MCB

annual report 2012

This report has been prepared to assist shareholders to assess the Board's strategies and their potential of success. The statements contained herein may include declarations of future expectations and other forward-looking statements that are based on management's current views and assumptions. These involve risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Readers are advised not to place undue reliance on the forward-looking statements relating to the Group's business strategy, plans, objectives and financial positions as these statements rely on assumptions and hypotheses which inherently represent an accuracy risk. Actual results, performance and events may differ from those in such statements due to general evolution of economic, political and industry conditions, interest rate levels, currency exchange rates as well as changes in laws and regulations and the extent of competition and technological factors. In addition, the MCB Ltd. does not undertake to update any forward-looking statement that may be made from time to time by the organisation or on its behalf.

Contents

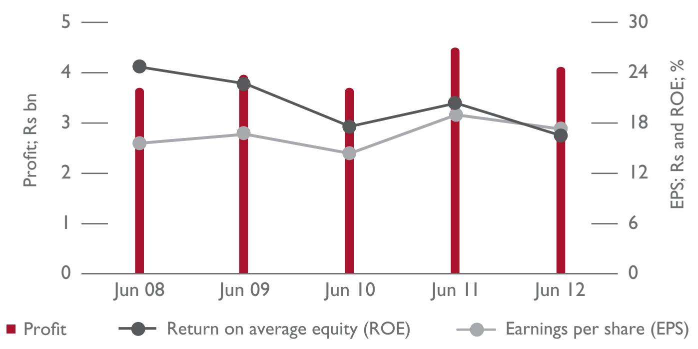
The year in review

Highlights

In spite of the testing economic conditions, the MCB posted a resilient performance

- Group profit attained Rs 4.1 billion during FY 2011/12, i.e. close to the preceding year's results on excluding non-recurrent gains
- Continued balance sheet growth; gross loans up by some 12.1% to Rs 141 billion; deposits rising by 10.8% to Rs 151 billion as at 30 June 2012
- MCB share price of Rs 169 as at 30 June 2012 (2011: Rs 188); dividends per share of Rs 5.85 (2011: Rs 5.75) and net asset value per share of Rs 110 (2011: Rs 99.89)

Profit attributable to shareholders



Note : Earnings for June 08 and June 11 include non-recurrent gains of Rs 425m and Rs 410m respectively while profit for June 10 is affected by a non-recurrent charge of Rs 190m

What We've Done...

Strategic Orientations

- Consolidation of our position on the local front
- Growing our international footprint
- Bolstering our non-bank activities

Our strategic intents

Entrenched diversification strategy

- Pursuance of 'Bank of Banks' strategy to meet the outsourcing needs of regional banks
- Positioning as prominent Mandated Lead Arranger; headway made in structured trade and commodities financing
- Non-bank offerings now including the MCB Retirement Plan and the MCB Fixed Income Fund

Superior customer experience

- Brand image of the MCB reinforced with refreshed visual identity as well as vision and mission statements
- Enhanced setting out of branch network; digital screens promoting the visibility of the Bank's offerings
- Launch of new product bundles for the up-market customer segments
- Financing of landmark corporate projects
- Unflinching support to SMEs
- MCB websites revamped; Internet Banking service improved with new features

Capacity building

- 'Complaints Handling Policy' upgraded, with screens placed in the Bank's network for customer feedback
- State-of-the-art training facilities provided by MCB Development Centre following its relocation at MCB St. Jean
- Deployment of a technology-driven platform for e-learning
- Launch of a reference manual on banking law
- Dedicated programmes to foster HR development and staff welfare
- Full-fledged risk management training and awareness programme devised for Group Risk SBU staff
- Internal Capital Adequacy Assessment Process refined

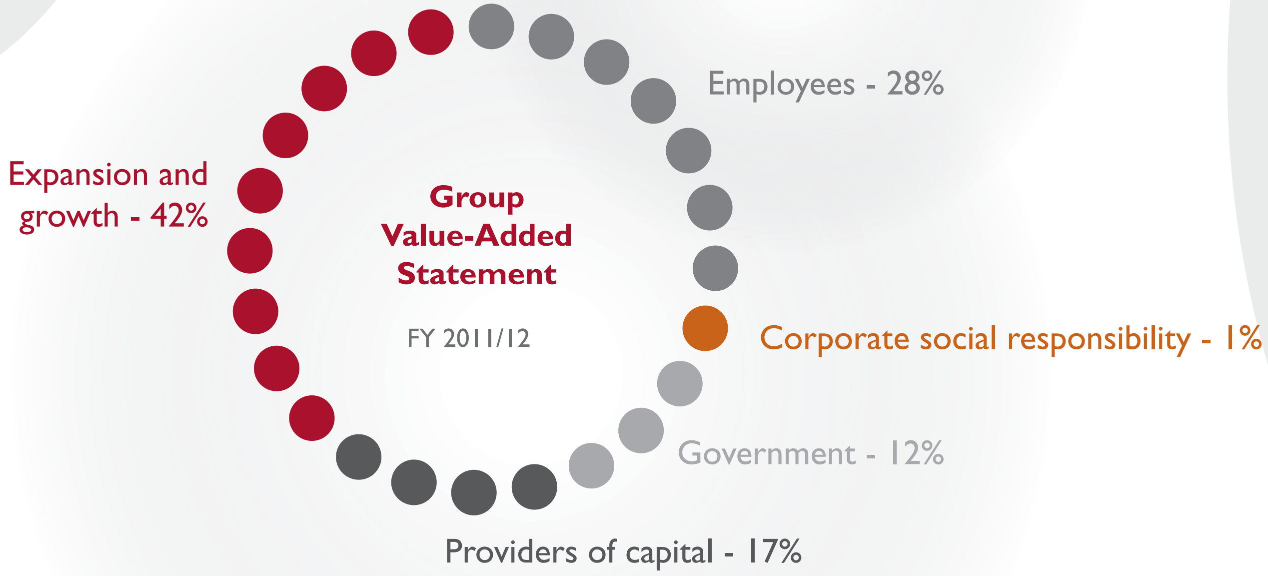
Contribution to sustainable development

- Fulfilment of corporate social responsibility mandate
- Pursuance of 'Initiative 175' in favour of the environment
- Adoption of the Equator Principles to better manage social and environmental risks in project financing
- Prime provider of 'Green loans' in partnership with 'Agence Française de Développement'

Group Financial Summary

	2012	2011	2010	2009	2008
Income statement (Rs m)					
Operating profit	4,873	5,082	3,817	4,406	3,820
Profit after tax	4,147	4,517	3,420	4,046	3,886
Profit attributable to ordinary equity holders of the parent	4,115	4,491	3,413	3,964	3,694
Statements of financial position (Rs m)					
Total assets	191,410	172,689	162,739	150,476	132,972
Total loans (net)	137,641	122,440	109,442	96,859	77,552
Total deposits	150,877	136,210	132,484	121,241	105,487
Shareholders' funds	26,136	23,729	20,319	18,574	16,346
Tier 1 capital	24,094	21,772	18,851	17,517	14,704
Risk-weighted assets	192,431	163,397	146,928	135,222	110,301
Performance ratios (%)					
Return on average total assets	2.3	2.7	2.2	2.8	3.0
Return on average equity	16.5	20.4	17.6	22.7	24.8
Return on average Tier 1 capital	17.9	22.1	18.8	24.6	27.8
Non-interest income to operating income	36.2	37.7	35.6	39.0	44.0
Loans to deposits ratio	93.4	92.3	84.9	82.7	76.5
Cost to income ratio	46.1	42.6	46.5	42.1	42.9
Capital adequacy ratios (%)					
Capital & reserves/Total assets	13.7	13.7	12.5	12.3	12.3
BIS risk adjusted ratio	13.2	15.0	14.9	15.1	16.9
of which Tier 1	12.5	13.3	12.8	13.0	13.3
Asset quality					
Non-performing loans (Rs m)	6,277	4,346	4,336	4,809	4,692
NPL ratio (%)	4.5	3.4	3.9	4.8	5.8
Allowance for loan impairment losses (Rs m)	3,271	3,276	3,054	3,377	3,196
Provision coverage ratio (%)	52.1	75.4	70.4	70.2	68.1

The year in review



Wealth created: Rs 8.3 billion

The Banker (July 2012)

662nd Among the Top 1000 Banks in terms of Tier 1 capital

118th In terms of soundness

166th Profit on average capital

41st Return on assets

18th In Africa Top Bank in East Africa

62nd Among the Top 100 companies in Africa in terms of market capitalisation *(African Business, April 2012)*

43rd Among the Top 200 banks in Africa in terms of assets *(Jeune Afrique - The Africa Report 2012)*

A leading regional bank in terms of profitability *(Eco Austral)*

Awards and Recognition

Best Local Bank in Mauritius in the *EMEA Finance African Banking Awards 2012*

Best Bank in Mauritius in the *Euromoney African Awards for Excellence 2012*

Best Emerging Market Bank 2012 (Country winner - Mauritius) in the *Global Finance Magazine*

Best SEM-7 Company, On-line Reporting and Corporate Governance Disclosures Awards, in the *PricewaterhouseCoopers Corporate Reporting Awards 2012*

Performance Excellence Award attributed by *Citibank* for straight-through processing rate for payments and transfers

HR Excellence Awards 2011 for Mauritius granted by the *Human Resource Development Council*

MCB, Superbrand - Only local bank to be referenced by *Superbrands* in their first edition for Mauritius

Corporate information

About the MCB Group

Incorporated in 1838, the Mauritius Commercial Bank Ltd. (MCB) is the leading banking institution in Mauritius, while being an increasingly prominent financial services player in the region. It is listed on the Stock Exchange of Mauritius since 1989 and is the largest quoted company thereon.

Besides playing an influential role in the socio-economic development of the country, the Group consistently relies on its sound business model to pursue a sensible diversification strategy, alongside consolidating its domestic banking operations. The MCB is an integrated banking group offering a wide range of financial services including retail, business and corporate banking, factoring, leasing, global business, wealth management and Investment products and services.

The Group initiated its expansion beyond local shores in the early 1990's. The Group's representation abroad now spans 8 countries namely Madagascar, Seychelles, Mozambique and Maldives through dedicated subsidiaries as well as Réunion Island, Mayotte, France and South Africa through its associate and representative offices.

Key Facts And Figures

- Market shares of some **40%** in respect of credit to the economy and local currency deposits
- Market share of over **50%** of cards issued domestically
- Highest market capitalisation of **USD 1.4 billion** on the local stock exchange – Share of **24%**
- Over **18,000** local and foreign shareholders
- Around **975,000** individual and institutional customers
- Some **2,800** employees
- **40** local branches / bank kiosks
- **160** ATMs – Share of **37%** of the local ATM park
- Above **5,300** point of sale terminals
- Around **98,000** Internet Banking (IB) customers (o/w **4,175** registered to mobile IB)
- Over **75,000** SMS Banking subscribers
- Some **1,600** correspondents banks worldwide

Moody's Ratings

• Foreign Currency Deposit	Baa1/P-2
• Foreign Currency Issuer	Baa1
• Global Local Currency Deposit	Baa1/P-2
• Bank Financial Strength	D+
• NSR Senior Debt - MTN Program (foreign currency)	Aa3.za
• NSR Subordinated Debt - MTN Program (foreign currency)	A1.za

OUR VISION

Everyday, we will help make something happen

Our Strategies For Growth

Consolidating our position on the local front

By refining our value proposition for our different customer segments through adapted products and services

Growing our international footprint

By expanding our operations in presence and untapped markets, consolidating our involvement with regional and international stakeholders and pursuing our "Bank of Banks" strategy

Bolstering our non-bank activities

By broadening our existing value proposition and by leveraging on the Group's brand franchise, referral and distribution capacity to promote non-bank financial products and services

Our key enablers

- Strong brand franchise
- Sound financial fundamentals
- Innovative and tailor-made products and services in diversified business lines
- Unique customer relationships; judicious business alliances and partnerships
- Ambitious market diversification and sensible risk management
- Continued capacity building as regards people, processes and technology

OUR MISSION

We will keep finding ways
to meet the needs of our customers

We will listen to them
and help them achieve their goals

We will help people
with ideas to be entrepreneurs

We will be worthy of
our shareholders' confidence

We will do what we can
to make the world a better, greener place

And we will never go away

OUR CORE VALUES

Integrity
Honest and trustworthy at all times

Customer care
Delivering unrivalled service

Teamwork
Working together towards a common goal

Innovation
Proactively seeking out new opportunities

Knowledge
Believing in lifelong learning

Excellence
Being the best we possibly can

Corporate information

Our Group Structure

The Mauritius Commercial Bank Ltd.

Corporate Banking | Retail Banking | Cards | International Operations | Global Business | Treasury Operations | Custody Services

Foreign entities

- MCB Seychelles Group (100%)
- MCB Madagascar (85%)
- MCB Moçambique (95%)
- MCB Maldives (99.99%)

- Banque Française Commerciale Océan Indien - Réunion, Mayotte & Paris (49.99%)

Representative offices
- Johannesburg
- Paris

Local subsidiaries and associates

- MCB Capital Markets Ltd. (96%)
  - MCB Investment Services (96%)
  - MCB Stockbrokers Ltd. (96%)
  - MCB Investment Management Co. Ltd. (96%)
  - MCB Registry & Securities Ltd. (96%)
  - MCB Fund Managers Ltd. (96%)
  - MCB Capital Partners Ltd. (96%)
- MCB Equity Fund Ltd. (100%)
- MCB Factors Ltd. (100%)
- MCB Properties Ltd. (100%)
- Fincorp Investment Ltd. (57.56%)
  - Finlease Co. Ltd. (57.56%)
  - Promotion & Development Ltd. (27.31%)
    - Caudan Development Ltd. (20.38%)
- International Card Processing Services Ltd. (80%)
- Credit Guarantee Insurance Co. Ltd. (40%)
- MCB Forward Foundation (100%)
- Blue Penny Museum (97.88%)

● Subsidiaries ● Associates

Figures refer to effective holding of the MCB Ltd.

