2004 (Restated)
	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000
Equity Investments in Subsidiaries	-	-	-	224,587	145,913	280,676
Equity Investments in Associates	357,398	666,502	616,340	198,983	445,426	375,764
	357,398	666,502	616,340	423,570	591,339	656,440
Loan to Associate	-	9,263	8,849	-	-	-
	357,398	675,765	625,189	423,570	591,339	656,440

The loan to associate by the Group does not bear interest and was repaid in 2006.

7A. DETAILS OF SUBSIDIARIES AND ASSOCIATES ARE AS FOLLOWS:

	Country of Incorporation and Operation	Business Activity	Effective % Holding 2006	2005	2004
Subsidiaries					
Banque SBM Madagascar SA	Madagascar	Banking	100	79.99	79.99
SBM Lease Limited	Mauritius	Leasing	100	100	100
SBM Mauritius Asset Managers Ltd	Mauritius	Asset Management	100	100	100
SBM Securities Ltd	Mauritius	Stockbroking	90	90	90
SBM Financials Limited	Mauritius	Fiduciary Services	100	100	100
SBM Investments Limited	Mauritius	Investments	100	100	100
SBM Global Investments Limited	Mauritius	Investments	100	100	100
SBM IT Limited	Mauritius	Technology	100	100	100
Alliance Investments Ltd	Mauritius	Investments	100	-	-
Associates					
SBM Nedbank International Limited	Mauritius	Offshore Banking	-	50	50
MN Holdings (formerly known as SBM Nedcor Holdings Ltd)	Mauritius	Investment	-	20.10	20.10
State Insurance Company of Mauritius Ltd	Mauritius	Insurance	20	20	20

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

7. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (UNQUOTED) (CONT'D)

7B. ACQUISITION AND DISPOSAL OF SUBSIDIARY AND ASSOCIATES

The formal termination of the Strategic Alliance Partnership with Nedbank Group was completed in April 2006.

As part of the exit process of the Strategic Alliance Partnership,

(i) SBM (Bank) disposed of its 50% equity in SBM Nedbank International Limited to Nedbank Group (Note 7C).

(ii) SBM Global Investments Limited disposed of its 20.1% equity held in MN Holdings (formerly known as SBM Nedcor Holdings Limited) to Nedbank Group (Note 7C).

(iii) SBM Global Investments Limited acquired the 20.01% of equity of Nedbank Group in Banque SBM Madagascar SA (Note 7D).

(iv) SBM Global Investments Limited acquired 100% equity of Alliance Investments Ltd (formerly known as Nedbank Africa Investments Limited) from Nedbank Group (Note 7E).

7C. DISPOSAL OF ASSOCIATES

The investment in SBM Nedbank International Limited was measured at fair value in the Bank's financial statements and under the equity method in the Group's financial statements. SBM Nedcor Holdings Ltd was accounted for as an associate in the Group's financial statements.

The gain on disposal of SBM Nedbank International Limited and SBM Nedcor Holdings Ltd are as follows:

	GROUP	BANK
	MRs'000	MRs'000
Total consideration received (satisfied by cash)	430,192	430,046
Value of Investment at disposal date	(398,109)	(272,439)
Translation reserve realised on disposal	64,120	-
Investment Fair Value reserve realised on disposal	-	21,402
Gain on disposal	96,203	179,009

7D. ACQUISITION OF EQUITY IN BANQUE SBM MADAGASCAR SA

SBM Global Investments Limited (SGIL), a subsidiary of the SBM Group, acquired 20.01% of the equity of Banque SBM Madagascar SA (BSBMM) from Nedbank, bringing its total holding in BSBMM to 100%. The net assets of BSBMM at the date of acquisition are estimated to equal their fair value and are analysed as follows:

	Acquiree's carrying amount before combination
	MRs'000
Cash in hand and balances with banks	209,294
Investment in gilt edged securities	139,259
Loans and advances	843,060
Other assets, including fixed assets	72,317
Deposits from customers	(997,206)
Other liabilities	(176,482)
	90,242
Share of net assets acquired (20.01%)	18,060
Total consideration paid (satisfied by cash)	18,060
	-

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

7E. ACQUISITION OF SUBSIDIARY - ALLIANCE INVESTMENTS LTD

SGIL acquired 100% of the equity of Alliance Investments Ltd (AIL) in April 2006 for a cash consideration of USD49.2m. AIL held 65,335,510 shares in State Bank of Mauritius Ltd, the ultimate holding company of the SBM Group at the time of acquisition of AIL. The Group continued to hold these shares as allowed under the provision of Section 83 of the Companies Act 2001. Upon consolidation of the group accounts, the shareholders' funds are negatively impacted by MRs1.5bn pending the disposal of AIL. At 30 June 2006, AIL recorded an unrealised fair value gain of USD28.9m, representing the increase in fair value of these shares. This unrealised investment fair value gain has not been recognised in the group accounts.

8. EQUITY INVESTMENTS

	GROUP			BANK		
	2006	2005	2004	2006	2005	2004
	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000
AFS Investment Securities - Quoted	19,862	22,643	52,578	19,833	19,833	-
- Unquoted (at Fair Value)	1,932,401	1,475,595	1,272,785	1,833,513	1,475,595	1,272,785
- Unquoted (at Cost)	106,945	154,710	179,920	18,328	19,664	39,436
	2,059,208	1,652,948	1,505,283	1,871,674	1,515,092	1,312,221
HFT Trading Securities - Quoted	4,562	-	9,854	4,562	-	-
	2,063,770	1,652,948	1,515,137	1,876,236	1,515,092	1,312,221

9A. LOANS AND ADVANCES TO CUSTOMERS

	GROUP			BANK		
	2006	2005	2004	2006	2005	2004
	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000
Quoted debentures	9,411	18,822	28,233	9,411	18,822	28,233
Unquoted debentures	748,975	930,696	1,272,608	748,975	930,696	1,272,608
Overdrafts, Term Loans and Other advances	26,416,318	24,178,563	22,236,842	26,511,064	22,984,121	21,322,436
	27,174,704	25,128,081	23,537,683	27,269,450	23,933,639	22,623,277

The market value of the above quoted debentures at the balance sheet date are as follows:

	GROUP			BANK		
	2006	2005	2004	2006	2005	2004
	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000
Market Value of Quoted Debentures	9,279	17,801	26,144	9,279	17,801	26,144

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

9A. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

The amount of Net Investment in finance leases included in loans and advances and the associated allowance for credit impairment are as follows:

	GROUP			
	Within one year MRs'000	After one year and before five years MRs'000	After five years MRs'000	Total MRs'000
2006				
Gross Investment in Finance Leases	427,530	335,645	31,226	794,401
Less: Unearned Finance Income	(129,495)	(23,289)	(3,174)	(155,958)
	298,035	312,356	28,052	638,443
Allowance for Credit impairment				(13,943)
				624,500
2005				
Gross Investment in Finance Leases	203,394	401,157	-	604,551
Less: Unearned Finance Income	(44,820)	(57,293)	-	(102,113)
	158,574	343,864	-	502,438
Allowance for Credit impairment				(18,078)
				484,360
2004				
Gross Investment in Finance Leases	186,915	515,923	-	702,838
Less: Unearned Finance Income	(63,596)	(97,520)	-	(161,116)
	123,319	418,403	-	541,722
Allowance for Credit impairment				(20,077)
				521,645

9B. MATURITY OF DEBENTURES, LOANS AND ADVANCES TO CUSTOMERS (EXCLUDING PORTFOLIO AND SPECIFIC PROVISION ON ADVANCES)

	GROUP			BANK		
	2006 MRs'000	2005 MRs'000	2004 MRs'000	2006 MRs'000	2005 MRs'000	2004 MRs'000
Remaining maturity:						
Within 3 months	5,543,901	4,388,330	2,900,806	4,764,905	3,848,545	2,704,312
Over 3 to 6 months	1,611,436	1,897,259	1,744,644	1,473,221	1,687,983	1,565,637
Over 6 to 12 months	2,199,540	2,160,333	2,480,254	3,626,997	2,151,276	2,222,386
Over 1 to 2 years	1,645,835	1,180,507	1,142,586	1,469,882	1,030,051	1,169,320
Over 2 to 5 years	5,787,983	5,024,625	5,749,552	5,576,488	4,779,416	5,448,654
Over 5 years	10,386,009	10,477,027	9,519,841	10,357,957	10,436,368	9,512,968
	27,174,704	25,128,081	23,537,683	27,269,450	23,933,639	22,623,277

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

9C. CREDIT CONCENTRATION OF RISK BY INDUSTRY SECTORS

Total credit facilities 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:

	2006	2005	2004
	MRs'000	MRs'000	MRs'000
Name of Sector			
Manufacturing –Textile	1,677,723	1,660,479	1,331,591
Tourism	1,311,115	1,367,938	3,502,693
Total	2,988,838	3,028,417	4,834,284

9D. ALLOWANCE FOR CREDIT IMPAIRMENT

GROUP

	Specific Provision	Portfolio Provision	2006 Total	2005 Total	2004 Total
	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000
At 1 July					
- As Previously Stated	410,051	216,454	626,505	865,500	479,020
- Effect of adopting IAS 39	-	-	-	-	953,304
- As Restated	410,051	216,454	626,505	865,500	1,432,324
Exchange Difference	(1,506)	(195)	(1,701)	6,679	(27,709)
Loans written off out of Allowance	(50,895)	-	(50,895)	(291,372)	(692,746)
Interest accrued on Impaired Advances (Note 26)	(25,029)	-	(25,029)	(26,387)	(26,103)
Provisions made during the year (Note 26)	209,382	53,451	262,833	72,085	179,734
At 30 June	542,003	269,710	811,713	626,505	865,500

BANK

	Specific Provision	Portfolio Provision	2006 Total	2005 Total	2004 Total
	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000
At 1 July					
- As Previously Stated	344,360	197,504	541,864	809,842	434,936
- Effect of adopting IAS 39	-	-	-	-	953,304
- As Restated	344,360	197,504	541,864	809,842	1,388,240
Exchange Difference	(903)	(96)	(999)	4,911	(2,780)
Loans written off out of Allowance	(45,135)	-	(45,135)	(291,372)	(692,746)
Interest accrued on Impaired Advances (Note 26)	(25,029)	-	(25,029)	(26,387)	(26,103)
Provisions made during the year (Note 26)	163,069	60,273	223,342	44,870	143,231
At 30 June	436,362	257,681	694,043	541,864	809,842

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

9E. ALLOWANCE FOR CREDIT IMPAIRMENT BY INDUSTRY SECTORS

GROUP

	Gross Amount of Loans MRs'000	Non Performing Loans MRs'000	Specific Provision MRs'000	Portfolio Provision MRs'000	2006 Total Provision MRs'000	2005 Total Provision MRs'000	2004 Total Provision MRs'000
Agriculture and Fishing	740,155	48,449	45,014	5,976	50,990	26,195	20,827
EPZ	1,987,468	301	301	77,493	77,794	76,957	32,331
Other Manufacturing	2,060,337	113,271	83,150	49,276	132,426	121,954	135,035
Total Manufacturing	4,047,805	113,572	83,451	126,769	210,220	198,911	167,366
Tourism	4,322,843	25,387	11,354	25,464	36,818	13,261	46,061
Transport	200,666	16,561	14,732	849	15,581	12,726	12,256
Construction	1,517,595	84,219	64,804	23,614	88,418	78,109	209,436
Financial and Business Services	1,719,842	1,346	1,346	8,113	9,459	11,728	12,094
Traders	4,792,677	149,929	141,406	41,138	182,544	139,635	189,277
Credit Cards	245,984	14,781	14,781	3,378	18,159	19,438	14,549
Other Personal	7,406,147	167,428	152,430	22,711	175,141	109,637	158,633
Total Personal	7,652,131	182,209	167,211	26,089	193,300	129,075	173,182
Professional	210,633	-	-	34	34	128	2,082
New Economy	87,497	1,237	1,237	27	1,264	1,035	2,855
Infrastructure	1,167,513	1	617	518	1,135	61	3,110
Global business licence	4,322	-	-	-	-	-	-
Other	711,025	13,423	10,831	11,119	21,950	15,641	26,954
Total	27,174,704	636,333	542,003	269,710	811,713	626,505	865,500

BANK

	Gross Amount of Loans MRs'000	Non Performing Loans MRs'000	Specific Provision MRs'000	Portfolio Provision MRs'000	2006 Total Provision MRs'000	2005 Total Provision MRs'000	2004 Total Provision MRs'000
Agriculture and Fishing	666,936	5,940	5,940	5,955	11,895	6,894	9,741
EPZ	1,854,367	301	301	75,944	76,245	76,405	30,391
Other Manufacturing	1,731,668	106,394	76,281	41,740	118,021	111,032	124,100
Total Manufacturing	3,586,035	106,695	76,582	117,684	194,266	187,437	154,491
Tourism	4,219,314	24,410	10,382	24,453	34,835	12,385	45,880
Transport	179,705	15,575	13,742	803	14,545	11,961	12,124
Construction	1,452,187	83,602	64,804	23,426	88,230	71,841	203,229
Financial and Business Services	3,085,816	1,346	1,346	8,113	9,459	5,257	9,647
Traders	4,344,264	91,416	84,679	40,054	124,733	101,698	167,517
Credit Cards	245,984	14,781	14,781	3,378	18,159	19,438	14,549
Other Personal	7,380,308	167,428	152,430	22,608	175,038	109,136	158,399
Total Personal	7,626,292	182,209	167,211	25,986	193,197	128,574	172,948
Professional	196,033	-	-	-	-	-	2,082
New Economy	83,962	1,237	1,237	27	1,264	1,035	2,855
Infrastructure	1,142,741	1	1	518	519	61	2,950
Global business licence	4,322	-	-	-	-	-	-
Other	681,843	13,029	10,438	10,662	21,100	14,721	26,378
Total	27,269,450	525,460	436,362	257,681	694,043	541,864	809,842

Total impaired loans for 2005 for the Group and the Bank were MRs684 million (2004: MRs982 million) and MRs570 million (2004: MRs887 million) respectively.

