

MAURITIUS POST AND COOPERATIVE BANK LTD

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MAURITIUS POST AND COOPERATIVE BANK LTD**CORPORATE INFORMATION****DIRECTORS:**

	Appointed on	Resigned on
Non-Executive Directors		
Dr Diwakur Bundhun (Chairman)	02 October 2006	-
Hurrydeo Bissessur	11 October 2001	01 August 2010
Yogendrasing Sreepaul, P.M.S.M	11 October 2001	-
Dean Ah Chuen	08 May 2003	28 June 2010
Nundlall Basant Rai, P.D.S.M	08 May 2003	-
Giandev Moteea	12 January 2003	-
Dineshsingh Goburdhun	31 May 2005	28 June 2010
Salil Roy	18 November 2005	-
Dravindranath Ramloll, M.S.K	25 April 2007	-
Anandsing Acharuz	25 April 2007	-
Jean Francois Arnaud Godere	25 April 2007	28 June 2010
Soopramanien Pather	28 June 2010	-
Gyandev Gunnoo	28 June 2010	-
Ashvin Gokhool	28 June 2010	-
Khooshal Mussai	25 August 2010	-
Executive Directors		
Rajiv Kumar Beeharry	28 June 2010	-
Pavaday Thondrayen	28 June 2010	-

KEY MANAGEMENT TEAM:

	Position
Rajiv Kumar Beeharry	Chief Executive Officer
Pavaday Thondrayen	General Manager
Rajesh David Mykoo	Finance Manager

MAURITIUS POST AND COOPERATIVE BANK LTD**CORPORATE INFORMATION (Contd)****SECRETARY:**

Rajesh David Mykoo
c/o Mauritius Post and Cooperative Bank Ltd
1, Sir William Newton Street
Port Louis
Republic of Mauritius

REGISTERED OFFICE:

1, Sir William Newton Street
Port Louis
Republic of Mauritius

LEGAL ADVISERS:

Dheerendra Kumar Dabee, S.C
Solicitor-General
State Law Office
Jules Koenig Street
Port Louis
Republic of Mauritius

A. O Jankee
Arcades Bahemia
Sir William Newton Street
Port Louis
Republic of Mauritius

Jean Christophe Bellepeau
417, St James Court
St Denis Street
Port Louis
Republic of Mauritius

S. Bhundhun Cheetoo
Room 503, Chancery House
Lislet Geoffroy Street
Port Louis
Republic of Mauritius

AUDITORS:

Grant Thornton
Chartered Accountants
Fairfax House
21, Mgr Gonin Street
Port Louis
Republic of Mauritius

MAURITIUS POST AND COOPERATIVE BANK LTD

DIRECTORS' REPORT

The Board of Directors of the Mauritius Post and Cooperative Bank Ltd (MPCB), the “Bank”, is pleased to present its eighth Annual Report and Audited Financial Statements for the financial year ended 31 December 2010. These financial statements have been prepared by the Bank in accordance to the requirements set out in the Bank of Mauritius Guideline on Public Disclosure of Information, International Financial Reporting Standards, the Financial Reporting Act 2004 and on a fair value basis.

WORLD ECONOMIC OUTLOOK

2010 was a year full of uncertainties. The global economic recovery had been relatively slow but fortunately, the world economy finally bounced back, well above what analysts were forecasting 12 months ago, as global output ultimately increased by nearly 5%.

At the beginning of the year under review, the financial troubles which hit several economies of the Euro zone were sources of concern. Greece with its soaring debts, undertook to cut down public spending.

Furthermore, the slowdown of the United States (US) economy in mid-year fuelled fears of a double-dip recession which however did not materialise. The US government quickly made the right policy choices and regained the confidence of consumers as well as investors.

Nevertheless, there are still global imbalances. Growth in the United States which has a large external deficit, is powered by domestic demand while the growth in economies with large external surpluses such as China, is driven by exports.

ADVANCED ECONOMIES

To prevent Greece debt crisis from spreading to other European nations, European Union (EU) member states initiated a quick response to strengthen public finance and make structural changes to revive economic growth. Vulnerable countries in the EU such as Portugal and Spain made budget cuts. In addition, in May 2010, the EU and the International Monetary Fund agreed on a fund of 750 billion euros to rescue countries in the Euro zone that were under financial strain.

Fortunately, Germany played a significant role as the Euro zone powerhouse. Its declining unemployment rate brought back a sense of optimism.

In the United States of America (USA), plans had been implemented to stimulate employment while controlling budget deficit. Although unemployment level remained relatively high (9.4% in December 2010), the USA managed to increase its GDP by 2.9% during the year.

Moreover, the Bank of Japan set up a fund of 5 trillion yens to acquire government debts and corporate assets as a stimulus to spur economic growth, which proved efficient in safeguarding the Asian country's economic recovery.

EMERGING MARKETS AND DEVELOPING ECONOMIES

The key emerging markets contributed to drive the world economy out of recession in 2010. The leading developing countries showed strong resilience. Preliminary indicators from Singapore indicate that the economy of this country expanded at a rate of 14.7% in 2010, the fastest growing in Asia and the highest growth rate achieved since its independence in 1965.

MAURITIUS POST AND COOPERATIVE BANK LTD

DIRECTORS' REPORT (Contd)

EMERGING MARKETS AND DEVELOPING ECONOMIES (Contd)

Foreign capital poured in the large developing economies such as Brazil and China, boosted their export-driven economies. Low interest rates in the USA were one of the factors which drove investment flows to emerging markets. During the year under review, the emerging countries stood out as the engines of growth of the global economy.

China which depends on large-scale, export-oriented manufacturing, hiked its interest rates to tighten credit and fight rising inflation. Its GDP grew by a relatively high 10.3% in 2010.

A REVIEW OF THE MAURITIAN ECONOMY

In 2010, GDP at basic prices grew by 5.5%, attaining Rs 266.5 billion from Rs 252.6 billion in 2009. After the price effect estimated at 1.3% had been removed (the GDP deflator), the growth rate of Mauritius stood at 4.2% while in 2009, it was 3.1%. The main driver of this growth was the tertiary sector which recorded a growth of 4.8% in 2010 (2.8% in 2009), followed by the secondary sector whose activities grew by 2.9% and the primary sector which witnessed a 2.5% growth.

The main contributors to the growth in GDP were 'Real estate, renting and business activities' (0.7%), 'Transport, storage and communications' (0.5%) and 'Financial Intermediation' (0.5%), all belonging to the tertiary sector.

SECTORAL ANALYSIS OF THE MAURITIAN ECONOMY

Primary Sector

The primary sector which consists mainly of activities related to 'Agriculture', grew by 2.5% in 2010 which is lower than the 8.7% registered in 2009. Within this sector, 'Sugar cane' grew only by 0.6%.

The 'mining and quarrying' field remained steady after having experienced a 12.2% drop in 2009.

Secondary Sector

In the secondary sector, activities grew by 2.9% in 2010 after a 3.0% rise in 2009. The secondary sector consists of three sub sectors:

(i) Manufacturing

Manufacturing activities grew in 2010 at the same rate as in 2009 (2.2%). The 'Sugar milling' sub-sector recorded a growth of 2.3% based on the production of 450 000 tonnes, mostly refined and special sugars. In 2009, the growth rate was of 15.0% powered by a higher production of 467,234 tonnes of sugar.

The food processing industry recorded a growth of 3.9% which is slightly lower than the level 2009 (4.0%).

Moreover, the textile industry showed signs of recovery in 2010 with a growth rate of +0.7% after having recorded a negative growth of -0.7% in 2009.

(ii) Electricity, gas and water supply

This sub sector grew by 4.3% in 2010 while the growth rate in 2009 was a weak 0.1%.

(iii) Construction

Construction activities sustained their growth by 4.3% in 2010 after having recorded a growth of 6.2% in 2009. There had been heavy investments in road infrastructure, airport extension and housing projects.

MAURITIUS POST AND COOPERATIVE BANK LTD

DIRECTORS' REPORT (Contd)

SECTORAL ANALYSIS OF THE MAURITIAN ECONOMY (Contd)

Tertiary Sector

The tertiary sector grew by 4.8% in 2010 while in 2009, the growth rate of that sector was 2.8%.

- (i) **Wholesale and retail trade, repair of motor vehicles, motorcycles, personal and household goods** performed better in 2010 with a 3.6% growth compared to a 1.1% growth in 2009.
- (ii) **Hotels and restaurants** picked up with a growth of 3.8% after having experienced a 5.9% decline in 2009.
- (iii) **Transport, storage and communications** grew by 5.5%, better than the 4.7% of 2009.
- (iv) **Financial intermediation** sustained its growth by 4.3% while in 2009, this sub sector grew by 3.8%. The activities of the banking sector grew by 3.9% and of insurance companies by 4.5%.
- (v) **Real estate, renting and business activities** maintained its growth trend, growing by 6.3% in 2010 from a growth rate of 6.1% in 2009.
- (vi) **Public administration and defence, compulsory social security activities** grew by 3.0%. (1.0% in 2009)
- (vii) **Education, which includes services provided by both public and private operators**, witnessed a 3.5% growth in 2010 compared to 2.2% in 2009.
- (viii) **Health and social work** grew by 6.5% from 7.5% in 2009.
- (ix) **Other community, social and personal service activities and private households with employed persons** showed a relatively strong growth rate of 7.9% in 2010, after a 7.8% growth in 2009.

BANKING SECTOR IN MAURITIUS

In 2010, the banking sector of Mauritius continued to be one of the drivers of growth of the country. The number of banks operating in the island increased from 18 to 19.

Competition in the banking sector intensified due to excess liquidity in the marketplace. The Central Bank came up with longer-term maturity notes in addition to the existing short-term Bank of Mauritius Bills, to try to absorb that excess liquidity.

Moreover, the Monetary Policy Committee of the Central Bank reduced the Key Repo Rate by a full percentage point to give a new impetus to domestic economic activities. As result, the Key Repo Rate dropped during year 2010 from 5.75% to 4.75%.

The Central Bank also successfully raised the Cash Reserve Ratio of banks from 4.5% to 5.0% on the 18 June 2010 and then to 6.0% on the 08 October 2010.

These policy actions had been taken by the Central Bank to complement the Economic Restructuring and Competitiveness Programme implemented by the Government to foster and support the long-term restructuring and deleveraging of firms in the export-oriented sectors.

MAURITIUS POST AND COOPERATIVE BANK LTD

DIRECTORS' REPORT (Contd)

MPCB'S PERFORMANCE

MPCB started its operations in July 2002 with the Government of Mauritius, the Sugar Investment Trust and the Development Bank of Mauritius as major shareholders. At the beginning, the Bank had a workforce of only 15 members including the Chief Executive Officer and at the end of 2010, the Bank has reached 275 employees who contributed enormously towards the bank's business performance.

In 2010, MPCB sustained the growth of its network in an endeavour to be closer to its customers at all times. In this regard, the Bank extended its direct reach with the opening of a new branch in Rose Hill, bringing the total to thirteen. MPCB also took advantage of the leverage effect of counters at Post Offices for basic banking facilities throughout the island. This wide geographic presence has enabled the bank to build strong name recognition.

We also continued to differentiate ourselves through our solid commitment to customer service. The quality of service to our customers is one of the key factors that has contributed to sustain the Bank's business growth. Furthermore, the 'one-stop shop' positioning gives the bank a cutting edge in the highly competitive banking sector of Mauritius.

MPCB launched in June 2010 leasing facilities to give its customers attractive financial alternatives and ease their cash flow when they acquire heavy equipment, cars and other vehicles.

Another milestone was achieved in October 2010 with the introduction of its Credit Card on the market which uses high-security CHIP technology, enabling the Bank to further capitalise on opportunities arising in the retail and corporate banking market segments.

The strong financial performance of the Bank can also be attributed to its experienced management team with a prudent approach to business. MPCB has retained a sound and well-balanced lending policy despite aggressive competition from other players.

FINANCIAL RESULTS AND BUSINESS ACTIVITIES

The Bank's total assets grew by 23% in 2010 as compared to 2009, from Rs 8.2 billion to Rs 10.1 billion.

At 31 December 2010, loans and advances to customers attained Rs 7.4 billion, a 22% increase compared to Rs 6.1 billion at 31 December 2009. Deposits from customers also experienced a rise from Rs 7.4 billion to Rs 8.8 billion during that period.

The Bank's profit before taxation for the year ended 31 December 2010 exceeded the Rs 140 million mark to reach Rs 145.5 million (Rs 118 million for the year ended 31 December 2009).

Furthermore, the Bank registered a remarkable growth in its total interest income from Rs 731.5 million for the year ended 31 December 2009 to Rs 854.5 million generated this year. Net interest income during 2010 amounted to Rs 435.7 million compared to Rs 331 million during the previous year.

The Bank's interest expense rose slightly from Rs 400.4 million in 2009 to Rs 418.8 million in 2010.

Our shareholders have received a fair return on investment. Earnings per share (EPS) went up from Rs 23.97 on the 31 December 2009 to Rs 26.72 on the 31 December 2010.

The Bank conducted its business activities and operations during the year 2010 in accordance to the regulatory norms and good banking practices.

MAURITIUS POST AND COOPERATIVE BANK LTD**DIRECTORS' REPORT (Contd)****CORPORATE GOVERNANCE**

MPCB adheres to good corporate governance principles and procedures in its business strategy, operations and organisational culture.

The Board of Directors of the Bank delegates its powers to several Board Committees and Management Committees which operate in line with the best international good corporate governance practices.

The Audit Committee, the Remuneration & Nomination Committee, the Conduct Review & Risk Management Committee hold meetings on a regular basis to foster safe and sound banking practices.

Moreover, MPCB ensures adherence to all its policies and procedures which are in line with the guidelines issued by the Central Bank. In addition to its Compliance Division, a separate Anti Money Laundering Unit has been set up to safeguard the reputation and integrity of the bank by preventing any money laundering offence.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2010, four shareholders held more than 5% of the share capital of the Bank:

The Mauritius Post Ltd	44.30%
Government of Mauritius	35.72%
Sugar Investment Trust	10.00%
Development Bank of Mauritius Ltd	8.93%

DIRECTORS' REMUNERATION

The remuneration and other benefits received by the directors amounted to Rs 2,115,150 for the year ended 31 December 2010 compared to Rs 1,988,000 for the year ended 31 December 2009.

DIRECTORS' SERVICE CONTRACTS

The Bank has no service contract with its directors.

DIRECTORS' SHARE INTERESTS

The directors have no interest in the share capital of the Bank, whether directly or indirectly.

AUDITORS

The firm of Chartered Accountants, Grant Thornton, acted as External Auditors of the Bank and its remuneration for audit services has been fixed at Rs 2,185,000 inclusive of Value Added Tax.

	<u>2010</u>	<u>2009</u>
	Rs	Rs
Audit fees	2,185,000	2,185,000
Other services	195,500	176,031
TOTAL	<u>2,380,500</u>	<u>2,361,031</u>

MAURITIUS POST AND COOPERATIVE BANK LTD

DIRECTORS' REPORT (Contd)

PROSPECTS AHEAD

We will roll out a threefold strategy aimed at retaining our existing customers, increasing our customer base and further developing our private banking line of business with dedicated employees offering a personalised service to exceed the expectations of our high net worth customers.

MPCB is contemplating the following main objectives for the year 2011:

1. Improve the level of profitability by optimising the usage rate of existing services by customers and enter new revenue streams especially in offshore banking;
2. Pursuing the quality business growth by reinforcing the loyalty of our customers and continuously implement the latest, state-of-the-art technologies;
3. Enhance our customer service to still higher levels through the availability 24 hours a day, seven days a week, of our banking facilities, via our Internet and SMS banking;
4. Motivate our staff by offering them continuous training and development to open new career opportunities and further their advancement, reward the best performers and encourage participative management.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which present fairly the financial position, financial performance and cash flows of the Bank. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether International Financial Reporting Standards have been followed and complied with, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Bank and to enable them to ensure that the financial statements comply with the Mauritius Companies Act 2001 and the Banking Act 2004. They are also responsible for safeguarding the assets of the Bank and, hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

ACKNOWLEDGEMENTS

MPCB achieved robust financial performance in 2010 thanks to the ability of its management team to seize market opportunities with a risk mitigation approach. The Bank can rely on the right mix of talents, dynamic young staff members and experienced senior officers who have reaped valuable expertise and exposure from different financial institutions.

The Board of Directors wishes to express its sincere appreciation for the strong commitment of all the employees for delivering a high level of service to the whole spectrum of the Bank's customers.

On behalf of the Board of Directors, I would also like to acknowledge the willingness and passion of the employees to go the extra mile in understanding the customers' needs and provide them with valuable support for their financial success.

MAURITIUS POST AND COOPERATIVE BANK LTD**DIRECTORS' REPORT (Contd)****ACKNOWLEDGEMENTS (Contd)**

MPCB is constantly innovating to meet the evolving requirements of its customers. We act as a responsible corporate citizen by fully integrating ethical behaviour in the decision making processes.

Looking forward, the Bank's Directors and the management team are confident that the vision and values will enable MPCB to sustain its growth and success.

DR DIWAKUR BUNDHUN
CHAIRMAN

Date: 24th March 2011

Port Louis, Republic of Mauritius

MAURITIUS POST AND COOPERATIVE BANK LTD

CORPORATE GOVERNANCE REPORT

1. STATEMENT ON CORPORATE GOVERNANCE

The Bank is guided by the Bank of Mauritius Guideline on Corporate Governance, the Fit and Proper Person Criteria and also the Code of Corporate Governance enacted in the Financial Reporting Act 2004.

Corporate governance involves a set of relationships between a company's management, board, shareholders and other stakeholders. Effective corporate governance practices are essential to achieve and maintain high level of public trust and confidence in the banking system.

The Board of MPCB is fully committed in attaining and maintaining the highest standards of corporate governance. It has all the powers for managing, directing and supervising the management of the business and affairs of the Bank.

MPCB'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.

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 Board Credit Sanctioning Forum;
- Monitoring of performance and compliance with laws, regulations, policies and procedures;
- Risk management framework;
- Internal control systems;
- Rewards and incentives;
- Succession planning for executives; and
- Good governance practices.

2. SHAREHOLDING

At 31 December 2010, the share capital of the Bank stood at Rs 383,962,400 represented by 3,839,624 ordinary shares of Rs 100 each. There are twelve (12) shareholders on the Share Register and they are mainly the Government of Mauritius, public sector bodies and co-operative societies.

The shareholders holding more than 5% of the Bank are detailed in the Directors' Report.

3. DIVIDEND POLICY

The Board had declared a dividend of 5% of its profit for the year ended 31 December 2004. From 2005 onwards, the Bank had embarked into several projects necessitating high amount of investments and had since then not declared any dividend, preferring to capitalise its profits and also manage its capital adequacy ratio.

MAURITIUS POST AND COOPERATIVE BANK LTD

CORPORATE GOVERNANCE REPORT

4. BOARD OF DIRECTORS AND MANAGEMENT

4.1 BOARD OF DIRECTORS

4.1.1 Composition of the Board

The Board is made up of 11 non-executive directors and two executive directors. The directors' profile is described in the "Administrative Information" Section.

4.1.2 Responsibilities of the Board

The Board's responsibilities, among others, include:

- Function independently of management;
- Operate at a higher level than management;
- Exercise leadership, enterprise, intellectual honesty, integrity and judgment in directing the Bank so as to achieve sustainable prosperity for the Bank;
- Ensure that procedures and practices are in place to protect the Bank's assets and reputation;
- Consider the necessity and appropriateness of installing a mechanism by which breaches of the principles of corporate governance may be reported;
- Monitor and evaluate the implementation of strategies, policies, management performance criteria and business plans;
- Appoint senior management and ensure that succession is professionally planned in good time;
- Balance 'conformance' and 'performance'. Conformance is compliance with the various laws, regulations and codes governing companies. Ensuring performance requires the development of a commensurate enterprise culture within the organisation so that returns to shareholders are maximised while respecting the interests of other stakeholders.

Board Committees such as Audit Committee, Remuneration and Nomination Committee, Disciplinary Committee, Conduct Review and Risk Management Committee, Credit Sanctioning Committee and Procurement Committee were functional during the year 2010. These Committees are in line with the Code of Corporate Governance.

4.1.3 Committees of the Board

Audit Committee

The Audit Committee comprises of four non-executive directors, three of whom are independent. It met six times in 2010 and its principal function is to oversee the Bank's financial reporting process, monitor the internal control system, review financial statements, provide support to Board of Directors on financial matters, oversee performance of external and internal auditors of the Bank, and review internal and external inspection reports.

The Audit Committee members were as follows:

Mr Nundlall Basant Rai (Chairman)
 Mr Dean Ah Chuen (up to June 2010)
 Mr Yogendrasing Sreepaul (up to August 2010)
 Mr Dravindranath Ramloll
 Me Gyandev Gunnoo (with effect from June 2010)
 Mr Khooshal Mussai (with effect from August 2010)

The following were also in attendance:

Mr Rajiv Kumar Beeharry, Chief Executive Officer
 Mr Pavaday Thondrayen, General Manager
 Mrs Shameema Juhoor - Nujeebun, Head of Internal Audit
 External Auditors

MAURITIUS POST AND COOPERATIVE BANK LTD**CORPORATE GOVERNANCE REPORT (Contd)****4. BOARD OF DIRECTORS AND MANAGEMENT (Contd)****4.1 BOARD OF DIRECTORS (Contd)****4.1.3 Committees of the Board (Contd)****Corporate Governance Committee**

Corporate governance is a system by which corporations are directed and controlled. Working under good corporate governance practices simply means that business is conducted under the following principles and guidance:

- Discipline
- Responsibility
- Accountability
- Fairness
- Transparency
- Independence
- Social responsibility

The Corporate Governance Committee of MPCB consists of independent members as per the Code of Corporate Governance. MPCB does not compromise when it comes to discipline. In fact, the Bank has in place a Code of Conduct and Ethics for employees and a Code of Conduct is forthcoming in due course for the directors of the Board. The Bank has also a Nomination and Remuneration Committee to discuss and decide on staff matters.

The structure and operating model of the Bank ensures segregation of duties and also that clear cut lines of responsibilities are laid down.

The internal management forums at MPCB make everyone accountable for his/her duties or task assigned. Staff reports to the respective management forums as well as to some board committees on matters pertaining to task falling under his/her responsibility.

The Bank has set up policies approved by the Board of Directors and all business decisions are taken in accordance with these policies which are based on fairness and the Bank's risk appetite.

MPCB conducts its business activities under full transparency. For instance, the Bank ensures that Know Your Customer ("KYC") principles are being adhered to at all times. Shareholders are kept informed of the Bank's performance against set targets, supported by independent reviews throughout the year. Material transactions affecting the business as well as critical business assessment are also disclosed. The Bank has adopted the Code of Banking Practice which sets out the way business is conducted. The Bank has also disclosed its tariffs of charges together with other important information like exchange rates, products and administrative details on its web site. Customers are kept informed, by way of advertisement or on the Bank's notice boards, about all changes that take place and which may affect them.

MPCB 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 service providers.

MPCB has an inspection team which is well equipped and independent in its approach. The Internal Audit team reports regularly to the Audit Committee. The monthly Operational Risk Forum is being attended by the External Auditors and the Internal Auditor. This Forum acts as platform for discussions on the internal control system of the Bank. Minutes of this Forum are submitted to the Board of Directors through the Conduct Review and Risk Management Committee.

MAURITIUS POST AND COOPERATIVE BANK LTD

CORPORATE GOVERNANCE REPORT (Contd)

4. BOARD OF DIRECTORS AND MANAGEMENT (Contd)

4.1 BOARD OF DIRECTORS (Contd)

4.1.3 Committees of the Board (Contd)

Corporate Governance Committee (Contd)

Finally, the Corporate Governance Committee which met once in the year 2010, consists of the following members:

Me Gyandev Gunnoo (Chairman with effect from July 2010)
 Mr Anandsing Acharuz
 Mr Nundlall Basant Rai
 Mr Ashvin Gokhool (with effect from July 2010)
 Mr Jean François Arnaud Godere (up to June 2010)
 Mr Yogendrasing Sreepaul (up to June 2010)

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is a committee of the Board of Directors which has the responsibility of selecting competent and qualified personnel and making recommendations to the Board of Directors. The Committee aims to retain and attract qualified and experienced management and executives to meet the Bank's goals.

The roles of this Committee are to review corporate objectives and budgets, senior executives' performance, reward policy and approve productivity bonus policy to employees, approve salary revisions, service conditions and staff welfare policy, approve recruitment or promotion of top managers, recommend recruitment and terms of contract of employment of the Chief Executive Officer, review and recommend nomination of suitable persons eligible as candidate for directorship, in accordance with Fit and Proper Person Policy and Corporate Governance.