Our Business Segments

Retail

With its wide-ranging distribution channels, the MCB caters for day-to-day needs of different customer segments as well as small and medium enterprises, while focusing on the requirements of high net worth clients

Corporate

Supporting the needs of operators in established and emerging economic sectors, the MCB provides them with flexible and innovative financial solutions and advice, thus helping to transform opportunities into winning strategies

Cards

By means of its advanced technology, global partnerships and extensive merchant network, the MCB acts as a one-stop-shop for all cards related needs of clients

International operations

The MCB leverages on its network of international correspondents and access to global finance to provide custom-made financial solutions. A cornerstone of our regional diversification is the 'Bank of Banks' initiative which aims to position the Bank as a regional hub in handling trade finance, payments and cards operations outsourcing, amongst others, for banking counterparts

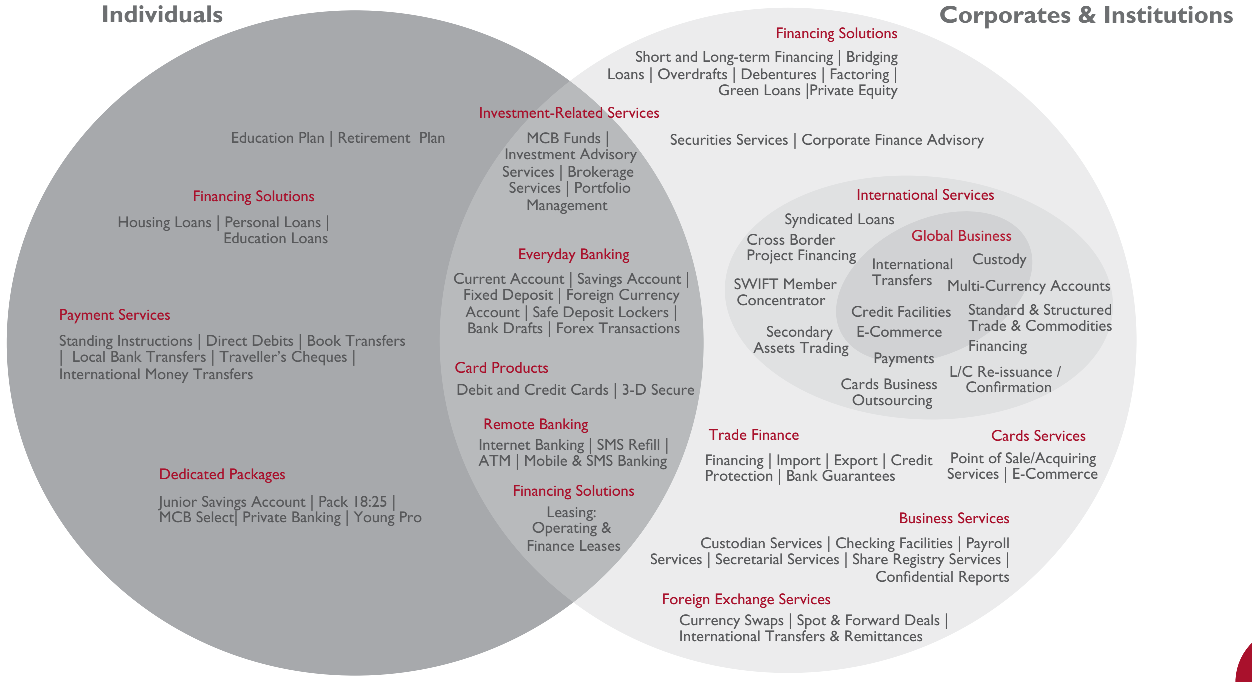
Global Business

Taking advantage of Mauritius as a competent Global Business jurisdiction and the MCB's status as a Foreign Institutional Investor vis-à-vis the Securities and Exchange Board of India, the dedicated unit offers a palette of solutions to meet the needs of clients worldwide, notably offshore companies, funds and trusts

Non-bank financial services

The Group has entrenched its participation in non-bank activities like leasing and factoring as well as comprehensive investor services which are offered by the MCB Capital Markets Ltd. The latter arm accompanies clients over the lifetime of their investments by providing fast and flexible solutions through speciality-driven subsidiaries

Our Tailored Financial Solutions



MCB board and management

Board of Directors

President
J. Gérard HARDY (*Independent*)

Vice President
E. Jean MAMET (*Independent*)

Members
Herbert COUACAUD, C.M.G.
Anil C. CURRIMJEE
Philippe A. FORGET (*Executive*)
Gilles GUFFLET (*Independent*)
Navin HOOLOOMANN, C.S.K. (*Independent*)
Jean Pierre MONTOCCHIO (*Independent*)
Pierre Guy NOEL (*Executive*)
Antony R. WITHERS (*Executive*)
Margaret WONG PING LUN (*Independent*)

Secretary to the Board
Jean-François DESVAUX DE MARIGNY

Committees of the Board

Supervisory and Monitoring Committee

Members	J. Gérard HARDY (*Chairperson*)
	E. Jean MAMET
	Philippe A. FORGET
	Pierre Guy NOEL
	Antony R. WITHERS
Secretary	Jean-François DESVAUX DE MARIGNY

Audit Committee

Members	Gilles GUFFLET (*Chairperson*)
	Navin HOOLOOMANN, C.S.K.
	E. Jean MAMET
	Margaret WONG PING LUN
Secretary	Jean-François DESVAUX DE MARIGNY

Risk Monitoring Committee

Members	E. Jean MAMET (*Chairperson*)
	Jean Pierre MONTOCCHIO
	Pierre Guy NOEL
	Antony R. WITHERS
Alternate	Philippe A. FORGET (*to Pierre Guy Noël and Antony R. Withers*)
Secretary	Denis MOTET

Nomination and Remuneration Committee

Members	J. Gérard HARDY (*Chairperson*)
	Herbert COUACAUD, C.M.G.
	Anil C. CURRIMJEE
	Pierre Guy NOEL
	Jean Pierre MONTOCCHIO (also acts as Secretary)

Conduct Review Committee

Members	Margaret WONG PING LUN (*Chairperson*)
	Gilles GUFFLET
	J. Gérard HARDY
Secretary	Jean-François DESVAUX DE MARIGNY

MCB board and management

General Management

Chief Executive (Group)
Pierre Guy NOEL

Chief Executive (Banking)
Antony R. WITHERS

Deputy Chief Executive (Banking)
Philippe A. FORGET

Chief Managers

Jean-François DESVAUX DE MARIGNY	Head - Group Finance and Company Secretary
Gilbert GNANY	Group Chief Strategy Officer and Advisor to the Board
Eddy JOLICOEUR	Head - Group Human Resources
Alain LAW MIN	Head - Retail
Jean-Michel NG TSEUNG	Head - Corporate

Senior Managers

Paul CORSON	Deputy Head - Corporate
Jean Philippe COUVE DE MURVILLE	Group Chief Engineer
Jean-Michel FELIX	Head - Group Assurance Functions and Project Management
Raoul GUFFLET	Head - International
Hemandra Kumar HAZAREESING	Team Leader - Corporate
Denis MOTET	Head - Group Risk
Bhavish NAECK	Head - Financial Management

Managers

Jocelyn AH-YU	Managing Director - MCB Seychelles
Koomaren CUNNOOSAMY	Team Leader - Corporate
Pratik GHOSH	Head - Global Business
Kent GRAYSON	Head - Organisation & Systems
Vicky HURYNAG	Head - Strategy, Research & Development
Vinoba Devi LALLAH	Head - Banking Products
Roselyne LEBRASSE-RIVET	Group Inhouse Lawyer / Head - Legal / Money Laundering Reporting Officer
Steve LEUNG SOCK PING	Head - Strategic Marketing
Binesh MANGAR	Head - Cards
Didier MERLE	Head - Private Banking
Stephanie NG TSEUNG-YUE	Head - Product Marketing
Abraham RAWAT	Manager - MCB Factors
André WONG TING FOOK	Head - Accountancy

Advisers
Angelo LETIMIER
Jacques TENNANT

The Directors of the Mauritius Commercial Bank Ltd. (MCB) are pleased to submit to the shareholders the Annual Report of the Group and of the Bank for the year ended 30 June 2012.

Overview

The MCB Group has faced up to challenging times during the last financial year amidst increasingly soft economic conditions. Indeed, heightened uncertainty linked to mounting evidence of persisting frailties within the global context, on the back of the lingering euro zone crisis, has exerted downward pressures, albeit to varying degrees, on activity levels in the economies where the MCB Group is involved. In particular, exacerbated by domestic impediments, growth in Mauritius decelerated with a serious cause for concern being the continued sluggishness of private investment. Besides, the operating environment of the MCB Group was exposed to other sources of vulnerability as gauged by the ongoing political deadlock in Madagascar and temporary social unrest in the Maldives in early 2012 whilst sub-optimal conditions prevailed in the local money and foreign exchange markets. Conversely, backing our regional diversification strategy, the sub-Saharan region maintained its growth momentum in line with high commodity prices, enhanced fundamentals and sustained investments amongst other factors.

In the face of this demanding environment, the Group's attributable profits stood at Rs 4,115 million in FY 2011/12, implying an earnings per share of Rs 17.32. Whilst representing a drop of 8.4% as compared to the preceding financial year, it is worth recalling that the latter's results were boosted by significant non-recurrent gains related to an out-of-court settlement and the exit from an equity investment. On the other hand, the Bank in FY 2011/12 benefited from an exceptional net dividend income of some Rs 755 million from its associated company, Banque Française Commerciale Océan Indien (BFCOI), leading to an increase of 14.2% in its results. Excluding these non-recurrent items, net profit of the Bank edged up marginally in the last financial year while Group profitability remained virtually unchanged from FY 2010/11. This performance is deemed to be very encouraging given the current circumstances and highlights the strategic drive of the MCB to consolidate its positioning in the domestic market through a customer-centric approach while duly executing its diversification strategy in terms of its offerings and markets. This stance has contributed to resilient performances across most segments although non-banking activities continued to be beset by financial market volatilities. Noticeably, further progress has been made in respect of the Group's international activities, with the share of foreign-sourced income accounting for around 43% of Group attributable profits in spite of a decline in the contribution from BFCOI given enduring tough market conditions in Réunion Island.

The MCB continues to rely on its sensible business model to pursue its strategic moves with due emphasis being placed on diligent risk management practices. As such, the capital adequacy ratio, at 13.2%, remained comfortably above the regulatory limit whereas asset quality metrics were kept within manageable levels despite a deterioration therein in the wake of the economic slowdown. Moreover, the MCB has sustained its efforts to strengthen its internal capabilities by way of ongoing investment in human capital and leveraging on technological advances for enhanced productivity, while our landmark building at St Jean has become fully operational.

In spite of its strong underlying fundamentals, the share price of the MCB followed a general downward trend in FY 2011/12, reflecting a sharp fall in the first quarter thereof, consistent with the evolution of the SEMDEX. Indeed, the latter has been no exception to the volatility observed in financial markets across the globe as investors displayed heightened risk aversion and nervousness subsequent to rising uncertainties, to a large extent linked to the euro crisis. Whilst declining by 10.1% to reach Rs 169 as at 30 June 2012, the MCB share price performed better than the market and the blue chip index. As at 27 September 2012, the MCB share price stood at Rs 163, representing around 24% of total market capitalisation.

By and large, the MCB has consolidated its overall standing towards its wide-ranging stakeholders as gauged by recognitions obtained at different levels. Conspicuously, the MCB has improved its ranking from the 716th to the 662nd position in the latest listing of The Banker's Top 1000 Banks, making it the only Mauritian bank to feature in the Top 25 Banks in Africa at the 18th place. In addition, the long-term foreign currency deposit rating of the MCB was revised upwards from Baa2 to Baa1 by Moody's following the upgrade of the country's Government bond ratings and foreign currency deposit ceilings in June last. Furthermore, testifying to its commitment to promoting sustainability principles, the MCB was voted as the best organisation for employer of choice and quality of work-life at the HR Excellence Awards for Mauritius whilst remaining closely involved in the community. In addition to Corporate Social Responsibility activities channelled through its dedicated vehicle, namely the MCB Forward Foundation, the MCB pursued its 'Initiative 175' programme with further measures undertaken during the year to foster environment-friendly practices among staff, customers and the population at large. A notable achievement in this respect relates to the adoption of Equator Principles which relate to a voluntary and internationally-recognised set of standards to better manage social and environmental risks in project financing. Besides, the completion of the rebranding exercise marked a cornerstone in the MCB's history in terms of its engagement with stakeholders. Among other things, the entrenchment of a new and contemporary visual identity as well as refreshed vision and mission statements coupled with continued awareness about our values and guiding principles have helped to further promote the distinctiveness of our value proposition and the brand coherence.

Activities and Results

The Group performed reasonably during FY 2011/12 with activities and results across the main business lines holding up relatively well within an exigent context.

In spite of the adverse influences of the economic slowdown and generally low yields on Treasury Bills, Group net interest income grew by 8.5% to Rs 6,385 million while that of the Bank increased by 7.4% to Rs 5,746 million. The good performance was supported by our ongoing efforts to broaden the market base with an increasing international focus.

Net fee and commission income registered strong growth rates of 17.2% and 18.4% at Bank and Group levels, underpinned mainly by international trade finance operations with appreciable performances also recorded in respect of financing, cards and other payments services. Despite an upturn in forex profits, notably linked to the international business, 'other income' at Group level declined by 2.0% to Rs 1,396 million mainly due to the previous year's outcome being boosted by sizeable gains on the exit from an equity investment. On excluding non-recurrent items, 'other income' would have increased by a notable margin.

Consequently, Group operating income went up by 6.0% to Rs 10,008 million, with the rate of increase dampened by the fact that FY 2010/11's figure also included an out-of-court settlement of Rs 250 million. At Bank level, operating income reached Rs 9,514 million, representing an increase of 13.7%.

Reflecting the full impact of substantial capacity-building investments, notably in terms of technology and infrastructure, undertaken in the recent past, operating expenses of the Group increased by nearly 15% to reach Rs 4,616 million, with the corresponding rise at Bank level standing at 13.8%.

Net income from associates of the Group recorded a sharp decline of 43.6% to reach Rs 162 million largely on account of a much reduced contribution from BFCOI. Further impacting Group results have been a substantial rise in credit impairment charges which stood at above Rs 500 million for both the Bank and the Group, in line with market strains observed in the wake of tepid conditions in the domestic economy.

Group attributable profits dropped by 8.4% to reach Rs 4,115 million while results at Bank level were up by 14.2% to Rs 4,460 million primarily due to the receipt of an exceptional dividend from BFCOI. Excluding the latter as well as the significant non-recurrent gains of the previous year, Bank results rose slightly while Group profits remained close to the level attained in FY 2010/11. Earnings per share declined from Rs 18.91 to Rs 17.32.

The overall results of the MCB Group have been underpinned by sustained business growth as indicated by a further rise in total assets from Rs 172.7 billion as at June 2011 to Rs 191.4 billion one year later. Besides, notwithstanding pressures emanating from the difficult environment, financial soundness metrics were kept at fairly comfortable levels.