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

10. PROPERTY AND EQUIPMENT

GROUP

	Freehold Land and Buildings MRs' 000	Leasehold Buildings MRs' 000	Other Tangible Fixed Assets MRs' 000	Motor Vehicles MRs' 000	Total MRs' 000
Cost or Valuation					
At 1 July 2003	330,752	585,229	1,319,162	14,578	2,249,721
Exchange Difference	(3,692)	-	(5,891)	(903)	(10,486)
Additions	14,282	31,673	103,189	5,911	155,055
Disposals	(8,641)	-	(101,736)	(4,722)	(115,099)
At 30 June 2004	332,701	616,902	1,314,724	14,864	2,279,191
Exchange Difference	12,832	-	2,599	118	15,549
Revaluation	210,352	919,762	-	-	1,130,114
Additions	797	-	37,789	4,136	42,722
Disposals	-	-	(4,003)	(2,854)	(6,857)
At 30 June 2005	556,682	1,536,664	1,351,109	16,264	3,460,719
Exchange Difference	(1,008)	-	(496)	(22)	(1,526)
Additions	4,405	38,136	119,253	4,960	166,754
Disposals	(1,740)	-	(10,843)	(2,967)	(15,550)
At 30 June 2006	558,339	1,574,800	1,459,023	18,235	3,610,397
Accumulated Depreciation					
At 1 July 2003	39,227	92,690	935,757	12,435	1,080,109
Exchange Difference	(607)	-	(3,930)	(849)	(5,386)
Disposals	(340)	-	(83,033)	(4,122)	(87,495)
Charge for the Year	4,669	11,818	100,324	1,369	118,180
At 30 June 2004	42,949	104,508	949,118	8,833	1,105,408
Exchange Difference	2,561	-	2,100	110	4,771
Revaluation	(48,021)	(104,508)	-	-	(152,529)
Disposals	-	-	(3,956)	(2,760)	(6,716)
Charge for the Year	8,383	38,120	85,148	2,187	133,838
At 30 June 2005	5,872	38,120	1,032,410	8,370	1,084,772
Exchange Difference	(35)	-	(405)	(19)	(459)
Disposals	-	-	(10,806)	(2,825)	(13,631)
Charge for the Year	9,129	38,230	84,994	2,447	134,800
At 30 June 2006	14,966	76,350	1,106,193	7,973	1,205,482
Net Book Value					
At 30 June 2006	543,373	1,498,450	352,830	10,262	2,404,915
Progress Payments on Tangible Fixed Assets					46,923
					2,451,838
At 30 June 2005	550,810	1,498,544	318,699	7,894	2,375,947
Progress Payments on Tangible Fixed Assets					141,943
					2,517,890
At 30 June 2004	289,752	512,394	365,606	6,031	1,173,783
Progress Payments on Tangible Fixed Assets					56,351
					1,230,134

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

10. PROPERTY AND EQUIPMENT (CONT'D)

BANK

	Freehold Land and Buildings MRs' 000	Leasehold Buildings MRs' 000	Other Tangible Fixed Assets MRs' 000	Motor Vehicles MRs' 000	Total MRs' 000
Cost or Valuation					
At 1 July 2003	330,752	585,229	1,306,037	12,550	2,234,568
Exchange Difference	(3,692)	-	(660)	(25)	(4,377)
Additions	14,282	31,673	102,291	5,911	154,157
Disposals	(8,641)	-	(101,736)	(4,722)	(115,099)
At 30 June 2004	332,701	616,902	1,305,932	13,714	2,269,249
Exchange Difference	12,832	-	2,332	79	15,243
Revaluation	210,352	919,762	-	-	1,130,114
Additions	797	-	26,048	4,136	30,981
Disposals	-	-	(3,939)	(2,854)	(6,793)
At 30 June 2005	556,682	1,536,664	1,330,373	15,075	3,438,794
Exchange Difference	(1,008)	-	(219)	(5)	(1,232)
Additions	4,405	38,136	118,581	3,826	164,948
Disposals	(1,740)	-	(10,286)	(2,967)	(14,993)
At 30 June 2006	558,339	1,574,800	1,438,449	15,929	3,587,517
Accumulated Depreciation					
At 1 July 2003	39,227	92,690	927,598	10,665	1,070,180
Exchange Difference	(607)	-	(487)	(18)	(1,112)
Disposals	(340)	-	(82,953)	(4,122)	(87,415)
Charge for the Year	4,669	11,818	99,297	1,193	116,977
At 30 June 2004	42,949	104,508	943,455	7,718	1,098,630
Exchange Difference	2,561	-	2,107	72	4,740
Revaluation	(48,021)	(104,508)	-	-	(152,529)
Disposals	-	-	(3,894)	(2,760)	(6,654)
Charge for the Year	8,383	38,120	83,423	2,151	132,077
At 30 June 2005	5,872	38,120	1,025,091	7,181	1,076,264
Exchange Difference	(35)	-	(240)	(2)	(277)
Disposals	-	-	(10,235)	(2,825)	(13,060)
Charge for the Year	9,129	38,230	81,607	2,239	131,205
At 30 June 2006	14,966	76,350	1,096,223	6,593	1,194,132
Net Book Value					
At 30 June 2006	543,373	1,498,450	342,226	9,336	2,393,385
Progress Payments on Tangible Fixed Assets					38,131
					2,431,516
At 30 June 2005	550,810	1,498,544	305,282	7,894	2,362,530
Progress Payments on Tangible Fixed Assets					141,825
					2,504,355
At 30 June 2004	289,752	512,394	362,477	5,996	1,170,619
Progress Payments on Tangible Fixed Assets					55,250
					1,225,869

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

For both the Group and the Bank, the net book value of assets held under finance leases included in property and equipment is as follows:

	GROUP AND BANK		
	2006 MRs' 000	2005 MRs' 000	2004 MRs' 000
Computer Equipment	224,339	206,465	239,815
Plant & Machinery	15,597	5,884	4,254
Motor Vehicles	734	243	453
	240,670	212,592	244,522

Notes to the Financial Statements for the year ended 30 June 2006 (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	
	2006	2005
	MR's000	MR's000
Freehold Land and Buildings	290,223	295,980
Leasehold Buildings	487,700	500,057
	777,933	796,037

The freehold land and buildings and buildings on leasehold land in Mauritius were revalued as on 1 July 2004 by Mr P. Ramrekha M.Sc. F.R.I.C.S, Chartered Valuation Surveyor, on an open market value basis. The freehold land and building in India were valued on 30 June 2005 by the following Chartered Valuation Surveyors on an open market value basis:

- Mr P.R. Seshadri, M.E, F.I.E, F.I.V, C. Eng
- Mr Rajiv Mishra, M.E, F.I.I.A, A.I.T.P, A.I.I.D, F.I.V
- Mr Manohar Rao, M. Tech, F.I.E, F.I.V

11. INTANGIBLE ASSETS

	GROUP			BANK		
	2006	2005	2004	2006	2005	2004
	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000
COST						
At 1 July	799,497	740,855	735,762	769,559	734,598	728,319
Exchange difference	(583)	53	(1,187)	(25)	-	-
Additions	56,879	58,589	83,175	55,619	34,958	83,174
Disposals	(5,481)	-	(76,895)	(818)	-	(76,895)
At 30 June	850,312	799,497	740,855	824,335	769,556	734,598
AMORTISATION						
At 1 July	323,397	211,883	214,569	314,765	205,662	207,308
Exchange difference	(41)	54	(1,175)	(8)	-	-
Charge for the year	120,288	111,460	75,685	115,768	109,103	75,630
Disposals	(5,481)	-	(77,196)	(818)	-	(77,276)
At 30 June	438,163	323,397	211,883	429,707	314,765	205,662
Net Book Value	412,149	476,100	528,972	394,628	454,791	528,936

Intangible assets disclosed above consist of computer software. For both the Group and the Bank, the net book value of intangible assets held under finance lease is Rs382.7M (2005: Rs446.6M and 2004: Rs519.6M).

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

12. OTHER ASSETS

	GROUP			BANK		
	2006	2005	2004	2006	2005	2004
	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000
Accounts Receivable	97,638	172,993	47,806	90,792	167,836	37,489
Balances due in Clearing	276,414	173,339	116,435	264,871	161,202	113,235
Tax Paid in Advance	150,206	130,949	113,662	150,206	130,949	113,662
Financial Derivative Asset (Note 24)	54,571	78,315	90,398	54,571	78,514	90,398
Pension Asset (Note 13)	18,641	14,752	1,694	18,641	14,752	1,694
Balance with Clearing Corporation in India	16,006	15,362	16,722	16,006	15,362	16,722
Printing, Stationery and Others	50,019	60,216	39,172	47,529	51,685	37,471
	663,495	645,926	425,889	642,616	620,300	410,671

The tax paid in advance is incurred by the Indian Operations and is a requirement under Indian tax regulations. The amount is shown net of the current tax payable by the Indian Operations.

13. PENSION ASSET

Amount recognised in the Balance Sheet:

	GROUP AND BANK		
	2006	2005	2004
	MRs' 000	MRs' 000	MRs' 000
Present Value of Funded Obligations	348,996	319,115	321,197
Fair Value of Plan Assets	(395,581)	(346,722)	(309,386)
	(46,585)	(27,607)	11,811
Unrecognised Actuarial Gains/(Losses)	27,944	12,855	(13,505)
(Asset)/Liability in the Balance Sheet	(18,641)	(14,752)	(1,694)

At 30 June 2006, about 10.0% (2005: about 7.8% and 2004: 0.40%) 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		
	2006	2005	2004
	MRs' 000	MRs' 000	MRs' 000
Current Service Cost	17,384	16,096	16,593
Interest Cost	29,477	29,913	34,476
Expected Return on Plan Assets	(33,551)	(30,126)	(30,835)
Actuarial (Gain)/Loss recognised	(147)	-	1,167
Total included in Staff Costs (Note 30)	13,163	15,883	21,401
Actual Return on Plan Assets	41,481	25,122	16,078

Movements in the asset recognised in the Balance Sheet:

	GROUP AND BANK		
	2006	2005	2004
	MRs' 000	MRs' 000	MRs' 000
At 1 July	(14,752)	(1,694)	(21,338)
Contributions paid	(17,052)	(28,941)	-
Transfer from SBM IT Ltd	-	-	(1,757)
Total Expense as above	13,163	15,883	21,401
At 30 June	(18,641)	(14,752)	(1,694)

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

13. PENSION ASSET (CONT'D)

The principal actuarial assumptions used for accounting purposes were:

	GROUP AND BANK		
	2006	2005	2004
	%	%	%
Discount Rate	10.0	9.5	9.5
Expected Rate of Return on Plan Assets	10.0	9.5	9.5
Future Salary Cost Increases	8.5	8.0	8.0
Future Pension Increases	-	-	-

Pension amounts and disclosures have been based on the report dated 27 July 2006 submitted by Hewitt L Y Ltd, Actuaries and Consultants.