The Remuneration and Nomination Committee comprises of four members, out of which two are independent. During the year 2010, one Remuneration and Nomination Committees meeting was held. The Remuneration and Nomination Committee members were as follows:

Dr Diwakur Bundhun (Chairman)
 Mr Dravindranath Ramloll
 Mr Yogendrasing Sreepaul
 Mr Giandev Moteea

The following were also in attendance:

Mr Rajiv Kumar Beeharry, Chief Executive Officer
 Mr Pavaday Thondrayen, General Manager

Disciplinary Committee

This Committee attends to disciplinary hearing in case of breach to the Code of Ethics and Conduct for staff. The Committee is set up on a case to case basis. During the year, none was held as there had been no need for same.

Conduct Review and Risk Management Committee

This Conduct Review and Risk Management Committee reviews transactions connected with related parties to ensure that they are carried out on terms and conditions that are at least as favourable as market terms and conditions.

MAURITIUS POST AND COOPERATIVE BANK LTD

CORPORATE GOVERNANCE REPORT (Contd)

4. BOARD OF DIRECTORS AND MANAGEMENT (Contd)

4.1 BOARD OF DIRECTORS (Contd)

4.1.3 Committees of the Board (Contd)

Conduct Review and Risk Management Committee (Contd)

The Conduct Review and Risk Management Committee comprises of four members, out of which two are independent. During the year 2010, three Conduct Review and Risk Management Committee were held.

The Conduct Review and Risk Management Committee members were as follows:

Dr Diwakur Bundhun (Chairman)
 Mr Dean Ah Chuen (up to June 2010)
 Mr Hurrydeo Bissessur (up to August 2010)
 Mr Anandsing Acharuz (up to July 2010)
 Mr Soopramanien Pather (with effect from July 2010)
 Mr Davindranath Ramloll. (with effect from July 2010)
 Mr Ashvin Gokhool (with effect from August 2010)

The following were also in attendance:

Mr Rajiv Kumar Beeharry, Chief Executive Officer
 Mr Pavaday Thondrayen, General Manager
 Ms Sunita G Acharuz, Head of Risk Management
 Mrs Shameema Juhoor - Nujeebun, Head of Internal Audit.

Board Credit Sanctioning Committee

The Board Credit Sanctioning Committee reviews and approves credit proposals above Rs 10 million. This Committee is held once a month, or when need arises. This Committee is made up of five members.

The Board Credit Sanctioning Committee Members were as follows:

Mr Giandev Moteea (Chairman)
 Mr Hurrydeo Bissessur (up to August 2010)
 Mr Salil Roy
 Mr Dineshsingh Goburdhun (up to June 2010).
 Mr Yogendrasing Sreepaul (with effect from July 2010)
 Me Gyandev Gunnoo (with effect from July 2010)
 Mr Ashvin Gokhool. (with effect from July 2010)

Board Procurement Committee

The Board Procurement Committee looks after the whole acquisition process of non-recurring items such as capital expenditure and approves purchases up to Rs 5.0 million.

The main functions of the Board Procurement Committee are basically to ensure that procurement process covers the best practice in purchasing arrangements, all requests for purchase are routed through the Board Procurement Committee, all purchases are within budget approved by the Board, there is best overall value for money in the purchases, all suppliers are treated fairly equitably. Contractors, consultants or other staffs involved in the procurement process are honest, fair and impartial in their dealings with suppliers. If internal collusion is suspected, it is brought to the notice of the Committee and, finally, there is no disclosure of information from this Committee to any supplier.

MAURITIUS POST AND COOPERATIVE BANK LTD**CORPORATE GOVERNANCE REPORT (Contd)****4. BOARD OF DIRECTORS AND MANAGEMENT (Contd)****4.1 BOARD OF DIRECTORS (Contd)****4.1.3 Committees of the Board (Contd)****Board Procurement Committee (Contd)**

The Board Procurement Committee members were as follows:

Dr Diwakur Bundhun (Chairman)
Mr Salil Roy
Mr Anandsing Acharuz (with effect from July 2010)
Mr Soopramanien Pather (with effect from July 2010)
Mr Khooshal Mussai (with effect from August 2010)
Mr Jean Francois Arnaud Godere (up to June 2010)
Mr Dineshsing Goburdhun (up to June 2010)

The following were also in attendance:

Mr Rajiv Kumar Beeharry, Chief Executive Officer
Mr Pavaday Thondrayen, General Manager
Mr Rajesh Mykoo, Finance Manager

Annual Meeting of Shareholders

During the year 2010, the Annual Meeting was held on 28 June 2010.

4.1.4 Board and Committee Attendance

The following table gives the record of attendance at meetings of the Bank's Board and its Committees during the year ended 31 December 2010.

MAURITIUS POST AND COOPERATIVE BANK LTD**CORPORATE GOVERNANCE REPORT (Contd)****4. BOARD OF DIRECTORS AND MANAGEMENT (Contd)****4.1 BOARD OF DIRECTORS (Contd)****4.1.4 Board and Committee Attendance (Contd)**

	Board	Credit Sanctioning	Remuneration & Nomination	Procurement	Audit	Corporate Governance	Conduct Review & Risk	Total
Number held	12	6	1	2	6	1	3	31
Name of directors								
Dr. Diwakur Bundhun	12	-	1	2	-	1	3	19
Mr Salil Roy	8	3	-	2	-	-	-	13
Mr Yogendrasing Sreepaul	10	1	1	-	3	-	-	15
Mr Giandev Moteea	10	6	1	-	-	-	-	17
Mr Nundlall Basant Rai	10	-	-	-	6	1	-	17
Mr Dravindranath Ramloll	12	-	1	-	6	-	2	21
Mr Anandsing Acharuz	9	-	-	-	-	-	-	9
Mr Soopramanien Pather	6	-	-	2	-	-	2	10
Me Gyandev Gunnoo	7	1	-	-	2	-	-	10
Mr Ashvin Gokhool	6	1	-	-	-	1	2	10
Mr Khooshal Mussai	4	-	-	1	3	-	-	8
Mr Dean Ah Chuen	3	-	-	-	3	-	1	7
Mr Hurrydeo Bissessur	7	3	-	-	-	-	1	11
Mr Dineshsing Goburdhun	2	3	-	-	-	-	-	5
Mr Jean Francois Arnaud Godere	3	-	-	-	-	-	-	3
Mr Rajiv Kumar Beeharry	7	3	-	2	3	1	2	18
Mr Pavaday Thondrayen	7	3	-	2	3	1	2	18

4.1.5 Directors' Interests and Dealings in Shares

The Directors have no interest in the share capital of the Bank, whether directly or indirectly. The shares of the Bank are unquoted and hence there were no dealings in shares by the directors of the Bank.

4.1.6 Directors' Remuneration

During the financial year ended 31 December 2010, the executive and non-executive directors received emoluments amounting to Rs 2,115,150 (2009: Rs 1,988,000 and 2008:Rs 2,000,800).

The Board is of the opinion that the individual remuneration of its directors is confidential and has resolved not to disclose such information in the annual report. However the Board is agreeable to disclosing this information should a shareholder query such remuneration at the Annual Meeting of shareholders.

MAURITIUS POST AND COOPERATIVE BANK LTD

CORPORATE GOVERNANCE REPORT (Contd)

4. BOARD OF DIRECTORS AND MANAGEMENT (Contd)

4.2 Senior Management Profile

Refer to Administrative Information Section.

4.3 Shareholders' Agreement Affecting the Governance of the Bank by the Board

There is no shareholders' agreement. All directors are appointed by the shareholders and the non-executive independent directors are appointed by the Board of Directors. Their appointments are approved at the Annual Meeting.

4.4 Third Party Management Agreement

No third party management agreement presently exists.

5. RELATED PARTY TRANSACTIONS AND PRACTICES

The Guideline on Related Party Transactions has been reviewed by the Bank of Mauritius and is effective since 19 January 2009. The guideline is made up of 5 sections:

- Board and Senior Management Responsibilities;
- Rules Governing Related Party Transactions;
- Monitoring of Related Party Transactions;
- Disclosure and Regulatory Reporting; and
- Transitional Provisions

Related parties, whether body corporates or natural persons, fall into two main categories:

- (a) those that are related to a financial institution because of ownership interest; and
- (b) those that are related otherwise, such as directors and senior officers who may also have some ownership interest in the financial institution.

One of the roles and responsibilities of the Board of Directors is to appoint a Board Conduct Review and Risk Committee to review and approve related party transactions. Related party transactions include:

- (a) Credit, financial leasing, non-fund based commitments such as documentary credits, guarantees on behalf of a related party, acquiring a loan made by a third party to a related party;
- (b) Placements made by the Bank with the related party;
- (c) Conditional sales agreements;
- (d) Consulting or professional service contracts with directors;
- (e) Investment in equity of a related party;
- (f) Deposits placed with the Bank by related parties; and
- (g) Acquisition, sale or lease of assets.

The Guideline outlines 3 categories of credit exposures to related parties and prescribes the regulatory limits applicable.

Related party reporting to the Bank of Mauritius is done on a quarterly basis. Ongoing monitoring and reporting are also carried out in the Credit Risk Forum and Board Conduct Review and Risk Committee.

Related party transactions are monitored and reported in the Credit Risk Forum and Conduct Review and Risk Committee.

MAURITIUS POST AND COOPERATIVE BANK LTD**CORPORATE GOVERNANCE REPORT (Contd)****5. RELATED PARTY TRANSACTIONS AND PRACTICES (Contd)**

Exposure of the Bank's top six related parties as at 31 December 2010 were Rs'000 50,734, Rs'000 34,937, Rs'000 12,494, Rs'000 7,723, Rs'000 6,933 and Rs'000 6,009. These balances represented 7.57%, 5.21%, 1.86%, 1.15%, 1.03% and 0.90% respectively of the Bank's Tier 1 capital. The total top six related parties represented Rs'000 118,830 or 17.72% of Tier 1 capital.

CREDIT EXPOSURES TO RELATED PARTIES

	2010	2009	2008
	Rs'000	Rs'000	Rs'000
Total Related Party Exposures	130,556	157,863	349,598
Total Exposures	7,680,681	6,272,677	5,202,004
Percentage to total exposure	1.70%	2.52%	6.72%

Refer to Note 34 of these financial statements for other details on related party transactions.

6. MATERIAL CLAUSES OF THE BANK'S CONSTITUTION

Material clauses of the Constitution include the appointment and remuneration of auditors and the holding of Shareholders' and Board meetings. Both are in line with the Banking Act 2004 and the Mauritius Companies Act 2001.

7. STATEMENT OF REMUNERATION PHILOSOPHY

The Bank has a Remuneration and Nomination Committee which is a committee of the Board, and it has the responsibility of approving the selection of competent and qualified personnel. The Committee aims to retain and attract qualified and experienced management and executives to meet the Bank's goals.

8. CORPORATE SOCIAL RESPONSIBILITY ("CSR") & DONATIONS

During the year 2010, the Bank donated an amount of Rs 106,392 under its CSR budget, further to a request from the Jeune Chambre Internationale (JCI) City Plus, toward a drawing and painting competition for handicapped children and a health sensitisation campaign.

In terms of sponsorships, we covered a wide range of sport initiatives to promote a healthy lifestyle as well as the values of trying one's best, fair play and team spirit upheld in the National Cycling Tour de Maurice 2010 and the National Football Team participation in the Commonwealth Games 2010 held in New Delhi, India.

We also endeavor to promote entrepreneurship by sponsoring the first prize of Rs 25,000 for the National Youth Award. Sponsorship was also granted in terms of medals to the athletic meet of a secondary school in Mauritius. The glorious past of a renowned sports personality, i.e, Mr Mahmade Elahee who passed away in 2010, was also recognised by a contribution to his biography.

In solidarity of the earthquake which hit Haiti, Rs 25,000 was donated. The Bank also demonstrated its commitment against corruption by offering its contribution, in terms of banners which were displayed in all its branches on the occasion of the International Anti-Corruption Day. Support was also given to initiatives in the context of the World Food Day organised by the Ministry of Agro Industry and Food Security, in terms of prizes to winners in various fields, like entrepreneurship, farming, agriculture, fishing, and so on.

MAURITIUS POST AND COOPERATIVE BANK LTD**CORPORATE GOVERNANCE REPORT (Contd)****8. CORPORATE SOCIAL RESPONSIBILITY & DONATIONS (Contd)**

On the occasion of World Tourism Day, sponsorship was granted, along with the participation of a few of the Bank's employees, in a "Run for Health" event organised by the Tourism Employees Welfare Fund. A distribution of plants was also effected to commemorate the World Environment Day.

A blood donation campaign was also run by the Bank in collaboration with the State Property Development Company (SPDC) as a contribution to the Blood Bank.

A number of awareness campaigns were also organised by the Bank in various regions, both in the vicinity of our Branches, as well as in major commercial complexes, such as Jumbo Riche Terre, Super U Belle Rose and Winners complex in various regions, to promote awareness of our various products and services, but also to encourage proximity with the population residing in these regions. The events coincided with various events held during the year, including Special Vacances organised by Pub xtreme Ltd and Zigile Night organised by Top FM Radio for students who were on holiday and on the occasion of Mother's Day respectively, where we offered sponsorship, along with the above objectives.

9. SHARE OPTION PLAN

The Bank does not have any share option plan for its directors and employees.

10. RISK MANAGEMENT

The risk management of the Bank is detailed in Note 5 to these financial statements and in the "Management Discussion and Analysis" Section.

11. TIME TABLE OF IMPORTANT FORTHCOMING EVENTS

June 2011	Annual Meeting
December 2011	Financial year end

Rajesh David Mykoo
Secretary

Date: 24th March 2011

Port Louis, Republic of Mauritius

MAURITIUS POST AND COOPERATIVE BANK LTD**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
FOR THE YEAR ENDED 31 DECEMBER 2010**

The financial statements for the Bank's operations in Mauritius presented in this Annual Report 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 and the Conduct Review and Risk Committee, which are comprised of independent directors who are not officers or 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. In addition, the Bank's compliance function maintains policies, procedures and programs directed at ensuring compliance with regulatory requirements.

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

The Bank's external auditors, Grant Thornton, 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.

Dr D. Bundhun
Chairman
On behalf of Board of Directors

Mr G. Moteea
Director
On behalf of Board of Directors

Mr R.K. Beeharry
Chief Executive Officer

Date: 24th March 2011

Port Louis, Republic of Mauritius

MAURITIUS POST AND COOPERATIVE BANK LTD**REPORT FROM THE SECRETARY**

I certify, to the best of my knowledge and belief, that the Bank has filed with the Registrar of Companies all such returns as are required of the Bank under the Mauritius Companies Act 2001, in terms of Section 166 (d) during the financial year ended 31 December 2010.

Rajesh David Mykoo
Secretary

Date: 24th March 2011

Port Louis, Republic of Mauritius

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAURITIUS POST AND COOPERATIVE BANK LTD

Report on the Financial Statements

We have audited the financial statements of Mauritius Post and Cooperative Bank Ltd, the "Bank", which comprise the statement of financial position at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibilities for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements on pages 25 to 73 give a true and fair view of the financial position of the Bank at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Mauritius Companies Act 2001.

Report on Other Legal and Regulatory Requirements

(a) Mauritius Companies Act 2001

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or any interests in, the Bank other than in our capacity as auditors and arm's length dealings in the ordinary course of business;
- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Bank as far as appears from our examination of those records.

INDEPENDENT AUDITORS' REPORT (Contd)
TO THE MEMBERS OF MAURITIUS POST AND COOPERATIVE BANK LTD

Report on Other Legal and Regulatory Requirements (Contd)

(b) *Banking Act 2004*

(i) In our opinion the financial statements:

- have been prepared on a basis consistent with that of the preceding year;
- are complete, fair and properly drawn up;
- comply with the Banking Act 2004 as well as the regulations and guidelines of the Bank of Mauritius.

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

(c) *Financial Reporting Act 2004*

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

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

Other Matters

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

Grant Thornton
Chartered Accountants

K RAMCHURUN, FCCA
Signing Partner

Date: 24th March 2011

Port Louis, Republic of Mauritius

MAURITIUS POST AND COOPERATIVE BANK LTD**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

	<u>Notes</u>	<u>31 December 2010</u> Rs	<u>31 December 2009</u> Rs	<u>31 December 2008</u> Rs
ASSETS				
Cash and cash equivalents	6	225,137,262	419,352,950	560,798,279
Trading assets	7	341,689,996	270,649,381	362,908,906
Held-to-maturity investments	8	1,204,600,202	691,979,254	685,669,884
Loans and advances to customers	9	7,461,916,262	6,156,158,601	5,123,244,930
Property, plant and equipment	10	222,077,636	208,384,942	213,789,317
Investment property	11	72,000,000	72,000,000	72,000,000
Other assets	12	615,897,513	398,246,185	325,013,797
Total assets		<u>10,143,318,871</u>	<u>8,216,771,313</u>	<u>7,343,425,113</u>
LIABILITIES				
Deposits from customers	13	8,813,706,050	7,364,097,307	6,524,742,187
Other borrowed funds	14	436,419,713	-	95,085,925
Current tax liabilities	30	24,329,806	20,765,369	1,718,539
Deferred tax liabilities	30	8,852,358	716,619	151,742
Other liabilities	15	58,967,845	132,749,847	115,321,971
Total liabilities		<u>9,342,275,772</u>	<u>7,518,329,142</u>	<u>6,737,020,364</u>
Shareholders' equity				
Share capital	16	383,962,400	383,962,400	383,962,400
Statutory Reserve	17	62,746,431	47,356,292	33,550,679
Retained earnings	18	267,548,096	195,044,360	127,365,918
General Banking Reserve	19	76,806,808	62,099,755	51,546,388
Revaluation reserves	20	9,979,364	9,979,364	9,979,364
Total equity		<u>801,043,099</u>	<u>698,442,171</u>	<u>606,404,749</u>
Total liabilities and equity		<u>10,143,318,871</u>	<u>8,216,771,313</u>	<u>7,343,425,113</u>

The notes on pages 31 to 73 form an integral part of these financial statements.

MAURITIUS POST AND COOPERATIVE BANK LTD**STATEMENT OF FINANCIAL POSITION (Contd)
AS AT 31 DECEMBER 2010**

	<u>Notes</u>	<u>31 December 2010</u> Rs	<u>31 December 2009</u> Rs	<u>31 December 2008</u> Rs
CONTINGENT LIABILITIES AND COMMITMENTS				
Letters of credit, guarantees, acceptances, endorsements and other obligations on account of customers	21	<u>633,608,215</u>	<u>553,892,471</u>	<u>620,061,019</u>
Credit commitments	22	<u>381,669,234</u>	<u>680,956,481</u>	<u>344,063,365</u>

Approved by the Board of Directors on 24th March 2011 and signed on its behalf by:

Dr D. Bundhun
Chairman

Mr G. Moteea
Director

Mr R. K. Beeharry
Chief Executive Officer

*MAURITIUS POST AND COOPERATIVE BANK LTD***STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010**

	<u>Notes</u>	<u>31 December 2010</u> Rs	<u>31 December 2009</u> Rs	<u>31 December 2008</u> Rs
Interest income		854,488,683	731,494,750	697,900,626
Interest expense		(418,763,769)	(400,409,890)	(468,532,357)
Net interest income	23	435,724,914	331,084,860	229,368,269
Net fee and commission income	24	70,391,866	49,116,165	39,464,015
Net trading income	25	50,687,104	33,373,566	44,443,632
Other income	26	6,258,978	5,195,575	15,183,683
		56,946,082	38,569,141	59,627,315
Operating income		563,062,862	418,770,166	328,459,599
Net impairment loss on financial assets	27	(118,074,015)	(50,109,306)	(27,050,277)
Personnel expenses	28	(135,789,153)	(102,823,172)	(89,011,848)
Operating lease expenses		(21,526,577)	(18,466,540)	(17,194,220)
Depreciation	10	(33,057,086)	(34,629,143)	(31,741,375)
Other expenses	29	(109,126,652)	(94,533,432)	(87,916,873)
Profit before income tax		145,489,379	118,208,573	75,545,006
Income tax expense	30	(42,888,451)	(26,171,151)	(1,718,539)
Profit for the year	31	102,600,928	92,037,422	73,826,467

The notes on pages 31 to 73 form an integral part of these financial statements.

MAURITIUS POST AND COOPERATIVE BANK LTD**STATEMENT OF COMPREHENSIVE INCOME (Contd)
FOR THE YEAR ENDED 31 DECEMBER 2010**

	<u>Notes</u>	<u>31 December 2010 Rs</u>	<u>31 December 2009 Rs</u>	<u>31 December 2008 Rs</u>
OTHER COMPREHENSIVE INCOME:				
Changes in revaluation surplus on property, plant and equipment		-	-	3,383,114
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>-</u>	<u>-</u>	<u>3,383,114</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>102,600,928</u>	<u>92,037,422</u>	<u>77,209,581</u>
Earnings per share	32	<u><u>26.72</u></u>	<u><u>23.97</u></u>	<u><u>19.23</u></u>
Transfer to Statutory Reserve	17	<u>15,390,139</u>	13,805,613	11,073,970
Transfer to General Banking Reserve	19	<u>14,707,053</u>	10,553,367	8,665,920
Total Statutory and General Banking Reserves transferred during the year		<u>30,097,192</u>	<u>24,358,980</u>	<u>19,739,890</u>

Approved by the Board of Directors on 24th March 2011 and signed on its behalf by:

Dr D. Bundhun
Chairman

Mr G. Moteea
Director

Mr R. K. Beeharry
Chief Executive Officer

MAURITIUS POST AND COOPERATIVE BANK LTD**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Share capital	Statutory Reserve	General Banking Reserve	Revaluation reserves	Retained earnings	Total
	Rs	Rs	Rs	Rs	Rs	Rs
At 01 January 2008	383,962,400	22,476,709	42,880,468	6,596,250	73,279,341	529,195,168
Profit for the year	-	-	-	-	73,826,467	73,826,467
Other comprehensive income	-	-	-	3,383,114	-	3,383,114
Total comprehensive income	-	-	-	3,383,114	73,826,467	77,209,581
Transfers for the year	-	11,073,970	8,665,920	-	(19,739,890)	-
At 31 December 2008	<u>383,962,400</u>	<u>33,550,679</u>	<u>51,546,388</u>	<u>9,979,364</u>	<u>127,365,918</u>	<u>606,404,749</u>
At 01 January 2009	383,962,400	33,550,679	51,546,388	9,979,364	127,365,918	606,404,749
Profit for the year	-	-	-	-	92,037,422	92,037,422
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	92,037,422	92,037,422
Transfers for the year	-	13,805,613	10,553,367	-	(24,358,980)	-
At 31 December 2009	<u>383,962,400</u>	<u>47,356,292</u>	<u>62,099,755</u>	<u>9,979,364</u>	<u>195,044,360</u>	<u>698,442,171</u>
At 01 January 2010	<u>383,962,400</u>	<u>47,356,292</u>	<u>62,099,755</u>	<u>9,979,364</u>	<u>195,044,360</u>	<u>698,442,171</u>
Profit for the year	-	-	-	-	102,600,928	102,600,928
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	102,600,928	102,600,928
Transfers for the year	-	15,390,139	14,707,053	-	(30,097,192)	-
At 31 December 2010	<u>383,962,400</u>	<u>62,746,431</u>	<u>76,806,808</u>	<u>9,979,364</u>	<u>267,548,096</u>	<u>801,043,099</u>

The notes on pages 31 to 73 form an integral part of these financial statements

MAURITIUS POST AND COOPERATIVE BANK LTD**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010**

	<u>Note</u>	<u>31 December 2010</u> Rs	<u>31 December 2009</u> Rs	<u>31 December 2008</u> Rs
Cash flows from operating activities				
Profit for the year before taxation		145,489,379	118,208,573	75,545,006
Adjustments for:				
Impairment losses on loans and advances		102,246,521	37,758,740	19,297,047
Depreciation		33,057,086	34,629,143	31,741,375
Fair valuation of investment property		-	-	(10,000,000)
		280,792,986	190,596,456	116,583,428
Changes in operating assets and liabilities				
(Increase)/decrease in trading assets		(71,040,615)	92,259,525	(113,234,531)
Increase in loans and advances to customers		(1,408,004,182)	(1,070,672,411)	(880,511,051)
Increase in deposits from customers		1,449,608,743	839,355,120	486,289,047
Increase in other assets		(217,774,928)	(73,355,988)	(53,631,827)
(Decrease)/increase in other liabilities		(73,782,002)	17,427,876	28,097,567
Tax paid		(30,958,283)	(5,946,879)	(1,270,535)
Contribution to CSR activities		(106,392)	(488,965)	-
Net cash used in operating activities		(71,264,673)	(10,825,266)	(417,677,902)
Cash flows from investing activities				
Securities		(551,369,177)	(46,905,000)	153,363,433
Placements		38,748,229	(38,764,643)	496,499,598
Other investments		-	79,360,273	192,816,823
Property, plant and equipment		(46,749,780)	(29,224,768)	(79,109,693)
Net cash (used in)/generated from investing activities		(559,370,728)	(35,534,138)	763,570,161
Net (decrease)/increase in cash and cash equivalents		(630,635,401)	(46,359,404)	345,892,259
Cash and cash equivalents at start of the year		419,352,950	465,712,354	119,820,095
Cash and cash equivalents at end of the year	33	(211,282,451)	419,352,950	465,712,354

MAURITIUS POST AND COOPERATIVE BANK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010****1. GENERAL INFORMATION**

New Co-operative Bank Ltd, the 'Bank', was incorporated as a public company on 01 October 2001 and the name was changed to 'Mauritius Post and Cooperative Bank Ltd' on 22 April 2003. The Bank is engaged in the provision of commercial banking services. The financial statements are presented in Mauritian Rupee (MUR or Rs).