Dividends and Capital Resources

Despite the restraining impact of the testing conditions on Group results, dividend per share was maintained close to the level of the previous year. Hence an interim dividend of Rs 2.60 per share was declared in December 2011 and paid in January 2012 while a final dividend of Rs 3.25 per share, declared by the Board in June 2012, was paid in July last. Consequently, total dividends paid out during the year amounted to Rs 1,390 million with undistributed profits of Rs 2,725 million carried to reserves. Capitalisation levels remained strong, with Group shareholders' funds increasing by 10.1% to reach Rs 26.1 billion as at 30 June 2012. Notwithstanding the repayment of the subordinated debt, the risk-adjusted capital adequacy ratio, computed under Basel II definitions, stood at a comfortable 13.2% for the Group.

Code of Conduct

The MCB Group is committed to the highest standards of integrity and ethical conduct in dealings with all its stakeholders. The MCB's Code of Conduct, which is regularly updated, is based on the model code of the Joint Economic Council as adapted to meet the specific needs of the Group.

Prospects

There are perceptible signs that the global economy is slowing down, with the recession taking hold in the eurozone likely to exert notable trade and confidence spill-overs on other parts of the world as gauged, for instance, by a relative easing of economic expansion in emerging markets. As a result, depending on their linkages with afflicted regions and country-specific vulnerabilities, the operating environment of economies in which the MCB Group is active is set to remain challenging for some time yet. Specifically, growth of the Mauritian economy is forecast to be sluggish in the short term, which ever more highlights the need for bold and far-reaching policy measures to be undertaken to address competitiveness-hindering factors. In effect, higher pressures on the Bank's operations can be expected on account of difficulties in the export sectors and slow-moving

Report of the directors

private investment, even though a hike in consumption following the implementation of the PRB recommendations could partially prop up activity in the retail segment. Nevertheless, backed by sustained market vigilance, strengthened internal capabilities and its multi-path business development strategy, the Group is well poised to seize the right growth opportunities. In particular, the MCB remains intent on extending and deepening its regional involvement, in the light of the encouraging economic prospects of sub-Saharan Africa.

Statement of Directors' Responsibilities

Company law requires the Directors to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Bank and of the Group. In preparing those Financial Statements, the Directors are required to: ensure that adequate accounting records and an effective system of internal controls and risk management have been maintained; select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; state whether applicable accounting standards have been followed, 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 confirm that they have complied with these requirements in preparing the Financial Statements. The external auditors are responsible for reporting on whether the Financial Statements are fairly presented. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group and of the Bank while ensuring that: the Financial Statements fairly present the state of affairs of the Group and of the Bank, as at the financial year end, and the results of its operations and cash flow for that period; and they have been prepared in accordance with and comply with International Financial Reporting Standards as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder. Directors are also responsible for safeguarding the assets of the Group and of the Bank and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities. Other main responsibilities of the Directors include assessment of the General Management's performance relative to corporate objectives, overseeing the implementation and upholding of the Code of Corporate Governance and ensuring timely and comprehensive communication to all stakeholders on events significant to the Group.

The Board of the MCB, recognising that the Group, as a financial organisation, encounters risk in every aspect of its business, has put in place the necessary committees to manage such risks, as required by Basel II. The Board, whilst approving risk strategy, appetite and policies, has delegated the formulation thereof and the monitoring of their implementation to the Risk Monitoring Committee.

The structures, processes and methods through which the Board gains assurance that risk is effectively managed, are fully described in the Risk Report.

Auditors

The Auditors, BDO & Co, have expressed their willingness to continue in office and a resolution proposing their re-appointment will be submitted to the Annual Meeting.

Obituary

It is with deep regret that we learned, in February last, about the demise of our fellow Director, Mr Sanjiv Goburdhun, who was first appointed to the Board in 2001 and who also served on the Conduct Review Committee and the Risk Monitoring Committee at various points during his tenure. Sanjiv will always be remembered for his dedication and innovative mindset which permeated across his different responsibilities. Indeed, his contribution to the MCB will be greatly missed.

Acknowledgements

On behalf of the Board and on our own, we wish to express our appreciation to the Group's Management and staff for their continued dedication and hard work towards achieving notable financial results in such a challenging operating environment. We also put forward our appreciation to our fellow members of the Board for their diligence and contribution.

Moreover, we extend our warm welcome to Mr. Gilles Gufflet, who joined the Board in December last for the first time and look forward to benefiting from his vast experience in the financial field.

J. Gérard HARDY
President

Pierre Guy NOEL
Chief Executive (Group)

Statement on Corporate Governance

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

The Board of the MCB is fully committed to attaining and sustaining the highest standards of corporate governance with the aim of maximising long-term value creation for the shareholders. This is ensured through bank-wide awareness of its operating ethics and the stewardship and close supervision of the management of the Bank by the Board of Directors. The challenging global economic environment, amidst lingering difficulties in the euro area and their ramifications on other regions of the world, is generating heightened uncertainty and exerting downward pressures on growth prospects. In such a difficult environment, the need for observing highest standards of transparency, accountability and integrity is crucial, and the Board is dedicated to continuously foster a corporate culture that emphasises good corporate governance.

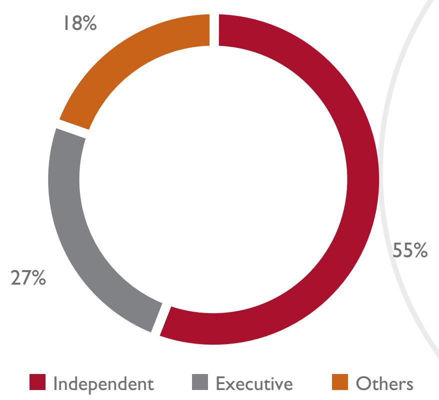
The Company's constitution provides that the minimum number of directors shall be twelve and the maximum number eighteen. In accordance with the constitution, the Board has all the powers necessary for managing, directing and supervising the management of the business and affairs of the Company. The Board is ultimately responsible for the affairs of the Company. The methods through which the Board exercises its powers and discharges its responsibilities are set out in the MCB Board Charter which provides, among others, for the following:

- the composition of the Board with a majority of independent non-executive directors;
- the requirement that the Chairperson of the Board must be an independent non-executive director;
- the creation of Committees;
- a corporate code of conduct addressing, *inter alia*, issues relating to conflicts of interests;
- the establishment of strategic objectives;
- the appointment and remuneration policy of members of the General Management;
- the existence of clear lines of responsibility and accountability throughout the organisation;
- Board performance evaluation;
- the provision to shareholders of timely and transparent information relating to material events; and
- the timely communication to shareholders and the public of accurate financial results.

Approval of the Board is specifically required for, amongst other important matters, modifying the Company's constitution, issuing fresh capital or buying back its own shares, declaring dividends, acquiring or divesting sizeable stakes in subsidiaries or associated companies, making appointments to the General Management, and establishing the remuneration of directors and chief executives.

Following the demise of Mr. Sanjiv Goburdhun in February this year, the Board presently comprises 11 directors: 3 executive and 8 non-executive, of whom 6 are independent. The President and Vice President of the Board are independent non-executive directors.

Board structure and composition



The Board has created five Board Committees to help it in carrying out its duties and responsibilities: the Supervisory and Monitoring Committee, the Audit Committee, the Conduct Review Committee, the Nomination and Remuneration Committee and the Risk Monitoring Committee.

Each committee has its own charter which has been approved by the Board, with such charters being reviewed regularly. Through the deliberations and reporting of its various committees, the Board ensures that Management's daily actions are in line with the Board's objectives and regulatory requirements.

The Board and Senior Management of the MCB are required by the Bank of Mauritius (BoM), the Financial Services Commission and corporate governance best practices to demonstrate, *inter alia,* to the satisfaction of the regulatory authorities, a clear structure for setting out policy and establishing systems of control emanating directly from the Board, which manifestly identify and manage the risks inherent to the businesses of the MCB. To this end, the Board has namely approved the Group Risk Policy relating to credit risk, operational risk and market risk.

In line with such requirements, there is a clear separation between the executive role of day-to-day decisions relating to credit and the Board's role of setting out the credit policy and ensuring that the business is effectively run in accordance with such policy through an adequate organisational structure and proper control and reporting systems.

Regarding risk management in particular, the Bank is compliant with the Basel II Standardised Approach for credit and market risks. The Bank has, since 2009, been working proactively on Pillar 2 of the Basel II framework towards the establishment and refinement of the Internal Capital Adequacy Assessment Process (ICAAP) and is thus adhering to the BoM Guideline on Supervisory Review Process. The Bank has also adopted a formal disclosure policy as defined in the Basel II framework.

Besides optimising shareholder value, the Bank, being particularly conscious of its responsibilities as the major player in the local market, has always supported the generally higher risk businesses associated with new economic initiatives and start-ups whilst contributing to the well-being of the community through an extensive involvement in social actions (humanitarian, educational, environmental and cultural).

The Bank is committed to the highest standards of business integrity, transparency and professionalism and ensures that all its activities are managed responsibly and ethically whilst seeking to enhance business value for all stakeholders. In line with this objective, the Bank issued a Code of Conduct in February 2002, based on the model code of the Joint Economic Council, as appropriately adapted to meet its own specific needs and updated on a regular basis. The Bank adheres to the Mauritius Bankers Association Code of Banking Practice issued in 2007 and subscribes to the Code of Corporate Governance for Mauritius, which was issued in October 2003.

The directors continuously review the implications of corporate governance best practices and are of the opinion that the Bank at least complies with the requirements of the Code of Corporate Governance in all material aspects. Of note, the BoM issued a new Guideline on Corporate Governance in August 2012 with financial institutions under its regulatory purview having to abide by its provisions as from 30 September 2012 or the next Annual General Meeting, whichever is the later.

Corporate governance report

Directorate and Management

Board of Directors

From left to right
Anil C. CURRIMJEE, E. Jean MAMET
Jean-François DESVAUX DE MARIGNY *(Secretary to the Board)*
Navin HOOLOOMANN, Gilles GUFFLET, Margaret WONG PING LUN,
J. Gérard HARDY, Pierre Guy NOEL, Philippe A. FORGET,
Herbert COUACAUD, Antony R. WITHERS, Jean Pierre MONTOCCHIO.

Corporate governance report

Directors' Profiles

The Board comprises 11 members who have a proven track record in various fields, with the average age of the directors standing at 59 years.

The profiles of the directors are provided hereafter.

J. Gérard HARDY - Age 68

After spending 4 years in London having qualified as Certified Accountant, he moved to Paris in 1969 where he qualified as an 'Expert Comptable'. He worked 8 years with KPMG and 17 years with the IP Group before setting up his own consultancy firm. He returned to Mauritius in 2001.

He was first appointed to the Board at the shareholders' meeting of October 2002 and was elected Vice President. In July 2003, at the request of the Board, he chaired the Bank's Management Committee until its dissolution at the beginning of 2005. He is currently President of the Board, Chairperson of the Supervisory and Monitoring Committee and of the Nomination and Remuneration Committee while being a member of the Conduct Review Committee.

E. Jean MAMET - Age 69

Certified Accountant since 1975, he has worked for 40 years in the field of auditing, before retiring in 2003 as Senior Partner of Ernst & Young in Mauritius.

He was first appointed to the Board at the shareholders' meeting of December 2003. He is currently Vice President of the Board, Vice Chairperson of the Supervisory and Monitoring Committee, Chairperson of the Risk Monitoring Committee and a member of the Audit Committee.

Directorship in other listed companies
United Basalt Products Ltd.

Herbert COUACAUD, C.M.G. - Age 64

Holds a BSc in Economics and Mathematics from the University of Cape Town (1971). He has actively contributed to the development of the tourism industry in Mauritius and is the Chief Executive Officer of the New Mauritius Hotels Group.

He was first appointed to the Board in 2002. He is a member of the Nomination and Remuneration Committee.

Directorship in other listed companies
Fincorp Investment Ltd.
New Mauritius Hotels Ltd.
Rogers & Co. Ltd.

Anil C. CURRIMJEE - Age 50

Holds a BA in Liberal Arts from Williams College USA (1983) and an MBA from the London Business School (1988). He is a director of a number of companies within the Currimjee Group, whose activities are organised through six main clusters, namely 'Telecommunications, Media & IT', 'Real Estate', 'Hospitality & Tourism', 'Energy', 'Commerce & Financial Services' and 'Manufacturing, Marketing & Distribution'. He is a former Chairperson of the Mauritius Chamber of Commerce and Industry.

He was first appointed to the Board in 2002. He is a member of the Nomination and Remuneration Committee.

Philippe A. FORGET - Age 62

Holds a BSc (First Class Honours) in Computational and Statistical Science from the University of Liverpool and an MSc (with distinction) in Management & Operational Research from the Imperial College of Science and Technology, London. After working as an economist for 2 years at the Food & Allied Group, he joined the Bank in 1977. He was appointed Assistant General Manager in 1996 and Deputy Chief Executive (Banking) in April 2006. He is a board member of several companies of the MCB Group.

He was first appointed to the Board at the shareholders' meeting of December 2005. He is a member of the Supervisory and Monitoring Committee and also acts as alternate to the Chief Executive (Group) or Chief Executive (Banking) on the Risk Monitoring Committee.

Gilles GUFFLET - Age 67

Fellow of the Institute of Chartered Accountants in England and Wales, he has accumulated wide-ranging experience in the financial services and auditing fields. From 1967 to 2001, he worked at Coopers & Lybrand, France, where he acted as a partner as from 1974. During his career, he has shouldered a wide array of high-level responsibilities. Whilst being a Board member and a member of the Executive Committee of the French firm, he headed the Audit as well as the Finance and Administration departments there and has also served on several committees of Coopers & Lybrand International. Following the merger giving birth to PricewaterhouseCoopers in 1997, he became a member of the new firm's 50 strong Global Leadership team and acted as Financial Controller for Europe, the Middle-East and Africa.

He was first appointed to the Board at the Shareholders' meeting of December 2011. He is currently the Chairperson of the Audit Committee and a member of the Conduct Review Committee.

Corporate governance report

Directors' Profiles *(Cont'd)*

Navin HOOLOOMANN, C.S.K. - Age 53

Holds a First Class Honours degree in Surveying from the University of the West of England and is a Fellow of the Royal Institution of Chartered Surveyors, UK. He has over 25 years of experience in the construction industry internationally. He is the founder and Managing Director of Hooloomann & Associates Ltd., a construction project management and cost management consultancy firm operating in Mauritius, Seychelles, Maldives, Sri Lanka, India and West Africa.

He was first appointed to the Board at the shareholders' meeting of October 2002. He is a member of the Audit Committee.

Jean Pierre MONTOCCHIO - Age 49

Notary Public since 1990, he drew up the new constitution of the Bank and has participated on the National Committee on Corporate Governance.

He was first appointed to the Board in 2001. He is a member of the Nomination and Remuneration Committee and of the Risk Monitoring Committee.

Directorship in other listed companies
Caudan Development Ltd. *(Chairperson)*
Fincorp Investment Ltd. *(Chairperson)*
Promotion and Development Ltd. *(Chairperson)*
New Mauritius Hotels Ltd.
Rogers & Co. Ltd.
ENL Land Ltd.