14. DEPOSITS

	GROUP			BANK		
	2006	2005	2004	2006	2005	2004
	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000
Personal, Business and Governments						
Demand Deposits	3,095,886	2,494,383	2,525,102	2,895,905	2,333,632	2,363,702
Savings Deposits	21,854,280	21,215,566	18,444,208	21,818,501	21,163,147	18,442,693
Time Deposits with remaining Term to Maturity:						
- Within 3 months	4,628,916	4,050,051	3,835,598	4,229,150	3,706,947	3,126,857
- Over 3 months and up to 6 months	1,167,762	1,741,262	1,722,364	698,684	1,258,606	1,475,647
- Over 6 months and up to 1 year	4,265,538	2,419,400	2,924,718	3,789,102	2,091,599	2,520,156
- Over 1 year and up to 2 years	2,497,569	1,923,756	2,432,586	1,904,927	1,342,787	1,974,908
- Over 2 years and up to 5 years	2,555,278	1,051,259	905,630	2,555,278	928,565	789,513
- Over 5 years	6,542	4,914	5,404	6,542	4,914	5,404
	40,071,771	34,900,591	32,795,610	37,898,089	32,830,197	30,698,880
Banks						
Demand Deposits	22,168	100,216	76,643	72,128	100,739	80,135
Total	40,093,939	35,000,807	32,872,253	37,970,217	32,930,936	30,779,015

15. BORROWINGS FROM CENTRAL BANKS

	GROUP			BANK		
	2006	2005	2004	2006	2005	2004
	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000
Borrowings under Refinance Scheme from Bank of Mauritius						
under Special Line of Credit by SBM Lease Limited	-	-	1,167	-	-	-
Other Special Refinance Schemes from Bank of Mauritius	284,343	247,829	341,531	284,343	247,829	341,530
Borrowing from Reserve Bank of India	167,923	-	-	167,923	-	-
	452,266	247,829	342,698	452,266	247,829	341,530

	GROUP			BANK		
	2006	2005	2004	2006	2005	2004
	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000
Remaining Term to Maturity						
Within 3 months	175,189	37,786	30,670	175,189	37,786	30,670
Over 3 months and up to 6 months	13,223	30,148	30,776	13,223	30,148	29,609
Over 6 months and up to 1 year	14,888	61,762	60,648	14,888	61,762	60,648
Over 1 year and up to 2 years	1,504	67,809	127,256	1,504	67,809	127,256
Over 2 years and up to 5 years	88,829	50,324	93,348	88,829	50,324	93,347
Over 5 years	158,633	-	-	158,633	-	-
	452,266	247,829	342,698	452,266	247,829	341,530

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

16. BORROWINGS FROM INTERBANK IN MAURITIUS

	GROUP			BANK		
	2006	2005	2004	2006	2005	2004
	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000
Remaining Term to Maturity						
Up to 3 months	602,046	566,218	278,107	602,046	566,218	277,817

17. BORROWINGS FROM INTERBANK ABROAD

	GROUP			BANK		
	2006	2005	2004	2006	2005	2004
	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000
Remaining Term to Maturity						
Up to 3 months	287,519	2,199,379	1,534,915	286,638	2,193,927	1,534,915
Over 3 months and up to 6 months	-	518,087	78,820	-	518,087	78,820
	287,519	2,717,466	1,613,735	286,638	2,712,014	1,613,735

18. TAXATION

18A CURRENT TAXATION

	GROUP			BANK		
	2006	2005	2004	2006	2005 (Restated)	2004 (Restated)
	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000
Accounting Profit	1,524,422	1,488,658	1,360,346	1,491,757	1,538,704	1,292,197
Tax on Accounting Profit at the applicable Tax Rate	381,106	372,165	340,086	372,939	384,676	323,049
Net Tax Effect of Non-taxable and Other Items	(114,086)	(172,482)	(283,221)	(123,544)	(208,950)	(282,945)
Current Tax Provision for the Year (Note 18C)	267,020	199,683	56,865	249,395	175,726	40,104
Current Tax Liability	249,757	185,088	56,519	231,873	161,699	39,113

The current tax liability is stated after deducting the current tax payable by the Indian Operations which is set off against tax paid in advance.

The applicable tax rate for the Bank in Mauritius is 25%.

18B DEFERRED TAXATION

	GROUP			BANK		
	2006	2005	2004	2006	2005 (Restated)	2004 (Restated)
	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000
Deferred Tax Liability						
At 1 July	483,324	51,411	134,179	484,900	51,393	133,790
Exchange Difference	(489)	1,210	(65)	(489)	1,210	(65)
Effect of change in deferred tax rate	(21,910)	-	-	(21,910)	-	-
Transfer from SBM IT Ltd (pension asset)	-	-	-	-	-	264
Effect of adopting IAS 39	-	-	(238,326)	-	-	(238,326)
Adjustment relating to tax assessment (see note below)	(22,486)	-	-	(22,486)	-	-
Overprovision in previous year (see note below)	(69,309)	-	-	(69,309)	-	-
Deferred Tax Expense/(Income)	(82,416)	132,064	155,623	(82,504)	133,658	155,730
Deferred Tax element on Revaluation Surplus	-	298,639	-	-	298,639	-
At 30 June	286,714	483,324	51,411	288,202	484,900	51,393
Analysed as resulting from:						
Accelerated Capital Allowances	166,300	203,853	196,223	165,983	203,662	196,205
Pension Asset and Other Employee Benefits	1,797	550	(2,057)	1,797	550	(2,057)
Specific Provision for Credit Impairment	(79,127)	(8,675)	(143,345)	(79,127)	(8,675)	(143,345)
Portfolio Provision for Credit Impairment	(60,798)	(51,603)	(47,868)	(58,993)	(49,836)	(47,868)
Tax Deduction for Advances to Tax Incentive companies	2,429	47,891	48,458	2,429	47,891	48,458
Revaluation Surplus of Fixed Assets	256,113	291,308	-	256,113	291,308	-
	286,714	483,324	51,411	288,202	484,900	51,393

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

18C TAX EXPENSE

	GROUP			BANK		
	2006	2005	2004	2006	2005 (Restated)	2004 (Restated)
	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000
Current Tax Provision for the Year (Note 18A)	267,020	199,683	56,865	249,395	175,726	40,104
Exchange Difference	423	(99)	1,647	435	(891)	262
Tax assessment for previous years (see note below)	28,883	-	-	28,883	-	-
Under/(Over)provision in previous year (see note below)	75,492	(39,985)	15,385	75,529	(39,113)	15,363
Withholding Tax on Dividend	880	563	653	-	-	-
Current Tax Expense	372,698	160,162	74,550	354,242	135,722	55,729
Deferred Tax (Income)/Expense (see note below)	(168,517)	132,064	155,623	(168,605)	133,658	155,730
Total Tax Expense	204,181	292,226	230,173	185,637	269,380	211,459

The Income Tax Authorities in Mauritius reviewed the income tax returns of the Bank for the financial years ended 30 June 2001 and 2002 and finalised their assessment during the current year and claimed an additional tax of MRs28.9m for the above two financial years. The additional assessment resulted mainly from a change in the tax authorities' stand with respect to tax relief on specific provision for credit impairment and advances to tax incentive companies.

Consequently, in January 2006, the Bank adopted the new tax principles while making its tax payment for the financial year ended 30 June 2005. Therefore, income tax expense for previous year is higher by MRs75.5m while deferred tax is lower by MRs69.3m, a net underprovision of Rs6.2m for that period.

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

	GROUP		
	2006	2005	2004
	MRs' 000	MRs' 000	MRs' 000
In Mauritius	179,239	269,379	211,080
Overseas	24,942	22,847	19,093
Total Tax Expense	204,181	292,226	230,173

19. OBLIGATIONS UNDER FINANCE LEASES

BANK	Within 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Total
	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000
2006						
Minimum Lease Payments	-	-	124,718	188,930	334,272	647,920
Less: Future Finance Charges	-	-	(8,009)	(22,879)	(74,419)	(105,307)
Capital Element – due to SBM Lease Limited	-	-	116,709	166,051	259,853	542,613
2005						
Minimum Lease Payments	65,430	65,399	130,798	266,097	210,629	738,353
Less: Future Finance Charges	(17,430)	(16,014)	(27,615)	(36,325)	(19,565)	(116,949)
Capital Element – due to SBM Lease Limited	48,000	49,385	103,183	229,772	191,064	621,404
2004						
Minimum Lease Payments	62,239	62,239	124,479	248,880	425,735	923,572
Less: Future Finance Charges	(21,172)	(19,958)	(36,129)	(56,035)	(46,318)	(179,612)
Capital Element – due to SBM Lease Limited	41,067	42,281	88,350	192,845	379,417	743,960

20. OTHER LIABILITIES

	GROUP			BANK		
	2006	2005	2004	2006	2005	2004
	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000
Bills Payable	119,123	106,981	100,217	107,505	104,706	95,586
Accruals for Operating and Non-Operating Expenses	67,318	58,655	90,983	66,811	58,301	90,786
Dividend Payable (Note 21)	519,434	422,568	390,063	650,105	422,568	390,063
Settlements on Debit Cards	20,520	11,212	4,328	20,520	11,212	4,328
Accounts Payable	49,951	75,115	53,218	44,578	42,090	26,177
Deferred Income	18,164	18,259	14,713	17,723	17,512	14,597
Balance due in Clearing	155,381	209,225	133,786	132,610	173,982	133,786
Salary Credit Transition Accounts	70,132	97,829	38,409	70,132	97,829	38,409
Financial Derivative Liability (Note 24)	40,272	119,316	45,758	40,272	119,731	45,758
Others	53,116	15,622	18,395	52,515	14,277	18,396
	1,113,411	1,134,782	889,870	1,202,768	1,062,208	857,886

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

21. DIVIDEND PAYABLE

	GROUP			BANK		
	2006	2005	2004	2006	2005	2004
	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000
Balance at Beginning of Year	422,568	390,063	357,638	422,568	390,063	357,638
Dividend Paid	(422,568)	(390,063)	(357,558)	(422,568)	(390,063)	(357,558)
Amount Written Back	-	-	(80)	-	-	(80)
Dividend declared during the Year	650,105	422,568	390,063	650,105	422,568	390,063
Net Amount of Change in Equity	650,105	422,568	389,983	650,105	422,568	389,983
Amount receivable by Subsidiary	(130,671)	-	-	-		
Balance at End of Year	519,434	422,568	390,063	650,105	422,568	390,063
Dividend per share (cents)	200	130	120	200	130	120

22. SHARE CAPITAL

GROUP AND BANK

	2006	2005	2004
	MRs' 000	MRs' 000	MRs' 000
Authorised Capital			
1,000,000,000 Ordinary Shares of MRe1 each	1,000,000	1,000,000	1,000,000

	2006		2005		2004	
	Number *	MRs'000	Number *	MRs'000	Number *	MRs'000
Issued, Subscribed and Paid up Share Capital						
At 1 July	382,414,470	382,414	382,414,470	382,414	382,500,000	382,500
Shares bought back and cancelled	-	-	-	-	(72,700)	(73)
Treasury Shares cancelled	-	-	-	-	(12,830)	(13)
At 30 June	382,414,470	382,414	382,414,470	382,414	382,414,470	382,414
Treasury Shares held						
At 1 July	57,362,170	57,362	57,362,170	57,362	46,296,999	46,297
Shares bought back and held as Treasury Shares	-	-	-	-	11,078,001	11,078
Treasury Shares cancelled	-	-	-	-	(12,830)	(13)
At 30 June	57,362,170	57,362	57,362,170	57,362	57,362,170	57,362

* The number of shares relate to ordinary shares of MRe1 each.

As at 30 June 2003, the Bank had bought back and held as Treasury shares 46,296,999 of its own shares. A further 11,078,001 shares were bought back during the month of July 2003 at prices ranging from MRs15.60 to MRs17.10 (an average of MRs16.86 per share), bringing total shares bought back and held as Treasury Shares to 57,375,000 at the end of July 2003. Treasury shares are not eligible for voting and dividend.

In November 2003, the Bank started a third Share Buy Back Programme, under which shares purchased were cancelled immediately on acquisition. As at 30 June 2004, 72,700 shares had been purchased at an average price of MRs20.16 per share and an additional 12,830 shares have been cancelled from the Treasury Shares Account so as to keep the percentage of Treasury shares to issued shares within the limit of 15% in accordance with the regulations under Companies Act 2001.

No shares were bought back during the financial year ended 30 June 2005 and 30 June 2006

The Share Buy Back programme approved by shareholders lapsed on 17 May 2005.

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

23. MEMORANDUM ITEMS

23A.ACCEPTANCES, GUARANTEES, LETTERS OF CREDIT, ENDORSEMENTS AND OTHER OBLIGATIONS ON ACCOUNT OF CUSTOMERS

	GROUP			BANK		
	2006	2005	2004	2006	2005	2004
	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000
Letters of Credit	721,431	1,042,309	872,747	705,052	989,202	745,363
Guarantees	2,079,094	3,309,218	2,928,224	2,039,292	3,273,299	2,772,940
Acceptances and Endorsements	675,191	662,862	811,765	565,481	507,307	794,073
	3,475,717	5,014,389	4,612,736	3,309,825	4,769,808	4,312,376

23B.CREDIT COMMITMENTS

	GROUP			BANK		
	2006	2005	2004	2006	2005	2004
	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000
Undrawn Credit Facilities	3,704,839	2,772,432	3,465,270	3,477,041	2,499,278	3,203,172

23C.LITIGATION

There is since May 2003 a legal action brought about by The Mauritius Commercial Bank Ltd ("MCB") against 38 parties, including SBM and two other banks in Mauritius, in connection with what is known as the MCB/NPF affair. Based on legal advice, the directors of SBM are of the view that the allegations are unfounded and that no liability is expected to arise therefrom. Accordingly, no provision has been made in the financial statements in this respect.

Since March 2005, SBM has made a counter claim against MCB for damage and prejudice.