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

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

IAS 24	Related Party Disclosures
IAS 32	Classification of Rights Issues (Amendment to IAS 32)
IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (Amendment to IFRS 1)
IFRS 7	Disclosures- Transfers of Financial Assets (Amendments to IFRS 7)
IFRS 9	Financial Instruments
IFRIC 14	Prepayments of a Minimum Funding Requirement - Amendments to IFRIC 14
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
Various	Annual Improvements 2010

The directors anticipate that the adoption of these Standards and Interpretations in future years will have no material impact on the Bank's financial performance and financial position.

3. ACCOUNTING POLICIES

The financial statements are prepared in accordance with and comply with the International Financial Reporting Standards (IFRS). The principal accounting policies adopted in the preparation of these financial statements are set out below.

Basis of preparation

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below:

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances with banks in Mauritius and abroad, unrestricted balances with the Central Bank and short term loans and placements with banks, net of borrowings from banks in Mauritius and abroad.

MAURITIUS POST AND COOPERATIVE BANK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010****3. ACCOUNTING POLICIES (Contd)****Financial assets**

The Bank classifies its financial assets in the following categories: financial assets held for trading, held-to-maturity investments and loans and receivables. Management determines the classification of its investments at initial recognition.

(a) Financial assets held for trading

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. Treasury bills are classified under held for trading financial assets. They are initially measured at fair value. Subsequently, they are remeasured to fair value with the unrealised gains and losses on revaluation included in the statement of comprehensive income under other income. Interest accrued on securities held for trading purposes is accounted for in the statement of comprehensive income as interest income.

(b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. If the Bank was to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available-for-sale. Held-to-maturity investments comprise of government stocks, treasury notes, treasury bills, placements with overseas banks and other investments. They are measured at amortised cost, less any impairment losses. Accrued interest income on held-to-maturity investments is accounted for in the statement of comprehensive income as interest income.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, other than: (a) those that the Bank intends to sell immediately or in the short term, which are classified as held for trading; or (b) those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration. Loans and receivables are subsequently carried at amortised cost using the effective interest method. The Bank's cash and cash equivalents, loans and advances and other assets fall into this category of financial instruments.

Regular way purchases and sales of held for trading financial assets and held-to-maturity investments are recognised on trade-date, the date on which the Bank commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets held for trading. Held for trading financial assets are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all the risks and rewards of ownership.

Provision for impairment losses

- (i) Loans and advances are stated net of provisions for impairment losses. An allowance for credit losses is established if there is objective evidence that the Bank will be unable to collect all amounts due according to the original contractual terms of the loan agreement.

MAURITIUS POST AND COOPERATIVE BANK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010****3. ACCOUNTING POLICIES (Contd)****Provision for impairment losses (Contd)**

- (ii) Provisions for impairment losses are made up of specific provision and portfolio provision.
- (a) specific provision: specific provisions are made on all impaired loans and advances and the amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collaterals, discounted at the prevailing effective interest rate of the loans.
- (b) portfolio provision: loans and advances that have not been individually assessed for impairment, will be assessed on a 'portfolio' basis. 'Portfolio' loans and advances are classified into groups of similar credit risk characteristics and the provision for each group is determined after taking into account factors such as past experience on loss of credit facilities, and current economic and other relevant conditions, including known adverse economic conditions likely to affect the sectoral financial performance. In line with the Bank of Mauritius Guideline, the portfolio provision is not less than 1 percent of the entire 'portfolio'. The provision is calculated after offsetting any collateral of liquid assets in the 'portfolio'. The portfolio provision is not applied to credits extended directly to the Government of Mauritius or to public sector enterprises backed by Government of Mauritius guarantees and those secured by liquid assets.
- (iii) General provision: a general provision is designed to cover potential losses that are not captured in the provisions for individually assessed loans and 'portfolio' loans and is treated under equity as a General Banking Reserve. Such reserve is not distributable.
- (iv) Provisions for impairment losses in respect of on-balance sheet items are deducted from the asset concerned whereas any provision for credit losses with regard to off-balance sheet items is treated under other liabilities in the statement of financial position.
- (v) All impaired loans are reviewed and analysed at each reporting date. A provision for impairment is reversed only when the credit quality has improved such that there is reasonable assurance of timely collection of principal and interest in accordance with the original contractual terms of the loan agreement.
- (vi) A write off is made when all or part of a loan is deemed uncollectible. Write-offs are charged against previously established provisions for credit allowances and subsequent recoveries, in part or in full of amounts previously written-off, and are credited to charge for doubtful debts in the statement of comprehensive income.
- (vii) In compliance with the Bank of Mauritius Guideline on Credit Impairment Measurement and Income Recognition, when a borrower misses a contractual instalment on interest or principal, his loan is designated for an assessment of the degree of impairment and this assessment must be completed within 60 days of the first indication of impairment. Other additional sources of evidence of impairment include:
- funds obtained under the loan agreement were not used for the purpose for which they were loaned;
 - the project financed by the loan has become non-viable;
 - the borrower is about to default and the Bank advances its funds to meet its current payment obligations;

MAURITIUS POST AND COOPERATIVE BANK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010****3. ACCOUNTING POLICIES (Contd)****Provision for impairment losses (Contd)**

- the customer is exceeding the approved overdraft limit;
- the underlying collateral had lost value significantly;
- there is a loss of confidence in the borrower's integrity; or
- the borrower belongs to a group of companies which had credits outstanding from the Bank or other financial institutions and one or more members of the group have defaulted.

(vii) Agricultural credits

Payments of principal and interest on agricultural credits are aligned with the timing of the harvest. Instalments on loans and advances are payable so as to coincide with proceeds received, which are receivable after the end of the harvest season. Agricultural credits are treated as impaired only if payment is not received three months after the end of the harvest season.

(viii) Renegotiated loans

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

Offsetting financial instruments

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

Deposits

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

Property, plant and equipment

Property, plant and equipment includes bank occupied properties, software, IT and communication, other machines and equipment and motor vehicles, and are stated at cost less accumulated depreciation and any accumulated impairment losses. No depreciation is provided on freehold land. Bank occupied property is defined as property held for use in the supply of services or for administrative purposes.

Software development costs are capitalised when they meet certain criteria relating to identifiability, probability that future economic benefits will flow to the enterprise, and the development costs can be measured reliably. Costs associated with the maintenance of existing computer software are expensed as incurred.

Equipment which is acquired and not yet installed at the reporting date is treated as capital work in progress.

Depreciation is calculated, with the exception of land on the straight line method to write off the cost of assets to their residual values over their estimated useful lives as follows:

Freehold buildings	2%
Computer and office equipment	10% - 25%

MAURITIUS POST AND COOPERATIVE BANK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010****3. ACCOUNTING POLICIES (Contd)****Property, plant and equipment (Contd)**

Computer software	10% - 25%
Furniture and fittings	20%
Motor vehicles	20%

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is immediately written down to its recoverable amount. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts, and are taken into account in determining operating profit.

Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Bank, is classified as investment property. Investment property is stated at fair value under the fair value model. Gain or loss arising from changes in the fair value of investment property is included in the statement of comprehensive income in the year in which it arises.

Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all interest bearing instruments using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

When a facility becomes doubtful of collection, it is written down to its recoverable amount and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Fees and commissions

Fees and commissions are recognised on an accrual basis, when the service has been provided, unless collectibility is in doubt.

Foreign currency translation**(a) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates ('the functional currency'). The financial statements are presented in Mauritian Rupees (MUR or Rs), which is the Bank's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are recorded at the exchange rate prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are reported using the closing exchange rates. Exchange differences, arising on the settlement of transactions at rates different from those at the dates of the transactions, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognised in the statement of comprehensive income.

MAURITIUS POST AND COOPERATIVE BANK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010****3. ACCOUNTING POLICIES (Contd)****Income tax**

Income tax payable on profit is recognised as an expense, based on the applicable tax laws, in the period in which taxable profits arise.

Deferred income taxes

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax.

The principal temporary differences arise from depreciation, tax losses carried forward and provisions. A deferred tax asset is recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Retirement and other benefits**(i) Pension and retirement scheme**

The Bank contributes to a defined contribution plan for its employees, whereby it pays contributions to a privately administered pension insurance plan. Once the contributions have been paid, the Bank has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and are included in administrative expenses.

(ii) State plan

Contributions to the National Pension Scheme are expensed to the statement of comprehensive income in the period in which they fall due.

Provisions

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

All known risks at the reporting date are reviewed in detail and provision is made where necessary.

Leases**(a) The Bank as a lessor**

Under finance leases, amount due from lessees are recorded under loans and advances as net investment in the statement of financial position. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

Assets leased out under operating leases are included in the statement of financial position as investment property. Rental income is recognised on a straight line basis over the lease term.

(b) The Bank as a lessee

Rental payable under operating leases are charged to the statement of comprehensive income on a straight line basis over the term of the relevant lease.

MAURITIUS POST AND COOPERATIVE BANK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010****3. ACCOUNTING POLICIES (Contd)****Segment reporting**

The Bank's business is organised under two segments, namely Segment A and Segment B. Segment B relates to the banking business that gives rise to "foreign sourced income". All other banking businesses are classified under Segment A. The management reporting systems and policies determine the revenues and expenses directly attributable to each segment. Common charges/expenses are allocated on the basis of income ratio. For the three years ended 31 December 2010, information on Segment B was not significant in relation to the entire business of the Bank and was consequently not disclosed (Note 38).

Repossessed property

In certain circumstances, property is repossessed following the foreclosure on loans that are in default. Repossessed properties are measured at carrying amount and reported within "Other assets". Realised loss/gain on disposal of repossessed property is taken to the statement of comprehensive income. No depreciation is charged on repossessed property.

Acceptances

Acceptances comprise the commitment of the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from customers. Acceptances are accounted for as off balance sheet items and are disclosed as contingent liabilities.

Guarantees

In the normal course of business, the Bank issues various forms of guarantees to support its customers. These guarantees are kept off-balance sheet unless a provision is needed to cover probable losses. These guarantees are disclosed as contingent liabilities.

Off-balance sheet arrangements

In the normal course of business, the Bank enters into arrangements that, under IFRS, are not recognised on the statement of the financial position and do not affect the statement of comprehensive income. These types of arrangements are kept off balance sheet as long as the Bank does not incur an obligation from them or become entitled to an asset itself. As soon as an obligation is incurred, it is recognised on the statement of financial position, with the resulting loss recorded in the statement of comprehensive income.

Impairment of assets

At each reporting date the Bank reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. When an indication of impairment loss exists, the carrying amount of the asset is assessed and written down to its recoverable amount.

Equity

Share capital is determined using the nominal value of shares that have been issued.

Retained earnings include all current and prior year results as disclosed in the statement of comprehensive income.

Revaluation reserves comprise of the unrealised gains arising out on the revaluation of property, plant and equipment.

Other reserves represent statutory and non-statutory reserves.

MAURITIUS POST AND COOPERATIVE BANK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

3. ACCOUNTING POLICIES (Contd)

Related parties

The Bank considers related parties as key management personnel, directors and members.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with International Financial Reporting Standards (IFRS) requires the directors to make certain assumptions and estimates that affect the reported amounts of assets and liabilities, revenues and expenses and contingent liabilities. Actual amounts could in certain cases differ from those assumptions and estimates. Changes are shown in profit or loss if new information comes to light.

In the process of applying the Bank's accounting policies, which are described in Note 3, the directors have made the following judgements that have the most effect on the amounts recognised in the financial statements:

(i) Specific allowance for credit impairment

The calculation of specific allowance for credit impairment requires management to estimate the recoverable amount of each impaired asset, being the present value of expected cash flows, including amount recoverable from guarantees and collaterals, discounted at the prevailing effective interest rate of the loans. Where loans are secured against immoveable property, the value of such collateral is based on the opinion of independent and qualified appraisers.

(ii) Portfolio allowance for credit impairment

The portfolio allowance for credit impairment 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.

(iii) Held-to-maturity investments

In accordance with guidance in IAS 39, Financial Instruments: Recognition and Measurement, the Bank classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Bank is required to reclassify the entire category as available-for-sale. Accordingly, the investments would be measured at fair value instead of amortised cost.

(iv) Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date. At 31 December 2010, management considered that the useful lives represent the expected utility of the assets to the Bank. The carrying amounts are analysed in Note 10. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

MAURITIUS POST AND COOPERATIVE BANK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010****5. FINANCIAL RISK MANAGEMENT**

The Bank's financial assets and liabilities by category are summarised in the note below.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	Rs	Rs	Rs
Financial assets			
Cash and cash equivalents	225,137,262	419,352,950	560,798,279
Trading assets	341,689,996	270,649,381	362,908,906
Government securities	1,184,272,049	632,902,872	585,997,872
Placement with overseas banks	20,314,454	59,062,683	20,298,040
Other investments	13,699	13,699	79,373,972
Loans and advances to customers	7,461,916,262	6,156,158,601	5,123,244,930
Other assets	615,897,513	398,246,185	325,013,797
	<u>9,849,241,235</u>	<u>7,936,386,371</u>	<u>7,057,635,796</u>
Financial liabilities			
Deposits from customers	8,813,706,050	7,364,097,307	6,524,742,187
Other borrowed funds	436,419,713	-	95,085,925
Other liabilities	58,967,845	132,749,847	115,321,971
	<u>9,309,093,608</u>	<u>7,496,847,154</u>	<u>6,735,150,083</u>

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by the Conduct Review and Risk Committee under policies approved by the Board of Directors. The Risk Management Forum identifies, evaluates and hedges financial risks in close co-operation with the Bank operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important types of risks are credit risk, liquidity risk, market risk and other operational risks. Market risk includes currency risk, interest rate and other price risk.

5.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances. There is also credit risk in off-balance sheet financial instruments, such as loan commitments and guarantees.

MAURITIUS POST AND COOPERATIVE BANK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010****5. FINANCIAL RISK MANAGEMENT (Contd)****5.1.1 Credit risk measurement**

Credit risk is the possibility of losses associated with changes in the credit profile of borrowers or counterparties. These losses, associated with changes in portfolio value, could arise due to default or due to deterioration in credit quality.

- Default risk : obligor fails to service debt obligations
- Recovery risk : recovery post default is uncertain
- Spread risk : credit quality of obligor changes leading to a fall in the value of the loan
- Concentration risk : over exposure to an individual obligor, group or industry
- Correlation risk : concentration based on common risk factors between different borrowers, industries or sectors which may lead to simultaneous default.

The Bank's revised credit policy deals with credit concentration limits, exposure limits, diversification strategy, and the Bank's risk based pricing of loans and advances based on its credit risk appetite and the size of its capital.

In line with the Bank of Mauritius guidelines on credit risk, the Bank has adopted the standardised measurement of credit risk. In this regard, the tasks under the credit risk unit are as under, amongst others:

- Segmentation of the credit portfolio (in terms of risk but not size);
- Model Requirements (for risk assessments);
- Data requirements;
- Credit risk reporting requirements for regulatory / control and decision-making purposes at various levels;
- Policy requirements for credit risk (credit process & practices, monitoring & portfolio management etc.);
- Align risk strategy & business strategy.

5.1.2 Risk limit control and mitigation policies

The Bank manages, limits and controls concentrations of credit risk wherever they are identified in particular, to individual counterparties and groups, and to industries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by industry sector are set out in the credit policy. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

(a) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is a common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

MAURITIUS POST AND COOPERATIVE BANK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

5. FINANCIAL RISK MANAGEMENT (Contd)

5.1.2 Risk limit control and mitigation policies (Contd)

(a) Collateral (Contd)

- Mortgages over residential properties;
- Fixed charges over land and buildings; and
- Floating charges over business assets such as premises, inventories and accounts receivable.

(b) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions - are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

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

5.1.3 Impairment and provisioning policies

In line with the Bank of Mauritius Guideline on Credit Impairment and Income Recognition, the Bank has its Credit Impairment and Income Recognition Policy, where the impairment and provisioning policies are defined. The Bank assesses at each reporting date whether there is objective evidence that loans and advances are impaired. The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (eg equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The Bank's policy requires the review of individual financial assets on a 12-day basis at a minimum. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account. Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques.

MAURITIUS POST AND COOPERATIVE BANK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010****5. FINANCIAL RISK MANAGEMENT (Contd)****5.1.4 Maximum exposure to credit risk before collateral held**

Credit risk exposures relating to on-balance sheet assets are as follows:

	Maximum exposure		
	31 December 2010	31 December 2009	31 December 2008
	Rs	Rs	Rs
Cash and cash equivalents	225,137,262	419,352,950	560,798,279
Trading assets	341,689,996	270,649,381	362,908,906
Government securities	1,184,272,049	632,902,872	585,997,872
Placements with overseas banks	20,314,454	59,062,683	20,298,040
Other investments	13,699	13,699	79,373,972
Loans and advances to customers	7,461,916,262	6,156,158,601	5,123,244,930
Other assets	615,897,513	398,246,185	325,013,797
	<u>9,849,241,235</u>	<u>7,936,386,371</u>	<u>7,057,635,796</u>

Credit risk exposures relating to off-balance sheet items are as follows:

	Maximum exposure		
	31 December 2010	31 December 2009	31 December 2008
	Rs	Rs	Rs
Letters of credit, guarantees, acceptances, endorsements, and other obligations on account of customers	633,608,215	553,892,471	620,061,019
Credit commitments	381,669,234	680,956,481	344,063,365

The above table represents a worse case scenario of credit risk exposure to the Bank at 31 December 2010, 2009 and 2008, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from its loans and advances portfolio as:

- 74% of the loans and advances portfolio is backed by collaterals;
- 93% of the loans and advances portfolio is considered to be neither past due nor impaired; and
- Of the Rs 566 million loans and advances assessed on an individual basis, only Rs 329 million is considered impaired.

Loans and advances are summarised as follows:

	31 December 2010	31 December 2009	31 December 2008
	Rs	Rs	Rs
Neither past due nor impaired	7,114,528,732	5,688,862,396	4,675,377,118
Past due but not impaired	237,468,327	482,479,725	485,216,936
Individually impaired	328,683,815	101,334,571	41,410,227
Gross amount	7,680,680,874	6,272,676,692	5,202,004,278
Less: Allowance for credit impairment	(218,764,612)	(116,518,091)	(78,759,351)
Net amount	<u>7,461,916,262</u>	<u>6,156,158,601</u>	<u>5,123,244,927</u>

MAURITIUS POST AND COOPERATIVE BANK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010****5. FINANCIAL RISK MANAGEMENT (Contd)****5.1.5 Loans and advances**

At 31 December 2010, the total impairment provision for loans and advances was Rs 218,764,612 of which Rs 131,005,809 represented the individually impaired loans and the remaining amount of Rs 87,758,803 represented the portfolio provision. Further information on the allowance for credit impairment on loans and advances are provided in Note 9.

The credit quality of the portfolio of loans and advances that were neither past due nor impaired is assessed by reference to the internal rating system adopted by the Bank.

(a) Loans and advances past due but not impaired

The gross amount of loans and advances that were past due but not impaired were as follows:

	31 December 2010	31 December 2009	31 December 2008
	Rs	Rs	Rs
Past due up to 90 days	43,890,875	5,200,756	254,516,232
Past due 90-180 days	137,141,456	218,270,973	96,730,747
Past due more than 180 days	56,435,996	259,007,996	133,969,957
	<u>237,468,327</u>	<u>482,479,725</u>	<u>485,216,936</u>

The loans and advances past due but not impaired for the year ended 31 December 2010 are collateralised by the value of assets to the extent of Rs 652,216,788 (2009: Rs 1,011,790,698 and 2008: Rs 653,034,881).

(b) Loans and advances individually impaired

The individually impaired loans and advances to customers before taking into consideration the cash flows from collaterals held was Rs 328,683,815 (2009: Rs 101,334,571 and 2008: Rs 41,410,227).

The gross amount of individually impaired loans and advances along with the fair value of related collaterals held by the Bank as security, are as follows:

	31 December 2010	31 December 2009	31 December 2008
	Rs	Rs	Rs
Individually impaired loans	<u>328,683,815</u>	<u>101,334,371</u>	<u>41,410,227</u>
Fair value of collaterals	<u>445,388,979</u>	<u>89,040,141</u>	<u>46,567,791</u>

(c) Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans. Renegotiated loans that would otherwise be past due or impaired totalled Rs 401,573,137 (2009: Rs 209,006,547 and 2008: Rs 70,060,264) for the year under review.

MAURITIUS POST AND COOPERATIVE BANK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010****5. FINANCIAL RISK MANAGEMENT (Contd)****5.1.6 Repossessed collaterals**

The Bank obtained assets by taking possession of collaterals held as security and the carrying amount of repossessed collaterals is as follows:

Nature of assets	31 December 2010	31 December 2009	31 December 2008
	<u>Rs</u>	<u>Rs</u>	<u>Rs</u>
Residential property	-	-	3,650,000
Land	4,250,000	-	1,600,000
Commercial property	12,300,000	-	-
Vehicles	607,750	190,000	-
	<u>17,157,750</u>	<u>190,000</u>	<u>5,250,000</u>

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed assets are classified in the statement of financial position within other assets.

5.1.7 Concentration of risks of financial assets with credit risk exposure

The following table breaks down the Bank's main credit exposure for loans and advances at their gross amounts, as categorised by the industry sectors.

	31 December 2010	31 December 2009	31 December 2008
	<u>Rs</u>	<u>Rs</u>	<u>Rs</u>
Agriculture and Fishing	762,508,290	433,964,346	351,535,676
Manufacturing	454,119,053	361,440,919	292,571,855
Tourism	710,838,914	654,261,865	512,020,092
Transport	218,464,721	184,845,976	154,771,109
Construction	2,808,578,837	2,130,803,308	1,789,405,419
Financial and Business Services	187,159,044	199,884,974	187,439,609
Traders	968,093,082	824,291,949	639,249,428
New Economy	47,484,244	55,236,870	55,703,884
Personal	587,879,294	666,244,828	471,573,974
Education	207,297,677	166,523,214	157,245,610
Professional	92,705,635	51,133,939	20,352,122
Others	635,552,083	544,044,504	570,135,503
	<u>7,680,680,874</u>	<u>6,272,676,692</u>	<u>5,202,004,281</u>

5.2 Market Risk

Market risk is the risk of loss resulting from adverse movements in the value of financial instruments. It encompasses exposure to interest rates, foreign exchange rates, equity prices and commodity prices. Sound market risk management practices include the measurement and monitoring of market risk as well as the communication and enforcement of risk limits throughout the Bank's trading businesses.

Market risk is monitored consistently and reported to the Bank's Asset and Liability Committee (ALCO). Movements of major currencies, trends and forecasts are analysed in the ALCO. Matching of Bank's Assets and Liabilities is closely monitored by using gap analysis. Limits and authorisation/approval levels are set in the Bank's Liquidity, Interest Rate and Foreign Exchange Risk Policy. Procedures are strictly followed and adhered to.