Pierre Guy NOEL - Age 56

Holds a BSc (Honours) in Economics from the London School of Economics and Political Science and is a Fellow of the Institute of Chartered Accountants in England and Wales. From 1981 to 1991, he worked at De Chazal du Mée & Co. where he became a partner in financial consultancy. He joined the MCB in 1992 as Planning and Development Consultant before being appointed General Manager of the Bank in 1996. In July 2005, he was appointed Chief Executive (Group). He is a board member of several companies of the MCB Group acting either as Chairperson or Director of Banque Française Commerciale Océan Indien, MCB Moçambique, MCB Madagascar, MCB Seychelles, MCB Maldives and MCB Capital Markets Ltd. amongst others.

He was first appointed to the Board at the shareholders' meeting of December 2005. He is a member of the Supervisory and Monitoring Committee, the Nomination and Remuneration Committee and of the Risk Monitoring Committee.

Antony R. WITHERS - Age 58

Holds an MA in Economics from Christ's College, Cambridge and was also awarded an MBA by IMD, in Lausanne, Switzerland. He has accumulated wide-ranging experience in the banking sector shouldering an array of high-level responsibilities in a number of institutions. These include Citibank, Bank of Montreal, S.G Warburg & Co. Ltd., UBS Securities Ltd., Commerzbank A.G, and Lloyds TSB Bank plc where he was Director and Global Head of Financial Institutions & International Trade Finance. He was appointed Chief Executive (Banking) in April 2006. He acted as Chairman of the Mauritius Bankers Association between November 2006 and May 2010.

He was first appointed to the Board at the shareholders' meeting of December 2006. He is a member of the Supervisory and Monitoring Committee and of the Risk Monitoring Committee.

Margaret WONG PING LUN - Age 58

Holds a BA (Honours) in Business Studies (UK) and is a Fellow of the Institute of Chartered Accountants in England and Wales. Prior to joining the University of Mauritius in 1991 where she is a lecturer in Accounting and Finance, she was a Senior Manager at De Chazal du Mée's Consultancy Department. She is a member of the Listing Executive Committee of the Stock Exchange of Mauritius.

She was first appointed to the Board at the shareholders' meeting of October 2004. She is currently Chairperson of the Conduct Review Committee and is a member of the Audit Committee.

Directorship in other listed companies
Terra Mauricia Ltd.

Jean-François DESVAUX DE MARIGNY - Age 58
Secretary to the Board

Fellow of the Institute of Chartered Accountants in England and Wales. Following several years of experience as an auditor in Europe, he joined the MCB in 1986. He was involved in the launching of the Stock Exchange of Mauritius in 1989. He has strongly participated in the development of the MCB's regional network and is a director of a number of subsidiaries and associates of the Group. He is presently responsible for the Group's finances and also acts as secretary to the Board of Directors, the Audit Committee, the Conduct Review Committee and the Supervisory and Monitoring Committee.

Corporate governance report

Committees of the Board of Directors

The composition of the committees of the Board of Directors appears on Page 15 of the Annual Report.

Supervisory and Monitoring Committee

The committee is, subject to any decision which the Board may take from time to time, competent to exercise all or any powers, authorities and discretions vested in or exercisable by the Board with the exception of those set out in the Seventh Schedule of the Companies Act 2001 and those relating to:

- the appointment and remuneration of chief executives and of senior officers who, when appointed, shall form part of the General Management of the Bank; and
- the nomination and remuneration of Directors.

The committee is chaired by the President of the Board of Directors. The other members are: the Board Vice President, the Chief Executive (Group), the Chief Executive (Banking) and the Deputy Chief Executive (Banking). The Company Secretary is the secretary of the committee which meets weekly.

The committee's roles and responsibilities include:

- submitting to the Board the development strategy of the Group;
- setting out the corporate values and principal policies, including the credit policy, in respect of the conduct of the business;
- ensuring that the organisation structure is best suited to the implementation and realisation of such policies and strategy while providing for clear lines of responsibility and accountability;
- delegating authority to the chief executives and supervising the delegation of authority by the chief executives to the members of the General Management;
- ensuring that adequate succession planning exists at senior executive level;
- liaising with all the Board Committees;
- reviewing the yearly budget, the quarterly results and yearly financial statements to be submitted to the Board;
- proposing the dividend policy;
- monitoring strategic alliances and major litigation issues; and
- ensuring that the Board is permanently informed of the running of the affairs of the Group.

Audit Committee

The Audit Committee of the Bank consists of four independent non-executive directors. It meets at least four times a year corresponding to the Bank's quarterly reporting cycle and its principal function is to oversee the Bank's financial control and financial reporting processes. In particular, it reviews the quarterly results and annual financial statements before these are approved by the Board.

The activities of the Audit Committee include, *inter alia*, regular reviews and monitoring of the following:

- the effectiveness of the Bank's internal financial control and risk management systems;
- the effectiveness of the internal audit function;
- the independence of the external auditors and the assessment of the external auditors' performance;
- the remuneration of the external auditors and their supply of non-audit services; and
- the Bank's procedures for ensuring compliance with laws and regulations relevant to financial reporting and with its internal code of business conduct.

In carrying out its responsibilities, the committee meets regularly with the Executive Management of the Bank and regular reports are received from both internal and external auditors. During the course of its regular meetings, the committee also receives oral reports from the Managers of the main business units and, more particularly, from the Heads of the Group Risk and Group Internal Audit. Separate sessions are also regularly held with the External Auditors, without Management being present. The committee has fulfilled its responsibilities for the year in compliance with its terms of reference.

Risk Monitoring Committee

The committee, which meets on a regular basis, consists of the Chief Executive (Group), the Chief Executive (Banking) and a minimum of two and a maximum of three non-executive directors appointed by the Board. The committee is chaired by an independent non-executive director. The Head of Group Risk acts as secretary and the Deputy Chief Executive (Banking) acts as an alternate to the Chief Executive (Group) or to the Chief Executive (Banking) in their absence.

The principal responsibilities of the Risk Monitoring Committee are to:

- monitor the credit risk and market risk portfolios of the Bank, set against the agreed risk appetites as well as the operational risk tolerance in compliance with the Basel II Accord;
- oversee the concentration of risk, in respect to the related guideline issued by BoM in 2009;
- monitor the quality of assets by segment and by product;
- scrutinise the risk profile of large exposures;
- monitor the utilisation of capital to make sure that the Bank has, at any time, a capital adequacy ratio corresponding to at least the regulatory minimum while performing regular stress tests thereon in view of the ICAAP implementation;
- ensure that the Group's security structure is adequate and that appropriate levels of protection for people and the Bank's assets are established;
- ensure that the confidentiality, integrity, availability and protection of the Group's information assets are under constant review and that its information systems software and hardware devices that relate to, and support them are adequate and effective;
- ascertain that adequate measures are taken to ensure compliance with all relevant laws, regulations, codes of conduct and standards of good governance; and
- monitor the foreign country exposure limits once these have been approved by the Board following the recommendations of the Country Risk Committee.

The Risk Monitoring Committee receives regular reports and recommendations following work done by the Group Risk SBU, the Executive Credit Committee, the Assets and Liability Committee, the Operational Risk and Compliance Committee, the Security BU and the Country Risk Committee.

Through its chairperson, the committee reports to the Board in a timely manner on all risk issues that could have an impact on the operations and/or reputation of the Bank.

Nomination and Remuneration Committee

The committee's charter provides that the committee shall consist of four to five members, with a majority of independent or non-executive directors. Presently, the committee consists of five members: the Chief Executive (Group), and four non-executive directors, two of whom are independent.

The committee is responsible for making recommendations to the Board on the appointment of directors, chief executives, and senior officers who, when appointed, shall form part of the General Management. This responsibility includes:

- ascertaining whether candidates are fit and proper persons, have the required skills and expertise, and are free from material conflicts of interest;
- reviewing the Board structure, size and composition (including balance between independent/non-executive/executive); and
- reviewing the composition of the Board Committees, including those of wholly-owned subsidiaries.

The committee is also responsible for making recommendations on the level of the directors' fees, including the remuneration of the Board committee members, to be submitted at the shareholders' meeting as well as the remuneration policy for senior executives and members of the Management.

The Nomination and Remuneration Committee meets at least twice a year and on an ad-hoc basis when required. To fulfil its responsibilities during the financial year ended 30 June 2012, the committee met four times with respect to:

- reviewing the Company's remuneration policies for directors, chief executives and members of the General Management;
- determining and submitting, for Board ratification, individual remunerations for directors and chief executives;
- determining individual remunerations of members of the General Management;
- reviewing individual promotion proposals made by chief executives to and within General Management and making recommendations to the Board thereon;
- undertaking the selection and making recommendations in respect of new Board members and the composition of the Board Committees; and
- reviewing the proposals received for the subsidiaries' boards and making recommendations thereon/ratifying them.

Conduct Review Committee

The committee currently comprises three independent non-executive directors. The Company Secretary acts as secretary to the committee. The committee meets four times a year and is responsible for monitoring and reviewing related party transactions, their terms and conditions, and ensuring the effectiveness of established procedures and compliance with the BoM Guidelines.

The mandate of the committee includes:

- ensuring that policies and procedures have been established by Management to comply with the requirements of the Guidelines;
- periodically reviewing the existing procedures to ensure their continuing adequacy; in particular, ascertaining that they are sufficient to identify any transactions with related parties that may have a material effect on the stability and solvency of the Bank and ensuring that such transactions are properly dealt with;
- reviewing and approving credit exposures to related parties and ensuring that market terms and conditions are applied to all related party transactions; and
- reporting on a quarterly basis to the Board of Directors on matters reviewed by it.

Board and Committee Attendance

The following table gives the record of attendance at meetings of the MCB Board and its committees for FY 2011/12.

		Board of Directors	Board Committees				
			Supervisory and Monitoring	Audit	Risk Monitoring	Nomination and Remuneration	Conduct Review
	Number of meetings held	11	40	4	2	4	4
	Meetings attended						
Executive	Pierre Guy NOEL	11	33	–	1	4	-
Executive	Antony R. WITHERS	11	35	–	2	–	–
Executive	Philippe A. FORGET	10	35	–	1	–	-
Independent	J. Gérard HARDY	11	39	–	–	4	4
Independent	E. Jean MAMET	9	25	4	2	–	-
Independent	Bertrand DE CHAZAL *(until Dec. 2011)*	5	–	2	–	–	2
Independent	Sanjiv GOBURDHUN *(deceased in Feb. 2012)*	7	–	–	–	–	–
Independent	Gilles GUFFLET *(as from Dec. 2011)*	4	–	2	–	–	2
Independent	Navin HOOLOOMANN, C.S.K.	10	–	2	–	3	–
Independent	Jean Pierre MONTOCCHIO	9	–	–	2	4	–
Independent	Margaret WONG PING LUN	11	–	4	–	–	4
Others	Herbert COUACAUD, C.M.G.	10	–	–	–	4	–
Others	Anil C. CURRIMJEE	10	–	2	–	1	–

Chairperson Vice Chairperson

Directors' Interests and Dealings in Shares

With regard to directors' dealings in the shares of their own company, the directors confirm that they have followed the absolute prohibition principles and notification requirements of the model code for securities transactions by directors as detailed in Appendix 6 of the Stock Exchange of Mauritius Listing Rules.

The Company Secretary maintains a Register of Interests which is updated with every transaction entered into by directors and their closely related parties. Such transactions, which have to take place exclusively outside the close periods prescribed by the Stock Exchange Regulations, require the written authorisation of the Board of Directors, through the delegation given to the Supervisory and Monitoring Committee.

All new directors are required to notify in writing to the Company Secretary their holdings in MCB shares as well as those in related corporations. This is entered in the Register of Interests, which is subsequently updated with all relevant movements. The minimum holding of MCB shares required from the directors by the constitution of the Bank is 500.

The following tables give the interests of the directors in the share capital of the Bank and Fincorp Investment Ltd. as well as transactions in MCB shares by directors who have served during the year. None of the directors had any interest in the equity of the subsidiaries of the Bank other than Fincorp Investment Ltd.

Interests in MCB shares as at 30 June 2012	Number of shares	
	Direct	Indirect
J. Gérard HARDY	5,000	-
E. Jean MAMET	149,000	68,523
Herbert COUACAUD, C.M.G.	24,483	258,781
Anil C. CURRIMJEE	5,025	-
Philippe A. FORGET	13,826	39,540
Gilles GUFFLET	500	-
Navin HOOLOOMANN, C.S.K.	55,910	959,029
Jean Pierre MONTOCCHIO	1,000	18,197
Pierre Guy NOEL	1,053,911	28,302
Antony R. WITHERS	70,000	-
Margaret WONG PING LUN	500	12,900

Transactions in MCB shares during the year	Number of shares	
	Purchased	Sold
Gilles GUFFLET	500	-
Antony R. WITHERS	16,175	-

Interests in Fincorp Investment Ltd.	Number of shares	
	Direct	Indirect
E. Jean MAMET	15,000	-
Herbert COUACAUD, C.M.G.	41,587	55,075
Navin HOOLOOMANN, C.S.K.	-	362,200
Jean Pierre MONTOCCHIO	-	9,370
Pierre Guy NOEL	750,166	32,250
Margaret WONG PING LUN	-	10,000

Directors' Remuneration

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

Directors	From the holding company Rs '000	From subsidiaries Rs '000	Total Rs '000
J. Gérard HARDY	2,801	-	**2,801**
E. Jean MAMET	2,142	140	**2,282**
Herbert COUACAUD, C.M.G.	558	38	**596**
Anil C. CURRIMJEE	580	-	**580**
Bertrand DE CHAZAL *(until Dec. 2011)*	453	45	**498**
Sanjiv GOBURDHUN *(until Feb. 2012)*	379	-	**379**
Gilles GUFFLET	462	-	**462**
Navin HOOLOOMANN, C.S.K.	580	-	**580**
Jean Pierre MONTOCCHIO	780	110	**890**
Margaret WONG PING LUN	825	15	**840**
Total Non-Executive	**9,560**	**348**	**9,908**
Philippe A. FORGET	20,429	-	**20,429**
Pierre Guy NOEL	22,100	-	**22,100**
Antony R. WITHERS	20,631	-	**20,631**
Total Executive	**63,160**	**-**	**63,160**
Total (Non-Executive and Executive)	**72,720**	**348**	**73,068**

Net fees from companies where executive directors serve as representatives of the MCB Ltd. are reimbursed to the Bank.