23D.ASSETS PLEDGED

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

	GROUP AND BANK		
	2006	2005	2004
	MRs'000	MRs'000	MRs'000
Treasury Bills	1,276,840	1,320,392	1,105,828

23E.CAPITAL COMMITMENTS

	GROUP			BANK		
	2006	2005	2004	2006	2005	2004
	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000
Approved and contracted for	24,758	52,425	21,500	24,758	52,425	21,500
Approved and not contracted for	1,254	28,866	17,570	1,254	28,750	15,823

23F.OPERATING LEASE COMMITMENTS

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

	GROUP AND BANK		
	2006	2005	2004
	MRs' 000	MRs' 000	MRs' 000
Within 1 Year	11,677	10,204	7,746
After 1 Year and before 5 Years	22,350	7,359	8,491
After 5 Years	458	667	320
	34,485	18,230	16,557

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

24. FINANCIAL DERIVATIVES

	GROUP AND BANK			
	Notional Principal	Fair Values		
	Amount	Positive	Negative	Net
	MRs'000	MRs'000	MRs'000	MRs'000
2006				
Forward Foreign Exchange Contracts	4,633,647	45,104	(31,317)	13,787
Spot Foreign Exchange Contracts not yet delivered	378,866	3,962	(5,714)	(1,752)
Currency Options and Futures Contracts	-	-	-	-
Interest Rate Swap Contracts	1,663,473	5,505	(3,241)	2,264
	6,675,986	54,571	(40,272)	14,299

	GROUP			
	Notional Principal	Fair Values		
	Amount	Positive	Negative	Net
	MRs'000	MRs'000	MRs'000	MRs'000
2005				
Forward Foreign Exchange Contracts	4,743,368	76,724	(117,924)	(41,200)
Spot Foreign Exchange Contracts not yet delivered	690,091	431	(514)	(83)
Currency Options and Futures Contracts	43,667	425	-	425
Interest Rate Swap Contracts	1,501,963	735	(878)	(143)
	6,979,089	78,315	(119,316)	(41,001)

	BANK			
	Notional Principal	Fair Values		
	Amount	Positive	Negative	Net
	MRs'000	MRs'000	MRs'000	MRs'000
2005				
Forward Foreign Exchange Contracts	4,778,244	76,923	(118,328)	(41,405)
Spot Foreign Exchange Contracts not yet delivered	682,845	431	(525)	(94)
Currency Options and Futures Contracts	43,667	425	-	425
Interest Rate Swap Contracts	1,501,963	735	(878)	(143)
	7,006,719	78,514	(119,731)	(41,217)

	GROUP AND BANK			
	Notional Principal	Fair Values		
	Amount	Positive	Negative	Net
	MRs'000	MRs'000	MRs'000	MRs'000
2004				
Forward Foreign Exchange Contracts	5,142,417	89,413	(44,967)	44,446
Spot Foreign Exchange Contracts not yet delivered	245,807	905	(341)	564
Interest Rate Swap Contracts	399,558	80	(450)	(370)
	5,787,782	90,398	(45,758)	44,640

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

25. INTEREST INCOME

	GROUP			BANK		
	2006	2005	2004	2006	2005	2004
	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000
Loans and Advances	2,784,927	2,300,563	2,132,163	2,591,664	2,145,708	1,979,785
Investment Securities	563,467	612,427	716,048	525,124	564,346	652,963
Trading Securities	12,054	5,333	62,661	12,054	5,333	62,661
Gilt-edged Securities	575,521	617,760	778,709	537,178	569,679	715,624
Placements with Banks	306,149	152,880	71,251	306,325	145,028	68,581
	3,666,597	3,071,203	2,982,123	3,435,167	2,860,415	2,763,990

The interest on Loans and Advances includes interest on debentures to which the Bank has subscribed and which are treated as Loans and Advances by the Bank.

26. PROVISIONS FOR CREDIT IMPAIRMENT

	GROUP			BANK		
	2006	2005	2004	2006	2005	2004
	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000
Portfolio and Specific Provisions	262,833	72,085	179,734	223,342	44,870	143,231
Interest accrued on Impaired Advances	(25,029)	(26,387)	(26,103)	(25,029)	(26,387)	(26,103)
Bad Debts written off for which no Provisions were made	53	39,999	12,968	53	39,999	12,968
Recoveries of Advances written off	(14,274)	(7,084)	(2,198)	(14,274)	(7,085)	(2,198)
	223,583	78,613	164,401	184,092	51,397	127,898

27. NET FEE AND COMMISSION INCOME

	GROUP			BANK		
	2006	2005	2004	2006	2005	2004
	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000
Loan-related						
- Letters of Credit and Acceptances	36,208	48,474	54,117	27,697	32,555	35,759
- Others	11,187	11,950	8,460	7,820	10,581	8,460
Guarantees	17,576	28,138	19,642	16,974	27,937	19,642
Service Charges	402,863	272,707	198,355	386,783	264,160	195,091
Other	52,482	48,148	48,960	36,490	27,051	38,981
Total Fee and Commission Income	520,316	409,417	329,534	475,764	362,284	292,893
Fee and Commission Expense	(8,275)	(8,528)	(9,413)	(8,646)	(7,677)	(8,546)
	512,041	400,889	320,121	467,118	354,607	284,347

28. NON-INTEREST EXPENSE

	GROUP			BANK		
	2006	2005	2004	2006	2005	2004
	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000
Staff Costs	458,058	403,378	483,739	449,021	397,411	477,940
Property Costs	161,755	142,503	140,535	151,775	131,154	131,488
System Costs	300,929	272,966	199,993	285,057	264,220	197,683
Other	109,895	102,949	80,734	102,720	97,831	77,213
	1,030,637	921,796	905,001	988,573	890,616	884,324
Number of Employees at Balance Sheet Date, including Trainees	916	901	887	766	756	745

For both the Group and the Bank, staff costs include a defined contribution pension expense of MRs8.9 million (2005: MRs6.9 million) (2004: MRs4.2 million). Staff costs for 2004 include one time costs of MRs88 million.

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

29. NET INCOME AFTER INCOME TAX

	GROUP			BANK		
	2006	2005	2004	2006	2005	2004
	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000
Profit after taxation for the year is arrived at after charging:						
Operating Lease Rentals	36,156	28,417	23,801	28,292	21,941	17,858
Auditors' Remuneration (Audit Fee)						
- Principal Auditors	3,877	3,331	3,310	3,648	3,131	3,131
- Other Auditors	404	422	406	153	185	127
Auditors' Remuneration (Other services)	213	-	-	40	-	-

30. EARNINGS PER SHARE

	GROUP			BANK		
	2006	2005	2004	2006	2005	2004
					(Restated)	(Restated)
	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000
Net Income available to Shareholders	1,318,998	1,191,213	1,126,521	1,306,120	1,269,324	1,080,738
Weighted Average Number of Shares (thousands)	325,052	325,052	325,282	325,052	325,052	325,282
Earnings per Share (Cents)	406	366	346	402	390	332

31. ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

	GROUP			BANK		
	2006	2005	2004	2006	2005	2004
	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000	MRs' 000
Cash and Balances with Central Banks	3,083,739	1,894,720	2,040,409	2,884,125	1,672,411	2,012,529
Balances with Banks	6,174,670	6,378,422	2,090,179	6,163,330	6,360,702	1,788,798
	9,258,409	8,273,142	4,130,588	9,047,455	8,033,113	3,801,327
Borrowings from Banks maturing within 3 Months	(889,565)	(2,765,600)	(1,813,022)	(888,684)	(2,760,148)	(1,812,732)
	8,368,844	5,507,542	2,317,566	8,158,771	5,272,965	1,988,595

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

32. RELATED PARTY TRANSACTIONS

GROUP

	Key Management Personnel ------ Directors * ------			Associates and other Entities in which the Group has Significant Influence* *			Entities (including their Subsidiaries) which have Significant Influence * * * in the Group			Entities in which Directors, Key Management Personnel and their Close Family Members have Significant Influence			Post Employment Benefits****		
	2006	2005	2004	2006	2005 (Restated)	2004 (Restated)	2006	2005 (Restated)	2004 (Restated)	2006	2005 (Restated)	2004 (Restated)	2006	2005	2004
	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000
(a) Credit Facilities															
(i) Loans to directors															
Balance at beginning of year	1,627	1,946	163												
Loans to directors who resigned during the year	(20)	-	-												
Loans granted during the year	-	-	125												
Existing loans of newly appointed directors	-	19	2,089												
Repayments	(296)	(338)	(431)												
Balance at end of year	1,311	1,627	1,946												
(ii)Loans to other related parties															
Balance at beginning of year										81,742	75,818	57,486			
Loans of Key management personnel who resigned during the year										-	-	-			
Loans to entities in which directors who resigned during the year have significant influence										-	-	(10,209)			
Loans granted during the year										-	63,130	29,949			
Existing loans of newly appointed key management personnel										-	-	12,937			
Loans to entities who ceased to be related parties during the year										(81,742)	-	-			
Existing loans of new related parties										197,528	-	-			
Repayments										-	(57,206)	(14,345)			
Balance at end of year										197,528	81,742	75,818			
(iii) Other advances															
Balance at end of year	65	1,157	132	2	-	1				585,308	53,950	43,102			
(iv) Off-balance sheet items															
Balance at end of year	-	-	-	4,710	260,488	263,355	-	5,605	1,604	1,049,603	34,883	19,175			

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

32. RELATED PARTY TRANSACTIONS (CONT'D)

GROUP

	Key Management Personnel ---------- Directors * -----------			Associates and other Entities in which the Group has Significant Influence* *			Entities (including their Subsidiaries) which have Significant Influence * * * in the Group			Entities in which Directors, Key Management Personnel and their Close Family Members have Significant Influence			Post Employment Benefits****		
	2006	2005	2004	2006	2005 (Restated)	2004 (Restated)	2006	2005 (Restated)	2004 (Restated)	2006	2005 (Restated)	2004 (Restated)	2006	2005	2004
	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000
(b) Placements															
Balance at end of year	-	-	-	-	-	762	-	458,457	282,241	-	-	-	-	-	-
(c) Borrowings															
Balance at end of year	-	-	-	-	387,667	61,482	-	204,144	276,813	-	-	-	-	-	-
(d) Deposits															
Balance at end of year	76,692	23,797	37,147	179,589	373,215	111,919	-	-	-	1,451,147	36,437	64,032	77,142	54,718	192,245
(e) Interest income															
Loans and advances	137	150	191	-	45	147	-	-	-	76,681	9,742	11,188	-	-	-
Placements	-	-	-	-	353	-	-	21,228	36,236	-	-	-	-	-	-
	137	150	191	-	398	147	-	21,228	36,236	76,681	9,742	11,188	-	-	-
(f) Interest expense															
Deposits	3,461	1,659	1,229	19,162	12,492	8,438	-	-	-	31,851	600	686	884	1,886	1,435
Borrowings	-	-	-	-	10,644	2,559	-	38,835	30,579	-	-	-	-	-	-
	3,461	1,659	1,229	19,162	23,136	10,997	-	38,835	30,579	31,851	600	686	-	-	-
(g) Other income	28	14	-	1,062	4,891	5,006	-	11,990	-	12,395	5,482	4,134	45	172	10
(h) Purchase of goods & services	-	-	-	-	332	53	-	-	-	-	11,318	24,791	-	-	-

(j) Emoluments

Emoluments including benefits of key management personnel (including directors) for the year amounted to MRs31.4 Million (2005: MRs30.5 million).

The above related party transactions were carried at market terms and conditions. Loans to directors were given at preferential staff interest rates.

* Including close family members (domestic partner and children). Figures for 2005 and 2004 for key management personnel have been restated in line with the definition provided by IAS 24 (revised).

* * In previous years for the purpose of disclosure of credit facilities with related parties and interest income thereon, entities in which the Group has significant influence include those in which the Group has at least a 10% shareholding (as required by the Bank of Mauritius Guideline on Related parties) were disclosed. These have been restated in line with IAS 24 (revised) definition of associate and significant influence.

*** Entities (including their subsidiaries) which have significant influence in the Group have been restated in line with management interpretation of related party in respect of entities having significant influence in the Group.

**** New requirement under IAS 24 (Revised).

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

33. PHANTOM SHARE OPTIONS

The Bank 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 Bank performance. The option price is the price at which the option has been issued. Options are exercisable after three years and within ten years of the date of allocation of the options subject to certain conditions including the following:

(i) At the end of the tenth year, all outstanding options lapse.
(ii) In any one year, not more than 15% of the options can be exercised.
(iii) Options lapse on the date an option holder ceases to be employee of the Group except in certain specific circumstances.

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.

Movements in the number of Phantom share options:

	GROUP			BANK		
	2006	2005	2004	2006	2005	2004
Outstanding at beginning of the year	825,965	622,595	755,475	825,965	622,595	755,475
Allocated during the year	640,000	279,000	-	630,000	279,000	-
Lapsed during the year	(136,500)	-	(63,305)	(136,500)	-	(63,305)
Exercised during the year	(122,755)	(75,630)	(69,575)	(122,755)	(75,630)	(69,575)
Outstanding at end of the year	1,206,710	825,965	622,595	1,196,710	825,965	622,595

Included in staff costs (Note 28) is an amount of MRs2.3m (2005: MRs1m; 2004: MRs0.5m) paid on the exercise of Phantom share options during the year.

Terms of the phantom share options outstanding as at 30 June 2006:

Lapse Date	GROUP Number	BANK Number	Option Price (MRs)
June 30, 2008	32,610	32,610	18.00
June 30, 2009	35,100	35,100	13.00
June 30, 2010	63,250	63,250	10.00
June 30, 2011	112,000	112,000	10.00
June 30, 2012	165,750	165,750	10.00
June 30, 2014	258,000	258,000	20.00
June 30, 2015	540,000	530,000	25.00
	1,206,710	1,196,710	

As at 30 June 2006, the potential liability relating to the Phantom share options was MRs6.9m. At 30 June 2005 and 30 June 2004, the potential liability was negligible.