MAURITIUS POST AND COOPERATIVE BANK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010****5. FINANCIAL RISK MANAGEMENT (Contd)****5.2.1 Foreign exchange risk management**

Foreign exchange risk is the risk that the Bank's earnings and economic value will be adversely affected with the movements in the foreign exchange rate. The Bank is exposed to this risk in both the spot and forward foreign exchange markets. Spot foreign exchange risk arises when the total present value of assets in a particular currency does not equal the present value of liabilities in that currency. Forward foreign exchange risk arises when for a given currency, the maturity profile of forward purchases differs from the maturity profile of forward sales.

The Bank monitors its foreign exchange risk exposure based on limits set in the Bank's Foreign Exchange Risk Policy. Authorisation limits are clearly indicated in this policy. Foreign exchange exposures are reported to the Bank of Mauritius as per the guidelines. ALCO is the main forum in which foreign exchange and treasury matters are discussed and analysed.

The Bank's reporting currency is the Mauritian Rupee (MUR) but it has assets, liabilities, income and expenses in other currencies. The table below summarises the Bank's exposure to the foreign exchange rate risk at 31 December.

MAURITIUS POST AND COOPERATIVE BANK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010****5. FINANCIAL RISK MANAGEMENT (Contd)****5.2.1 Foreign exchange risk management (Contd)****(i) Foreign currency sensitivity**

The Bank performs a sensitivity analysis to estimate the potential foreign exchange impact arising from movements in an ordinary market environment. The percentage change was based on the exchange rates prevailing between the start and the end of the year.

The table below illustrates the sensitivity of profit and equity in regards to the Bank's financial instruments and the USD/MUR, EURO/MUR, GBP/MUR, AUD/MUR, ZAR/MUR, CAD/MUR, DKK/MUR, INR/MUR, JPY/MUR, NZD/MUR, NOK/MUR, SGD/MUR, SEK/MUR and CHF/MUR exchange rates "all other things being equal".

It assumes the following percentage changes in the exchange rates for the year ended 31 December 2010:

	<u>% change</u>
United States Dollar	1%
EURO	7%
Great Britain Pound	4%
Australian Dollar	12%
South African Rand	11%
Canadian Dollar	5%
Danish Krone	7%
Indian Rupee	4%
Japanese Yen	12%
New Zealand Dollar	7%
Norwegian Krone	1%
Singapore Dollar	9%
Swedish Krona	6%
Swiss Franc	<u>10%</u>

These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Bank's foreign currency financial instruments held at each reporting date.

If the foreign currencies had strengthened/weakened by the above percentages, the impact on profit and equity would not be significant and have therefore not been reported in these financial statements.

5.2.2 Interest rate risk management

Interest rate risk results from mismatches between asset and liability positions which are subject to unfavourable movements in interest rates with potentially adverse impact on margins, net interest income and economic value of a bank's assets, liabilities and shareholders' value. Interest rate risk may be measured using methods which include sensitivity analysis and simulation modelling. The Bank has its Interest Rate Risk Policy in which risks limits are laid down. Scenario analysis is worked out based on possible changes in interest rates and their impact on net interest income and margin is analysed and discussed in Bank's Asset and Liability Management Committee.

*MAURITIUS POST AND COOPERATIVE BANK LTD***NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010****5. FINANCIAL RISK MANAGEMENT (Contd)****5.2.2 Interest rate risk management (Contd)**

The table below summarises the Bank's exposure to interest rate risk at 31 December.

At 31 December 2010	Floating Rs'000	Up to 1 month Rs'000	1 – 3 months Rs'000	3 – 6 months Rs'000	6 – 12 months Rs'000	1 - 3 years Rs'000	Over 3 years Rs'000	Non- interest sensitive Rs'000	Total Rs'000
Assets									
Cash and cash equivalents	-	3,375	23,727	-	-	-	-	198,036	225,138
Trading assets	-	-	169,881	-	49,872	121,937	-	-	341,690
Government securities, placements and other investments	-	159,195	653,738	-	181,722	15,760	194,185	-	1,204,600
Loans and advances to customers	7,394,547	75,630	36,328	14,164	5,423	5,242	149,347	-	7,680,681
Other assets	53,220	26,534	47,041	41,394	78,698	93,404	187,058	88,548	615,897
	<u>7,447,767</u>	<u>264,734</u>	<u>930,715</u>	<u>55,558</u>	<u>315,715</u>	<u>236,343</u>	<u>530,590</u>	<u>286,584</u>	<u>10,068,006</u>
Less:									
Allowance for credit impairment	-	-	-	-	-	-	-	(218,765)	(218,765)
Total assets	<u>7,447,767</u>	<u>264,734</u>	<u>930,715</u>	<u>55,558</u>	<u>315,715</u>	<u>236,343</u>	<u>530,590</u>	<u>67,819</u>	<u>9,849,241</u>

*MAURITIUS POST AND COOPERATIVE BANK LTD***NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010****5. FINANCIAL RISK MANAGEMENT (Contd)****5.2.2 Interest rate risk management (Contd)****Liabilities and Shareholders' equity**

At 31 December 2010	Floating Rs'000	Up to 1 month Rs'000	1 – 3 months Rs'000	3 – 6 months Rs'000	6 – 12 months Rs'000	1 - 3 years Rs'000	Over 3 years Rs'000	Non- interest sensitive Rs'000	Total Rs'000
Deposits from customers	5,876,549	126,878	441,828	307,131	818,506	671,566	276,631	294,617	8,813,706
Other borrowed funds	-	75,005	361,415	-	-	-	-	-	436,420
Other liabilities	-	-	-	-	-	-	-	58,968	58,968
Total liabilities	5,876,549	201,883	803,243	307,131	818,506	671,566	276,631	353,585	9,309,094
Net on-balance sheet interest sensitivity gap	1,571,218	101,707	(367,086)	402,165	(684,513)	(269,261)	75,534	(289,617)	540,147
At 31 December 2009									
Total assets	5,995,039	654,576	99,879	167,534	370,763	55,171	23,493	569,931	7,936,386
Total liabilities	5,326,099	378,917	214,664	260,178	496,241	292,196	179,437	349,115	7,496,847
Net on-balance sheet interest sensitivity gap	668,940	275,659	(114,785)	(92,644)	(125,478)	(237,025)	(155,944)	220,816	439,539
At 31 December 2008									
Total assets	4,997,396	551,059	182,336	55,066	455,091	266,159	17,476	533,053	7,057,636
Total liabilities	4,966,007	285,421	241,963	117,327	406,018	117,140	287,966	313,308	6,735,150
Net on-balance sheet interest sensitivity gap	31,389	265,638	(59,627)	(62,261)	49,073	149,019	(270,490)	219,745	322,486

MAURITIUS POST AND COOPERATIVE BANK LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

5. FINANCIAL RISK MANAGEMENT (Contd)

5.2.2 Interest rate risk management (Contd)

Interest rate sensitivity

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of 2%. A 2% basis point increase or decrease is used and represents management's assessment of the reasonably possible change in interest rate.

The calculations are based on the financial instruments held at the reporting date and which are sensitive to changes in interest rates. All other variables are held constant. The table below depicts the movement in profit and equity at 31 December 2010 given an increase or a decrease of 2% in interest rates.

	Profit and Equity	
	2010	2009
	Rs'000	Rs'000
Increase	25,351	14,288

A decrease of 2% in the interest rates would have the corresponding negative impact.

Average interest by major currencies for monetary financial instruments is:

	EURO	USD	GBP	MUR
	%	%	%	%
At 31 December 2010				
Assets				
Cash and balances with Central Bank	n/a	n/a	n/a	n/a
Balances with banks in Mauritius	n/a	n/a	n/a	n/a
Balances with banks abroad	-	-	-	n/a
Investment securities:				
- Held-to-maturity	n/a	n/a	n/a	2.08
- Held for trading	n/a	n/a	n/a	2.01
Loans and advances to customers	3.65	4.22	n/a	11.92
Other investments	n/a	n/a	n/a	-
Liabilities				
Deposits	-	-	-	5.72
Balances with banks in Mauritius and other financial institutions	n/a	n/a	n/a	2.91
Borrowings from Central Bank	n/a	n/a	n/a	n/a
	EURO	USD	GBP	MUR
	%	%	%	%
At 31 December 2009				
Assets				
Cash and balances with Central Bank	n/a	n/a	n/a	n/a
Balances with banks in Mauritius	n/a	n/a	n/a	n/a
Balances with banks abroad	0.10	0.05	0.20	n/a
Investment securities:				
- Held-to-maturity	n/a	n/a	n/a	5.78
- Held for trading	n/a	n/a	n/a	4.23
Loans and advances to customers	3.74	4.32	n/a	11.78
Other investments	n/a	n/a	n/a	7.05
Liabilities				
Deposits	0.05	0.01	0.10	6.43
Balances with banks in Mauritius and other financial institutions	n/a	n/a	n/a	4.65
Borrowings from Central Bank	n/a	n/a	n/a	n/a

MAURITIUS POST AND COOPERATIVE BANK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010****5. FINANCIAL RISK MANAGEMENT (Contd)****5.2.2 Interest rate risk management (Contd)****Interest rate sensitivity (Contd)**

	<u>EURO</u>	<u>USD</u>	<u>GBP</u>	<u>MUR</u>
	%	%	%	%
At 31 December 2008				
Assets				
Cash and balances with Central Bank	n/a	n/a	n/a	n/a
Balances with banks in Mauritius	n/a	n/a	n/a	n/a
Balances with banks abroad	0.65	0.50	0.95	n/a
Investment securities:				
- Held-to-maturity	n/a	n/a	n/a	8.87
- Held for trading	n/a	n/a	n/a	7.96
- Available-for-sale	5.22	5.21	n/a	12.42
Loans and advances to customers	n/a	3.87	n/a	9.89
Other investments				
Liabilities	3.24	3.08	4.35	8.58
Deposits	n/a	6.54	n/a	6.68
Balances with banks in Mauritius and other financial institutions	n/a	n/a	n/a	n/a
Borrowings from Central Bank	n/a	n/a	n/a	n/a

5.3 Liquidity risk management

Liquidity risk is defined within the Bank's policy framework as 'the risk that, at any time, the Bank does not have sufficient realisable financial assets to meet its financial obligations as they fall due'. The management of liquidity risk in the Bank is undertaken under the guideline on Liquidity Risk Management issued by the Bank of Mauritius.

The liquidity policy of the Bank is to ensure that it:

- can meet its financial obligations as they fall due in the normal course of business; and
- maintains an adequate stock of highly liquid assets to enable it to meet unexpected funding needs at short notice.

The Bank's liquidity policy requires establishment and maintenance of three lines of defence:

- Cashflow management where the Bank creates a continuously maturing stream of assets and liabilities;
- Maintenance of a liquid assets portfolio; and
- Maintenance of a diversified liability base.

The Treasury Unit manages the day-to-day cash flow management and the overall liquidity is under the close supervision of the Bank's Asset and Liability Committee.

The table below analyses the Bank's assets and liabilities into relevant maturity groupings based on the remaining year at reporting date to the contractual maturity date.

MAURITIUS POST AND COOPERATIVE BANK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

5. FINANCIAL RISK MANAGEMENT (Contd)

5.3 Liquidity risk management (Contd)

	Sight	Up to 1 month	1 – 3 months	3 – 6 months	6 - 12 months	1 -3 years	Over 3 years	Non- Maturity Items	Total
At 31 December 2010	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Assets									
Cash and cash equivalents	139,141	62,285	23,712	-	-	-	-	-	225,138
Trading assets	-	169,881	-	49,872	121,937	-	-	-	341,690
Government securities, placements and other investments	-	159,195	653,738	-	181,722	15,760	194,185	-	1,204,600
Loans and advances to customers	157,810	712,349	1,065,805	320,145	368,801	537,180	4,109,001	409,590	7,680,681
Other assets	53,220	26,534	47,041	41,394	78,698	93,404	187,059	88,547	615,897
	<u>350,171</u>	<u>1,130,244</u>	<u>1,790,296</u>	<u>411,411</u>	<u>751,158</u>	<u>646,344</u>	<u>4,490,245</u>	<u>498,137</u>	<u>10,068,006</u>
Less: Allowance for credit impairment	-	-	-	-	-	-	-	(218,765)	(218,765)
Total assets	<u>350,171</u>	<u>1,130,244</u>	<u>1,790,296</u>	<u>411,411</u>	<u>751,158</u>	<u>646,344</u>	<u>4,490,245</u>	<u>279,372</u>	<u>9,849,241</u>

MAURITIUS POST AND COOPERATIVE BANK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

5. FINANCIAL RISK MANAGEMENT (Contd)

5.3 Liquidity risk management (Contd)

At 31 December 2010

Liabilities	Sight Rs'000	Up to 1 month Rs'000	1 – 3 months Rs'000	3 – 6 months Rs'000	6 – 12 months Rs'000	1 – 3 years Rs'000	Over 3 years Rs'000	Non-Maturity Items	Total Rs'000
Deposits	330,870	474,732	841,626	740,592	1,408,024	1,671,129	3,346,733	-	8,813,706
Other borrowed funds	75,005	-	361,415	-	-	-	-	-	436,420
Other liabilities	-	-	-	-	-	-	-	58,968	58,968
Total liabilities	405,875	474,732	1,203,041	740,592	1,408,024	1,671,129	3,346,733	58,968	9,309,094
Net on-balance sheet liquidity gap	(55,704)	655,512	587,255	(329,181)	(656,866)	(1,024,785)	1,143,512	220,404	540,147
At 31 December 2009									
Total assets	169,665	1,868,417	562,658	307,026	755,592	1,482,975	2,573,290	333,281	8,052,904
Total liabilities	254,273	730,890	628,594	679,672	1,109,420	2,272,195	1,709,818	111,985	7,496,847
	(84,608)	1,137,527	(65,936)	(372,646)	(353,828)	(789,220)	863,472	221,296	556,057
Less: Allowance for credit impairment	-	-	-	-	-	-	-	(116,518)	(116,518)
Net on-balance sheet liquidity gap	(84,608)	1,137,527	(65,936)	(372,646)	(353,828)	(789,220)	863,472	104,778	439,539
At 31 December 2008									
Total assets	228,272	1,693,385	195,753	530,126	728,122	648,539	2,880,355	231,843	7,136,395
Total liabilities	35,706	508,500	700,459	504,596	1,028,832	1,195,189	2,648,265	113,603	6,735,150
	192,566	1,184,885	(504,706)	25,530	(300,710)	(546,650)	232,090	118,240	401,245
Less: Allowance for credit impairment	-	-	-	-	-	-	-	(78,759)	(78,759)
Net on-balance sheet liquidity gap	192,566	1,184,885	(504,706)	25,530	(300,710)	(546,650)	232,090	39,481	322,486

MAURITIUS POST AND COOPERATIVE BANK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010****5. FINANCIAL RISK MANAGEMENT (Contd)****5.3 Liquidity risk management (Contd)**

At 31 December 2010, off-balance sheet financial facilities have contractual maturity dates not exceeding three years.

5.4 Financial instruments measured at fair value

The following table presents financial assets measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the degree to which the fair value is observable. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

<u>31 December 2010</u>	<u>Note</u>	<u>Level 1</u> Rs	<u>Level 2</u> Rs	<u>Level 3</u> Rs	<u>Total</u> Rs
Assets					
Trading assets	(i)	<u>341,689,996</u>		-	<u>341,689,996</u>
Fair value		<u>341,689,996</u>		-	<u>341,689,996</u>
31 December 2009	Note	Level 1 Rs	Level 2 Rs	Level 3 Rs	Total Rs
Assets					
Trading assets	(i)	<u>270,649,381</u>		-	<u>270,649,381</u>
Fair value		<u>270,649,381</u>		-	<u>270,649,381</u>
31 December 2008	Note	Level 1 Rs	Level 2 Rs	Level 3 Rs	Total Rs
Assets					
Trading assets	(i)	<u>362,908,906</u>		-	<u>362,908,906</u>
Fair value		<u>362,908,906</u>		-	<u>362,908,906</u>

There has been no transfer between levels 1 and 2 in the reporting period and two preceding years.

Measurement of fair value

The methods used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

MAURITIUS POST AND COOPERATIVE BANK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010****5. FINANCIAL RISK MANAGEMENT (Contd)****5.4 Financial instruments measured at fair value (Contd)****(i) Trading assets**

The fair value of the Bank's investments in treasury bills has been determined by reference to the mark to market prices at the reporting date.

Apart from financial assets held for trading, the other financial instruments are measured as described in the accounting policies associated to them.

5.5 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

- To comply with the capital requirements set by the Central Bank;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the Central Bank, for supervisory purposes. The required information is filed with the Central Bank on a quarterly basis.

The Central Bank requires each bank to maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Capital Adequacy Ratio') at or above a minimum of 10%. The Bank's regulatory capital is divided into two tiers:

- Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings; and
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available for sale.

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2008, 2009 and 2010 respectively. During those three years, the Bank complied with all of the externally imposed capital requirements to which it is subject.

MAURITIUS POST AND COOPERATIVE BANK LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

5. FINANCIAL RISK MANAGEMENT (Contd)

5.5 Capital management (Contd)

	31 December 2010	31 December 2009	31 December 2008
	Rs'000	Rs'000	Rs'000
Tier 1 Capital			
Paid up capital	383,962	383,962	383,962
Statutory Reserve	47,356	40,133	29,152
Other disclosed free reserves	238,638	163,377	104,223
Total qualifying Tier 1 Capital	<u>669,956</u>	<u>587,472</u>	<u>517,337</u>
Tier 2 Capital			
Revaluation reserves	4,491	4,491	4,947
General Banking Reserve	62,100	52,837	49,766
General provisions	27,891	24,333	-
Total qualifying Tier 2 Capital	<u>94,482</u>	<u>81,661</u>	<u>54,713</u>
Total regulatory capital (Rs)	<u>764,438</u>	<u>669,133</u>	<u>572,050</u>
Risk Weighted Assets (Rs)	<u>7,199,222</u>	<u>6,173,593</u>	<u>5,339,197</u>
Capital Adequacy Ratio (%)	<u>10.62</u>	<u>10.84</u>	<u>10.71</u>

6. CASH AND CASH EQUIVALENTS

	31 December 2010	31 December 2009	31 December 2008
	Rs	Rs	Rs
Cash in hand	123,467,940	114,328,023	153,575,371
Balances with banks in Mauritius and abroad	58,894,020	130,361,547	169,742,876
Unrestricted balances with the Central Bank (Note (a))	15,673,418	29,251,223	33,476,458
Loans and placements with banks (Note (b))	27,101,884	145,412,157	204,003,574
	<u>225,137,262</u>	<u>419,352,950</u>	<u>560,798,279</u>

(a) Unrestricted balances with the Central Bank represent amounts above the minimum cash reserve requirement.

(b) Loans and placements with banks are balances with maturity periods up to three months.

7. TRADING ASSETS

	31 December 2010	31 December 2009	31 December 2008
	Rs	Rs	Rs
Held for trading securities:			
Treasury bills	<u>341,689,996</u>	<u>270,649,381</u>	<u>362,908,906</u>

8. HELD-TO-MATURITY INVESTMENTS

	31 December 2010	31 December 2009	31 December 2008
	Rs	Rs	Rs
Government securities (Note (a) below)	1,184,272,049	632,902,872	585,997,872
Placements with overseas banks (Note (b) below)	20,314,454	59,062,683	20,298,040
Other investments (Note (c) below)	13,699	13,699	79,373,972
	<u>1,204,600,202</u>	<u>691,979,254</u>	<u>685,669,884</u>

MAURITIUS POST AND COOPERATIVE BANK LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

8. HELD-TO-MATURITY INVESTMENTS (Contd)

	31 December 2010	31 December 2009	31 December 2008
	Rs	Rs	Rs
(a) Government securities			
Treasury bills	933,031,159	544,248,908	316,045,871
Government stocks	251,240,890	56,801,505	239,349,804
Treasury notes	-	31,852,459	30,602,197
	1,184,272,049	632,902,872	585,997,872
	31 December 2010	31 December 2009	31 December 2008
	Rs	Rs	Rs
(b) Placements with overseas banks with remaining term to maturity			
- Over 3 up to 6 months	-	22,707,427	10,993,916
- Over 6 months	20,314,454	36,355,256	9,304,124
	20,314,454	59,062,683	20,298,040
(c) Other investments represent placements in deposit-taking financial institutions.			

9. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2010	31 December 2009	31 December 2008
	Rs	Rs	Rs
Retail customers	587,879,294	666,244,828	471,573,974
Corporate customers	7,092,801,580	5,606,431,864	4,730,430,307
	7,680,680,874	6,272,676,692	5,202,004,281
Less: allowance for credit impairment	(218,764,612)	(116,518,091)	(78,759,351)
	7,461,916,262	6,156,158,601	5,123,244,930
	31 December 2010	31 December 2009	31 December 2008
	Rs	Rs	Rs
(a) Remaining term to maturity			
- Within 3 months	2,126,563,152	1,891,400,565	1,264,981,763
- Over 3 and up to 6 months	321,541,079	123,729,123	327,855,864
- Over 6 and up to 12 months	373,821,056	348,670,391	222,628,477
- Over 1 and up to 3 years	568,317,662	372,860,580	572,484,641
- Over 3 and up to 5 years	989,881,518	973,996,630	808,756,324
- Over 5 years	3,300,556,407	2,562,019,403	2,005,297,212
	7,680,680,874	6,272,676,692	5,202,004,281
Less: allowance for credit impairment	(218,764,612)	(116,518,091)	(78,759,351)
	7,461,916,262	6,156,158,601	5,123,244,930

MAURITIUS POST AND COOPERATIVE BANK LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

9. LOANS AND ADVANCES TO CUSTOMERS (Contd)

(b) Net investment in finance leases

The amount of net investment in finance leases included in loans and advances to customers which is as follows:

	Up to 1 year	Over 1 up to 5 years	Over 1 up to 5 years	Total
	Rs	Rs	Rs	Rs
2010				
Gross investment in finance leases	2,429,592	8,970,699	1,129,618	12,529,909
Less: Unearned finance income	(609,368)	(2,249,948)	(283,320)	(3,142,636)
Net investment in finance leases	<u>1,820,224</u>	<u>6,720,751</u>	<u>846,298</u>	<u>9,387,273</u>

During the year under review, the Bank has introduced finance lease facilities for its customers. A finance lease contract is prepared for these facilities which give the lessees the option to purchase the assets for a residual value at the conclusion of the lease arrangements. Finance leases are secured mainly by charges on the leased assets and/or corporate/personal guarantees.

(c) 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.

	31 December 2010	31 December 2009	31 December 2008
	Rs'000	Rs'000	Rs'000
Name of sector			
Agriculture and Fishing	233,916	177,573	-
Manufacturing	296,827	160,882	146,980
Tourism	335,740	406,301	275,783
Construction	370,292	385,192	268,554
Financial and Business Services	-	196,189	100,000
Traders	464,134	205,767	280,244
Professional	-	52,302	52,030
Others (Infrastructure, Public non-financial)	472,534	449,931	458,975
	<u>2,173,443</u>	<u>2,034,137</u>	<u>1,582,566</u>

(d) Allowance for credit impairment

	Specific allowances for impairment	Portfolio allowance and general provision for impairment	Total
	Rs	Rs	Rs
Balance at 01 January 2008	12,712,248	46,750,056	59,462,304
Provision for credit impairment for the year (Note (d) (i) and (ii) below)	5,674,891	13,622,156	19,297,047
Balance at 31 December 2008	18,387,139	60,372,212	78,759,351
Provision for credit impairment for the year (Note (d) (i) and (ii) below)	28,527,025	9,231,715	37,758,740
Balance at 31 December 2009	46,914,164	69,603,927	116,518,091
Provision for credit impairment for the year (Note (d) (i) and (ii) below)	84,091,645	18,154,876	102,246,521
At 31 December 2010	<u>131,005,809</u>	<u>87,758,803</u>	<u>218,764,612</u>

*MAURITIUS POST AND COOPERATIVE BANK LTD***NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010****9. LOANS AND ADVANCES TO CUSTOMERS (Contd)****(i) Portfolio provision**

A Portfolio provision of 1.18% (2009: 1.16% and 2008: 1.2%) has been made on loans and advances after offsetting any collateral of liquid assets in the portfolio.

(ii) Specific allowances for impairment

When principal and interest are overdue by 90 days, loans are classified as non-performing. Allowances are provided for non-performing loans to reflect their net estimated recoverable amount.