Additionally, directors of subsidiaries, who did not sit on the MCB's Board during the year, received the following remuneration and benefits:

	2012 Rs '000	2011 Rs '000
Executive (Full-time)	60,851	47,595
Non-Executive	3,037	932
	63,888	**48,527**

Directors' Service Contracts

There were no service contracts between the Bank and its directors during the year.

Executive Management

Management Committees

The conduct of business is entrusted to the Management team of the Group which has the responsibility to operate within the strategic framework, risk appetites and policies set by the Board while adhering to regulatory requirements. To this effect, committees involving the Bank's Senior Management have been set up to deliberate on key issues for informed decision making. In particular, oversight and monitoring of the various risk areas within the business are exercised through dedicated standing committees, namely the Executive Credit Committee, the Operational Risk and Compliance Committee, the Asset and Liability Committee, and the Country Risk Committee.

Senior Management Profile

The profiles of Pierre Guy NOEL, Antony R. WITHERS, Philippe A. FORGET and Jean-François DESVAUX DE MARIGNY appear in the Directors' Profiles section.

Gilbert GNANY – Age 50

Holds a Masters in Econometrics from the University of Toulouse and a 'DESS' in Management/Micro-Economics from Paris-X. He is currently the Chief Strategy Officer of the MCB Group while acting as Advisor to the Board. Previously, he was a Board Official/Senior Advisor on the World Bank Group's Executive Board and the Group Chief Economist of the MCB after having been the Economic Advisor to the Minister of Finance. During his career, he has been involved in various high-profile boards/committees. Amongst others, he chaired the Stock Exchange of Mauritius and the Statistics Advisory Council and has been a member of the Board of Governors of the Mauritius Offshore Business Activities Authority. He is currently the Chairperson of the Statistics Board whilst being a director on the Board of Investment and a Senate Member of the University of Mauritius. He is also a member of the IMF Advisory Group for sub-Saharan Africa.

Eddy JOLICOEUR – Age 55

Holds a BA (Honours) in Economics and Social Policy & Administration from the University of Kent and an MSc in Human Resources Management from the University of Surrey. He has known a fulsome career spanning the breadth of the sugar industry namely Deep River-Beau Champ (1983-1990), Mon Desert Alma (1990-1999) and Medine (1999-2000). He joined Rogers & Co. Ltd. in 2000 where he had been the Chief Human Resources Executive until he joined the Bank in August 2008 as Head of Human Resources.

Alain LAW MIN – Age 53

Graduated in Economics with a BA (Honours) and is an Associate member of the Institute of Chartered Accountants in England and Wales. He also holds an MBA from Cranfield University. He is responsible for the Retail SBU which, *inter alia*, consists of the branch network, the Private Banking BU, the Business Banking BU and the Remote Banking BU that manages the Bank's remote delivery channels. Prior to his current position, he launched the leasing, factoring and private banking services of the MCB. He also acted as Project Director for the Business Process Re-engineering exercise initiated with Accenture. Before joining the Bank, he was Senior Manager at De Chazal Du Mée's consulting division.

Jean-Michel NG TSEUNG – Age 44

Graduated with a First Class Honours in Mathematics at the Imperial College of Science and Technology, London. He qualified as a Chartered Accountant out of the London office of Arthur Andersen in 1990 and was made a partner of its local representative office in Mauritius in 1997, acting during his last 4 years with the firm as Head of the Audit and Business Advisory division. He joined the MCB in July 2003, coming from Ernst & Young and is currently Head of Corporate.

Interests in Shares

The interests of Senior Management in the share capital of the Bank and its subsidiaries at the end of the financial year are given hereafter:

	MCB Ltd.		Fincorp Investment Ltd.	
Number of shares as at 30 June 2012	**Direct**	**Indirect**	**Direct**	**Indirect**
Jean-François DESVAUX DE MARIGNY	278,761	267,307	-	88,225
Gilbert GNANY	93,534	-	-	-
Eddy JOLICOEUR	9,289	-	-	-
Alain LAW MIN	146,388	595	51,070	-
Jean-Michel NG TSEUNG	7,885	-	-	-

Related Party Transactions

For the purposes of these Financial Statements, parties are considered to be related to the Group if they have the ability, directly or indirectly, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or vice versa, or if they and the Group are subject to common control. Related parties may be individuals or other entities. The current BoM Guideline on Related Party Transactions, issued in January 2009 is articulated around three main elements:

- the role of the Board of Directors of a financial institution, its Conduct Review Committee and that of its Senior Management in establishing and implementing appropriate policies on related party transactions and administering the process for handling the transactions;
- the definition of the different types of related party transactions and the setting out of regulatory limits on credit exposures to related parties; and
- the definition of basic rules for monitoring and regulatory reporting of related party transactions and their disclosure in the Annual Report.

In fact, the Guideline is more stringent than the applicable International Accounting Standard (IAS 24) in that a person holding directly or indirectly 10% or more of the capital or of the voting rights of the Bank also falls within the definition of related party. As a general rule, all transactions with a related party must be carried out on terms and conditions that are at least as favourable to the Bank as market terms and conditions.

Related party transactions include:

- loans, finance leases and service agreements;
- giving a guarantee on behalf of a related party;
- making an investment in any securities of a related party;
- deposits and placements; and
- professional service contracts.

As regards regulatory reporting on exposures to related parties, the latter are classified into three categories:

1. Directors, their close family members and any entity where any of them holds more than a 10% interest;
   Shareholders owning more than 10% of the financial institution's capital;
   Directors of any controlling shareholder; and
   Entities (excluding subsidiaries) where the financial institution holds more than a 10% interest.
2. Senior Management, their close family members and any entity where any of them holds more than a 10% interest; Senior Management of any controlling shareholder; and Subsidiaries of the financial institution.
3. Senior Management, provided their exposures are within the terms and conditions of their employment contract.

Category 3 above, as well as exposures representing less than 2% of the institution's Tier 1 capital, are excluded from regulatory limits which are set, in aggregate, at 60% of Tier 1 capital for category 1 and 150% thereof for the total of categories 1 and 2.

The Bank's policy on related party transactions sets out the rules governing the identification of related parties, the terms and conditions applicable to transactions entered into with them and reporting procedures to the Conduct Review Committee. Note 36 to the Financial Statements sets out on- and off-balance sheet exposures to related parties as at 30 June 2012.

Aggregate exposure of related parties, excluding exposure of the Bank to subsidiary companies, amounted to Rs 7,263 million (on-balance sheet) and Rs 1,537 million (off-balance sheet), which represented respectively 5.2% and 3.4% of Group loans and Group contingent liabilities as at 30 June 2012.

Exposure of the Bank's top six related parties as at 30 June 2012 were Rs 1,723 million, Rs 1,386 million, Rs 1,067 million, Rs 997 million, Rs 763 million and Rs 747 million. These balances represented 9.6%, 7.7%, 5.9%, 5.5%, 4.2% and 4.1% respectively of the Bank's Tier 1 capital.

None of the loans granted to related parties was non-performing as at 30 June 2012.

Directors of MCB Subsidiaries

The board composition of the Bank's subsidiaries during FY 2011/12 is given hereafter, with the names of corresponding chairpersons as at 30 June 2012 being highlighted.

MCB Madagascar

Jean-François DESVAUX DE MARIGNY
Marc DE BOLLIVIER
Raoul GUFFLET
E. Jean MAMET
Pierre Guy NOEL
Michel PICHON
Patrick RAZAFINDRAFITO

MCB Moçambique

Pierre Guy NOEL
Jorge FERRAZ
Philippe A. FORGET
Raoul GUFFLET
Peter HIGGINS *(as from March 2012)*

MCB Maldives

Pierre Guy NOEL
Jean-François DESVAUX DE MARIGNY
Gilbert GNANY
Raoul GUFFLET
E. Jean MAMET
Laila MANIK
Moossa MOHAMMAD

MCB Seychelles

Pierre Guy NOEL
Jocelyn AH-YU
Jean-François DESVAUX DE MARIGNY
Gilbert GNANY
Raoul GUFFLET
E. Jean MAMET

MCB International Services Ltd.

Jean-François DESVAUX DE MARIGNY
Jocelyn AH-YU

Mascareignes Properties Ltd.

Pierre Guy NOEL
Jocelyn AH-YU
Jean-François DESVAUX DE MARIGNY
Raoul GUFFLET
E. Jean MAMET

MCB Equity Fund Ltd.

Bertrand DE CHAZAL
Jocelyn DE CHASTEAUNEUF
F. Jacques HAREL
E. Jean MAMET
Alternates (as from May 2012):
Pierre Guy NOEL *(to Bertrand de Chazal)*
Gilbert GNANY *(to E. Jean Mamet)*

MCB Capital Markets Ltd.

Pierre Guy NOEL
Bertrand DE CHAZAL
Gilbert GNANY
Marc LAGESSE
E. Jean MAMET
Jeremy PAULSON-ELLIS

MCB Fund Managers Ltd.

Bashirali Abdulla CURRIMJEE, G.O.S.K.
Bernard D'HOTMAN DE VILLIERS
Jocelyn DE CHASTEAUNEUF
Thierry Maurice JAUFFRET
Marc LAGESSE *(until December 2011)*
Shivraj RANGASAMI
Bernard YEN

MCB Investment Services Ltd.

Pierre Guy NOEL
Gilbert GNANY *(as from January 2012)*
Marc LAGESSE *(until December 2011)*
Joel LAMBERT *(as from January 2012)*
Vimal ORI
Akesh UMANEE

MCB Registry & Securities Ltd.

Gilbert GNANY *(as from January 2012)*
Jean-François DESVAUX DE MARIGNY
Marc LAGESSE *(until December 2011)*
Marivonne OXENHAM

MCB Stockbrokers Ltd.

Gilbert GNANY *(as from January 2012)*
Marc LAGESSE *(until December 2011)*
Jeremy PAULSON-ELLIS
Raj TAPESAR *(until April 2012)*

MCB Capital Partners Ltd.

Gilbert GNANY
Marc LAGESSE *(until December 2011)*
Ziyad BUNDHUN *(until September 2011)*
Raoul GUFFLET
Garry SHARP
Bernard YEN

MCB Investment Management Co. Ltd.

Pierre Guy NOEL
Dean D'SA *(as from January 2012)*
Jean-François DESVAUX DE MARIGNY
Philippe A. FORGET
Ameenah IBRAHIM *(as from January 2012)*
Hashim JOOMYE *(as from January 2012)*
Marc LAGESSE *(until December 2011)*
Michaël NAAMEH
Jeremy PAULSON-ELLIS

MCB Factors Ltd.

E. Jean MAMET
Alain LAW MIN
Jean-Michel NG TSEUNG
Margaret WONG PING LUN

MCB Properties Ltd.

Jean-François DESVAUX DE MARIGNY
Philippe A. FORGET
Pierre Guy NOEL

Fincorp Investment Ltd.

Jean Pierre MONTOCCHIO
Herbert COUACAUD, C.M.G.
Bashirali Abdulla CURRIMJEE, G.O.S.K.
Jocelyn DE CHASTEAUNEUF
Michel DOGER DE SPEVILLE, C.B.E.

Finlease Co. Ltd.

Jocelyn DE CHASTEAUNEUF
Jean-François DESVAUX DE MARIGNY
Philippe A. FORGET
Thierry KOENIG
E. Jean MAMET
Jean-Michel NG TSEUNG
Louis Eric Wilson RIBOT

International Card Processing Services Ltd.

Pierre Guy NOEL
Mohamed HORANI
Angelo LETIMIER
Alternates:
Philippe A. FORGET *(to Pierre Guy Noël)*
Jean-François DESVAUX DE MARIGNY *(to Angelo Letimier)*

Blue Penny Museum

J. Gérard HARDY
Philippe A. FORGET
Jean-François DESVAUX DE MARIGNY
Pierre Guy NOEL

MCB Forward Foundation

J. Gérard HARDY
Jean-François DESVAUX DE MARIGNY
Philippe A. FORGET
Gilbert GNANY
Madeleine de MARASSE ENOUF
Pierre Guy NOEL

Corporate governance report

Shareholder Relations and Communication

The Board aims to properly understand the information needs of all shareholders and places great importance on an open and meaningful dialogue with all those involved with the Company. It ensures that shareholders are kept informed on matters affecting the MCB. Besides official press communiqués, occasional letters to shareholders where appropriate as well as the holding of investor meetings and road-shows, the Bank's website, hosted at **www.mcb.mu**, is used to disseminate relevant information. As part of its continuous quest to promote timely and effective communication, the Bank has recently upgraded its website. The aim is to provide an adapted and comprehensive self-service interface for its stakeholders including a revamped investor corner whereby, among other things, the MCB's share price is updated every 15 minutes. Interim and audited financial statements can also be accessed therefrom with the key features of the organisation's financial performance being highlighted in the quarterly Group Management Statement. Overall, open lines of communication are maintained to ensure transparency and optimal disclosure. All Board members are requested to attend the Annual Meeting to which all shareholders are invited.

Material Clauses of the Constitution

There are no clauses of the constitution deemed material enough for special disclosure.

Shareholders Agreements

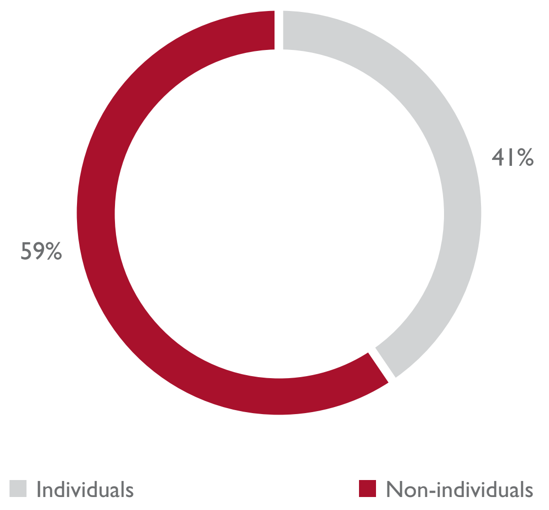
There is currently no shareholders agreement affecting the governance of the Company by the Board.