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

34. CURRENCY RISK

The tables below analyse the Group's and the Bank's currency risk exposure at 30 June 2006, 30 June 2005 and 30 June 2004.

GROUP

At 30 June 2006

	MUR	USD	GBP	EURO	INR	OTHER	TOTAL
	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000
ASSETS							
Cash and Balances with Central Banks	2,740,548	19,065	2,266	16,787	99,500	205,573	3,083,739
Balances with Other Banks	110,713	1,352,429	2,370,632	1,986,248	167,418	187,230	6,174,670
Investments in Subsidiaries and Associates	357,398	-	-	-	-	-	357,398
Other equity investments	2,017,321	14,281	-	27,280	4,562	326	2,063,770
Placements	-	-	35,469	-	-	9,739	45,208
Investments in Gilt-edged Securities	8,268,977	-	-	-	876,854	140,506	9,286,337
Securities, Placements and Other Investments	10,643,696	14,281	35,469	27,280	881,416	150,571	11,752,713
Loans and Advances	21,963,834	1,484,522	58,967	683,004	1,449,657	723,007	26,362,991
Tangible and Intangible Fixed Assets	2,688,604	-	-	-	141,886	33,497	2,863,987
Other Assets	394,567	13,500	6,823	22,245	212,335	14,025	663,495
TOTAL ASSETS	38,541,962	2,883,797	2,474,157	2,735,564	2,952,212	1,313,903	50,901,595
LIABILITIES							
Deposits	28,587,405	3,614,501	2,421,791	2,507,167	1,685,522	1,277,553	40,093,939
Borrowing from Central Banks	284,343	-	-	-	167,923	-	452,266
Borrowing from Other Banks	-	608,919	82,376	122,511	69,464	6,295	889,565
Current and Deferred Tax Liability	511,010	435	-	-	22,037	2,989	536,471
Other Liabilities	990,911	2,091	2,501	6,520	75,958	35,430	1,113,411
TOTAL LIABILITIES	30,373,669	4,225,946	2,506,668	2,636,198	2,020,904	1,322,267	43,085,652
Net Assets	8,168,293	(1,342,149)	(32,511)	99,366	931,308	(8,364)	7,815,943
Shareholders' Equity and Minority Interest	(7,256,702)	(87,405)	-	-	(430,966)	(40,870)	(7,815,943)
Net on balance sheet position	911,591	(1,429,554)	(32,511)	99,366	500,342	(49,234)	-
Off balance sheet net notional position	-	(59,852)	43,166	(258,512)	1,989	38,576	(234,633)
	911,591	(1,489,406)	10,655	(159,146)	502,331	(10,658)	(234,633)

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

34. CURRENCY RISK (CONT'D)

GROUP

At 30 June 2005

	MUR	USD	GBP	EURO	INR	OTHER	TOTAL
	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000
ASSETS							
Cash and Balances with Central Banks	1,573,053	14,473	5,749	15,498	60,492	225,455	1,894,720
Balances with Other Banks	348,660	2,655,410	1,864,658	1,311,892	7,263	190,539	6,378,422
Investments in Subsidiaries and Associates	314,110	361,655	-	-	-	-	675,765
Other equity Investments	1,635,290	17,327	-	-	-	331	1,652,948
Placements	-	335,958	60,088	-	70,215	-	466,261
Investments in Gilt-edged Securities	8,424,889	-	-	-	926,676	45,867	9,397,432
Securities, Placements and Other Investments	10,374,289	714,940	60,088	-	996,891	46,198	12,192,406
Loans and Advances	19,962,359	1,551,918	13,703	811,651	1,410,383	751,562	24,501,576
Tangible and Intangible Fixed Assets	2,825,966	-	-	-	137,848	30,176	2,993,990
Other Assets	257,101	206,148	2,574	4,654	153,601	21,848	645,926
TOTAL ASSETS	35,341,428	5,142,889	1,946,772	2,143,695	2,766,478	1,265,778	48,607,040
LIABILITIES							
Deposits	26,093,385	2,548,785	1,911,497	2,104,828	1,356,091	986,221	35,000,807
Borrowings from Central Banks	247,829	-	-	-	-	-	247,829
Borrowings from Other Banks	-	2,120,567	47,527	690,822	424,768	-	3,283,684
Other Borrowings	-	-	-	-	67,697	-	67,697
Current and Deferred Tax Liability	638,650	1,332	-	-	19,171	9,259	668,412
Other Liabilities	936,003	69,429	2,594	57,624	25,536	43,596	1,134,782
TOTAL LIABILITIES	27,915,867	4,740,113	1,961,618	2,853,274	1,893,263	1,039,076	40,403,211
Net Assets	7,425,561	402,776	(14,846)	(709,579)	873,215	226,702	8,203,829
Shareholders' Equity and Minority Interest	(7,599,613)	(126,885)	-	-	(418,839)	(58,492)	(8,203,829)
Net on balance sheet position	(174,052)	275,891	(14,846)	(709,579)	454,376	168,210	-
Off balance sheet net notional position	-	173,086	22,942	726,054	(54,104)	(30,906)	837,072
	(174,052)	448,977	8,096	16,475	400,272	137,304	837,072

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

34. CURRENCY RISK (CONT'D)

GROUP

At 30 June 2004

	MUR	USD	GBP	EURO	INR	OTHER	TOTAL
	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000
ASSETS							
Cash and Balances with Central Banks	1,832,583	19,205	6,569	18,363	128,975	34,714	2,040,409
Balances with Other Banks	229,851	1,403,869	84,754	286,946	15,310	69,449	2,090,179
Investments in Subsidiaries and Associates	274,319	350,870	-	-	-	-	625,189
Other Equity Investments	1,492,041	22,777	-	-	-	319	1,515,137
Placements	-	-	-	-	39,754	636	40,390
Investments in Gilt-edged Securities	10,397,335	-	-	-	496,002	195,902	11,089,239
Securities, Placements and Other Investments	12,163,695	373,647	-	-	535,756	196,857	13,269,955
Loans and Advances	18,364,218	1,014,275	3,402	1,321,711	1,484,087	484,490	22,672,183
Tangible and Intangible Fixed Assets	1,648,771	-	-	-	107,278	3,057	1,759,106
Other Assets	189,040	21,181	13,810	62,135	132,341	7,382	425,889
TOTAL ASSETS	34,428,158	2,832,177	108,535	1,689,155	2,403,747	795,949	42,257,721
LIABILITIES							
Deposits	26,653,708	1,899,068	1,046,410	1,164,871	1,124,707	983,489	32,872,253
Borrowings from Central Banks	342,698	-	-	-	-	-	342,698
Borrowings from Other Banks	-	1,084,791	24,535	537,719	230,070	14,727	1,891,842
Current and Deferred Tax Liability	90,256	-	-	-	11,493	6,181	107,930
Other Liabilities	796,698	13,303	2,455	25,189	35,659	16,566	889,870
TOTAL LIABILITIES	27,883,360	2,997,162	1,073,400	1,727,779	1,401,929	1,020,963	36,104,593
Net Assets	6,544,798	(164,985)	(964,865)	(38,624)	1,001,818	(225,014)	6,153,128
Shareholders' Equity and Minority Interest	(5,566,608)	(255,048)	-	-	(291,392)	(40,080)	(6,153,128)
Net on balance sheet position	978,190	(420,033)	(964,865)	(38,624)	710,426	(265,094)	-
Off balance sheet net notional position	-	395,366	948,591	43,789	79	342,283	1,730,108
	978,190	(24,667)	(16,274)	5,165	710,505	77,189	1,730,108

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

34. CURRENCY RISK (CONT'D)

BANK

At 30 June 2006

	MUR	USD	GBP	EURO	INR	OTHER	TOTAL
	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000
ASSETS							
Cash and Balances with Central Banks	2,740,548	19,065	2,266	16,787	5,959	99,500	2,884,125
Balances with Other Banks	119,017	1,346,233	2,370,632	1,972,873	187,157	167,418	6,163,330
Investments in Subsidiaries and Associates	423,523	47	-	-	-	-	423,570
Other equity investments	1,870,801	503	-	370	-	4,562	1,876,236
Placements	-	-	35,469	-	9,739	-	45,208
Investments in Gilt-edged Securities	8,035,697	-	-	-	-	876,854	8,912,551
Securities, Placements and Other Investments	10,330,021	550	35,469	370	9,739	881,416	11,257,565
Loans and Advances	21,336,234	2,989,447	58,967	709,495	31,608	1,449,656	26,575,407
Tangible and Intangible Fixed Assets	2,684,258	-	-	-	-	141,886	2,826,144
Other Assets	387,713	13,500	6,823	22,245	-	212,335	642,616
TOTAL ASSETS	37,597,791	4,368,795	2,474,157	2,721,770	234,463	2,952,211	50,349,187
LIABILITIES							
Deposits	27,447,478	3,602,111	2,422,341	2,491,324	321,441	1,685,522	37,970,217
Borrowings from Central Banks	284,343	-	-	-	-	167,923	452,266
Borrowings from Other Banks	-	636,116	82,376	94,559	6,170	69,463	888,684
Current and Deferred Tax Liability	498,038	-	-	-	-	22,037	520,075
Obligations under Finance Leases	542,613	-	-	-	-	-	542,613
Other Liabilities	1,117,138	1,828	950	6,520	374	75,958	1,202,768
TOTAL LIABILITIES	29,889,610	4,240,055	2,505,667	2,592,403	327,985	2,020,903	41,576,623
Net Assets	7,708,181	128,740	(31,510)	129,367	(93,522)	931,308	8,772,564
Shareholders' Equity & Minority interest	(8,341,598)	-	-	-	-	(430,966)	(8,772,564)
Net on balance sheet position	(633,417)	128,740	(31,510)	129,367	(93,522)	500,342	-
Off balance sheet net notional position	-	(59,852)	43,166	(258,512)	38,576	1,989	(234,633)
	(633,417)	68,888	11,656	(129,145)	(54,946)	502,331	(234,633)

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

34. CURRENCY RISK (CONT'D)

BANK

At 30 June 2005 (Restated)

	MUR	USD	GBP	EURO	INR	OTHER	TOTAL
	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000
ASSETS							
Cash and Balances with Central Banks	1,573,053	14,311	5,749	14,496	60,492	4,310	1,672,411
Balances with Other Banks	341,339	2,649,354	1,864,602	1,309,972	7,263	188,172	6,360,702
Investments in Subsidiaries and Associates	343,148	248,191	-	-	-	-	591,339
Other Equity Investments	1,514,219	873	-	-	-	-	1,515,092
Placements	-	335,958	60,088	-	70,215	-	466,261
Investments in Gilt-edged Securities	8,005,316	-	-	-	926,676	-	8,931,992
Securities, Placements and Other Investments	9,862,683	585,022	60,088	-	996,891	-	11,504,684
Loans and Advances	19,625,376	1,503,554	13,703	798,245	1,410,383	40,514	23,391,775
Tangible and Intangible Fixed Assets	2,821,298	-	-	-	137,848	-	2,959,146
Other Assets	251,999	207,052	2,574	4,654	153,601	420	620,300
TOTAL ASSETS	34,475,748	4,959,293	1,946,716	2,127,367	2,766,478	233,416	46,509,018
LIABILITIES							
Deposits	24,978,336	2,506,175	1,913,148	2,077,705	1,356,091	99,481	32,930,936
Borrowings from Central Banks	247,829	-	-	-	-	-	247,829
Borrowings from Other Banks	-	2,115,112	47,527	690,825	424,768	-	3,278,232
Other Borrowings	-	-	-	-	67,697	-	67,697
Current and Deferred Tax Liability	627,428	-	-	-	19,171	-	646,599
Obligations under Finance Leases	621,404	-	-	-	-	-	621,404
Other Liabilities	914,605	69,696	1,167	50,219	25,536	985	1,062,208
TOTAL LIABILITIES	27,389,602	4,690,983	1,961,842	2,818,749	1,893,263	100,466	38,854,905
Net Assets	7,086,146	268,310	(15,126)	(691,382)	873,215	132,950	7,654,113
Shareholders' Equity	(7,235,274)	-	-	-	(418,839)	-	(7,654,113)
Net on balance sheet position	(149,128)	268,310	(15,126)	(691,382)	454,376	132,950	-
Off balance sheet net notional position	-	171,180	22,942	720,340	(54,104)	(23,286)	837,072
	(149,128)	439,490	7,816	28,956	400,272	109,664	837,072

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

34. CURRENCY RISK (CONT'D)

BANK

At 30 June 2004 (Restated)

	MUR	USD	GBP	EURO	INR	OTHER	TOTAL
	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000	MRs'000
ASSETS							
Cash and Balances with Central Banks	1,832,583	19,205	6,569	18,363	128,975	6,834	2,012,529
Balances with Other Banks	229,734	1,142,920	84,754	257,492	15,310	58,588	1,788,798
Investments in Subsidiaries and Associates	313,422	343,018	-	-	-	-	656,440
Other Equity Investments	1,311,349	872	-	-	-	-	1,312,221
Placements	-	-	-	-	39,754	636	40,390
Investments in Gilt-edged Securities	9,867,694	-	-	-	496,004	-	10,363,698
Securities, Placements and Other Investments	11,492,465	343,890	-	-	535,758	636	12,372,749
Loans and Advances	18,051,100	977,073	3,402	1,285,026	1,484,087	12,747	21,813,435
Tangible and Intangible Fixed Assets	1,647,527	-	-	-	107,278	-	1,754,805
Other Assets	178,800	21,181	13,810	62,135	132,341	2,404	410,671
TOTAL ASSETS	33,432,209	2,504,269	108,535	1,623,016	2,403,749	81,209	40,152,987
LIABILITIES							
Deposits	25,270,389	1,852,179	1,046,410	1,116,681	1,124,714	368,642	30,779,015
Borrowings from Central Banks	341,530	-	-	-	-	-	341,530
Borrowing from Other Banks	-	1,084,791	24,535	537,429	230,070	14,727	1,891,552
Current and Deferred Tax Liability	79,013	-	-	-	11,493	-	90,506
Obligations under Finance Leases	743,960	-	-	-	-	-	743,960
Other Liabilities	772,155	13,224	2,455	25,189	35,659	9,204	857,886
TOTAL LIABILITIES	27,207,047	2,950,194	1,073,400	1,679,299	1,401,936	392,573	34,704,449
Net Assets	6,225,162	(445,925)	(964,865)	(56,283)	1,001,813	(311,364)	5,448,538
Shareholders' Equity	(5,157,146)	-	-	-	(291,392)	-	(5,448,538)
Net on balance sheet position	1,068,016	(445,925)	(964,865)	(56,283)	710,421	(311,364)	-
Off balance sheet net notional position	-	395,366	948,591	43,789	79	342,283	1,730,108
	1,068,016	(50,559)	(16,274)	(12,494)	710,500	30,919	1,730,108

The exposure in INR represents mainly the Bank's Indian Operations' assets and liabilities which are denominated in their local currency.