MAURITIUS POST AND COOPERATIVE BANK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

9. LOANS AND ADVANCES TO CUSTOMERS (Contd)

(d) Allowance for credit impairment (Contd)

(iii) Allowance for credit impairment by industry sectors

	Gross amount of loans	Non Performing Loans	Specific allowances for credit impairment	Portfolio allowances for credit impairment	Total allowances for credit impairment 2010	Total allowances for credit impairment 2009	Total allowances for credit impairment 2008
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Agriculture and Fishing	762,508,290	32,891,576	11,264,115	8,932,721	20,196,836	18,034,326	4,738,408
Manufacturing	454,119,053	13,931,472	4,687,843	5,316,866	10,004,709	7,044,307	3,195,237
Tourism	710,838,914	56,427,448	6,374,850	8,305,335	14,680,185	7,465,888	6,303,690
Transport	218,464,721	18,241,524	4,757,795	2,399,322	7,157,117	3,432,971	1,902,127
Construction	2,808,578,837	221,008,686	34,210,674	32,667,279	66,877,953	27,787,991	24,400,849
Financial and Business Services	207,297,677	88,091,277	10,416,462	2,435,748	12,852,210	2,289,552	2,321,662
Traders	968,093,082	24,915,704	8,409,402	11,130,254	19,539,656	14,273,148	9,135,161
New Economy	47,484,244	5,746,355	-	251,991	251,991	263,099	211,040
Personal	587,879,294	72,814,894	36,758,644	6,314,609	43,073,253	21,840,934	15,010,598
Education	187,159,044	15,573,624	5,875,269	2,129,558	8,004,827	4,970,052	3,571,545
Professional	92,705,635	2,520,602	1,171,285	1,068,205	2,239,490	577,522	252,085
Others	635,552,083	13,988,980	7,079,470	6,806,915	13,886,385	8,538,301	7,716,949
	7,680,680,874	566,152,142	131,005,809	87,758,803	218,764,612	116,518,091	78,759,351

MAURITIUS POST AND COOPERATIVE BANK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Computer software	Computer and office equipment	Furniture and fittings	Motor vehicles	Total
	Rs	Rs	Rs	Rs	Rs	Rs
Cost/Valuation						
At 01 January 2008	44,000,000	85,623,684	92,628,819	37,247,180	5,710,700	265,210,383
Additions during the year	871,500	47,506,216	22,942,091	7,789,886	-	79,109,693
Revaluation surplus	3,128,500	-	-	-	-	3,128,500
At 31 December 2008	<u>48,000,000</u>	<u>133,129,900</u>	<u>115,570,910</u>	<u>45,037,066</u>	<u>5,710,700</u>	<u>347,448,576</u>
At 01 January 2009	48,000,000	133,129,900	115,570,910	45,037,066	5,710,700	347,448,576
Additions during the year	325,747	22,082,616	5,994,485	821,920	-	29,224,768
At 31 December 2009	<u>48,325,747</u>	<u>155,212,516</u>	<u>121,565,395</u>	<u>45,858,986</u>	<u>5,710,700</u>	<u>376,673,344</u>
At 01 January 2010	48,325,747	155,212,516	121,565,395	45,858,986	5,710,700	376,673,344
Additions during the year	605,700	16,011,339	24,953,725	5,179,016	-	46,749,780
At 31 December 2010	<u>48,931,447</u>	<u>171,223,855</u>	<u>146,519,120</u>	<u>51,038,002</u>	<u>5,710,700</u>	<u>423,423,124</u>
Accumulated Depreciation						
At 01 January 2008	128,669	31,653,242	43,442,530	24,967,524	1,980,533	102,172,498
Charge for the year	125,945	8,603,761	14,260,662	7,608,867	1,142,140	31,741,375
Revaluation adjustment	(254,614)	-	-	-	-	(254,614)
At 31 December 2008	<u>-</u>	<u>40,257,003</u>	<u>57,703,192</u>	<u>32,576,391</u>	<u>3,122,673</u>	<u>133,659,259</u>
At 01 January 2009	-	40,257,003	57,703,192	32,576,391	3,122,673	133,659,259
Charge for the year	175,561	14,153,796	13,283,805	5,873,841	1,142,140	34,629,143
At 31 December 2009	<u>175,561</u>	<u>54,410,799</u>	<u>70,986,997</u>	<u>38,450,232</u>	<u>4,264,813</u>	<u>168,288,402</u>

MAURITIUS POST AND COOPERATIVE BANK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

10. PROPERTY, PLANT AND EQUIPMENT (Contd)

	Freehold land and buildings	Computer software	Computer and office equipment	Furniture and fittings	Motor vehicles	Total
	Rs	Rs	Rs	Rs	Rs	Rs
Accumulated Depreciation (Contd)						
At 01 January 2010	175,561	54,410,799	70,986,997	38,450,232	4,264,813	168,288,402
Charge for the year	187,722	15,409,766	13,709,147	2,608,311	1,142,140	33,057,086
At 31 December 2010	<u>363,283</u>	<u>69,820,565</u>	<u>84,696,144</u>	<u>41,058,543</u>	<u>5,406,953</u>	<u>201,345,488</u>
Net Book Values						
At 31 December 2010	<u>48,568,164</u>	<u>101,403,290</u>	<u>61,822,976</u>	<u>9,979,459</u>	<u>303,747</u>	<u>222,077,636</u>
At 31 December 2009	<u>48,150,186</u>	<u>100,801,717</u>	<u>50,578,398</u>	<u>7,408,754</u>	<u>1,445,887</u>	<u>208,384,942</u>
At 31 December 2008	<u>48,000,000</u>	<u>92,872,897</u>	<u>57,867,718</u>	<u>12,460,675</u>	<u>2,588,027</u>	<u>213,789,317</u>

The Bank's freehold land and buildings were revalued by Mr P. G. Bruno Dumazel, Property Development Consultant, on 31 December 2008. The valuation was based on market conditions prevailing at that time. If the freehold land & buildings were stated on the historical cost basis, the net book values would be as follows:

	<u>2010</u>
	Rs
Cost	38,149,450
Accumulated depreciation	(658,059)
At 31 December	<u>37,491,391</u>

MAURITIUS POST AND COOPERATIVE BANK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010****11. INVESTMENT PROPERTY**

	<u>Rs</u>
Value at 31 December 2010	<u>72,000,000</u>
Value at 31 December 2009	<u>72,000,000</u>
Value at 31 December 2008	<u>72,000,000</u>

(i) The investment property was revalued by Mr P. G. Bruno Dumazel, Property Development Consultant on 30 December 2008. The value of the investment property amounted to Rs 72,000,000 based on market conditions prevailing at that time.

(ii) Rental income for the year under review amounted to Rs 4,944,000 (2009: Rs 4,944,000 and 2008: 4,944,000) and are included within "Other income". No operating expenses were incurred during the year under review towards the investment property (2009: Rs Nil).

12. OTHER ASSETS

	<u>31 December 2010</u>	<u>31 December 2009</u>	<u>31 December 2008</u>
	Rs	Rs	Rs
Mandatory balances with Central Bank (Note (i) below)	492,609,941	320,046,256	274,096,501
Balances due in clearing	34,739,685	24,744,194	39,720,302
Capital work in progress	10,514,762	1,049,250	224,250
Project costs	21,447,268	16,374,461	-
Receivables and prepayments	31,589,873	15,993,744	10,972,744
Deferred expenditure (Note 15 (ii))	6,074,623	-	-
Other debtors (Note (ii) below)	18,921,361	20,038,280	-
	<u>615,897,513</u>	<u>398,246,185</u>	<u>325,013,797</u>

- (i) At 31 December 2010, the minimum average cash balance to be maintained by the Bank as per the Banking Act 2004 amounted to Rs 492,609,941 (2009: Rs 320,046,256 and 2008: Rs 274,096,501). These funds were not available for the Bank's daily business.
- (ii) In the prior year, foreign currency notes (FCY) equivalent to Rs 18,921,361 were in the process of being transferred from the Bank to United Overseas Bank Ltd (UOB) located in Singapore. As per the terms of the transfer, title rights passes from the Bank to UOB when the carrier takes possession of the foreign currency notes. However, these FCY were misappropriated during transit when under custody of the carrier in Mauritius. The directors are of opinion that this amount is fully recoverable from UOB and have therefore classified the amount within "other debtors".

MAURITIUS POST AND COOPERATIVE BANK LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

13. DEPOSITS FROM CUSTOMERS

Retail, corporate and government

	31 December 2010	31 December 2009	31 December 2008
	Rs	Rs	Rs
(a) Demand	294,616,670	216,424,062	198,060,356
Savings	3,337,926,746	3,000,245,198	3,045,771,846
Time deposits	5,181,162,634	4,147,428,047	3,280,909,985
	<u>8,813,706,050</u>	<u>7,364,097,307</u>	<u>6,524,742,187</u>
(b) Time deposits with remaining term to maturity:			
- Within 3 months	1,118,955,986	1,201,348,040	851,075,041
- Over 3 and up to 6 months	607,075,405	547,780,322	335,659,941
- Over 6 and up to 12 months	1,274,506,800	1,008,674,989	875,831,914
- Over 1 and up to 3 years	1,170,439,753	806,160,172	745,485,843
- Over 3 and up to 5 years	996,451,846	571,065,208	462,156,186
- Over 5 years	13,732,844	12,399,316	10,701,060
	<u>5,181,162,634</u>	<u>4,147,428,047</u>	<u>3,280,909,985</u>

14. OTHER BORROWED FUNDS

	31 December 2010	31 December 2009	31 December 2008
	Rs	Rs	Rs
Borrowings from the Central Bank	361,414,871	-	-
Borrowings from banks in Mauritius	75,004,842	-	95,085,925
	<u>436,419,713</u>	<u>-</u>	<u>95,085,925</u>

15. OTHER LIABILITIES

	31 December 2010	31 December 2009	31 December 2008
	Rs	Rs	Rs
Interest suspended (Note (i))	-	67,803,589	57,414,298
Cheques in clearance	15,223,979	18,599,020	17,942,093
One-off charge (Note (ii))	6,074,623	-	-
Other payables and accruals	37,669,243	46,347,238	39,965,580
	<u>58,967,845</u>	<u>132,749,847</u>	<u>115,321,971</u>

(i) In prior years, the Bank was recording interest on non-performing loans and advances as “interest suspended” under current liabilities. As from the year ended 31 December 2010, interest suspended which were previously recognised under current liabilities are transferred to interest income to be in line with the Guideline on Credit Impairment and Revenue Recognition.

(ii) Pursuant to the Finance Act 2010, the Bank has created a one-off charge payable in the year of assessment 2012, for an amount equivalent to 0.5% of its turnover plus 1.25% of its book profit relating to its banking transactions to finance the new private equity fund set up by the Government of Mauritius.

MAURITIUS POST AND COOPERATIVE BANK LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

16. SHARE CAPITAL

	<u>31 December 2010</u>	<u>31 December 2009</u>	<u>31 December 2008</u>
	Rs	Rs	Rs
<i>Issued, Subscribed and Paid up</i>			
At start and end of year	<u>383,962,400</u>	<u>383,962,400</u>	<u>383,962,400</u>
	Number	Number	Number
Number of shares of Rs 100 each:			
Issued, subscribed and paid up	<u>3,839,624</u>	<u>3,839,624</u>	<u>3,839,624</u>

17. STATUTORY RESERVE

Pursuant to the provision of the Banking Act 2004, a sum equal to no less than 15% of the profit after taxation is transferred to a Statutory Reserve Account, until the balance in that reserve account is equal to the Bank's paid up capital. This reserve is not distributable.

	<u>31 December 2010</u>	<u>31 December 2009</u>	<u>31 December 2008</u>
	Rs	Rs	Rs
Balance at 01 January	47,356,292	33,550,679	22,476,709
Transfer for the year	<u>15,390,139</u>	<u>13,805,613</u>	<u>11,073,970</u>
Balance at 31 December	<u>62,746,431</u>	<u>47,356,292</u>	<u>33,550,679</u>

18. RETAINED EARNINGS

	<u>31 December 2010</u>	<u>31 December 2009</u>	<u>31 December 2008</u>
	Rs	Rs	Rs
At 01 January	<u>195,044,360</u>	<u>127,365,918</u>	<u>73,279,341</u>
Profit for the year	102,600,928	92,037,422	73,826,467
Transfers for the year	<u>(30,097,192)</u>	<u>(24,358,980)</u>	<u>(19,739,890)</u>
Net income available to shareholders	<u>72,503,736</u>	<u>67,678,442</u>	<u>54,086,577</u>
At 31 December	<u>267,548,096</u>	<u>195,044,360</u>	<u>127,365,918</u>

19. GENERAL BANKING RESERVE

	<u>31 December 2010</u>	<u>31 December 2009</u>	<u>31 December 2008</u>
	Rs	Rs	Rs
At 01 January	62,099,755	51,546,388	42,880,468
Transfer from retained earnings	<u>14,707,053</u>	<u>10,553,367</u>	<u>8,665,920</u>
At 31 December	<u>76,806,808</u>	<u>62,099,755</u>	<u>51,546,388</u>

The General Banking Reserve represents transfers from retained earnings and is calculated at the rate of 1% on loans and advances outstanding at the reporting date. This reserve is not distributable.

MAURITIUS POST AND COOPERATIVE BANK LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

20. REVALUATION RESERVES

	<u>31 December 2010</u>	<u>31 December 2009</u>	<u>31 December 2008</u>
	Rs	Rs	Rs
At 01 January	9,979,364	9,979,364	6,596,250
Surplus on revaluation of freehold land and buildings	-	-	3,383,114
At 31 December	<u>9,979,364</u>	<u>9,979,364</u>	<u>9,979,364</u>

21. CONTINGENT LIABILITIES

	<u>31 December 2010</u>	<u>31 December 2009</u>	<u>31 December 2008</u>
	Rs	Rs	Rs
Acceptances on account of customers	17,488,920	16,418,651	16,958,505
Guarantees on account of customers	451,417,425	406,241,553	503,494,400
Letters of credit and other obligations on account of customers	30,456,419	32,270,116	36,518,594
Treasury bills on account of customers	-	-	800,000
Outward bills for collection	91,353,797	49,484,591	41,596,398
Other contingent items	42,891,654	49,477,560	20,693,122
	<u>633,608,215</u>	<u>553,892,471</u>	<u>620,061,019</u>

22. CREDIT COMMITMENTS

	<u>31 December 2010</u>	<u>31 December 2009</u>	<u>31 December 2008</u>
	Rs	Rs	Rs
Loans and other facilities			
Undrawn credit facilities	<u>381,669,234</u>	<u>680,956,481</u>	<u>344,063,365</u>

23. NET INTEREST INCOME

	<u>31 December 2010</u>	<u>31 December 2009</u>	<u>31 December 2008</u>
	Rs	Rs	Rs
INTEREST INCOME			
Loans and advances	767,581,308	619,714,548	576,036,488
Securities:			
- Treasury bills	48,434,656	67,155,640	33,609,367
- Government stocks	14,193,697	15,801,700	21,079,072
- Treasury notes	124,042	3,970,292	20,261,124
Placements with overseas banks and deposit-taking institutions	2,815,400	8,172,290	31,268,429
Others:			
Trade finance	20,699,647	16,656,455	15,407,408
Interest on balances with correspondent banks	639,933	23,825	238,738
Total interest income	<u>854,488,683</u>	<u>731,494,750</u>	<u>697,900,626</u>
INTEREST EXPENSE			
Deposits from customers	414,460,199	398,645,720	466,554,964
Other borrowed funds	3,902,931	1,375,447	1,826,566
Others	400,639	388,723	150,827
Total interest expense	<u>418,763,769</u>	<u>400,409,890</u>	<u>468,532,357</u>
Net interest income	<u>435,724,914</u>	<u>331,084,860</u>	<u>229,368,269</u>

MAURITIUS POST AND COOPERATIVE BANK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010****24. NET FEE AND COMMISSION INCOME**

	31 December 2010	31 December 2009	31 December 2008
	Rs	Rs	Rs
Guarantees	6,060,673	5,518,888	3,899,839
Insurances and pensions	4,093,094	3,020,437	1,733,492
Commission on loans and advances	21,400,286	17,409,801	12,713,338
Commission on savings	11,623,714	9,904,820	9,602,159
Commission on trade finance	10,914,926	10,283,027	10,446,312
Others	16,299,173	2,979,192	1,068,875
	<u>70,391,866</u>	<u>49,116,165</u>	<u>39,464,015</u>

25. NET TRADING INCOME

	31 December 2010	31 December 2009	31 December 2008
	Rs	Rs	Rs
Foreign exchange transactions	<u>50,687,104</u>	<u>33,373,566</u>	<u>44,443,632</u>

26. OTHER INCOME

	31 December 2010	31 December 2009	31 December 2008
	Rs	Rs	Rs
Surplus on revaluation of investment property	-	-	10,000,000
Profit on revaluation of investment securities	1,314,978	251,575	239,683
Rental income	4,944,000	4,944,000	4,944,000
	<u>6,258,978</u>	<u>5,195,575</u>	<u>15,183,683</u>

27. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

	31 December 2010	31 December 2009	31 December 2008
	Rs	Rs	Rs
Impairment loss on loans and advances to customers (Note 9 (d))	102,246,521	37,758,740	19,297,047
Bad debts written off	15,827,494	12,350,566	7,753,230
	<u>118,074,015</u>	<u>50,109,306</u>	<u>27,050,277</u>

28. PERSONNEL EXPENSES

	31 December 2010	31 December 2009	31 December 2008
	Rs	Rs	Rs
Salaries	106,472,725	81,744,477	70,378,347
Compulsory social security contributions	4,110,861	3,148,988	2,422,244
Contribution to defined contribution plan	5,037,057	3,692,689	2,526,341
Other personnel expenses	20,168,510	14,237,018	13,684,916
	<u>135,789,153</u>	<u>102,823,172</u>	<u>89,011,848</u>

MAURITIUS POST AND COOPERATIVE BANK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010****29. OTHER EXPENSES**

	31 December 2010	31 December 2009	31 December 2008
	<u>Rs</u>	<u>Rs</u>	<u>Rs</u>
Business promotion and marketing expenses	8,111,861	7,673,091	7,334,484
Travel expenses	5,396,527	4,819,798	3,060,826
Office operating expenses	18,190,514	15,755,517	14,296,279
Stationeries	4,081,770	3,490,108	4,742,920
General administration expenses	10,531,181	9,129,329	9,057,402
Professional fees	7,091,820	5,756,473	10,154,041
Insurances	2,562,587	2,167,190	2,113,812
Repairs and maintenance	35,752,552	29,610,624	23,523,728
Utilities	17,407,840	16,131,302	13,633,381
	<u>109,126,652</u>	<u>94,533,432</u>	<u>87,916,873</u>

30. INCOME TAX EXPENSE**(a) Income tax**

- (i) The applicable tax rate in Mauritius is 15% for the year ended 31 December 2010 (2009 and 2008: 15%). At 31 December 2010, the Bank had an income tax liability of Rs 24,329,806 (2009: Rs 20,765,369 and 2008: Rs 1,718,539).
- (ii) The Bank is also subject to the Alternative Minimum Tax (AMT), which applies where a company's "normal tax payable" is less than 7.5% of its book profit. It is not applicable where a company is exempt from tax or where 10% of any dividend declared does not exceed the "normal tax payable". At 31 December 2010, the AMT does not apply to the Bank since no dividend had been declared.
- (iii) The Bank is subject to a "special levy" and this levy is calculated at 3.4% of book profit plus 1% of operating income derived during the preceding year. No levy is payable if the Bank makes a loss or if its book profit is less than 5% of its operating income.
- (iv) Effective from 01 July 2009, the Bank is subject to the Advance Payment Scheme (APS) under Sections 50B & 50C of the Income Tax Act 1995 (the "Act") whereby it is required to submit an APS Statement and pay tax quarterly on the basis of either last year's income or the income for the current quarter.
- (v) Effective from 01 July 2010, the Bank became subject to the Corporate Social Responsibility (CSR) Fund and contribution to this Fund is at a rate of 2% on the book profit of the preceding financial year on a pro-rata basis.

(b) Statement of comprehensive income

	31 December 2010	31 December 2009	31 December 2008
	<u>Rs</u>	<u>Rs</u>	<u>Rs</u>
Income tax on adjusted profit for the year	22,379,406	12,969,909	-
Special Levy	10,532,558	8,206,793	1,718,539
Tax on reassessment of special levy	-	3,691,307	-
Deferred tax movement	8,135,739	564,877	-
CSR contribution	1,840,748	738,265	-
Tax charge	<u>42,888,451</u>	<u>26,171,151</u>	<u>1,718,539</u>

MAURITIUS POST AND COOPERATIVE BANK LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

30. INCOME TAX EXPENSE (Contd)

(c) Statement of financial position

	<u>31 December 2010</u> Rs	<u>31 December 2009</u> Rs	<u>31 December 2008</u> Rs
At 01 January	20,765,369	1,718,539	1,641,335
Income tax liability for the year	22,379,406	12,969,909	-
Special Levy	10,532,558	8,206,793	1,718,539
CSR contribution payable	1,734,356	249,300	-
Tax paid during the year	(30,958,283)	(5,946,879)	(1,270,535)
Tax deducted at source	(123,600)	(123,600)	(370,800)
Tax on reassessment of special levy	-	3,691,307	-
At 31 December	<u>24,329,806</u>	<u>20,765,369</u>	<u>1,718,539</u>

(d) Deferred taxation

	<u>31 December 2010</u> Rs	<u>31 December 2009</u> Rs	<u>31 December 2008</u> Rs
At 01 January	716,619	151,742	151,742
Movement during the year	8,135,739	564,877	-
At 31 December	<u>8,852,358</u>	<u>716,619</u>	<u>151,742</u>

(e) Income tax reconciliation

The tax charge on the Bank's profit differs from the theoretical amount that would arise using the basic tax rate of the Bank as follows:

	<u>31 December 2010</u> Rs	<u>31 December 2009</u> Rs	<u>31 December 2008</u> Rs
Profit before taxation	<u>145,489,379</u>	118,208,573	<u>75,545,006</u>
Tax at applicable rates	21,823,407	17,731,286	11,331,751
Income not subject to tax	-	-	(1,535,952)
Non-allowable items	2,910,384	4,984,894	3,137,480
Exempt income	(197,247)	-	-
Accelerated capital allowances	(2,157,138)	(5,942,108)	(3,835,492)
Tax losses carried forward	-	(3,804,163)	(9,097,787)
Special Levy payable	10,532,558	8,206,793	1,718,539
Under provision for special levy	-	3,691,307	-
Movement in deferred tax	8,135,739	564,877	-
CSR contribution	1,840,748	738,265	-
Tax charge	<u>42,888,451</u>	<u>26,171,151</u>	<u>1,718,539</u>

(f) Contribution to CSR activities

	<u>31 December 2010</u> Rs	<u>31 December 2009</u> Rs	<u>31 December 2008</u> Rs
2% of preceeding year book profit	1,840,748	738,265	-
Contribution to CSR activities	(106,392)	(488,965)	-
Amount to be remitted to the Mauritius Revenue Authority	<u>1,734,356</u>	<u>249,300</u>	<u>-</u>

MAURITIUS POST AND COOPERATIVE BANK LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

31. PROFIT FOR THE YEAR

	31 December 2010	31 December 2009	31 December 2008
	Rs	Rs	Rs
<i>Profit for the year is arrived at after charging:</i>			
Depreciation	33,057,086	34,629,143	31,741,375
Directors' emoluments (Note (a) below)	3,115,150	1,988,000	2,000,800
Payable to auditors:			
- Audit services	2,185,000	2,185,000	4,157,250
- Fees for other services	195,500	176,031	172,500
Staff costs (Note (b) below)	135,789,153	102,823,172	89,011,848
Operating lease rentals	21,526,577	18,466,540	17,194,220
<i>and crediting:</i>			
Rental income	4,944,000	4,944,000	4,944,000
(a) Directors' emoluments:			
- Non-executive and executive directors	2,115,150	1,988,000	2,000,800
(b) Analysis of staff costs:			
Salaries, wages, gratuity and other benefits	106,472,725	81,744,477	70,378,347
Social security costs and other contributions	24,279,372	17,386,006	16,107,160
Post employment benefits: defined contribution plans	5,037,056	3,692,689	2,526,341
	135,789,153	102,823,172	89,011,848
Number of employees at year end	283	249	254

32. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit after taxation of Rs 102,600,928 (2009: Rs 92,037,422 and 2008: Rs 73,826,467) and on 3,839,624 ordinary shares in issue for the three years ended 31 December 2010.