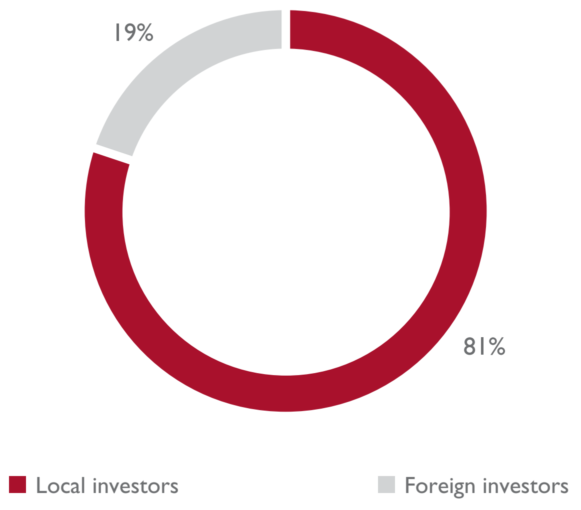
Shareholding Profile

Ownership of ordinary share capital by size and type of shareholding as well as the ten largest shareholders as at 30 June 2012 are illustrated hereafter:

Largest shareholders	Number of shares owned	% Holding
The Anglo-Mauritius Assurance Society Ltd.	6,906,712	2.76
Promotion and Development Ltd.	5,000,000	2.00
National Pensions Fund	4,764,331	1.90
State Street Bank and Trust Co. (A/C The Africa Emerging Markets Fund)	4,349,803	1.74
SSLN c/o SSB Boston Old Mutual Life Assurance Co. (South Africa) Ltd.	4,121,535	1.65
La Prudence Mauricienne Assurances Limitée	4,035,061	1.61
SSL c/o SSB Boston Investec Africa Fund	3,834,137	1.53
Pictet et Cie. (A/C Blakeney LP)	3,638,464	1.45
POLICY Ltd.	3,505,640	1.40
Rose Hill Transport Investments Ltd.	3,067,090	1.22

Size of shareholding	Number of shareholders	Number of shares owned	% Holding
1-500 shares	11,912	1,373,352	0.55
501-1,000 shares	1,467	1,083,043	0.43
1,001-5,000 shares	2,352	5,650,574	2.26
5,001-10,000 shares	726	5,207,026	2.08
10,001-50,000 shares	1,172	27,519,585	10.99
50,001-100,000 shares	305	21,743,269	8.68
Above 100,000 shares	377	175,066,806	69.92
The MCB Ltd. (Treasury shares)	1	12,731,940	5.09
Total	**18,312**	**250,375,595**	**100.00**





Share Price Statistics and Performance

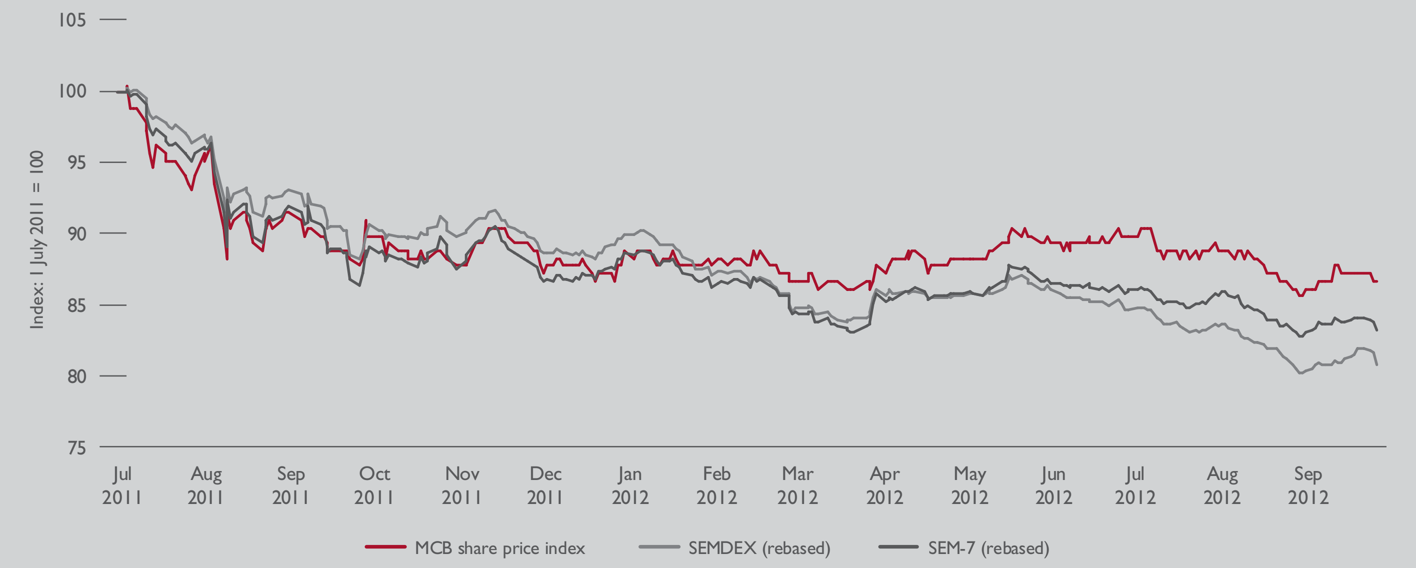
Share price statistics	2012	2011	2010	2009	2008
Investor data					
Earnings per share* (Rs)	**17.32**	18.91	14.38	16.71	15.58
Earnings yield (%)	**10.2**	10.1	10.1	13.3	9.1
Price earnings ratio (times)	**9.8**	9.9	9.9	7.5	11.0
Net assets value per share (Rs)	**109.98**	99.89	85.61	78.29	68.90
Dividends per share (Rs)	**5.85**	5.75	5.25	5.25	4.55
Dividend yield (%)	**3.5**	3.1	3.7	4.2	2.6
Dividend cover (times)	**3.0**	3.3	2.7	3.2	3.4
Market data					
Market price per share (Rs) :-					
High	**189.00**	191.00	151.00	172.00	195.00
Low	**162.00**	137.00	119.00	82.00	101.00
Average	**168.17**	161.81	136.45	125.41	151.75
Closing (Year end)	**169.00**	188.00	142.00	126.00	172.00
Value of shares traded (Rs m)	**2,938**	3,357	3,311	3,906	2,977
Market capitalisation as at June (Rs m)	**42,313**	47,071	35,553	31,547	43,065
Market capitalisation as a % of total market	**25.2**	24.8	23.6	24.1	25.2

** Net results used for the calculation of EPS include non-recurrent items*

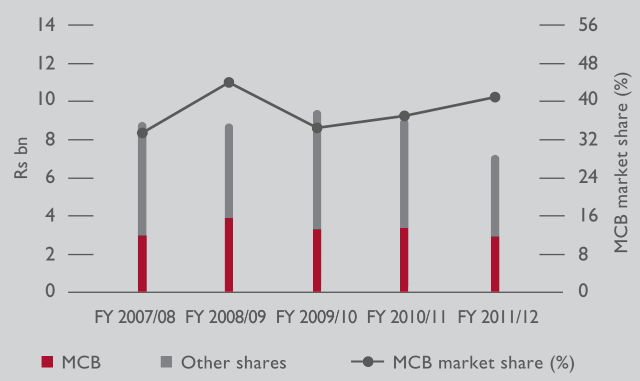
On account of the lingering and exacerbating uncertainties characterising the global economic environment, particularly against the backdrop of the unabated eurozone crisis, world market indices remained highly volatile during FY 2011/12. In fact, advances registered in brief bull periods, amidst policy actions being envisaged and implemented to combat the vulnerabilities in Europe, have been quickly eroded by waves of investor concerns subsequent to the releases of economic data that signalled the deterioration of the world economic sentiment. Similarly, in spite of sporadic signs of upturn, the local bourse generally lost ground during the last financial year. This movement was especially attributable to (i) subdued domestic business confidence linked to specific sector anxieties as testing conditions in the country's main export markets impacted on the earnings and growth prospects of key corporates, and (ii) net disinvestment by foreign investors associated with the overall flight to safety on the back of challenging economic conditions internationally. Subsequently, the benchmark index, the SEMDEX, receded by above 15% over the year ending June 2012, while the SEMTRI, the total return index, was down by nearly 13% in rupee terms over the same period.

In line with domestic trends and weighed down by the sluggish market sentiment, the MCB share price followed a general downward trend during FY 2011/12, mainly attributable to a relatively pronounced decline in the early months of the period. However, underpinned by the solid fundamentals, resilient financial performances and sound strategic orientations of the organisation, the evolution of the MCB share price relatively outperformed industry trends as notably gauged by a fall of around 10% as compared to a correspondingly sharper decline of 14% noted on the 'blue-chips' SEM-7 index. Consequently, the MCB reinforced its flagship position on the local stock market, with its market capitalisation reaching Rs 42.3 billion as at end June 2012, equivalent to a share of 25.2% of the total, the latter figure representing an increase of 40 basis points over the year. Looking ahead, the performance of the local stock market will remain subject to challenging international conditions, with the extent of volatility likely to be linked to the developments in the eurozone and their repercussions elsewhere as well as the degree of resilience of the Mauritian economy and the impact of inherent domestic structural imbalances on activity levels.

Performance of MCB share price vis-à-vis the market



Value of shares traded*

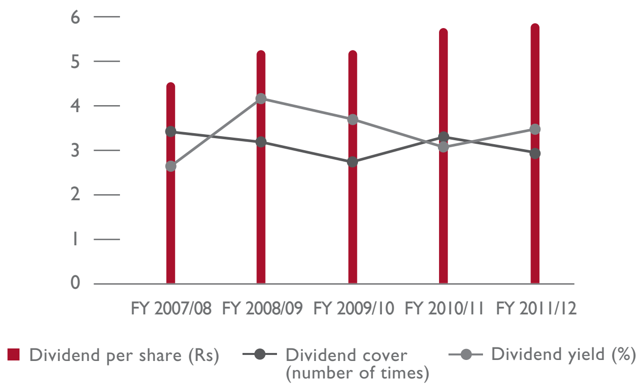


** Excluding one-off transactions*

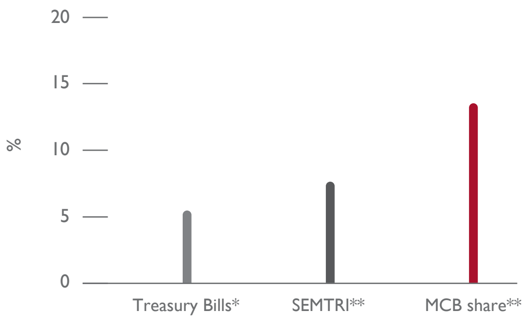
Dividend Policy

The MCB aims to supply its shareholders with ongoing returns in the form of a stable and relatively predictable dividend path. Interim dividends are declared in November, based on best estimates of half-yearly results to 31 December while the final dividends, which are paid towards the end of July, are announced by the Board just before the end of the financial year, when the trend in Group profitability is more firmly established. Key dividend ratios as well as an analysis of the annualised return on investment in MCB shares compared to Treasury Bills and the SEMTRI over the past five years are depicted in the following illustrations.

Key dividend ratios



Comparative rate of return (5-year period)



* 91-day T-Bills rate compounded over a 5-year period
** Based on total return which combines both capital gains/losses and dividends that are assumed to be re-invested

Shareholders' Diary

November 2012	Declaration of interim dividend and release of first quarter results to 30 September 2012
December 2012	Annual Meeting of shareholders
December 2012	Payment of interim dividend
February 2013	Release of half-year results
May 2013	Release of results for the 9-month period to 31 March 2013
June 2013	Declaration of final dividend
July 2013	Payment of final dividend
September 2013	Release of full-year results to 30 June 2013

Statement of Remuneration Philosophy

The Company's remuneration philosophy concerning directors, as proposed by the Nomination and Remuneration Committee and approved by the Board provides that:

- there should be a retainer fee for each individual director reflecting the workload, the size and the complexity (national/international) of the business as well as the responsibility involved. This retainer fee is not meant to differentiate between executive and non-executive directorships;
- the President and Vice President, having wider responsibilities and being present on a weekly basis at the Bank, should have consequential remunerations;
- there should be committee fees for non-executive directors, with the fees differing in accordance with the time required for preparation, the frequency and the duration of meetings. Chairpersons of committees should be paid a higher remuneration than members; and
- no share option or bonus should be granted to non-executive directors.

The remuneration philosophy for Management and staff is based on meritocracy and ensures that:

- full protection is provided, at the lower end of the income ladder, against cost of living increases;
- fairness is promoted throughout the organisation; and
- opportunity is given to all employees to benefit from the financial results and development of the Group. Indeed, all staff members of the Bank receive an annual bonus based on the performance of the Company and Group as well as their own rated contribution thereto. Since 2006, all staff members have the added possibility to be incentivised further through a share option scheme.

Generally, the finalisation of remuneration packages is anchored on a range of factors including qualifications, skills scarcity, past performance, personal potential, market norms, responsibilities shouldered, matching belief sets and experience.

With a view to attaining appropriate remuneration levels, the Bank is guided by the following considerations:

- general market conditions are regularly surveyed in order to ensure that remuneration packages are motivating and competitive;
- superior team and Group performance is stimulated and rewarded with strong incentives; and
- remuneration practices are regularly reviewed and restructured where necessary, providing clear differentiation between individuals' contribution to Group performance.

Employee Share Option Scheme

The MCB has, since 2006, been operating an Employee Share Option Scheme (ESOS) with the aim of aligning the interests of its employees with those of the organisation and shareholders. By providing a prospect to all its employees to partake in the growth and prosperity of the Bank, the scheme represents another means of incentivising staff to foster a performance culture alongside reinforcing team work and commitment across the organisation. Under ESOS, employees of the Bank are granted non-transferable options to buy MCB shares up to a maximum amount of 25% of their annual performance bonus. The options are exercisable over a period of one year through 4 specific time windows and carry a retention period of 3 years. As regards the option price, it is based on the average of the MCB share price over the quarter preceding the first window, to which a discount is applied. Once issued, the shares rank pari passu as to dividend, capital, voting rights and in all other respects with the existing shares of the Bank. As shown in the following table, 589,860 options were granted in October 2011, of which only 62,708 options have been exercised in the first three windows, to some extent, reflecting the perceived volatility of the stock market amidst the uncertain economic climate. In particular, no option has been exercised at Management level given that the MCB share price has traded below the option price for most of the period under review.

	Management	Other employees	TOTAL
Number of options granted in October 2011	121,194	468,666	589,860
Initial option price (Rs)	168	151	-
Number of options exercised to date	0	62,708	62,708
Value (Rs '000)	0	9,469	9,469
Percentage exercised	0	13.4	10.6
Number of employees	0	198	198
Available for the 4th window and expiring in mid-October 2012	121,194	405,958	527,152

Auditors' Fees and Fees for Other Services

	Group		Bank	
	2012	2011	2012	2011
	Rs '000	Rs '000	Rs '000	Rs '000
Audit fees paid to:				
BDO & Co	16,761	14,901	14,950	13,225
Other firms	4,582	4,497	-	-
Fees for other services provided by:				
BDO & Co	1,828	6,176	1,725	5,902

MCB as a 'sustainable organisation'

A better, greener world...

We believe that the success of the Company is also dependent on it shouldering its responsibilities towards all its stakeholders, with due emphasis being laid on the welfare of the society and protection of the environment in which it operates as epitomised by our mission that '*We will do what we can to make the world a better, greener place*' as well as the Group's dedicated 'Initiative175' programme, an ensemble of concerted, sustained and multiple actions in favour of energy savings, the environment and renewable energy.