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

35. INTEREST RATE RISK

The table below analyses the Group's and Bank's interest rate risk exposure at 30 June 2006 and 30 June 2005 in terms of the remaining period to the next contractual repricing date or to the maturity date, whichever is the earlier.

The floating rate column represents 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.

GROUP

At 30 June 2006

	Floating MRs'000	Within 3 Months MRs'000	3-6 Months MRs'000	6-12 Months MRs'000	1-2 Years MRs'000	2-5 Years MRs'000	Over 5 Years MRs'000	Non-Interest Sensitive MRs'000	Total MRs'000
ASSETS									
Cash and Balances with Central Banks	-	-	-	-	-	-	-	3,083,739	3,083,739
Balances with Banks and Interbank Loans	2,646,410	3,496,864	-	-	-	-	-	31,396	6,174,670
Equity Investments in Subsidiaries and Associates	-	-	-	-	-	-	-	357,398	357,398
Other Equity Investments	-	-	-	-	-	-	-	2,063,770	2,063,770
Placements maturing over 3 months	-	-	35,469	9,739	-	-	-	-	45,208
Investments in Gilt-edged Securities	-	3,030,134	1,679,550	3,771,534	503,917	301,202	-	-	9,286,337
Securities, Placements and Other Investments	-	3,030,134	1,715,019	3,781,273	503,917	301,202	-	2,421,168	11,752,713
Loans and Advances	20,723,903	3,671,651	394,841	746,024	392,741	564,535	210,443	470,566	27,174,704
Less: Allowance for Credit impairment	-	-	-	-	-	-	-	(811,713)	(811,713)
Tangible and Intangible Fixed Assets	-	-	-	-	-	-	-	2,863,987	2,863,987
Other Assets	-	-	-	-	-	-	-	663,495	663,495
TOTAL ASSETS	23,370,313	10,198,649	2,109,860	4,527,297	896,658	865,737	210,443	8,722,638	50,901,595
LIABILITIES AND SHAREHOLDERS' EQUITY									
Deposits	25,613,713	5,699,785	1,371,096	2,288,343	1,036,015	894,975	607	3,189,405	40,093,939
Borrowings from Central Banks	-	175,189	13,224	14,888	1,504	88,829	158,632	-	452,266
Borrowings from Other Banks	-	889,565	-	-	-	-	-	-	889,565
Current and Deferred Tax Liability	-	-	-	-	-	-	-	536,471	536,471
Other Liabilities	-	-	-	-	-	-	-	1,113,411	1,113,411
Shareholders' Equity and Minority Interest	-	-	-	-	-	-	-	7,815,943	7,815,943
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	25,613,713	6,764,539	1,384,320	2,303,231	1,037,519	983,804	159,239	12,655,230	50,901,595
Interest Rate Repricing Gap	(2,243,400)	3,434,110	725,540	2,224,066	(140,861)	(118,067)	51,204	(3,932,592)	
Cumulative Interest Rate Repricing Gap	(2,243,400)	1,190,710	1,916,250	4,140,316	3,999,455	3,881,388	3,932,592	-	

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

35. INTEREST RATE RISK (CONT'D)

GROUP

At 30 June 2005

	Floating MRs'000	Within 3 Months MRs'000	3-6 Months MRs'000	6-12 Months MRs'000	1-2 Years MRs'000	2-5 Years MRs'000	Over 5 Years MRs'000	Non-Interest Sensitive MRs'000	Total MRs'000
ASSETS									
Cash and Balances with Central Banks	-	-	-	-	-	-	-	1,894,720	1,894,720
Balances with Other Banks	4,064,594	1,880,466	-	-	-	-	-	433,362	6,378,422
Equity Investments in Subsidiaries and Associates	-	-	-	-	-	-	-	666,502	666,502
Other Equity Investments	-	-	-	-	-	-	-	1,652,948	1,652,948
Placements	-	-	466,261	-	-	-	-	-	466,261
Loan to Associates	-	-	-	-	-	-	-	9,263	9,263
Investments in Gilt-edged Securities	-	1,211,023	1,150,408	4,540,203	1,914,692	280,000	301,106	-	9,397,432
Securities, Placements and Other Investments	-	1,211,023	1,616,669	4,540,203	1,914,692	280,000	301,106	2,328,713	12,192,406
Loans and Advances	20,384,299	2,797,118	342,945	454,642	369,592	413,699	274,865	90,921	25,128,081
Less: Allowance for Credit impairment	-	-	-	-	-	-	-	(626,505)	(626,505)
Tangible and Intangible Fixed Assets	-	-	-	-	-	-	-	2,993,990	2,993,990
Other Assets	-	-	-	-	-	-	-	645,926	645,926
TOTAL ASSETS	24,448,893	5,888,607	1,959,614	4,994,845	2,284,284	693,699	575,971	7,761,127	48,607,040
LIABILITIES AND SHAREHOLDERS' EQUITY									
Deposits	24,069,255	4,017,495	1,344,445	1,505,377	651,588	158,684	187	3,253,776	35,000,807
Borrowings from Central Banks	-	37,786	30,148	61,762	67,809	50,324	-	-	247,829
Borrowings from Other Banks	-	2,765,600	518,084	-	-	-	-	-	3,283,684
Other Borrowings	-	67,686	-	-	-	-	-	11	67,697
Current and Deferred Tax Liability	-	-	-	-	-	-	-	668,412	668,412
Other Liabilities	-	-	-	-	-	-	-	1,134,782	1,134,782
Shareholders' Equity and Minority Interest	-	-	-	-	-	-	-	8,203,829	8,203,829
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	24,069,255	6,888,567	1,892,677	1,567,139	719,397	209,008	187	13,260,810	48,607,040
Interest Rate Repricing Gap	379,638	(999,960)	66,937	3,427,706	1,564,887	484,691	575,784	(5,499,683)	
Cumulative Interest Rate Repricing Gap	379,638	(620,322)	(553,385)	2,874,321	4,439,208	4,923,899	5,499,683	-	

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

35. INTEREST RATE RISK (CONT'D)

GROUP

At 30 June 2004

	Floating MRs'000	Within 3 Months MRs'000	3-6 Months MRs'000	6-12 Months MRs'000	1-2 Years MRs'000	2-5 Years MRs'000	Over 5 Years MRs'000	Non-Interest Sensitive MRs'000	Total MRs'000
ASSETS									
Cash and Balances with Central Banks	-	-	-	-	-	-	-	2,040,409	2,040,409
Balances with Other Banks	14	1,672,337	-	-	-	-	-	417,828	2,090,179
Equity Investments in Subsidiaries and Associates	-	-	-	-	-	-	-	616,340	616,340
Other Equity Investments	-	-	-	-	-	-	-	1,515,137	1,515,137
Placements	-	-	-	40,390	-	-	-	-	40,390
Investments in Gilt-edged Securities	-	2,679,896	3,723,843	3,681,927	972,993	30,580	-	-	11,089,239
Loan to Associates	-	-	-	-	-	-	-	8,849	8,849
Securities, Placements and Other Investments	-	2,679,896	3,723,843	3,722,317	972,993	30,580	-	2,140,326	13,269,955
Loans and Advances	17,628,267	2,874,915	350,502	764,980	529,649	919,891	385,925	83,554	23,537,683
Less: Allowance for Credit impairment	-	-	-	-	-	-	-	(865,500)	(865,500)
Tangible and Intangible Fixed Assets	-	-	-	-	-	-	-	1,759,106	1,759,106
Other Assets	-	-	-	-	-	-	-	425,889	425,889
TOTAL ASSETS	17,628,281	7,227,148	4,074,345	4,487,297	1,502,642	950,471	385,925	6,001,612	42,257,721
LIABILITIES AND SHAREHOLDERS' EQUITY									
Deposits	19,242,199	5,056,096	1,308,578	1,860,230	1,581,118	287,882	1,707	3,534,443	32,872,253
Borrowings from Central Banks	-	15,061	32,679	63,039	126,079	77,236	26,888	1,716	342,698
Borrowings from Other Banks	-	1,801,007	78,820	-	-	-	-	12,015	1,891,842
Current and Deferred Tax Liability	-	-	-	-	-	-	-	107,930	107,930
Other Liabilities	-	-	-	-	-	-	-	889,870	889,870
Shareholders' Equity and Minority Interest	-	-	-	-	-	-	-	6,153,128	6,153,128
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	19,242,199	6,872,164	1,420,077	1,923,269	1,707,197	365,118	28,595	10,699,102	42,257,721
Interest Rate Repricing Gap	(1,613,918)	354,984	2,654,268	2,564,028	(204,555)	585,353	357,330	(4,697,490)	
Cumulative Interest Rate Repricing Gap	(1,613,918)	(1,258,934)	1,395,334	3,959,362	3,754,807	4,340,160	4,697,490	-	

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

35. INTEREST RATE RISK (CONT'D)

BANK

At 30 June 2006

	Floating MRs'000	Within 3 Months MRs'000	3-6 Months MRs'000	6-12 Months MRs'000	1-2 Years MRs'000	2-5 Years MRs'000	Over 5 Years MRs'000	Non-Interest Sensitive MRs'000	Total MRs'000
ASSETS									
Cash and Balances with Central Banks	-	-	-	-	-	-	-	2,884,125	2,884,125
Balances with Other Banks	2,633,779	3,498,156	-	-	-	-	-	31,395	6,163,330
Investments in Subsidiaries and Associates	-	-	-	-	-	-	-	423,570	423,570
Other Equity Investments	-	-	-	-	-	-	-	1,876,236	1,876,236
Placements	-	-	35,469	9,739	-	-	-	-	45,208
Investments in Gilt-edged Securities	-	2,916,497	1,631,446	3,610,399	503,917	250,292	-	-	8,912,551
Securities, Placements and Other Investments	-	2,916,497	1,666,915	3,620,138	503,917	250,292	-	2,299,806	11,257,565
Loans and Advances	20,949,504	3,659,730	390,210	699,110	330,282	560,644	209,404	470,566	27,269,450
Less: Allowance for Credit Impairment	-	-	-	-	-	-	-	(694,043)	(694,043)
Tangible and Intangible Fixed Assets	-	-	-	-	-	-	-	2,826,144	2,826,144
Other Assets	-	-	-	-	-	-	-	642,616	642,616
TOTAL ASSETS	23,583,283	10,074,383	2,057,125	4,319,248	834,199	810,936	209,404	8,460,609	50,349,187
LIABILITIES & SHAREHOLDERS' EQUITY									
Deposits	25,724,135	5,029,685	905,884	1,818,752	456,807	894,975	607	3,139,372	37,970,217
Borrowings from Central Banks	-	175,189	13,224	14,888	1,504	88,829	158,632	-	452,266
Borrowings from Other Banks	-	888,684	-	-	-	-	-	-	888,684
Current and Deferred Tax Liability	-	-	-	-	-	-	-	520,075	520,075
Obligations under Finance Leases	542,613	-	-	-	-	-	-	-	542,613
Other Liabilities	-	-	-	-	-	-	-	1,202,768	1,202,768
Shareholders' Equity	-	-	-	-	-	-	-	8,772,564	8,772,564
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	26,266,748	6,093,558	919,108	1,833,640	458,311	983,804	159,239	13,634,779	50,349,187
Interest Rate Repricing Gap	(2,683,465)	3,980,825	1,138,017	2,485,608	375,888	(172,868)	50,165	(5,174,170)	
Cumulative Interest Rate Repricing Gap	(2,683,465)	1,297,360	2,435,377	4,920,985	5,296,873	5,124,005	5,174,170	-	