33. CASH AND CASH EQUIVALENTS FOR CASH FLOW PURPOSES

	31 December 2010	31 December 2009	31 December 2008
	Rs	Rs	Rs
ASSETS			
Cash in hand	123,467,940	114,328,023	153,575,371
Cash with banks in Mauritius and abroad	58,894,020	130,361,547	169,742,876
Cash with the Central Bank	15,673,418	29,251,223	33,476,458
Loans and placements with banks	27,101,884	145,412,157	204,003,574
	225,137,262	419,352,950	560,798,279
LIABILITIES			
Borrowings from the Central Bank	361,414,871	-	-
Borrowings from banks in Mauritius	75,004,842	-	95,085,925
	436,419,713	-	95,085,925
CASH AND CASH EQUIVALENTS	(211,282,451)	419,352,950	465,712,354

MAURITIUS POST AND COOPERATIVE BANK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010****34. RELATED PARTY TRANSACTIONS**

	Directors and key management personnel	Entities in which directors and key management personnel have significant interest	Entities holding at least 10% interest in the Bank
	Rs	Rs	Rs
Loans and advances			
Balance at 31 December 2010	31,152,816	13,732,601	85,671,083
Balance at 31 December 2009	28,071,249	13,996,422	115,794,859
Balance at 31 December 2008	19,047,885	7,668,408	322,882,109
Deposits			
Balance at 31 December 2010	6,173,869	30,482,249	237,859,591
Balance at 31 December 2009	8,383,572	22,155,679	145,160,903
Balance at 31 December 2008	1,875,269	17,551,942	236,646,545
Interest income			
Year ended 31 December 2010			
Loans and advances	916,441	536,330	7,792,312
Year ended 31 December 2009			
Loans and advances	967,148	495,107	11,257,043
Year ended 31 December 2008			
Loans and advances	750,374	644,845	25,275,646
Interest expense			
Year ended 31 December 2010			
Deposits	138,533	1,246,542	4,873,419
Year ended 31 December 2009			
Deposits	431,721	1,182,806	3,987,486
Year ended 31 December 2008			
Deposits	130,588	2,381,047	5,367,841
Management compensation			
Year ended 31 December 2010	16,662,854	-	-
Year ended 31 December 2009	9,063,045	-	-
Year ended 31 December 2008	10,965,785	-	-

The loans and advances with key management personnel are contracted at the Bank's preferential rates as available to all staff members.

MAURITIUS POST AND COOPERATIVE BANK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010****35. EVENTS AFTER THE REPORTING PERIOD**

There has been no material event after the reporting period which would require disclosure or adjustment to the financial statements for the year ended 31 December 2010.

36. ASSETS PLEDGED

	31 December 2010	31 December 2009	31 December 2008
	Rs	Rs	Rs
Mauritius Development Loan Stocks (MDLS)	55,000,000	40,000,000	40,000,000
Government stocks	200,000,000	-	-
Government of Mauritius Treasury Notes	-	30,000,000	30,000,000
Treasury bills	250,000,000	-	-

Treasury bills have been pledged as collaterals in favour of Bank of Mauritius under Overnight Facility. With the introduction of the Economic Restructuring and Competitiveness Program, MDLS and Government stocks have been pledged as collaterals in favour of the Bank of Mauritius.

37. OTHER COMMITMENTS

	31 December 2010	31 December 2009	31 December 2008
	Rs	Rs	Rs
(a) Capital Commitments			
Approved and contracted for	17,812,560	27,741,830	-

The capital commitments comprise of commitments for renovation works in branches, for acquisition of IT equipment and for the implementation of the Bank's credit card project.

	31 December 2010	31 December 2009	31 December 2008
	Rs	Rs	Rs
(b) Operating Lease Commitments			

(i) Bank as a lessee

Minimum lease payments under operating leases recognised in statement of comprehensive income for the year

	21,526,577	18,466,540	17,194,220
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At the reporting date, the Bank had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Within 1 year	23,088,621	17,205,257	16,788,340
After 1 year and before 5 years	48,136,581	50,914,716	49,820,042
After 5 years	-	1,354,901	-
	71,225,202	69,474,874	66,608,382

Operating lease payments represent rentals payable for office space. Leases are negotiated for an average of 5 years and rentals are fixed for an average of 5 years.

(ii) Bank as a lessor

Property rental income earned during the year was Rs 4,944,000 (2009: Rs 4,944,000 and 2008: Rs 4,944,000). Properties held for rental have a committed tenant for the next 5 years.

MAURITIUS POST AND COOPERATIVE BANK LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010****37. OTHER COMMITMENTS (Contd)****(b) Operating Lease Commitments (Contd)****(ii) Bank as a lessor (Contd)**

At the reporting date, the Bank had contracted with tenants for the following future minimum lease payments:

	31 December 2010	31 December 2009	31 December 2008
	Rs	Rs	Rs
Within one year	4,944,000	4,944,000	4,944,000
After 1 year and before 5 years	9,476,000	14,420,000	19,364,000
	14,420,000	19,364,000	24,308,000

38. SEGMENTAL INFORMATION

The Bank's assets and interest income on Segment B in relation to total assets and total interest income was as follows:

	Assets	Interest income
	Rs	Rs
At 31 December 2010		
Segment B	152,246,720	1,899,329
Total (<i>Segment A and B</i>)	10,137,244,248	854,488,683
% of total	1.5%	0.22%
At 31 December 2009		
Segment B	236,567,553	2,683,924
Total (<i>Segment A and B</i>)	8,216,771,313	731,494,750
% of total	2.9%	0.4%
At 31 December 2008		
Segment B	438,405,793	19,808,253
Total (<i>Segment A and B</i>)	7,343,425,113	697,900,626
% of total	6.0%	2.8%

39. LITIGATIONS

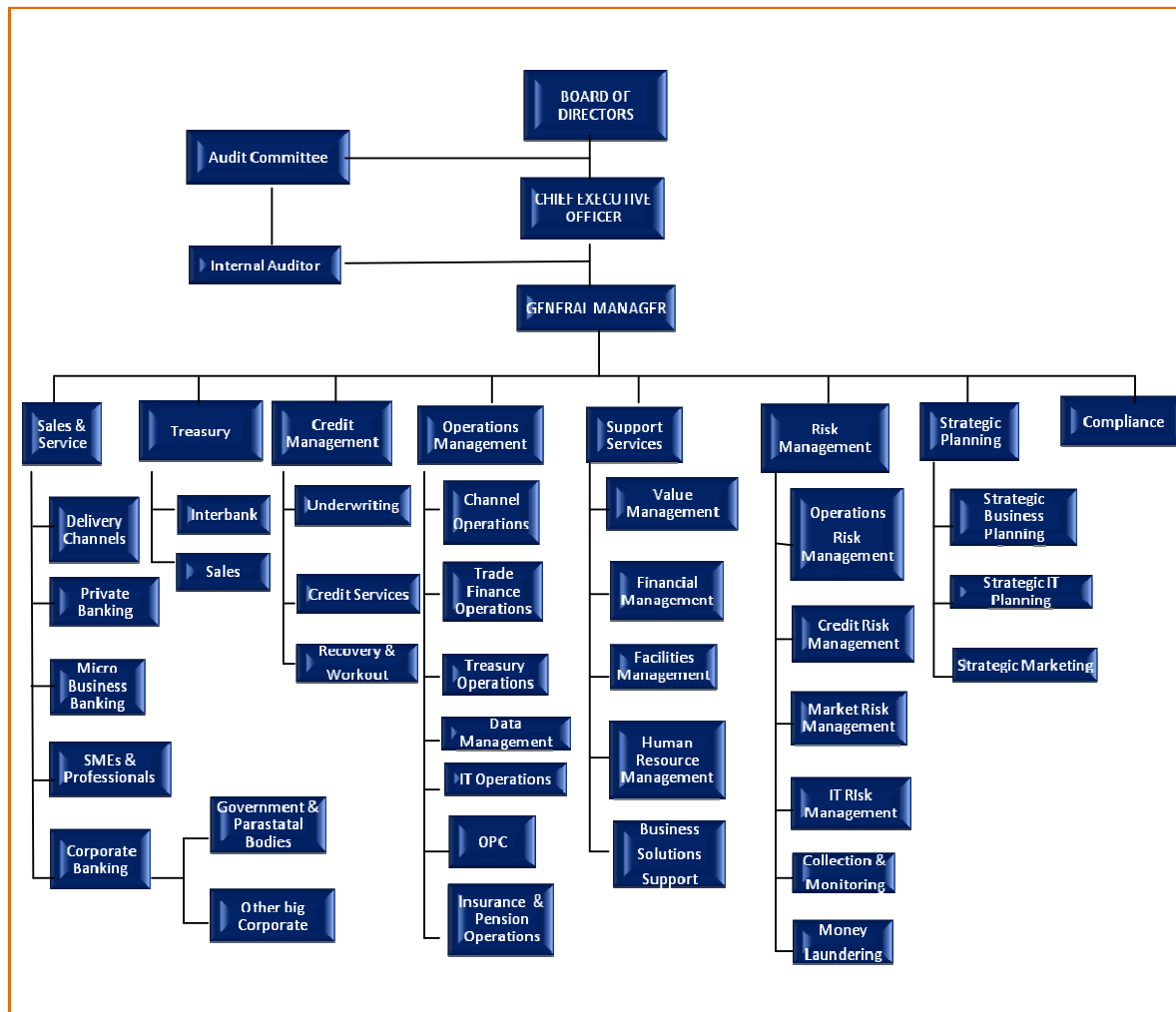
At 31 December 2010, the Bank had no material litigation claim outstanding, pending or threatened against it, which could have a material adverse effect on its financial position or financial performance.

MAURITIUS POST AND COOPERATIVE BANK LTD**MANAGEMENT DISCUSSION AND ANALYSIS****OPERATING MODEL**

Since its inception, MPCB has put in place a Business Operating Model which is in compliance with good Corporate Governance policies. Same has been amended lately to cater for new challenges in the banking environment, as illustrated hereunder.

The Operating model provides for clear segregation of duties and powers between different Departments of the Bank. The model divides the Bank into eight divisions which are namely:

- ❖ Sales & Service;
- ❖ Treasury Department;
- ❖ Credit Management;
- ❖ Operations Management;
- ❖ Support Services;
- ❖ Risk management;
- ❖ Strategic Planning;
- ❖ Compliance Department.



MAURITIUS POST AND COOPERATIVE BANK LTD**MANAGEMENT DISCUSSION AND ANALYSIS (Contd)****OPERATING MODEL (Contd)**

During 2010, we have tried to maximise our efforts both in terms of Above The Line Marketing, through publicity in different media including newspapers and magazine, as well as Below The Line Marketing, through marketing campaigns on the field, for example, campaigns in different commercial areas, in fairs and promoting proximity with the population.

We have tried to promote our brand image by advertising in major newspapers at different points in time, to maintain a good presence in the market. We also conveyed wishes to the population on occasions like Eid Ul Fitr, Ganesh Chaturthi, Diwali, Christmas and New Year. Through advertising, we have promoted a number of our focus products like MPCB Easy for personal loans, MPCB Study Access Loans for financing tertiary education, International Banking and Remittances as well as Smart Accounts for the youngsters.

We also advertised in magazines, including those published by secondary schools to be closer to the student market. Advertising was also done in specialised magazines like Business Magazine, Swingtime Golf Magazine and Air Mauritius Magazine for their time table of flights to attract specific target markets including high networth individuals, business oriented individuals and enterprises as well as frequent travelers.

In terms of Below The Line Marketing, we have been present in fairs dedicated to small and medium enterprises, for students looking for financing their tertiary education and others. We also promoted a proximity with the population by marking a presence in various areas of Mauritius. Events like SME Fair at Swami Vivekananda International Convention Centre, Open Day at EIILM University Campus, Ebene, promotion campaigns at Jumbo, Winers, King Savers, Super U and others are all evidence of a policy of proximity towards the population.

FINANCIAL REVIEW**Key Financial Indicators**

Amount in Rs'm

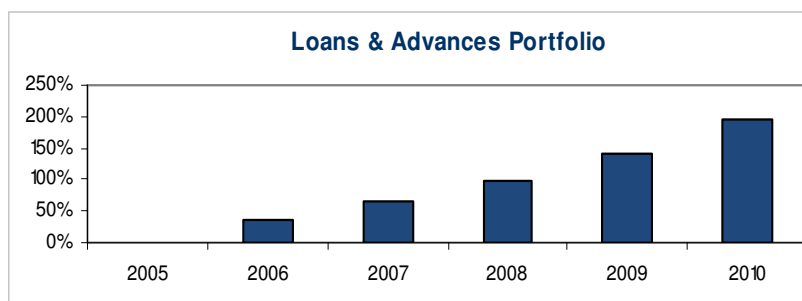
Area of Performance	Last Year's Performance Actual 2009	Current Year's Performance Actual 2010	Current Year's Objective Budget 2010	Next Year's Objective Budget 2011
Non Interest Income	88	127	134	149
Total Income	819	982	894	1,125
Operating expenses	216	266	290	394
Net Interest Income	331	436	350	505
Net Interest Income & Other Income	419	563	484	654
Total Expenses	701	836	766	969
Total Assets	8,217	10,143	9,011	10,128
Share Capital & Reserves	698	801	795	920
Total Advances	6,273	7,681	6,981	8,906
Total Specific Provision	47	131	64	195
Tier1 Capital	587	670	681	835
Total Regulatory Capital	669	764	774	950
Operating Exp/(NII+Other Inc)	51.55%	47.25%	59.93%	60.15%
Return on Equity	13.18%	12.81%	12.52%	12.54%
Return on Total Assets	1.12%	1.01%	1.10%	1.14%
Net Impaired Loans/Total Loans	1.62%	4.28%	N/A	N/A
Total Specific Prov/Total Advances	0.75%	1.71%	0.92%	2.19%

The audited financial statements start as from page 25 to 73. The financial year 2010 has seen an overall financial improvement within the organisation. The Bank is expected to further improve on the above ratios in the next financial year as per its business plan 2011.

MAURITIUS POST AND COOPERATIVE BANK LTD**MANAGEMENT DISCUSSION AND ANALYSIS (Contd)****ASSETS**

- **Loans and advances growth**

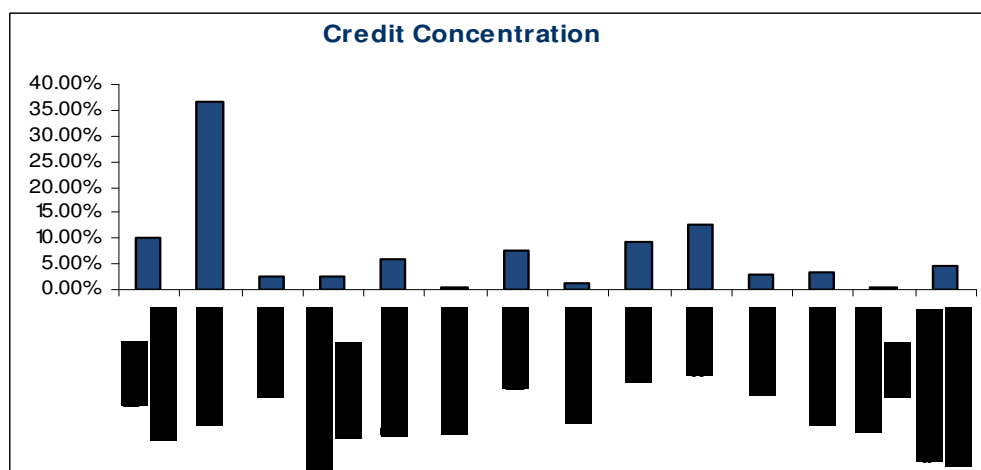
Loans and advances portfolio rose from Rs 6,272M from 2009 to Rs 7,680M in 2010. The graph below illustrates the percentage movement in advances from 2005 to 2010:



- **Credit risk exposure**

Credit risk is defined as the risk of loss arising from failure of borrower or counterparty to meet his financial obligations. Credit risk is among the most common cause of bank failures, causing virtually all regulatory environments to prescribe minimum standards.

The Credit Risk Committee at MPCB ensures that the Bank's credit policy limit is respected at all times. The graph below illustrates the portfolio of advances as at 31 December 2010:

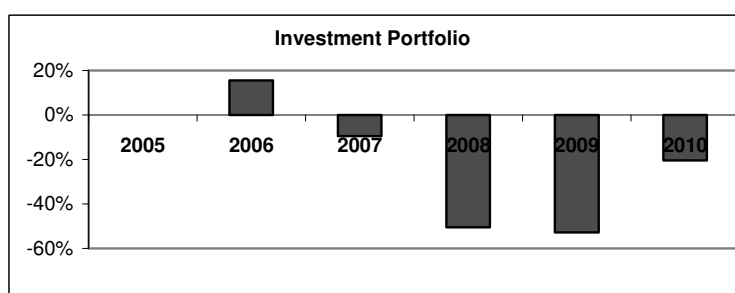


- **Credit quality and provision for credit losses**

Our provision for credit losses for 2010 was Rs 102.2M compared to Rs 37.8M in 2009.

- **Securities, placements and other investments**

Graph below shows changes in our investment portfolio from 2005 to 2010:



MAURITIUS POST AND COOPERATIVE BANK LTD**MANAGEMENT DISCUSSION AND ANALYSIS (Contd)****ASSETS (Contd)**

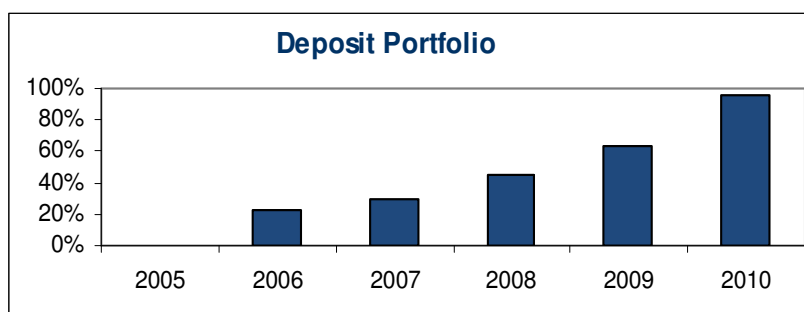
- **Operating profit before provisions for taxes**

Our profit before tax for the current year 2010 amounted to Rs 145.5M against Rs 118.2M in 2009, representing a growth of 23%.

LIABILITIES

- **Deposits**

The Bank's deposits moved from Rs 7,364.1M from 2009 to Rs 8,813.7M in 2010. The graph below shows the increasing trend from 2005 to 2010:



- **Cost Control**

During the year 2010, the bank has continued its effort to maintain all expenses within our budget.

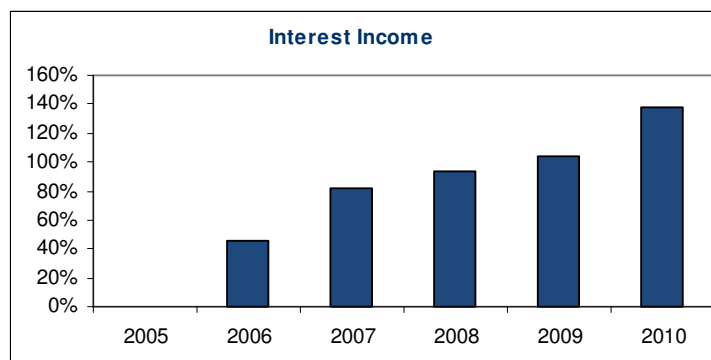
Cost to Income Ratio

Our cost to income ratio for the year ended 31 December 2010 was 85.18% against 85.57% for the year ended 31 December 2009.

REVENUE GROWTH

- **Interest income**

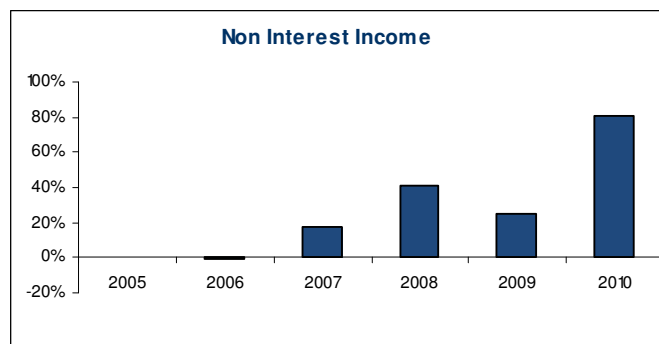
Our Interest income on advances and investment portfolio for the year 2010 kept on increasing with Rs 854.5M in 2010 against Rs 731.5M in 2009. The chart below shows the variance over the last 5 years:



MAURITIUS POST AND COOPERATIVE BANK LTD**MANAGEMENT DISCUSSION AND ANALYSIS (Contd)****REVENUE GROWTH (Contd)**

- **Other income and non-interest income**

Non-interest income comprises fee-based income, commission and other charges. For the year ended 31 December 2010, other income and non-interest income amounted to Rs 127.3M against Rs 87.7M for the year ended 31 December 2009. The percentage movement of non-interest income from 2005 to 2010 is further illustrated below:



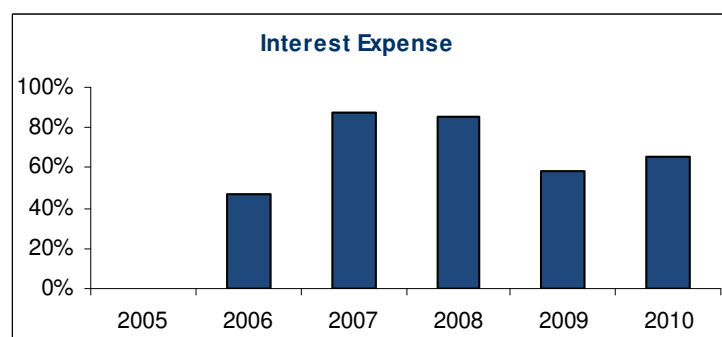
- **Net interest income and margins**

Net interest income (NII) is the difference between interest income and interest expense. For the year ended 31 December 2010, NII amounted to Rs 435.7M against Rs 331.1M for the year ended 31 December 2009, with a rise of 32%.

EXPENSE

- **Interest expense**

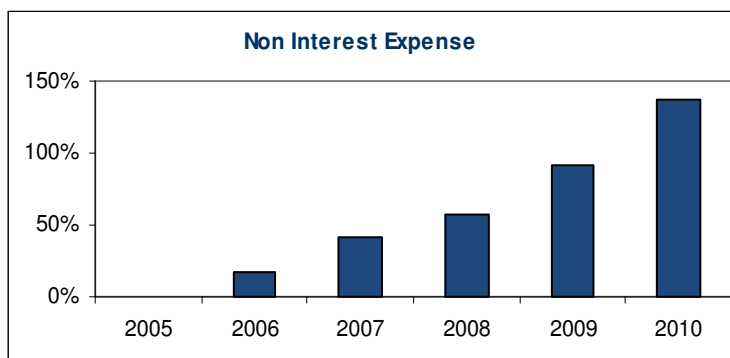
Interest expense amounted to Rs 418.8M for the year ended 31 December 2010 against Rs 400.4M for the year ended 31 December 2009. The chart below shows changes in our interest expense from 2005 to 2010:



MAURITIUS POST AND COOPERATIVE BANK LTD**MANAGEMENT DISCUSSION AND ANALYSIS (Contd)****EXPENSE (Contd)**

- **Non-interest expense**

Non-interest expense includes salaries, pension contributions, other staff benefits and other operational expenses. Hereunder is an illustration of the movement in our non-interest expense from 2005 to 2010:



- **Taxation**

During the year 2010, the Bank paid Rs 7,316,973 as “Special Levy” and is subject to an income tax liability of Rs 24,329,806 payable in 2011.

CAPITAL STRUCTURE

The Bank of Mauritius (BOM) sets the regulatory requirements with respect to a Bank’s capital structure in Mauritius and has exercised its discretion in fixing the minimum capital adequacy ratio at 10%, that is, above the 8% norm of the Basel Committee. The MPCB maintains its capital structure within prudential and supervisory limits, whilst ensuring it has sufficient capacity for its future development after serving a remuneration to its shareholders. In line with the Basel II Accord, the capital adequacy is estimated by the ratio of the sum of risk-weighted assets and risk-weighted off-balance sheet exposures of the Bank to its capital base, which is calculated as the sum of Tier 1 and Tier 2 Capital net of relevant deductions, as per the new BOM Guideline on Eligible Capital.

As at 31 December 2010, MPCB had a capital base of Rs 764.4M which includes both Tier 1 and Tier 2 Capital.