'Initiative 175' - Some key figures

50,000
Free foldable shopping bags distributed to customers to curtail the use of plastic bags

100,000
Free LED light bulbs distributed
Estimated annual savings of energy: 7 Mn kWh

775,000 per month
Estimated reduction in printed balance enquiries and mini-statement requests on ATMs (subsequent to fees charged)

29,300
Number of customers currently opting to receive their statements by e-mail, thus saving themselves statement charges

3,200,000
A4 pages saved following elimination of redundant internal reports – overall savings estimated at Rs 6.7 million, after including reduced expenses linked to use of economical fonts and recycled toners, and adoption of double-sided printing practices

Read more on our engagement to protect the environment on Page 57

Sustainability Reporting

Introduction

The aim of sustainable development is to meet the needs of the present generation without compromising the ability of future generations to meet their own needs. For an organisation like ours, sustainability reporting can be defined as the practice of measuring, disclosing and improving its performance under various sustainability headings with respect to the internal and external stakeholders with whom it interacts. Epitomising its missions and values, the MCB duly adheres to sustainability principles that account for the reasonable views and requirements of various stakeholders, while understanding the impact that the operations of the Group have on the economy and society that it serves. Testifying to the quality of its engagement, the MCB obtained various awards and accolades during FY 2011/12 in respect of its interactions with the following stakeholders: (i) Shareholders: PricewaterhouseCoopers Corporate Reporting Awards 2012, including the prize for the best Annual Report, (ii) Customers: Cited by the Lafferty and Retail Banker International specialised publications as a reference for its 'branches of the future', (iii) Staff: Voted as the best organisation for employer of choice and quality of work-life at the HR Excellence Awards for Mauritius, and (iv) Country: Obtained the Mauritius Export Association Blue Carbon Award 2011, whose aim is to enhance the recognition of companies adopting green economy practices and distinguish those leading the way to a low carbon economy.

Our Approach

The MCB embeds corporate responsibility as a core tenet of its strategic and business development orientations, thus ensuring that it continues to make a sound and sustained contribution to the economy, the population and the environment. Overall, reflecting its holistic stakeholder engagement, the MCB interacts with both its internal and external stakeholders in a dedicated and transparent manner. Towards this end, the philosophy and practices guiding its conduct of affairs are entrenched in an appropriate operational and governance framework which provides for the systems and procedures that assist in efficiently managing the economic, social and environmental performance of the institution. Noticeably, backed by proper enforcement mechanisms, staff at all levels abides by the Bank's Code of Conduct and the national Code of Banking Practice, while the organisation adheres to the United Nations Global Compact, the world's largest voluntary citizenship initiative, which requires companies to endorse underlying values in the areas of human rights, labour standards, environment and anti-corruption. Besides, the MCB recently adopted the Equator Principles which stand as a governing principle of the Bank's Environmental and Social Policy that has already been implemented. Consequently, underpinned by regular communication, the MCB continues to nurture close and long-lasting relationships with numerous stakeholders, namely shareholders, customers, its human resources, the Government, and other relevant representatives of the social and economic spheres. In so doing, the MCB strives to respond to the reasonable needs and expectations of its stakeholders within the confines of the legal and regulatory requirements. Thus, the organisation remains intent to promote sustainable business value creation, alongside fostering public accountability as well as reinforcing the trust and confidence of the stakeholders with whom it interacts.

Our Engagement

In addition to underlying policies and measures that have been entrenched over time, the MCB adopted various initiatives during FY 2011/12 to further promote the interests of its stakeholders as per specific areas of intervention, backed by reinforced internal capabilities.

Maximising shareholder value

Our pledges

- To maximise long-term shareholder value through the pursuit of a sustainable business growth agenda that assists in appropriately rewarding shareholders through a stable and relatively predictable dividend path
- To provide timely and transparent information to current and potential shareholders in order to facilitate their independent judgement and opinion as regards the actual and forward-looking performance of the Group

Examples of engagement

- Maintenance of open lines of communication to provide coherent, pertinent and updated information pertaining to the Group's strategic direction, corporate accomplishments and financial performances by means of carefully-selected channels, platforms and reports (see details in the 'Shareholder Relations and Communication' section on Page 46)
- Launch of two easy-to-navigate MCB websites in November 2011, the first one providing key insights on the Group's range of products and services (www.mcb.mu), and the other one providing mainly corporate and investor information (**www.mcbgroup.com**)

Deepening customer relationships

Our pledges

- To build dedicated and life-long relationships with clients, thus upholding their trust in the organisation and helping them to achieve their goals
- To foster continuous improvements in customer service – in alignment with the desired shift from the transactional to the relational aspects of banking – after listening to the evolving client needs and responding to their complaints
- To keep on enhancing the quality of the value proposition in tune with the expectations of customers by (i) enriching the range of financial solutions, (ii) refining and customising the range and responsiveness of products and services in line with client expectations and the specificities of market segments, and (iii) bolstering the reach and convenience of delivery channels

Examples of engagement

- Ongoing refinement of the value proposition in the retail segment as evidenced recently by the launch of dedicated packages for up-market customers as well as the restructuration of the branch network in tune with market dynamics; a better quality of service delivery and more effective complaints management
- Prime partner in financing landmark projects and supporting corporate players
- Increased client involvement on the international front, by way of entrenching the 'Bank of Banks' initiative as well as further promoting the positioning of the MCB as a prominent regional Mandated Lead Arranger and a privileged partner for the joint venture financing of major transactions on the African continent; reinforced interactions with Global Business customers
- Provision of wider choice of investment opportunities to non-bank clients
- Upholding and strengthening of overall client relationships through the continuous showcasing of the image and value proposition of business lines, via the organisation of and participation in various promotional events, business meetings as well as international seminars, conferences and road-shows

Further information on the value proposition to customers is provided in the 'Corporate Information' section (Page 8) as well as in that of 'Management discussion and analysis' (Page 64).

Corporate governance report

Human resource development and staff welfare

Our pledges

- To maintain a motivated, flexible and competent workforce, backed by the endorsement of core values as well as best-practice policies and frameworks, in alignment with the strategic objectives of the organisation
- To instill a high performance culture among staff with a view to contributing to the improved operational effectiveness and efficiency of the organisation, as well as the attainment of customer service excellence
- To promote the MCB as the preferred employer in the marketplace, whilst attracting and retaining the best talents; to provide fair treatment with regard to the recruitment of staff and the management of human resources, without discriminating in any way with regard to race, religion or gender
- To foster staff welfare, alongside catering for their health and safety as well as promoting a better work-life balance

Examples of engagement

- Progress made in respect of the optimisation of the overall HR performance management system to cater for improved operational excellence; other inroads include the development of a framework for talent management, the implementation of a Leadership Development Program, the extension of the HR model across the Group, the promotion of flexible working arrangements, and the improvement of processes and capabilities of the HR function
- Initiation of employee surveys revolving around relevant drivers meant to foster the concept of employee engagement towards setting the stage for initiating precise action plans to address soft issues
- Fostering of continuous learning at the MCB Development Centre located in the new building of the organisation at St. Jean; enhanced facilities being offered there include various training rooms, an auditorium and a library, backed by the latest technologies to facilitate the learning process

Training statistics from July 2011 to June 2012

	Internal	External providers
Total man hours of training	8,053	32,181
Total no. of participants	499	1,529
Average hours of training per participant	*16.1*	*21.0*

- Adoption of a technology-driven platform offering an e-learning medium allowing employees to be trained on selective modules through an easy-to-use visual interface
- Upholding of staff welfare, by means of the following: (i) organisation of a 'Health week', with health screening sessions being provided to employees, and (ii) training on 'Health and Safety Awareness' extended to all employees
- Promotion of staff involvement in respect of the functioning and orientation of the Bank: (i) active staff participation in 'Brand At Work', a series of workshops to help them reinforce our values and become full-fledged ambassadors of the refreshed MCB brand, and (ii) launch of 'i.d.eas', a platform using the communication 2.0 technologies to allow employees to express themselves and share ideas

Fostering economic growth and prosperity

Our pledges

- To play an influential role in supporting the economic growth and spearhead the growing sophistication of the Mauritian economy, thus helping to pave the way for stimulating job creation, broadening the scope for nationwide wealth creation and enhancing the material well-being of the population
- To support the established sectors of the economy, alongside contributing to the take-off of upcoming segments as well as duly underpinning the development of small and medium enterprises (SMEs), thereby assisting in giving a lift-off to smart ideas and eventually turning fledging segments into pillars of the economy

Fostering economic growth and prosperity (Cont'd)

Examples of engagement

- Financing of key projects reshaping the economic landscape of Mauritius, in respect notably of the hospitality and property development sectors; the wide-ranging national involvement of MCB being reflected by its leading market share of around 45% regarding credit to the private sector as at June 2012
- Provision of reasonable and tailored support to duly accompany and respond to the requirements of businesses against the backdrop of the presently testing economic context, thus reflecting the confidence of the Group in their potential
- Assisting the growth endeavours of SMEs, backed by an enhanced range of offerings as well as the positioning of the MCB as a Business Coach for entrepreneurs, with regular business meetings being organised to help customers improve their asset financing knowledge; notably, the MCB was ranked first among 14 banks in the country in respect of credit facilities allocated under the SME Financing Scheme of the Government, with a market share of 45% posted during the December 2011 – June 2012 period

Social progress and environment protection

Our pledges

- To uphold the MCB's social commitment via the development of and support to initiatives for the benefit of the community in which we live and work
- To foster environmental stewardship by endorsing environmentally conscious practices in the operation and activities of the Bank, while also sensitising employees, customers and the general public on the matter

Examples of engagement

- Fulfilling our Corporate Social Responsibility (CSR) via the implementation of a range of initiatives by the MCB Forward Foundation, with such interventions being shaped by the guidelines set by the Government as per its National CSR Programme; additional support, beyond the official mandate, being provided to promote the welfare of society and environment protection by means of the following: (i) the pursuit of the 'Initiative 175' programme, which will culminate on the 175th birthday of the MCB on 1 September 2013; and (ii) the undertaking of sponsorship activities spanning the fields of education and sports. Details of the social and environmental involvement of the MCB are provided in the box that follows
- Adoption, as mentioned earlier, of the Equator Principles in May 2012, building on progress made at both the strategic and operational levels to strengthen the Bank's state of readiness. These principles relate to a voluntary and internationally-recognised set of standards to better manage social and environmental risks in project financing. Moreover, they act as a governing principle of the MCB's Environmental and Social Policy; the latter document was implemented in April 2012, setting out the policies and responsibilities which help the Bank in ensuring that the social and environmental impacts of specific projects are identified and evaluated in a systematic way. At the end of the day, this allows for a more holistic approach to risk management, deepening relationships with stakeholders and increasing opportunities in the international finance arena
- Provision of 'Green loan' facilities, in partnership with Agence Française de Développement (AFD), to help businesses protect the environment and reduce carbon emissions, with the MCB being by far the prime drawer under the line of credit among the four participating banks

Estimated annual environment benefits of projects financed under the AFD line

Details	Amount
Electricity saved	47,861 MWh
Clean water saved	1,026,419 cubic metres
Wastewater reduced	897,229 cubic metres
Liquefied petroleum gas saved	611,030 litres
Diesel saved	331,109 litres
Heavy fuel oil saved	298,600 litres
CO_2 emission reductions	121,963 metric tons

Involvement of the MCB vis-à-vis the society and the environment

Corporate Social Responsibility

Over time, the MCB transformed its engagement with society by undertaking a wide range of corporate social responsibility activities that have, for some years now, been channelled through the MCB Forward Foundation for the effective and efficient management of relevant initiatives. It may however be noted that the Bank has long had an active CSR policy, upstream of Government legislation applicable as from 2010. For FY 2011/12, the Foundation was entrusted with a fund of Rs 53.8 million, representing the relevant contribution by the MCB Ltd. and its local subsidiaries, consistent with the Government's measure requiring companies to set up an annual CSR Fund representing 2% of their book profit – subsequently amended to chargeable income as from 2012 – derived during the preceding year. An amount of Rs 43.2 million was spent on a total of 56 projects over the year under review after allowing for the administrative costs of the Foundation. Of these, 12 projects were selected from the 21 projects received following the launch of an 'Appel à Projets' with respect to initiatives in favour of physically and mentally impaired people. To this end, the Foundation has, during the year under review, set up its third dedicated platform on the theme of 'handicap' – with previous ones relating to 'education' and 'substance abuse' – which resulted in strong networking with private sector institutions and fostered the sharing of knowledge on best practices.

During FY 2011/12, the Foundation extended its collaboration with its stakeholders, underpinned by fitting enablers, notably through: (i) the empowerment of fund beneficiaries via specialist training to NGOs within the 'How to Influence People' theme; and (ii) the leveraging on the network of branches, which allowed staff to comprehensively reach out to the community through projects funded by the Foundation. The following table provides an overview of the breakdown of expenditure by activity as spent by the Foundation. The aggregate amount relates only to endeavours approved by the National CSR Committee. As such, as detailed later on, the Bank's involvement as a socially responsible institution encompasses a broader sphere. It is also worth noting that no political donations were made during the year.