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

35. INTEREST RATE RISK (CONT'D)

BANK

At 30 June 2005 (Restated)

	Floating MRs'000	Within 3 Months MRs'000	3-6 Months MRs'000	6-12 Months MRs'000	1-2 Years MRs'000	2-5 Years MRs'000	Over 5 Years MRs'000	Non-Interest Sensitive MRs'000	Total MRs'000
ASSETS									
Cash and Balances with Central Banks	-	-	-	-	-	-	-	1,672,411	1,672,411
Balances with Other Banks	4,064,594	1,869,878	-	-	-	-	-	426,230	6,360,702
Equity Investments in Subsidiaries and Associates	-	-	-	-	-	-	-	591,339	591,339
Other Equity Investments	-	-	-	-	-	-	-	1,515,092	1,515,092
Placements	-	-	466,261	-	-	-	-	-	466,261
Investments in Gilt-edged Securities	-	1,048,271	983,902	4,444,472	1,874,241	280,000	301,106	-	8,931,992
Securities, Placements and Other Investments	-	1,048,271	1,450,163	4,444,472	1,874,241	280,000	301,106	2,106,431	11,504,684
Loans and Advances	19,264,210	2,781,585	338,430	446,975	355,878	383,993	274,865	87,703	23,933,639
Less: Allowance for Credit impairment	-	-	-	-	-	-	-	(541,864)	(541,864)
Tangible and Intangible Fixed Assets	-	-	-	-	-	-	-	2,959,146	2,959,146
Other Assets	-	-	-	-	-	-	-	620,300	620,300
TOTAL ASSETS	23,328,804	5,699,734	1,788,593	4,891,447	2,230,119	663,993	575,971	7,330,357	46,509,018
LIABILITIES AND SHAREHOLDERS' EQUITY									
Deposits	24,132,523	3,435,183	869,449	1,182,118	66,619	35,990	187	3,208,867	32,930,936
Borrowings from Central Banks	-	37,786	30,148	61,762	67,809	50,324	-	-	247,829
Borrowings from Other Banks	-	2,760,148	518,084	-	-	-	-	-	3,278,232
Other Borrowings	-	67,686	-	-	-	-	-	11	67,697
Current and Deferred Tax Liability	-	-	-	-	-	-	-	646,599	646,599
Obligations under Finance Leases	621,404	-	-	-	-	-	-	-	621,404
Other Liabilities	-	-	-	-	-	-	-	1,062,209	1,062,209
Shareholders' Equity	-	-	-	-	-	-	-	7,654,113	7,654,113
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	24,753,927	6,300,803	1,417,681	1,243,880	134,428	86,314	187	12,571,798	46,509,018
Interest Rate Repricing Gap	(1,425,123)	(601,069)	370,912	3,647,567	2,095,691	577,679	575,784	(5,241,441)	
Cumulative Interest Rate Repricing Gap	(1,425,123)	(2,026,192)	(1,655,280)	1,992,287	4,087,978	4,665,657	5,241,441	-	

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

35. INTEREST RATE RISK (CONT'D)

BANK

At 30 June 2004 (Restated)

	Floating MRs'000	Within 3 Months MRs'000	3-6 Months MRs'000	6-12 Months MRs'000	1-2 Years MRs'000	2-5 Years MRs'000	Over 5 Years MRs'000	Non-Interest Sensitive MRs'000	Total MRs'000
ASSETS									
Cash and Balances with Central Banks	-	-	-	-	-	-	-	2,012,529	2,012,529
Balances with Other Banks	-	1,410,354	-	-	-	-	-	378,444	1,788,798
Equity Investments in Subsidiaries and Associates	-	-	-	-	-	-	-	656,440	656,440
Other Equity Investments	-	-	-	-	-	-	-	1,312,221	1,312,221
Placements	-	-	636	39,754	-	-	-	-	40,390
Investments in Gilt-edged Securities	-	2,621,340	3,546,740	3,546,270	618,768	30,580	-	-	10,363,698
Securities, Placements and Other Investments	-	2,621,340	3,547,376	3,586,024	618,768	30,580	-	1,968,661	12,372,749
Loans and advances	17,822,666	2,300,863	305,125	679,396	386,678	665,568	385,925	77,056	22,623,277
Less: Allowance for Credit impairment	-	-	-	-	-	-	-	(809,842)	(809,842)
Tangible and Intangible Fixed Assets	-	-	-	-	-	-	-	1,754,805	1,754,805
Other Assets	-	-	-	-	-	-	-	410,671	410,671
TOTAL ASSETS	17,822,666	6,332,557	3,852,501	4,265,420	1,005,446	696,148	385,925	5,792,324	40,152,987
LIABILITIES AND SHAREHOLDERS' EQUITY									
Deposits	19,279,365	4,374,642	1,103,285	1,480,730	1,132,610	173,493	1,707	3,233,183	30,779,015
Borrowings from Central Banks	-	15,061	31,520	63,039	126,079	77,236	26,888	1,708	341,531
Borrowings from Other Banks	-	1,800,759	78,820	-	-	-	-	11,972	1,891,551
Current and Deferred Tax Liability	-	-	-	-	-	-	-	90,506	90,506
Obligations under Finance Leases	743,960	-	-	-	-	-	-	-	743,960
Other Liabilities	-	-	-	-	-	-	-	857,886	857,886
Shareholders' Equity	-	-	-	-	-	-	-	5,448,538	5,448,538
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	20,023,325	6,190,462	1,213,625	1,543,769	1,258,689	250,729	28,595	9,643,793	40,152,987
Interest Rate Repricing Gap	(2,200,659)	142,095	2,638,876	2,721,651	(253,243)	445,419	357,330	(3,851,469)	
Cumulative Interest Rate Repricing Gap	(2,200,659)	(2,058,564)	580,312	3,301,963	3,048,720	3,494,139	3,851,469	-	

Notes to the Financial Statements for the year ended 30 June 2006 (cont'd)

35. INTEREST RATE RISK (CONT'D)

The table below summarises the average interest rates by major currencies for interest sensitive financial instruments.

GROUP

	MUR 2006	MUR 2005	MUR 2004	EURO 2006	EURO 2005	EURO 2004	USD 2006	USD 2005	USD 2004	GBP 2006	GBP 2005	GBP 2004
	%	%	%	%	%	%	%	%	%	%	%	%
ASSETS												
Balances with Banks	3.34	2.50	3.00	2.13	1.91	1.70	4.91	3.04	3.01	4.29	4.55	3.37
Investments in Gilt-edged Securities	6.85	6.79	9.20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Advances	11.01	10.09	10.24	4.56	4.65	4.69	5.21	3.18	2.86	7.70	7.29	6.31
LIABILITIES												
Term Deposits	6.25	5.95	7.42	2.05	1.81	1.72	4.12	1.94	0.94	4.44	4.70	3.70
Other Deposits	4.80	3.63	4.06	0.92	0.73	0.72	3.06	1.25	0.05	2.37	2.64	1.79
Borrowings from Central Banks	5.45	6.15	6.31	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Borrowings from Banks	3.95	1.48	2.67	2.22	2.26	2.22	4.43	3.29	2.85	3.06	2.62	1.44

BANK

	MUR 2006	MUR 2005	MUR 2004	EURO 2006	EURO 2005	EURO 2004	USD 2006	USD 2005	USD 2004	GBP 2006	GBP 2005	GBP 2004
	%	%	%	%	%	%	%	%	%	%	%	%
ASSETS												
Balances with Banks	3.50	2.30	3.51	2.13	1.78	2.05	4.27	3.03	2.18	4.29	4.59	3.41
Investments in Gilt-edged Securities	6.73	6.68	9.19	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Advances	10.86	9.68	10.20	4.56	4.63	4.43	5.19	4.07	3.14	7.70	7.29	6.31
LIABILITIES												
Term Deposits	6.26	5.68	7.01	2.05	1.81	1.72	4.12	1.94	0.94	4.44	4.70	3.70
Other Deposits	4.78	3.64	4.03	0.92	0.73	0.72	3.03	1.22	0.00	2.37	2.64	1.79
Borrowings from Central Banks	5.45	6.15	6.31	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Borrowings from Banks	3.95	1.48	2.67	2.22	2.26	2.22	4.58	3.31	2.84	3.06	2.62	1.44
Obligations under finance lease	11.94	11.62	11.97	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Board of directors

Reddy, Muni Krishna T., G.O.S.K Age 60
Chairman.

Mr Reddy has a masters degree in extension education with over 36 years of experience in financial services. He was the Chief Executive of the State Bank of Mauritius (SBM) Group over 16 years until October 2003 when he was elected Chairman of the SBM. Prior to joining SBM, Mr Reddy worked in the banking sector in India and Singapore for 17 years. Mr Reddy is currently Chairman of SBM Group of companies and Chairman and director of various boards of large listed companies both in Mauritius and outside Mauritius, including Mittal Steel Company N.V., Rotterdam; Mittal Steel USA ING Inc, Chicago and vice chairman of Global Capital Plc. 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 the Republic of Mauritius coinciding with the first anniversary of the Republic of Mauritius in1993 for distinguished services in the banking industry and for significant contribution to the economic development of Mauritius.

Ganoo, Harry, G.O.S.K, BA (Hons), Age 59.
Former Secretary to Cabinet and Head of Civil Service.

Gunness, Chaitlall, FCCA, Age 54.
Has 29 years work experience out of which 26 years with the Bank at senior management level at various Divisions including Inspection, Retail Banking, Corporate Banking, International Banking and Administrative Divisions. Was also the Chief Operating Officer. Currently Chief Executive.

Laubscher, Richard Charles Montague, Age 55.
Former Chief Executive Officer of Nedbank Ltd. Company Director

Lai Fat Fur, Louis. G.O.S.K, BA (Economics), ACA, Age 56.
Mr Lai Fat Fur is presently the managing director of Compagnie Mauricienne De Textile Ltee. He was a partner of one of the largest international accounting firm until 1982 when he embarked in the textile industry. Mr Lai Fat Fur was conferred with the title of Grand Officer of the Star and Key of the Indian Ocean (G.O.S.K) by the Government of the Republic of Mauritius for distinguished services in industry in 2006

Mohamedbhai, Goolamhussen, T G, G.O.S.K., BSc, PhD, FIEM, Age 61.
Prof Mohamedbhai is currently the President of the International Association of Univerisities and Vice-Chairman of the Regional Scientific Committee for Africa of the UNESCO Global Forum on Higher Education, Research and Knowledge. Former Vice- Chancellor of the University of Mauritius and former President of the University of the Indian Ocean. Prof. Mohamedbhai has also served as Chairman and member of several national boards/councils.

Ng Thow Hing, Mary, CA, ACIS, Age 52.
Former Chief Financial Officer of State Bank of Mauritius Ltd. Prior to appointment as Chief Financial Officer she worked in Corporate, Retail and International Banking. Has 27 years experience with 22 years at management level in accounting, finance and banking in U.K, Canada, Bermuda and Mauritius.

Parianen, Soopaya, BA Hons (Economics), Age 53.
Mr Parianen has 29 years experience in Banking out of which 22 years at the Bank at Senior Management level, having been successively Group Divisional Leader Corporate Banking, Group Divisional Leader Retail Banking and Group Divisional Leader for Credit Management Support Services. He is presently Chief Operating Officer.

Poncini, André José, G.O.S.K, Age 78.
Chairman of Poncini Group of Companies. Director on the Board of National Investment Trust and Mauritius Chemical and Fertilizer Industry Ltd.

Rossouw, Rocco, BCom, Age 58.
Functioned in numerous executive positions within the Standard Bank Group, including Managing Director of the Africa and International Divisions. Previous Head of Nedbank Limited's International and Africa Operations. Has more than 40 years experience in the Banking Industry in Africa and the United Kingdom. Presently the Chief Executive of Quanta Financial Solution Providers (Pty) Ltd.

future

"In some years' time, you'll meet my friends in their new positions: teachers, pilots, doctors…we've been working hard for that and we're looking forward to our future career."

Board committees

Audit Committee
Chairperson
Ng Thow Hing, Mary
Members
Prof. Mohamedbhai, Goolamhussen T. G., G.O.S.K.
Lai Fat Fur, Louis, G.O.S.K.
Poncini, André J., G.O.S.K.

Risk Committee
Chairman
Reddy, Muni Krishna T., G.O.S.K.
Members
Lai Fat Fur, Louis, G.O.S.K.
Laubscher, Richard
Ng Thow Hing, Mary
Rossouw, Rocco

Strategic Planning Committee
Chairman
Reddy, Muni Krishna T., G.O.S.K.
Members
Gunness, Chaitlall
Ng Thow Hing, Mary
Parianen, Soopaya
Poncini, Andre J., G.O.S.K.
Laubscher, Richard
Rossouw, Rocco

Credit Sanction Committee
Chairman
Reddy, Muni Krishna T., G.O.S.K.
Members
Gunness, Chaitlall
Laubscher, Richard
Ng Thow Hing, Mary
Parianen, Soopaya
Rossouw, Rocco

Remuneration Committee
Chairman
Reddy, Muni Krishna T., G.O.S.K.
Members
Ganoo, Harry, G.O.S.K.
Prof. Mohamedbhai, Goolamhussen T. G., G.O.S.K.
Ng Thow Hing, Mary
Poncini, André J., G.O.S.K.