- **Capital adequacy**

As at 31 December 2010, the Bank’s capital adequacy ratio stood at 10.62%. The following tables show the components of Tier1 and Tier2 capital and the computation of Capital Adequacy Ratio:

I. Capital base	31 December 2008 Rs’000	31 December 2009 Rs’000	31 December 2010 Rs’000
Tier1 Capital			
Paid Up Capital	383,962	383,962	383,962
Statutory Reserve	29,152	40,133	47,356
General Reserve	-	-	-
Other disclosed free reserves	104,223	163,377	195,044
Current year’s interim profits			43,594
Total qualifying Tier1 Capital	517,337	587,472	669,956
Tier2 Capital			
Revaluation reserves	4,947	4,491	4,491
General Banking Reserves	49,766	52,837	62,100
General Provision	-	24,333	27,891
Total qualifying Tier2 Capital	54,713	81,661	94,482
Total Regulatory Capital (Rs)	572,050	669,133	764,438

MAURITIUS POST AND COOPERATIVE BANK LTD**MANAGEMENT DISCUSSION AND ANALYSIS (Contd)****CAPITAL STRUCTURE (Contd)**

- **Capital adequacy (Contd)**

II. Weighted Risk Assets	31 December 2008	31 December 2009	31 December 2010
	Rs'000	Rs'000	Rs'000
Weighted Amount of on Balance Sheet Assets	4,710,577	5,370,798	6,268,135
Weighted Amount of Off Balance Sheet Assets	276,010	367,863	420,635
Weighted Amount of foreign exchange rate and interest related contracts	73	90	57
Aggregate net short open foreign exchange position	26,012	37,864	5,828
Weighted Amount for Operational Risk	326,525	396,979	504,568
Total Risk Weighted Assets	5,339,197	6,173,593	7,199,222
Risk Asset Ratio (%)	10.71%	10.84%	10.62%

RISK MANAGEMENT

MPCB has a full fledged risk management infrastructure equipped with skilled personnel operating under a strong team spirit guided by the operating model of the Bank. The Risk Management Unit looks after the Credit, Operational, and Market Risks. The Bank has a specialised unit for IT audit, security and risks.

Risk management at MPCB is the process used by the Bank to identify, measure, manage and mitigate its exposure to risks. Risks are uncertain events that could influence the achievement of the Bank's objectives. The Bank's process of risk management includes the systemic and continuous identification and evaluation of risks pertaining to the Bank followed by action to terminate, transfer, accept or mitigate each risk.

At MPCB, the objective of risk management is not to completely eliminate risk but to reduce it to an acceptable level, having regards to the objective of the Bank. Risk management is effected by the Board of directors, management and all employees in accordance with their defined roles within the Bank.

The Bank has strong internal control systems which are one of the mechanisms for the management and mitigation of risk. A comprehensive and robust system of risk management has been developed over the years. Risks are identified and evaluated on a continuous and on-going basis. The risk management mechanisms of the Bank include the following:

- a system for the ongoing identification and assessment of risk;
- the development of strategies in respect of risk and the definition of acceptable and non-acceptable levels of risk;
- the communication of risk management policies to all levels of the organisation as appropriate, and methods to ensure commitment, both by managers and by other employees, to the process;
- the implementation of a documented system of internal control that closely aligns the control effort to the nature and importance of the risk, and
- processes to reduce or mitigate identified risks and contain them within the levels of tolerance defined by the Board of directors in the various policies.

MPCB's Board Conduct Review and Risk Management committee is a sub-committee of the Board that meets on a quarterly basis and assists the Board of Directors in fulfilling its oversight responsibilities with respect to

- ensuring the responsibility for the implementation of the total process of risk management;
- periodically reviewing management performance in controlling risk in the light of established policies;
- requiring the Bank's management to establish policies and procedures on Related Party transactions.

MAURITIUS POST AND COOPERATIVE BANK LTD**MANAGEMENT DISCUSSION AND ANALYSIS (Contd)****RISK MANAGEMENT (Contd)**

This Committee is responsible for the taxonomy of the overall strategy for the risk tolerance, to monitor management and the process on risk management and which also include the following;

- (i) A mandate to require the Bank to establish policies and procedures;
- (ii) Review the policies and procedures periodically to ensure their ongoing adequacy and enforcement, in the best interest of the Bank;
- (iii) Ensure that the Bank has a comprehensive and robust system of risk management;
- (iv) Review and approve each credit exposure to related parties;
- (v) Ensure that market terms and conditions are applied to all related party transactions;
- (vi) Review the practices of the Bank to ensure that any transactions dealt with related parties that may have a substantial effect on the stability and solvency of the Bank is identified and dealt in a timely manner;
- (vii) Review the principal risks, including but not limited to credit, market, liquidity, operational, legal, compliance, reputational, people, financial and business continuity risks of the institutions and the actions taken to mitigate the risks;
- (viii) Bring a sovereign and bright perspective to the identification of risks and to develop strategies to manage these risks and contain them within the levels of tolerance;
- (ix) Report periodically to the Board of directors on matters reviewed by it, including exceptions to policies, processes and limits;
- (x) Receive periodic information on risk exposures and risk management activities from senior officer;
- (xi) Ensure training programmes for directors and senior management to enable them to have a robust understanding of the nature of business, the nature of the risks, the consequences of risks being inadequately managed and an appreciation of the techniques for managing the risks effectively;
- (xii) Review and approve discussions and disclosure of risks;
- (xiii) Any deviation from the acceptable prudential norms shall be supported with reasons and require approval of the Board;
- (xiv) Ensure that there is an appropriate structure in place for identifying, monitoring and managing compliance risk and necessary feedback is obtained for an effective monitoring on a timely basis;
- (xv) Consider the need a confidential process to receive reports of fraud or other irregularities.

Management is accountable to the committee for the design, implementation and detailed monitoring of the risk management processes.

**INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)
PILLAR II OF BASEL II**

In 2009, MPCB adopted the Basel II standardised approaches for Credit and Market Risks and Basic Indicator approach for operational risks. One step further, the Bank invested heavily on a robust IT system under the name of CAM (Capital Adequacy Model). The Bank uses this system regularly for its efficient utilisation of its capital and its monitoring.

The Basel II framework for Capital Adequacy adopted by the Bank of Mauritius, has three Pillars. Pillar 1 provides direction for minimum capital requirements for credit, market and operational risks. Pillar 2 and Pillar 3 cover the Supervisory Review Process (SRP) and Market Discipline respectively. Under Pillar 2, the SRP would be conducted on the MPCB own assessment of risks through ICAAP.

The objective of SRP is to ensure that the Bank has adequate Capital to support material risks in the business and also to encourage the Bank to develop and use better risk management techniques for monitoring and managing Risks. The ICAAP is required to identify all existing and probable future risks faced by the Bank, assess its risk management and its capital adequacy in relation thereto, in a composite and comprehensive manner, proportionate with the nature, scale and complexity of the Bank's business.

MAURITIUS POST AND COOPERATIVE BANK LTD**MANAGEMENT DISCUSSION AND ANALYSIS (Contd)****INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)
PILLAR II OF BASEL II (Contd)****ICAAP and its impact on MPCB**

The Bank of Mauritius has issued guidelines on Supervisory Review Process under the New Capital Adequacy Framework. It requires MPCB to develop and put in place, with the approval of the Board, an ICAAP commensurate with its size, level of complexity, risk profile and scope of operations. In terms of Principles of Proportionality given in BOM guidelines, banks are expected to migrate to and adopt progressively sophisticated ICAAP approaches in designing their ICAAP, from simple to moderately complex to complex, based on their activities and risk management practices. In line with MPCB's range and complexity, it is proposed to adopt the **simple** approach. MPCB has embarked on the ICAAP project which is expected to complete by April 2011.

The project for the implementation of ICAAP and its monitoring has been outsourced to enable the bank to have a strong MIS for better decision making. In this context, the following will be the impact of ICAAP on MPCB:

- (i) The Bank shall conduct periodic assessment of future capital requirements within a 3 year horizon. In this regard, a sensitivity analysis on the movement of CAR and the additional capital requirement of the Bank will be conducted within the next 3 years horizon.

- (ii) **Risk Appetite Statement**

The Bank will have to draw its risk appetite statement which is the extent of its willingness to absorb losses arising out of its business. Risk appetite combines risk metrics and methods to facilitate business decisions and reporting, thus, forming a link between strategy, target setting and risk management. The process of determining the appetite for risk may be divided into Risk Capacity, Risk Appetite and Risk Tolerance and Limit.

- (iii) **Risks analysis**

Material risks to be covered under ICAAP have been identified and a comprehensive analysis have been made for each of these identified material risks, to identify the sources of risk, quantify the risk, review mitigation measures and internal controls and analyse the impact on Capital by way of stress scenarios. The concerned Business Units and functional departments have been involved actively in identifying the sources of risks and reviewing the adequacy of control mechanisms.

- (iv) **Sensitivity, Scenario Analysis and Stress Testing**

MPCB shall use both sensitivity and scenario analysis. Sensitivity tests are used to assess the impact of the change in one variable (for example, deterioration in the quality of the loan portfolio). Scenario tests include simultaneous moves in number of variables based on an event experienced in the past or a plausible market event that has not yet happened (hypothetical). The stress testing exercise in connection with the ICAAP is on its way in the project work plan.

- (v) **Efficient use of capital**

In order to maintain adequate Capital and put to use the same more efficiently, the Bank shall proactively engage in managing the use of Capital by improving the risk management practices and risk governance thereof on an on-going basis, monitoring of quality of assets, periodic assessment and estimation of Capital required vis-à-vis the Bank's projected business growth and capital planning and augmentation thereof, at the appropriate time

MAURITIUS POST AND COOPERATIVE BANK LTD**MANAGEMENT DISCUSSION AND ANALYSIS (Contd)****INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)
PILLAR II OF BASEL II (Contd)****BASEL III**

Basel III is a comprehensive set of reform measures, developed by the Basel Committee on banking supervision, to strengthen the regulation, supervision and risk management of the banking sector. The reforms target:

- Bank-level, or microprudential, regulation, which will help raise the resilience of individual banking institutions to periods of stress.
- Macroprudential, system wide risks that can build up across the banking sector as well as the procyclical amplification of these risks over time.

The Basel III reforms will increase the minimum common equity requirement from 2% to 4.5%. In addition, banks including MPCB will be required to hold a capital conservation buffer of 2.5% to withstand future periods of stress bringing the total common equity requirements to 7%.

MPCB has geared itself towards the preparation for Basel III, however, the Bank shall wait for the guideline in this context from the BOM.

Credit risk management

The goal of credit risk management at MPCB is to maximise the return on capital by maintaining credit risk exposure within the Bank's risk appetite, with due consideration being given to the long-term success of the Bank, through effective identification, measurement, monitoring and control of the credit risk inherent in the entire portfolio. Credit risk is defined as the risk of loss arising from the failure of a borrower or counterparty to fulfil its financial or contractual obligations to the Bank as and when they fall due. The Bank manages its credit risk exposure as set in its Credit Policy which is approved by the Board of directors and reviewed once a year. A risk report is submitted to the Credit Risk forum on a monthly basis and to the Board Conduct Review and Risk Management Committee on a quarterly basis to assess the credit risk profile of the Bank. The Monitoring Unit was recently attached and merged to the Risk Management Unit under the Credit risk area, which should give greater focus to managing credit accounts cycle. The credit risk management process covers the entire credit cycle starting from the origination of the credit in the Bank's books to the point the credit is extinguished from the books. The Bank has structured layout and procedures to provide sound practices in the credit processing/appraisal, credit approval/sanction, Credit documentation, credit administration, disbursement, monitoring and control of individual credits, monitoring the overall credit portfolio, credit classification and managing problem credits/recovery.

Credit approval process

To maintain the independence and integrity of credit decision making, the credit approval function is segregated from loan origination. Credit approval authority, which is defined in the Credit Risk Policy, is delegated to Credit Sanction Forum 1, Credit Sanction Forum 2, Board Credit Sanction Forum and ultimately the Board of Directors. In 2009, the Bank implemented a Credit Scoring System which is in line with the principles of Basel II. Key parameters are periodically reviewed to improve turnaround time between origination and disbursement, without compromising on the quality of credit being granted.

Credit risk measurement

Bank measures the credit risk capital requirements by applying the appropriate risk weights to on-going balance sheet and off-balance sheet exposures in line with the Guideline on Standardised approach to Credit Risk issued by the Bank of Mauritius and as required by the Basel II framework. The capital adequacy and return on capital levels for the individual risk categories of the Bank's portfolio are regularly monitored by the Credit Risk Committee against the overall risk-bearing capacity of the Bank, in order to ensure that the Bank, is at all times, maintaining adequate capital to provide for its growth and to support a reasonable measure of unexpected losses.

MAURITIUS POST AND COOPERATIVE BANK LTD**MANAGEMENT DISCUSSION AND ANALYSIS (Contd)****INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)
PILLAR II OF BASEL II (Contd)****BASEL III (Contd)**

The operational aspect of credit risk measurement consists of appraising the track record of customers as appropriate to predict the likely future behaviour of existing accounts for ongoing credit risk management. The frequency of review is increased in the Monitoring Forum in accordance with size and likelihood of potential credit losses to ensure the timely detection of problem loans. Performing exposures are reviewed on a regular basis, with all corporate exposures being examined at the Credit Risk Committee and Board Conduct Review and Risk management Committee. Deteriorating higher-risk exposures are referred to a dedicated team, namely, the Recovery and Work Out Unit for closer scrutiny where appropriate. The Bank's approach to provisioning and loan loss assessment is based on the Guideline on Credit Impairment Measurement and Income Recognition, issued by the Bank of Mauritius. Ultimately the Bank assesses whether the individual business areas provide sufficient contribution to the targeted risk-return profile in order to determine capital allocation that yields the optimum return, achieved by channelling risk capital away from low-return to high-return business areas.

Credit risk mitigation

Various techniques are used to reduce credit risk. First, the Bank ensures that assessment is done on the ability of the borrower to service the loans. This is complemented with the adequate security. The amount and type of collateral required depend on the counterparty credit quality and repayment capacity. Collaterals taken by the Bank include fixed/floating charge on assets, pledge of deposits/shares/insurance policy and guarantees from Government/banks/corporates/individuals. This is documented in policies and procedures, which also cover the valuation and requirement for financial and non-financial collaterals. It also uses netting agreements to minimise exposure at default. The Bank has a set of prudential limits set by the Board to address concentration of risks by counterparties such as countries, sovereign governments, banks and corporate customers. These allow higher exposures to better rated customers and lower exposures to lower rated customers. Excesses are considered individually at the time of credit sanctioning, are reviewed regularly and are reported to the Board Conduct Review and Risk Management Committee.

Credit risk concentration

Credit risk management includes controls on individual borrowers, portfolios, sovereign governments, countries and banks for which limits have been set to reflect the Bank's risk appetite and cap on the exposure for certain high risk and vulnerable sectors. Credit concentration exposures are monitored by the credit risk committee on a monthly basis and reported to the Board Conduct Review and Risk Management committee.

Monitoring and control of individuals credits

To safeguard the Bank against potential losses, problem facilities are identified early. The Bank has a credit monitoring system which provides the basis for taking prompt corrective actions when warning signs point to deterioration in the financial health of the borrower. Examples of such warning signs include unauthorised drawings, arrears in capital and interest and deterioration in the borrower's operating environment. Bank has a system in place to formally review the status of the credit and the financial health of the borrower twice a month. More frequent reviews are also carried out of large credits, problems credits or when the operating environment of the customer is undergoing significant changes.

In broad terms, the monitoring activity of the Bank also ensures that:

- Funds advanced are used only for the purpose stated in the customer's credit application;
- Financial condition of borrower is regularly tracked and management advised in a timely fashion;
- Borrowers are complying with contractual covenants;
- Collateral coverage is regularly assessed and related to the borrower's financial health;
- Contractual payment delinquencies are identified and emerging problem credits are classified on a timely basis; and
- Problem credits are promptly directed to management for remedial actions.

MAURITIUS POST AND COOPERATIVE BANK LTD**MANAGEMENT DISCUSSION AND ANALYSIS (Contd)****INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)
PILLAR II OF BASEL II (Contd)****BASEL III (Contd)****Credit risk concentration limits for large credit exposures**

In December 2008, the Bank of Mauritius amended its Guideline on Credit Concentration Risk. The new Bank of Mauritius regulatory limits are set out below:

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

As at 31 December 2010, no regulatory limit was exceeded in respect of credit concentration risk.

The following table breaks down the Bank's top six group credit exposures.

Group of closely related Customers/ Single customer	Total Fund Based Exposures (Rs m)	Total Non-Fund Based Exposures (Rs m)	Set-off (Rs m)	Total Exposures (Rs m)	% of Aggregate Amount of exposures after set-off to Bank's capital base
A	335,545	195	-	335,740	43.92%
B	299,729	3,708	-	303,437	39.69%
C	289,754	-	-	289,754	37.90%
D	272,454	16,406	-	288,860	37.79%
E	180,294	53,898	-	234,192	30.64%
F	223,661	693	-	224,354	29.35%
G	174,674	30,558	5,000	200,233	26.19%

Credit risk exposure

MPCB enjoys a well diversified credit portfolio whereby the credit risk is spread across different portfolios as detailed hereunder for the financial year 2010. It is also to be noted that at 31 December 2010, all the sectors were within the internal prudential limits approved by the Board Conduct Review and Risk Management Committee.

Portfolios	December 2010 (%)
Agriculture and Fishing	9.94%
Manufacturing	5.93%
Commercial Construction	8.56%
Housing-Retail	16.29%
Real Estate Development	11.58%
Infrastructure	3.59%
Traders	12.63%
Transport	2.85%
Tourism	9.28%
Services:	
Financial & Business Services	2.71%
Professional	1.21%
Education	2.44%
Media, Entertainment & Recreation	0.28%
Personal, other customers, Statutory & Para statal bodies	12.10%
New economy	0.62%
Total	100.00%

MAURITIUS POST AND COOPERATIVE BANK LTD**MANAGEMENT DISCUSSION AND ANALYSIS (Contd)****INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)
PILLAR II OF BASEL II (Contd)****BASEL III (Contd)****Related Party Transactions**

A “related party” means:

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

The Bank of Mauritius Guideline on Related Party Transactions is considered to be more stringent than IAS 24, *Related Party Disclosures*. In fact, the Guideline’s definition of “significant interest” in a financial institution has the same meaning as the Banking Act 2004 which defines significant interest as owing, directly or indirectly, 10% or more of the capital or of the voting rights of the Bank or directly or indirectly exercising a significant influence over the management of the Bank as the Bank of Mauritius may determine.

The Bank adheres to the guideline and as at 31 December 2010, total related parties transactions for non-exempted exposures was nil and for exempted exposures was 33.05% of the Bank’s Tier 1 Capital respectively. None of the facilities granted to related parties was impaired. All exposures to related parties are reported at least every quarter to the Conduct Review Committee and Risk Management Committee.

Market risk

Market risk is the risk of loss arising from activities undertaken in, or impacted by, financial markets generally. This includes both market price risk as well as ancillary risk such as liquidity and funding (liability) risk.

The framework for market risk is set out by the Bank’s risk management policy. The Bank’s risk management policy covers the policies, principles and main functional responsibilities in relation to the management of market risk to be applied across MPCB.

Asset and Liability Committee (ALCO)

The main purpose of ALCO is to ensure that the overall asset/liability and market risk mix within the MPCB is constantly managed within limits and targets set by the Risk Management Policy and in accordance with the guidelines laid down by the Bank of Mauritius. Chaired by the Chief Executive Officer, ALCO comprises key members of Senior Management who meet monthly to review the end of month balance sheet, specific market risk situation as well as information on local financial markets.

ALCO has been particularly proactive in the midst of current global financial crisis in managing the liquidity risk of the Bank. Overall, whilst the Treasury Unit ensures sufficient funds are available at reasonable cost to meet obligations on a timely basis, effective liquidity management is further underpinned by the flexibility provided by funding sources to manage cash flows and liquidity needs, the focus on judicious risk-return profiles of investment portfolios and the monitoring of all-inclusive reputation, strategic, credit, interest rate and price risks to earnings or capital.

MAURITIUS POST AND COOPERATIVE BANK LTD**MANAGEMENT DISCUSSION AND ANALYSIS (Contd)****FOREIGN EXCHANGE RISK****Foreign Exchange Risk**

Foreign Exchange risk (FX risk) is defined as ‘the risk the Bank’s foreign currency positions will be adversely affected with the movements in exchange rates between one currency and another’.

MPCB manages FX risk as a whole, whether arising from its day-to-day trading decisions or embedded within the balance sheet. For trading activities involving FX risk, MPCB allocates trading limits which specify the maximum trading positions.

Foreign exchange movement

Table 1 depicts the monthly average movements of GBP/MUR for the past 3 years

GBP depreciated against MUR by 20.70% from January 2008 to December 2008. In the year 2009, GBP appreciated slightly vis-à-vis the MUR by 4.16%. Last year, the GBP slightly depreciated by 1.98% against MUR from January 2010 to December 2010.

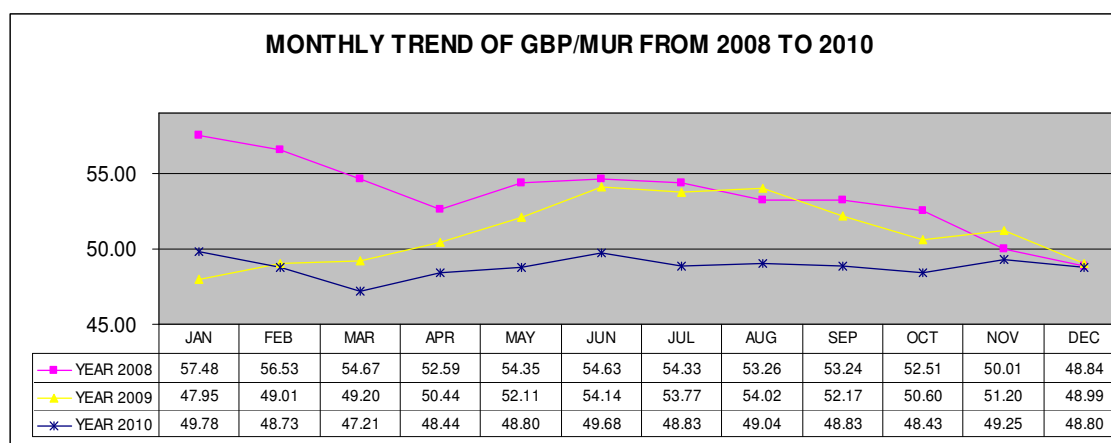
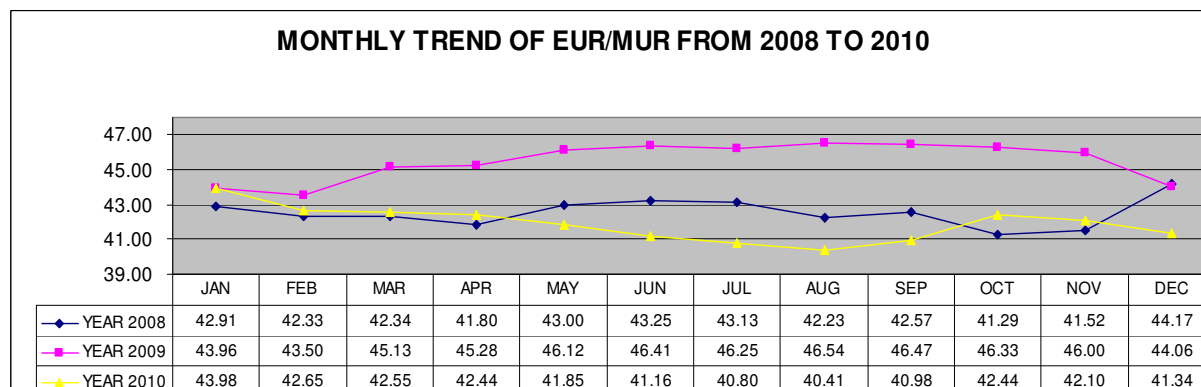


Table2 depicts the monthly average movements of EUR/MUR for the past 3 years

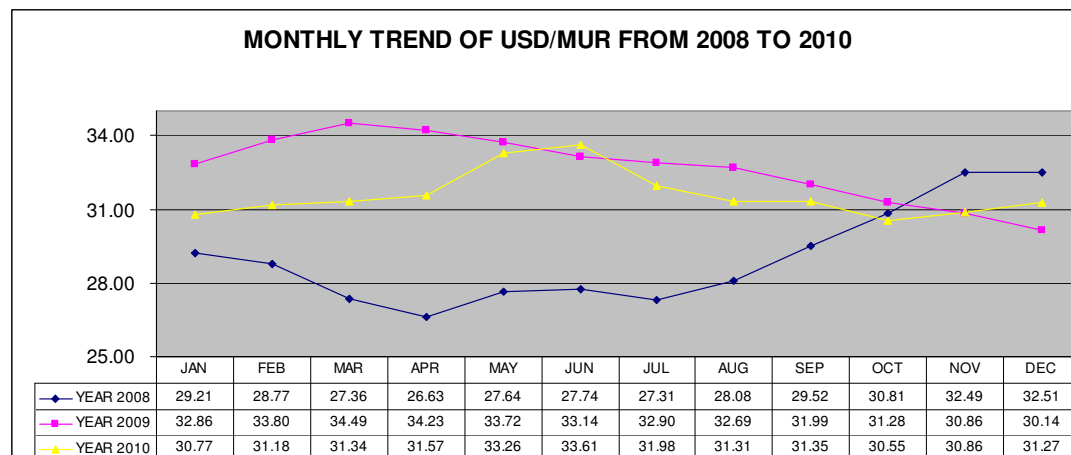
The single european currency appreciated by 3.66% against MUR from January 2008 to December 2008. In the year 2009, the EUR rose by 2.45% from January to December. In 2010, EUR recorded a depreciation of 6.01% against MUR.