Conduct Review Committee
Chairman
Reddy, Muni Krishna T., G.O.S.K.
Members
Lai Fat Fur, Louis, G.O.S.K.
Prof. Mohamedbhai, Goolamhussen T. G., G.O.S.K.
Ng Thow Hing, Mary
Poncini, André J., G.O.S.K.

Corporate Governance Committee
Chairman
Reddy, Muni Krishna T., G.O.S.K.
Members
Lai Fat Fur, Louis, G.O.S.K.
Laubscher, Richard
Prof. Mohamedbhai, Goolamhussen T. G., G.O.S.K.
Ng Thow Hing, Mary

Nomination Committee
Chairman
Reddy, Muni Krishna T., G.O.S.K.
Members
Ganoo, Harry, G.O.S.K.
Laubscher, Richard
Prof. Mohamedbhai, Goolamhussen T. G., G.O.S.K..
Poncini, André J., G.O.S.K.

Directors of subsidiaries

SBM INVESTMENTS LIMITED

Chairman
Mr Reddy, M K T, G.O.S.K.

Directors
Mr Gunness, C
Mr Parianen, S

SBM MAURITIUS ASSET MANAGERS LTD

Chairman
Mr Reddy, M K T, G.O.S.K

Directors
Mr Gunness, C
Mr Parianen, S
Mrs Ah See, M

SBM LEASE LIMITED

Chairman
Mr De Chateigner Du Mée, Paul R., C.B.E.

Directors
Mr Reddy, M K T, G.O.S.K.
Mr Gunness, C
Mr Parianen, S

SBM FINANCIALS LIMITED

Chairman
Mr Gunness, C

Director
Mr Parianen, S

SBM GLOBAL INVESTMENTS LIMITED

Chairman
Mr Reddy, M K T, G.O.S.K.

Directors
Mr Gunness, C
Mr Parianen, S

SBM IT LIMITED

Chairman
Mr Reddy, M K T, G.O.S.K

Directors
Mr Gunness, C
Mr Parianen, S

SBM SECURITIES LTD

Chairman
Mr Reddy, M K T, G.O.S.K

Directors
Mr Gunness, C
Mr Parianen, S
Mr Appadoo, C

BANQUE SBM MADAGASCAR SA

Chairman
Mr Reddy, M K T, G.O.S.K

Directors
Mr Gunness, C
Mr Parianen, S
Mr Dawonauth, L

ALLIANCE INVESTMENTS LTD

Chairperson
Ms Seeyave, P

Directors
Mr Dawonauth, L
Mr Appadoo, C

Executive management

Chief Executive

GUNNESS, Chaitlall, FCCA, Age 54.
Has 29 years work experience with 26 years in the Bank at senior management level. Was in Inspection, Retail Banking, Corporate Banking, International Banking and Administrative divisions. Was also the Chief Operating Officer.

Chief Operating Officer

PARIANEN, Soopaya, BA Hons (Economics), Age 53.
Has 29 years experience in Banking out of which 22 years at the Bank at Senior Management level, having been successively Group Divisional Leader Corporate Banking, Group Divisional Leader Retail Banking and Group Divisional Leader for Credit Management Support Services.

MANAGEMENT TEAM
Divisional Leaders

AH SEE, Michèle, MA, ACA, Age 39.
Credit Underwriting
Has 8 years experience as auditor in UK and Mauritius. Was project leader of strategic initiatives implemented by the Bank which included an integrated risk and performance management system, a data warehouse and the value management office. Currently Divisional Leader of the Credit Underwriting Team. Reports to the Chief Executive.

DAWONAUTH, Leckram, MSc Banking & Finance for Development, Age 50.
Human Resources and Credit Administration
Has worked for FAO as Project Analyst/ Credit Specialist for 2 years. Has 24 years experience in the Bank/Group out of which 19 years at different management/senior management levels in branches and corporate office. Currently in charge of Human Resources and Credit Administration. Reports to the Chief Executive.

DUSSOYE, Raj, ACIB, MBA, Age 44.
Sales and Service
Has 24 years experience with the Bank including Retail & Corporate Banking and Asset Management. Was in charge of Indian Operations for last 3 years. Reports to the Chief Executive.

NG TSEUNG, Daniel, BSc Economics, Age 43.
Treasury
Has 15 years experience as Treasurer in the banking industry. Joined the Bank in 2000 as Group Treasury including Indian and Madagascar operations. Manages and monitors market risks of the Group. Member of the Mauritius Financial Markets Committee. Reports to the Chief Executive

SEEYAVE, Pauline MA (Cantab), ACA, Age 32.
Finance, Risk Management & Value Based Performance Management
Has 6 years experience with international firm of Chartered Accountants in audit and Business Assurance before joining the Bank in July 2002. Led the Risk Management team until June 2006. Currently Divisional Leader in charge of Finance & Value Based Performance Management. Reports to the Chief Executive.

SONOO, Jairaj, MBA, Age 47.
Executive Vice President, Indian Operations
Has 27 years experience with the bank in Retail & Coporate banking. Currently in charge of Indian Operations. Reports to the Chief Executive.

Team Leaders & Senior Officers

AMIRAN, Eshan, Age 43.
Personal Banking
Has 21 years experience in the Bank at different levels in branches and information technology division. Led the Business Solution Team - Services and Operations and is currently in charge of the Southern Retail Business Banking Area including Rodrigues service units. Reports to the Divisional Leader, Sales and Service.

APPADOO, Chandradev, FCCA, ACIB, Age 45.
Group Company Secretary
Has 22 years experience in the Bank at various levels at branches, Corporate Banking and Finance and is currently the Group Company Secretary. Reports to the Chairman and Chief Executive.

BAJEE, Prasram, Age 44.
Business Banking
Has 21 years experience in the Bank at various levels including 41/2 years at our subsidiary in Madagascar. Currently working at Business Banking. Reports to the Divisional Leader, Sales & Service.

BHUGUN, Anand, MBA, Age 53.
Operations Management
Has 33 years experience in the Bank at different levels in branches and corporate office. Currently in charge of the Operations Management. Reports to the Chief Operating Officer.

CUNDASAWMY, Balakrishna, Bachelor of Economics, CFA, Age 30.

Credit Underwriting

Has 7 years experience in Banking, Research and Finance having worked at the University of Mauritius as Research Officer and as Senior Lecturer in Credit Risk Management and Investment Analysis; and, at Kemp Chatteris Deloitte & Touche, Mauritius and at Ernst & Young, Mauritius as Senior Consultant - Corporate Finance. Joined the Credit Underwriting Team in January 2004. Reports to the Divisional Leader, Credit Underwriting.

DURSUN, Hemant K., B Tech (Hons), MBA, Age 37.

Facilities Management

Had 6 years work experience in multi-disciplined engineering firms before joining the Bank in 1996. Currently in charge of building and other associated shared services of the Group. Reports to the Chief Operating Officer.

GOOLY, Kanand, MBA, ACCA, Age 43.

Personal Banking

Has 24 years experience in the Bank at different levels in branches and Information Technology. Participated in Core System Implementation and enhancement, spearheaded IT-Audit. and Compliance, was responsible for Enterprise and Risk BST. Was Team Leader of the Credit Services and Monitoring Division. Presently is Area Leader, Personal Banking and reports to the Divisional leader,Sales & Service.

HO SHUN, Geneviève, FCCA, Age 34.

Internal Audit

Has 9 years experience in Auditing. Has worked for Chartered Accountant firms both in the UK and in Mauritius mainly in Assurance and Business Advisory Departments. Joined the Bank in February 2004 and is currently in charge of the Internal Audit Division. Reports to the Chief Executive and to the Audit Committee/ Chairman of Board.

HON TEW, Fiona, BA (Economics & Statistics), Age 31.

Risk Management

Has worked for 4 years in the derivatives industry in Singapore before joining the Bank in 2000 as risk analyst. Currently leads the Credit Risk Team. Reports to the Divisional Leader, Finance, Risk Management and Value Based Performance Management.

JHURRY, Balkrishna, Maîtrise-ès-Sciences-Economiques, Age 38.

Group Financial Insititutions, Correspondent Banking

Has 14 years experience in the banking industry of which 6 years at the Research Department of the Bank of Mauritius. Joined the Bank in June 2001. Currently in charge of the Corresponsident Banking and Group Financial Insitutions. Reports to the Group Treasurer.

JOHN CHUAN, Christine, MBA, Age 52.

Business Banking

Has experience in the Bank at different levels including Personal Banking and Corporate Banking. Currently leads portfolios in Macro Business Banking. Reports to the Divisional Leader, Sales & Service.

LI CHIU LIM, Liliane, BSc (Hons) Accounting, FCCA, Age 35.

Finance

Has 4 years experience in Auditing before joining the Bank in April 2000. Currently Officer in Charge at Finance Division reporting to the Divisional Leader Finance and Value Based Performance Management.

LIM HOYE YEE, Veronique, BSc (Hons) in Economics & Accounting, MSc in Economics & Finance, CFA, Age 33.

Intensive Care Team and Research

Has 4 years work experience in stock broking and banking before joining the Bank in 2001. Led the Credit Underwriting Team and Intensive Care Team until June 2005. Currently in charge of Intensive Care Team and Research. Reports to the Chief Executive.

LI PAK MAN, Kwon, BA (Hons), MSc in Business Finance, Age 31.

Market & Operational Risk

Has 5 years banking experience in Treasury - front and middle office. Joined the Bank in March 2000 and was Project Leader for Treasury business process re-engineering and IT solutions implementation. Currently leads the Market Risk and Operational Risk Team. Reports to the Divisional Leader, Finance, Risk Management and Value Based Performance Management.

MOONEESAWMY, Nandrajen, Age 47.
Recovery & Work Out
Has 29 years experience in the Bank at various levels. Currently in charge of the Recovery & Workout unit. Reports to the Divisional Leader, Credit Administration.

MOOROOGAN, Rajan, B Tech Computer Studies, Age 48.
Information Technology
Has 20 years experience in the IT/ Banking industry and is currently in charge of IT Operations and Support. Reports to the Chief Operating Officer.

NG THOW HING, Michael, B Com in Finance, CFA, Age 35.
SBM Mauritius Asset Managers Ltd
Has 10 years experience in Canada and Mauritius, of which 7 years in the asset management business, before joining the Bank in 2005 as Fund Manager. Currently heading SBM Mauritius Asset Managers Ltd. Reports to the Board of SBM Mauritius Asset Managers Ltd/ Chief Executive.

PAREATHUMBY, Dr Soopaya, PhD (Toulouse), CISA, CISM, CISSP, Age 55.
IT Risk Management
Has a total of 22 years experience in various fields of IT including: 4 years work experience in IT Consulting both in Mauritius and several countries in Africa, 16 years experience in IT Management, and 6 years experience in IT Risk management and IT audit. Currently leads the IT Risk Management/ Audit team. Reports to the Chief Executive.

POONYTH, Ajaye, MA (Cantab), MBA, Age 42.
Information Technology
Has 19 years work experience in Banking, Software development and Telecommunications in U.K, Germany and Mauritius. Currently leading the Business Solutions Team for Sales and Channels. Reports to the Chief Operating Officer.

RAMLAGUN, Malinee, FCCA, Age 36.
Credit Underwriting
Has 10 years post qualification experience in chartered accounting firms in Assurance, Marketing and Economic Studies and Consultancy. Joined the Bank in 2003. Currently Senior Officer in the Credit Underwriting Division. Reports to the Divisional Leader, Credit Underwriting.

SEWPAUL, Sailesh, MBA, Age 39.
e-Business
Has 19 years experience in the Bank at various levels in IT, International Business and has been heading Retail Banking and Electronic Channels. Former Business Adviser for VISA International. Currently in charge of e-Business. Reports to the Divisional Leader Sales & Service.

SHAM, Rajendranath, Age 42.
Leader, Banque SBM Madagascar SA
Has 19 years experience in the Bank at various levels. Has worked for three years at Indian Operations, India. Seconded to Banque SBM Madagascar and is presently Leader/Chief Executive of Banque SBM Madagascar. Reports to the Board of Banque SBM Madagasacar/ Chief Executive.

Group Addresses

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Telex: 22639 SBM MG
Email: sbmm@dts.mg

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Tassigny Street
Toamasina,
MADAGASCAR
Tel : (261) 335306/7/8
Fax: (261) 533511

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SBM IT Limited
State Bank Tower
1, Queen Elizabeth II Avenue
Port Louis, MAURITIUS
Tel: (230) 202 1111, (230) 202 1225
Email: sbmit@sbm.intnet.mu

Alliance Investments Ltd
State Bank Tower
1, Queen Elizabeth II Avenue
Port Louis, MAURITIUS
Tel : (230) 202 1111, (230) 202 1700
Email: finance@sbm.intnet.mu

ASSOCIATES

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Sir Celicourt Antelme Street,
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Email: email@sicom.intnet.mu