MAURITIUS POST AND COOPERATIVE BANK LTD**MANAGEMENT DISCUSSION AND ANALYSIS (Contd)****FOREIGN EXCHANGE RISK (Contd)****Foreign exchange movement (Contd)**

Table3 depicts the monthly average movements of USD/MUR for the past 3 years

USD, also known as the Greenback, appreciated by 11.11% versus the Mauritian Rupee for the Year 2008. In 2009, the USD fell by 7.80% from January to December. For this same period in 2010, the Greenback slightly appreciated by 1.62% vis-vis the MUR.

**INTEREST RATE RISK**

Interest Rate Risk is defined as *'the exposure of the Bank's financial condition to adverse movements in interest rates.'*

One of the main sources of interest rate risk relates to timing differences between the interest rate dates of banks assets, liabilities and off- balance sheet positions. MPCB manages interest rate risk in the trading and non-trading books (i.e. across the whole balance sheet) by setting gap and cumulative mismatch targets based on maturity/repricing schedule. The purpose of these targets is to set benchmarks which are intended to limit the amount of interest rate exposure at different points in the interest rate maturity spectrum.

LIQUIDITY RISK

Liquidity Risk is defined within the MPCB as *'the risk that, at any time, MPCB does not have sufficient realisable financial assets to meet its financial obligations as they fail due'*.

The management of liquidity risk at the MPCB is undertaken under the framework issued by the Bank of Mauritius in its Guideline on Liquidity.

The liquidity policy of the MPCB seeks to ensure that the Bank;

- Can meet its financial obligations as they fall due in the normal course of business; and
- Maintains an adequate stack of highly liquid assets to cater for unexpected funding needs at short notice

This policy requires the establishment and maintenance of three mutually supporting lines of defence namely:

- Cash flow management-where the MPCB creates a continuously maturing stream of assets and liabilities through time;
- Maintenance of a portfolio of liquid assets; and
- Maintenance of a diversified liability base.

MAURITIUS POST AND COOPERATIVE BANK LTD**MANAGEMENT DISCUSSION AND ANALYSIS (Contd)****OPERATIONAL RISK**

Operational risk is ‘the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk, but excludes strategic and reputational risk’. This definition delineates the pervading nature of operational risk which requires a concerted effort for its proper identification, assessment, monitoring, controlling and mitigation.

The Basel committee paper on operational risk and sound practices categorises operational risk practices under the seven main heads as under:

Internal Fraud	For example, intentional misreporting of positions, employee theft, insider trading on an employee’s own account or on a customer’s account by an employee.
External Fraud	For example, robbery, forgery, and damage from computer hacking.
Employment practices and workplace safety	For example, workers compensation claims, violation of employee health and safety rules, organised labour activities, discrimination claims, and general liability.
Clients, products and Business practices	For example, fiduciary breaches, misuse of customer confidential information, improper trading activities on the bank’s account, money laundering, and sale of unauthorised products.
Damage to physical assets	For example, terrorism, vandalism, earthquakes, fires and floods.
Business disruption and System failures	For example, hardware and software failures, telecommunication Problems and utility outages.
Execution, delivery and process management	For example, data entry errors, collateral management failures, incomplete legal documentation, unapproved access given to client accounts, and vendor disputes.

MPCB recognises the challenges emanating from the management of operational risk which is inherent to all aspects of a business. As such, it has implemented the appropriate framework, policies and standards required to ensure the sound management of operational risk. The operational risk management framework and the computation of the operational risk capital charge at the MPCB follows the requirements of the Basel II Basic Indicator Approach, providing the measurement methodology for the Bank as per the Bank of Mauritius guideline.

In line with Bank of Mauritius recommendations and as part of MPCB’s Basel II preparation for the Advanced Measurement Approach, the Bank has established a comprehensive loss events and incidents database to monitor changes in the operational risk profile. All major operational risk issues are reported and discussed at the monthly Operational Risk Forum and quarterly at the Board Conduct Review and Risk Management Committee.

The key operational risk indicators including the operational losses and the compliance certificates of staff across all areas of operations are tracked by the Operational Risk Management team to provide potential early warning of increased risk associated with non-attainment of control objectives. These are reported monthly to the Operational Risk Forum and quarterly to the Board Conduct Review and Risk Management Committee.

MPCB promotes an organisational structure that stresses on high levels of the ethical behaviour and integrity across all levels of the organisation whereby each and every employee is responsible for the management of operational risk, with additional encumbrance on head of departments, supervisors and branch managers to ensure that there is adherence to operational controls. Segregation of duties is in place between origination, authorisation and execution of transactions to promote better controls and appropriate levels of delegated authority are given to staff based on capability and experience.

Processes and procedures are continuously updated with the introduction of new products and services as well as changing regulations. Staffs are kept abreast of developments in their areas of operation through continuous training.

MAURITIUS POST AND COOPERATIVE BANK LTD**MANAGEMENT DISCUSSION AND ANALYSIS (Contd)****TECHNOLOGY RISK MANAGEMENT**

Information technology is the most effective tool to add value to our business process, face business challenges, rendering up-to-date standards of customer service and meeting statutory requirements. IT will enable us to gain a competitive edge and to achieve further growth.

During the year 2010, MPCB has worked towards strengthening the risk management culture. As a result of this, the Bank has consolidated its IT Audit and Security Division in a single unit, that will provide guidance about the risk involved in information systems and the controls that should be put in place in order to mitigate risks.

By imparting risk awareness training sessions and reinforcing the level of risk awareness across the organisation, the Bank has conducted a series of information security training that covers the aspect of Business Continuity Planning, Incident Response and Confidentiality of Information with regards to the Data Protection Act 2004. The result is not quantifiable numerically; this has led to noted improvements in the attitude and skills of staff, who displayed a positive behavioural change.

System Auditing and Security

Today, information systems auditing and security has escalated as the subject of high-level attention and many companies are taking up this challenge. The rapidly changing technical environment forces companies to adopt a minimum set of security controls and continuous auditing to protect their information and information systems. Performing information security auditing in an organisation requires a good planning and management support. The IT Audit unit has set up a two year audit plan in line with the Bank's mission and vision to provide full support to the organisation thereby ensuring a sound level in security within the organisation. The plans include regular system audits, implementation of auditing and security tools, planned vulnerability assessment and penetration testing on the Bank's information system.

Data Protection Act 2004 and Data Classification Policy

Following the institution of the Data Protection Act 2004 in 2007, the Bank has taken different initiatives to implement the Act within the organisation. A Data Classification Policy has been drafted and is being implemented within the organisation. This will help to protect information that is critical to the organisation and its customers. The data will be classified according to the risks associated with its storage, processing, and transmission within n outside the organisation.

Payment Card Industry (PCI) Data Security Standard (DSS)

The Bank, to be up to date with the latest level of security has launched itself into the PCI-DSS project. The PCI-DSS was developed by a group of credit card companies such as VISA, Mastercard and American Express, to encourage and enhance cardholder data security and facilitate the broad adoption of consistent data security measures globally. The PCI-DSS is made up of a set of twelve general compliance requirements organised around six primary goals. Each of the twelve requirements has more specific compliance steps and they all add up to a comprehensive information security program for protecting credit card numbers and other sensitive cardholder data from loss or compromise. The Bank is planning to be PCI-DSS compliant by 2015.

Business Continuity Plan (BCP)

The Bank's network infrastructure and IT System have undergone major change this year so as to provide better service to its customers. Following this change, MPCB has reviewed its Business Continuity and Disaster Recovery Plan into a more updated one so as to facilitate employees to be more reactive into the recovery of IT and business systems following any major disruption.

COMPLIANCE FUNCTION

The purpose of compliance function is to ensure that all business transactions and activities comply with appropriate laws, regulations, policies, guidelines and ethical standards.

MAURITIUS POST AND COOPERATIVE BANK LTD**MANAGEMENT DISCUSSION AND ANALYSIS (Contd)****TECHNOLOGY RISK MANAGEMENT (Contd)****COMPLIANCE FUNCTION (Contd)**

At MPCB, the compliance function not only monitors compliance with guidelines and report exceptions but also works internally with colleagues and externally with counterparties to remedy all infractions and prevent their recurrence.

The compliance function at MPCB is as per the good corporate governance practices. This unit is fully operational and attends regularly all the Compliance Committee Meetings organised by the Bank of Mauritius.

Anti-Money Laundering

The MLRO monitors regularly the movements and transactions in all accounts. Enhanced due diligence and a risk focused approach is adopted to detect and report any suspicious activities and behaviour in customers transactions to relevant authority in order to ensure regulatory compliance and to maintain corporate integrity, confidence and institutional reputation.

Know Your Customer Principle

The Compliance Unit has an ongoing commitment to ensure that MPCB remains fully compliant with the KYC guidelines and Bank's KYC principles on compliance issues are monitored.

INTERNAL AUDIT

Internal audit at MPCB performs an independent appraisal of the Bank's compliance with internal control systems, accounting practices, information systems, providing assurance regarding the Bank's corporate governance, control systems, and risk management processes. This function is guided by the Code of Corporate Governance whereby the Head of Internal Audit reports directly to the Audit Committee which comprises mainly of independent directors.

MANAGEMENT COMMITTEES

The daily affairs and running of the Bank have been delegated to management. Issues are discussed, risks and reward trade offs are analysed, and decisions are taken unanimously in different management forums. These forums meet regularly and comprise Senior Management and Management Cadres from different units.

All matters discussed and decisions taken are escalated to the monthly meeting of the Board of Directors for information.

Credit Sanctioning Forum (CSF)

This Forum meets daily and reviews, approves and analyses all credit facilities / exposure below a threshold of Rs 5.0 million.

Operations Risk Forum

The Operations Risk Forum reviews the internal control of the business units and makes suitable recommendations to improve the internal controls systems, business conduct/practices, risk aspects and processes. This Forum meets on a monthly basis.

Credit Risk Forum

The Credit Risk Forum reviews the credit exposures and concentration, non-performing accounts, group exposures, related party transactions and any other relevant matters pertaining to credit risk. This committee meets on a monthly basis or earlier when need is felt.

MAURITIUS POST AND COOPERATIVE BANK LTD**MANAGEMENT DISCUSSION AND ANALYSIS (Contd)****MANAGEMENT COMMITTEES (Contd)****Asset and Liability Management Committee (ALCO)**

ALCO meets weekly and also monthly to oversee the Bank's liquidity risk, interest rate risk, foreign exchange risk management and treasury matters. The role of ALCO is to set and oversee broad policy for managing the Bank's statement of financial position based on a detailed analysis of risk return trade off; develop guidelines and limits for operating units and treasury; monitor that those limits are adhered to and that the strategy of the Bank is in line with the Bank's budget and risk management objectives. This Committee monitors the interest margin between assets and liabilities, the cash flow position and liquidity ratio, deposit concentration and also manages the earnings at risk by conducting stress test scenarios and changing market conditions.

IT Risk Forum

The IT Risk Forum is set up to discuss IT Operational and IT security issues. It discusses information security aspects, information security infrastructure, security of third party access, security incidents and malfunctions, physical security perimeter, physical entry controls, equipment security, cabling security, network routing and access control, power supplies, business continuity impact analysis, security in development and support process, security in system files, security in application systems, operating system access control, system planning and acceptance etc.

Management Procurement Committee

The Management Procurement Committee manages the procurement activities. It makes recommendations for certain recurrent and capital expenditure for the Bank.

Facilities Management Forum

The Facilities Management Forum's main functions consist in developing work place strategies, proper office space management to render organisational operations more cost effective, maintenance, repairs and upkeep of building, equipment and furniture, energy conservation and best practices relating to utilities management, waste management and general cleaning management, stock management and procurement policies.

Product Development Forum

This Forum meets to evaluate, discuss and propose new, innovative and customer oriented features to promote the Bank's products and services. Research work plays an integral part of this Forum and new ideas are discussed, feasibility study conducted before implementation.

Health and Safety Forum

As per the Occupational Safety, Health and Welfare Act, the Bank has its Health and Safety committee which sits every two months to review health and safety in general in the head office as well as in branches.

The health and safety function is outsourced and the service provider acts as an advisor to the Bank on health and safety issues and it ensures that the provisions in the Act are respected.

Strategic Marketing Forum

The Marketing Plan is evaluated and monitored on a monthly basis and new strategies are discussed and implemented to be in line with the Bank's objectives. This Forum ensures that the Bank is constantly present in the market and new strategies are developed to enhance the Bank's image with particular emphasis on customer service.

MAURITIUS POST AND COOPERATIVE BANK LTD**MANAGEMENT DISCUSSION AND ANALYSIS (Contd)****MANAGEMENT COMMITTEES (Contd)****Project Steering Committee**

The Project Steering Committee is a high level powered committee which monitors all issues pertaining to all projects in the Bank. This Committee meets on a monthly basis. Head of units report on the various tasks assigned to them and progress and problem encountered, if any.

The Project Management Committee handles the projects at a micro level whereas the Project Steering Committee looks at it at a macro level.

The way forward

With the above background, the team at MPCB will continue to strive towards excellence in an endeavour to deliver better service quality every year to its present and prospective customers.

Disclaimer

Several forward-looking statements relating to the Bank's business strategy, plans and objectives have been embedded in the Management Discussion and Analysis document. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. Readers of the document are therefore advised not to place undue reliance on the forward-looking statements as a number of factors may cause actual results to differ from targets, expectations and estimates made initially. The MPCB does not undertake to update any forward-looking statement that may be made from time to time by the organisation or on its behalf.

MAURITIUS POST AND COOPERATIVE BANK LTD**ADMINISTRATIVE INFORMATION****MANAGEMENT TEAM****BEEHARRY, Rajiv Kumar
Chief Executive Officer**

BSc (Hons) in Management Information Systems, Masters in Business Administration – Indiana University of Pennsylvania, United States of America.

Qualified General Securities Representative from New York Stock Exchange. Was Senior Manager at BDO De Chazal du Mée and Managing Director of State Investment Corporation. Has wide experience in the field of finance, having worked as Financial Consultant for many years and having sat as Chairman and/or Director on the board of more than 30 companies, both in the public and private sectors.

**THONDRAYEN, Pavaday
General Manager**

Diploma in Business Management
Masters in Business Administration, University of Surrey.

Had been manager and senior manager in various fields of banking with 15 years in international banking and 3 years as Chief Executive Officer of the Indian operations of the SBM Group, based in Mumbai, India. Has more than 30 years banking experience at senior management position and was also Deputy Chief Executive Officer at Banque de Mascareignes.

**MYKOO, Rajesh David
Finance Manager/ Company Secretary**

Diploma in Management Studies, FCCA, MBA

Has over 27 years experience in accounting and finance of which more than 15 years at senior management position. Joined the bank in 2005.

**ACHARUZ -SAWOKY Gayetree Sunita
Head of Risk Management**

B.Com (Hons), MBA, ACCA, Certified Project Leader.

Has over 12 years banking experience at various levels.

**CHEDUMBRUM, Mardaymootoo Pillay
Head of Operations Management**

International Programme on Development Banking & Course on Operational Risk Management.

Has 32 years experience in the banking sector at various levels.

**DURBARRY, Rabindrasing
Head of Strategic Marketing**

Diploma in Management, Indira Gandhi National Open University, New Delhi, India (IGNOU)
MBA with specialisation in Human Resource Management
ACIM, Professional Post Graduate Diploma in Marketing (CIM, U.K)
Certified Project Leader (Associate).

More than 23 years experience in both local and offshore banking.
Over 7 years experience with MPCB as Head (Documentation Unit, Operations Centre, Mobile Sales and Strategic Marketing).

MAURITIUS POST AND COOPERATIVE BANK LTD**ADMINISTRATIVE INFORMATION (Contd)****MANAGEMENT TEAM (Contd)****JUHOOR - NUJEEBUN, Bibi Shameema Khan
Head Internal Audit**

ACCA, Certified Project Leader

Joined the Bank as Internal Audit Supervisor. Has over 10 years banking experience.

**KHODABOCUS, Mohammad Sayyad Ally
Head of ICT Applications**

BSc in Computer Science, Certified Project Leader.

Has over 21 years working experience of which 10 in banking.

**LUXIMON Sanraj
Head Recovery and Work Out**

MBA, FCCA, BSc(Hons)

Has over 10 years banking experience.

**MUHEM, Dharmarajan Vimen
Head of ICT Systems**

Certificate in Banking Studies & Computer Programming, Certified Project Leader, Business Continuity Certified Specialist, Diploma in Management (University of Leicester).

Has 20 years banking experience.

**PARAN, Govinden
Head of Treasury**

FCCA

Has over 17 years banking experience of which 12 years in Treasury Operations.

**POOLOO, Al Maoumar
Head of International Division**

ACI, MBA specialisation in Finance, Certified Project Leader.

Has over 18 years experience in the banking industry at various levels including Corporate and Trade Finance.

**PERMAL, Mardaymootoo
Acting Head of IT Audit**

Masters in Business Administration (MBA)

Bsc (Hons) Information Technology

Diploma in Information Systems

Project Leadership Certificate (PLC)

Certified Information System Auditor (CISA)

11 Years experience in the field of information technology with the last 7 years of experience in IT Risk Management/IT Security/IT Audit in banking sectors.

MAURITIUS POST AND COOPERATIVE BANK LTD**ADMINISTRATIVE INFORMATION (Contd)****MANAGEMENT TEAM (Contd)****LUXIMON - MATHUR, Jessma**
Head of Compliance

BSc (Hons) Mathematics

Joined the Bank as Risk Management Supervisor and has been appointed as Compliance officer in January 2008.
Has over 8 years experience in the banking industry.

DOSIEAH Devendra
Head of Anti Money Laundering

Certificate in Banking Studies, University of Mauritius
Diploma In Business Management, MIM/University of Surrey
MBA, MANCOSA
Project Leadership Certificate (Associate)

24 years of banking experience.

PURMAH, Kumulsingh
Head Corporate Banking

Bachelor of Commerce

Has extensive experience in the banking industry, especially at corporate banking and international business level.

RAMGULAM, Kandarnath
Head of Credit Underwriting

ACIB, BSc in Financial Services

Has over 30 years experience in the banking industry.

RAMKHELAWON, Hemant Kishore
Head of Credit Services

ACCA

Has 21 years banking experience. Joined the Bank as Head of Internal Audit in 2004 and is now the Head of Credit Services.

RAWOTEEA, Yasdeo
Head of Card Division

MBA General, BA in Business Information Technology, Certificate in Banking Studies, Graduate in Card Fraud & Risk Management, Certified Project Leader (Senior)

Has 25 years experience in Banking, ICT and Card Technology and Operations.

MAURITIUS POST AND COOPERATIVE BANK LTD**ADMINISTRATIVE INFORMATION (Contd)****MANAGEMENT TEAM (Contd)**

MEEHEELAUL Manish
Head of Private Banking

ACCA

Certificate Project leader

3 Years in Audit / Consultancy firm with specialisation in Auditing and Liquidation services.

7 Years in Banking.

SEEBOCUS Nitianund
Head of Retail Banking

Has 29 years of experience in Banking sector, as Branch Manager, Personal Banker, Head of Private Banking.

BRANCH MANAGERS

APPADOO, Rajendra
Branch Manager, Curepipe

BETCHOO, Satyandranath
Branch Manager, Quatre Bornes

JUGNAUTH Ravin Kumar
Branch Manager, Lallmatie

PURMAH Indradeosingh
Branch Manager, Goodlands

RUNGASAMY, Ranganaden
Branch Manager, Chemin Grenier

SAWMY, Premendra
Branch Manager, Port Louis

MOHAMUDALLY M. Moonzeer Ali
Branch Manager, Grand Bay

DEEPOO Pounam
Branch Manager, Rose Belle

LATOCHE, Joana
Branch Manager, Mahebourg

LUCHMUN, Harish
Branch Manager, Triolet

KISONAUTH, Viash
Branch Manager, Vacoas

SOHODEB Nitest
Branch Manager, Flacq

AH YAN Meng Ha Estelle
Branch Manager, Rose Hill

MAURITIUS POST AND COOPERATIVE BANK LTD**ADMINISTRATIVE INFORMATION (Contd)****DELIVERY CHANNELS**

Rose Belle Branch
Baramia
Tel: 627-3129
Fax: 627-5600

Mahebourg Branch
Corner Delices &
Marianne Streets
Tel: 631-3268
Fax: 631-3276

Curepipe Branch
Royal Road
Tel: 670-5917
Fax: 670-5918

Quatre Bornes Branch
St Jean Road
Tel: 427-8074
Fax: 427-8097

Lallmatie Branch
Corner Royal
& Tagore Roads
Tel: 418-9674
Fax: 418-9689

Goodlands Branch
Royal Road
Tel: 283-0570
Fax: 283-0515

Flacq Branch
François Mitterrand Street
Tel: 413-0900
Fax: 413-0902

Chemin Grenier Branch
Royal Road
Tel: 622-7420
Fax: 622-6373

Grand Bay Branch
Royal Road
Tel: 263-1870
Fax: 263-1847

Triolet Branch
Royal Road
Anand Square
Tel: 261-8980
Fax: 261-9925

Vacoas Branch
Independence Street
Tel: 697-9362
Fax: 686-7751

Rose Hill Branch
477, Royal Road
Tel: 467-0778
Fax: 465-4703

Port Louis Branch
1 Sir William Newton Street
Tel: 207-9999
Fax: 208-7270

MAURITIUS POST AND COOPERATIVE BANK LTD**FOREIGN CORRESPONDENTS****Standard Chartered Bank New York**

No. 1, Madison Avenue
New York
N.Y, 10010 - 3603
United States of America

ICICI Bank Ltd

ICICI Bank Towers
Bandra-Kurla Complex
Mumbai 400051
India

Standard Chartered Bank Frankfurt (Germany)

Franklinstrasse 46-48
60486 Frankfurt/MAIN
Germany

United Overseas Bank Ltd

80 Raffles Place, UOB Plaza
Singapore 048624

Societe Generale Paris

16, rue Hoche
92972 Paris La Defense Cedex
France

Standard Chartered Bank

30-16, 4 Chome Ogikubo Sugunami-Ku
Tokyo 167-8530
Japan

National Westminster Bank Plc

Overseas Branch
Internatinal Trade & BKG Services
National Westminster Tower
25 Old Bond Street
London EC2N 1HQ
United Kingdom

Credit Suisse

Uetlibergstrasse 231
PO Box 400
CH-8070 Zurich
Switzerland

ABSA Bank

2nd Floor, ABSA Towers North
180 Commissioner Street
Johannesburgh 2001
PO Box 4854
Johannesburgh 2000
South Africa

National Bank of Canada

National Bank Tower
600 da la Gauchetiere Street West
5th Floor
Montreal, Quebec H3B 4L3
Canada

Commonwealth Bank of Australia

Financial Markets Operations
Darling Park Tower 1, Level 27
201 Sussex Street
Sydney NSW 2000
Australia

Standard Bank Of South Africa Ltd

Standard Bank
6th Floor, Entrance 4
3 Simmonds Street
Johannesburg 2001
South Africa

Commerzbank Ag

Financial Institutions
Regional Management Africa
Kaiserplatz
60311 Frankfurt Am Main
Germany

ANZ National Bank Limited

ANZ Centre
23-29 Albert St Auckland
Wellington
New Zealand 6010

Emirates Bank

Beniyas Road
P O Box 2923
Deira Dubai
United Arab Emirates