Breakdown of expenditure	Rs '000
Absolute poverty and community empowerment	17,930
Welfare of children	13,694
Education	5,001
Environment	628
Sports	500
Socio-economic empowerment	5,409
Health	47
Total	**43,209**

Support through MCB Forward Foundation

Absolute poverty & community empowerment

- 'MCB Football Academy' – Football is viewed as a means to encourage the social integration of children. Conditional upon school attendance, training sessions are provided to more than 600 vulnerable children aged between 7-10 years from the regions of St. Hilaire, Poste de Flacq, Grand Bay, Pailles, Camp Levieux and Patate Theophile (Rodrigues) every Saturday. Also, 52 sessions of Parental Life Skills have been held with parents and children of Pailles and Grand Bay with the objective of empowering family members to move out of poverty and shoulder their responsibilities as parents and citizens
- 'Magic Fingers Association' – Empowering of vulnerable women through handicraft works made of recycled materials
- 'Young Entrepreneur of Rodrigues' – Set up of an hydroponic green house for the development and empowerment of the unemployed

Welfare of children

- 'Association D'hébergement Pour Les Personnes Inadaptées' – Enhancing the motor skills of handicapped children through occupational and physiotherapy
- 'Fondation Cours Jeanne D'Arc' – Educational support to 30 students from pre-vocational schools
- 'Mouvement Social De La Jeunesse Mauricienne (M.S.J.M)' – Technical training in woodwork and metal works for vulnerable youths
- 'Atelier De Formation Joie De Vivre' (Chemin Grenier) – Paving the way to career-building by delivering high-quality pastry courses to vulnerable children

Education

- 'MCB Rodrigues Scholarship' – Awarded to three students from vulnerable groups to pursue post-secondary studies at the University of Mauritius
- 'Service Diocésain d'Education Technique (SEDET)' – Ensuring the professional training of 10 young Mauritians and Chagossians

Environment

- 'Association Pour Le Développement Durable' – Replanting of mangroves in the coastal regions of Le Morne and Quatres Soeurs thus enhancing marine biodiversity

Socio-economic development

- 'Trevor Huddleson Association For The Disabled Rodrigues' – Support to the Special Learning Centre for children with disabilities and learning difficulties from vulnerable families
- 'Maison De Retraite Saint Jean De Dieu' – Physiotherapy for elderly persons

Staff involvement

- 'Foyer Père Laval ADIC' – MCB Staff from Corporate Banking and MCB Finlease participated in the upgrading of the premises which provides a shelter and psychosocial support to underprivileged children. The primary aim was to enhance the environment in which the children live, whilst ensuring that it was aligned with the newly introduced therapeutic programme funded by the Foundation

Initiatives undertaken under 'Initiative 175'

- E-statements sent to customers who opt to receive their statement of accounts and credit card statements through email since August 2011
- Recycling of paper and cartridges/toners used by the various business units across the MCB Port Louis buildings pursued; paper being recycled at MCB St. Jean and Rose Hill Main Branch since August 2012; recycling of uniforms in collaboration with Magic Fingers Association
- Distribution of 25,000 re-usable bags to MCB customers in hypermarkets and supermarkets around the island in May 2012 with a further 25,000 given to clients through the branch network
- 'C'est économique d'être écologique' campaign launched in April 2012 up to July 2012 whereby any customer applying for a housing

Corporate governance report

loan was eligible to a 2% (max: Rs 200,000) purchase of ecological products (max: Rs 200,000) or received Rs 100,000 as cash back

- 'Make a Wish' competition organised in April 2012 jointly with the Ministry of Education and open to primary schools. Each school submitted a project with proposed measures to embellish the school premises and to protect the environment amongst others
- Green Directory re-edited and available for download from the MCB website since June 2012
- Carbon footprint carried out for 7 new buildings, with the initiative to be extended across the MCB's entire branch network

Support to education and sports through sponsorship activities

- 'MCB Foundation Scholarship' awarded to the student ranked next in line to those eligible for the State of Mauritius scholarships on the economics side
- 'Science Adventure 2012' organised by the Rajiv Gandhi Science Centre – competition open to primary and secondary schools in Mauritius and Rodrigues, whereby participants were asked to submit scientific and technological projects on themes
- 'SEM Young Investor Award' organised by the Stock Exchange of Mauritius for secondary school students and attracting 171 teams of five students
- 'National Spelling Bee Competition' organised by English Speaking Union in Mauritius and Rodrigues for secondary school students
- 'My Words, My World' campaign launched in Seychelles, with the aim being to promote learning among primary school students by offering them a tool to better communicate
- 'All Africa Games' held in Mozambique
- 4th edition of the 'MCB Tour Championship' held at Constance Belle Mare Plage
- 'MCB National Youth Championships' in Rodrigues
- 'MCB Junior Open Badminton'

Jean-François DESVAUX DE MARIGNY
Company Secretary

Company secretary's certificate

I certify that, to the best of my knowledge and belief, the company has filed with the Registrar of Companies all such returns as are required of the company under the Companies Act 2001 in terms of section 166(d).

Jean-François DESVAUX DE MARIGNY
Company Secretary
Head Office
9 - 15, Sir William Newton Street
Port Louis
27 September 2012

Achievements and Prospects

During the last financial year, the financial results of the MCB Group were impacted by the testing economic and financial environment in Mauritius and other presence countries. In fact, the difficult operating conditions weighed on credit demand for certain sectors, while pressures on asset quality prompted a major increase in impairment charges to cater for strained market conditions. Moreover, the evolution of results was restrained by a growth of 14.8% in operating expenses on account of the full impact of investments made in respect of capacity building. Nevertheless, the Group performed satisfactorily with profit attributable to the equity holders standing at Rs 4.1 billion for FY 2011/12, thus leading to an earnings per share of Rs 17.32. Whilst representing a year-on-year drop of 8.4%, it should be highlighted that the financial performance during FY 2010/11 was boosted by significant non-recurrent gains associated with an out-of-court settlement and the exit from an equity investment. On the other hand, net profit at Bank level increased by some 14% following an exceptional net dividend income of some Rs 755 million from our Réunion-based associate, BFCOI. When excluding these one-off gains, Bank profits were slightly up from the previous year whereas results of the Group were nearly unchanged, thereby reflecting the resilience of the MCB in the face of the current challenging context. This performance in fact testifies to the judiciousness of our diversification strategies adopted over time. Indeed, the contribution of foreign-sourced income to net profit stood at around 43% during the last financial year despite being weighed down by a reduction in the contribution of BFCOI owing to a notable rise in impairment charges. Furthermore, underpinned by its healthy business model, the MCB sustained adequate financial soundness metrics. Hence, although deteriorating in the wake of economic sectors bearing the brunt of tough conditions, asset quality metrics remained within manageable levels, while capital adequacy as well as funding and liquidity positions stayed at satisfactory levels.

Overall, the expansion drive of the MCB was supported by the further diversification of its market footprint domestically and in the region, together with a consolidation of traditional pillars of growth across segments. These initiatives were anchored on an enhancement of the quality of customer experience, due focus on risk management and a continuous reinforcement of internal capabilities. Besides, to better embed its engagement vis-à-vis its stakeholders, the MCB refreshed its brand image by way of its new visual identity as well as vision and mission statements. In respect of business lines, the retail segment has been marked by a refinement of its value proposition to provide more personalised service notably to the up-market segments and an improved setting out of its branch network. At the corporate level, the MCB remained the prime partner in the financing of several projects reshaping the economic landscape in Mauritius. Concurrently, the MCB strengthened its position as the most active drawer under the line of credit provided by 'Agence Française de Développement' (AFD) for the provision of 'Green loan' facilities in order to help businesses protect the environment. On the regional front, the Bank pursued its 'Bank of Banks' strategy towards responding to the outsourcing requirements of regional banks, alongside making headway in its positioning as a prominent Mandated Lead Arranger on the African continent and being increasingly involved in regional trade financing. In support of such moves, the MCB broadened its market visibility and reinforced its business relationships, as testified by the hosting of the third edition of the 'Africa Forward Together' seminar as well as the participation in regional and international conferences amongst others. With respect to its global business activities, the MCB widened its portfolio of clients across different sectors of activity and further entrenched its position as a key partner for management companies, funds and trusts. As regards non-bank activities, in spite of dampened investor sentiment and market volatility, MCB Capital Markets sustained its business development momentum, by notably enlarging the range of its product offerings.

To support its growth endeavours, the MCB pursued its capacity-building initiatives for greater organisational effectiveness and efficiency. Noticeably, the MCB's new building at St. Jean, which houses its labour-intensive back-office operations and provides the Group with state-of-the-art training facilities, has become fully operational during the last financial year. In the same vein, the Bank extensively deployed the use of a technology-driven platform for e-learning that allows employees to be trained on selective modules on an easy-to-use visual interface. Furthermore, efforts to strengthen human resource capabilities were maintained, with due attention being also paid to the health and safety of staff. To foster customer service excellence, another move relates to the upgrade of the 'Complaints Handling Policy' whereby customers are given the opportunity to provide their feedback via screens placed in the Bank's network. In addition, the MCB website has been revamped to offer better access to information on the organisation, while the Internet Banking service has been enhanced with new functionalities. Besides, the year saw the launch of a reference manual on banking law, which attracted notable interest from relevant stakeholders. On a different note, towards promoting society's welfare and protecting the environment, the Bank, via the MCB Forward Foundation, implemented multiple initiatives to fulfill its corporate social responsibility. Beyond that mandate, the MCB upheld its promotion of environment-friendly behaviours from its staff and external stakeholders through the pursuit of the 'Initiative 175' programme. Of note also, as from May 2012, the Bank adopted the Equator Principles which relate to a voluntary and internationally-recognised set of standards to better manage social and environmental risks in project financing.

Reflecting its achievements, the MCB – which has a market capitalisation of some USD 1.4 billion, representing around 24% of the total at the local bourse – upheld its leadership position in the delivery of banking services on the domestic scene. This can be gauged by leading market shares being registered with regard to credit to the economy, local currency deposits and the number of cards issued. Moreover, affirming its prominent regional involvement, the MCB was ranked as the top bank in East Africa according to The Banker magazine, while being the only Mauritian institution to feature in the Top 25 banks on the African continent. Interestingly also, the worldwide ranking of the MCB was upgraded from the 716th to the 662nd position. Worth highlighting as well, the long-term foreign currency deposit rating of the MCB has been upgraded by Moody's following the levelling up of the foreign and local currency Government bond ratings as well as the country's foreign currency ceilings for bonds and deposits.

Looking ahead, the operating environment to which the MCB is exposed is likely to stay quite challenging. In fact, notwithstanding remedial measures put in place, the eurozone crisis is showing no convincing abating signs, thus signifying that the global economy will remain characterised by persisting vulnerabilities and uncertainties for some time yet. Against this backdrop, the expansion of the Mauritian economy is likely to be sluggish in the foreseeable future, hence exerting pressures on the revenue generating capacity of the MCB. However, alongside being watchful of the potential implications of the stressful environment and suitably accompanying clients, the Group is confident of being able to seize the right opportunities as part of its endeavour to pursue multiple paths to continued business growth. In fact, propped up by the three pillars of customer service excellence which are people, processes and technology as well as striking a suitable balance between the risk and return profiles of its activities, the Group is intent on further entrenching its diversification drive. A key axis thereof relates to endeavours to extend our involvement in the region, in light especially of the encouraging economic prospects of sub-Saharan Africa. All in all, in tune with its vision which is *'Everyday, we will help make something happen'*, the MCB is dedicated to extending and deepening its relationships with its stakeholders so as to maximise long-term shareholder value, alongside asserting its contribution to the sustainable and balanced socio-economic development of Mauritius.

External Forces Review

Legal and Institutional Environment

The regulatory and institutional framework of the Mauritian financial sector continues to be characterised by developments aimed at reinforcing its oversight as well as consolidating its stability and soundness. As such, various measures were devised in the recent past to review the corporate governance framework, uplift the operational set-up, facilitate exchange of information, and strengthen collaboration between local and foreign supervisory institutions. Generally, the ongoing drive to modernise the enabling environment of the financial sector is viewed positively to the extent that it should contribute to an orderly development thereof.

In the banking system, in addition to regular updates brought to relevant guidelines and guidance notes in light of evolving exigencies, the Bank of Mauritius (BoM) issued a revised Guideline on Corporate Governance in August 2012, reviewing the minimum standards that are expected from commercial banks on the matter with a view to fostering operating ethics among the different stakeholders. On the legal front, the Borrower Protection Act 2007 has been altered to give banks the option of issuing loan statements electronically. In the same vein, the Banking Act 2004 was amended in December 2011 in order to: (i) bring it in line with the Borrower Protection Act regarding disclosure of information on credit facilities granted to a person, (ii) adhere to the requirements of the Companies Act 2001 concerning the appointment of auditors of a financial institution at each annual meeting, (iii) allow the Central Bank to apply penalties on non-bank deposit taking institutions, (iv) clarify that financial institutions without a website have to publish financial statements in at least 3 daily newspapers, (v) allow financial institutions to disclose information to the 'Enforcement Authority' as per the Asset Recovery Act 2011, and (vi) give effect to the Cheque Truncation System as per amendments brought to the Bills of Exchange Act. From another angle, the Bank of Mauritius Act 2004 was amended to cater for the setting up of a development fund at the level of the Central Bank to compel banks which have failed to meet their agreed lending target under the Small and Medium Enterprises (SMEs) Financing Scheme announced in the National Budget 2012 to channel such shortfall, as a non-interest bearing deposit, with BoM. It is hoped that the banking sector will thus commit Rs 3 billion to SMEs over the next three years. It is also worth mentioning that banks have started contributing to the private equity fund as announced by the authorities in the preceding year to support industries while the Income Tax Act has been amended to change the basis for computation in respect of the Corporate Social Responsibility fund of enterprises from 'adjusted book profits' to 'chargeable income'.

As regards the operational framework, the payments architecture underwent significant changes during the last financial year notably with the launch, in September 2011, of the Cheque Truncation System. As a joint initiative of the BoM and the Mauritius Bankers Association, this move intends to promote transactional safety and efficiency through a process by which cheque images are transmitted electronically to the clearing house for processing and eventual payment. It is worth highlighting, however, that the return on investment already made by some banks is being somewhat held back by delays in the full-fledged operationalisation of the system. In parallel, the clearing of high-volume low-value regular transactions has been enhanced through the launch of a new platform. Furthermore, in April 2012, the Central Bank introduced the Depository System for Treasury Bills and Bonds to provide for a strict deliver-versus-payment mechanism for their issue whereby securities are credited to the account of the holder with settlement thereof effected through the Mauritius Automated Clearing and Settlement System. Besides, in line with the mandate vested upon it under the Bank of Mauritius Act as amended by the Economic and Financial Measures (Miscellaneous provisions) Act 2011, the BoM initiated, in July 2012, the extension of the coverage of the Mauritius Credit Information Bureau to include utility bodies, namely the Central Water Authority and the Central Electricity Board, towards reinforcing the credit environment in Mauritius.

From another perspective, the BoM broadened its collaboration with some institutions, both local and foreign, with a view to facilitating effective exchange of information as well as improving macro-prudential regulation and cross border cooperation and supervision with respect to regional operations of local banks. For instance, the BoM signed a Memorandum of Understanding (MoU) with the Central Bank of Kenya in August 2011 and another one with the Maldives Monetary Authority in December 2011. Besides, the BoM and the Financial Services Commission (FSC) signed a protocol in February 2012 amending the existing MoU between the two regulatory bodies, in order to strengthen the framework for information sharing. In terms of economic stewardship, the provisions of the Bank of Mauritius Act 2004 governing the Monetary Policy Committee (MPC) were amended in December 2011. In addition to changes brought with respect to the composition of the MPC, it is to be noted that minutes of the MPC meeting are henceforth published for increased transparency.

As far as non-banking activities are concerned, a key milestone relates to the Private Pensions Schemes Act 2012, which was voted in parliament in July last. The new legislation seeks to modernise the private pension industry notably by providing increased and transparent protection to beneficiaries alongside simplifying the regulatory framework, with the FSC acting as the single regulator for private pension schemes. Besides, the 'Code Civil Mauricien' was revised to provide for a clearer framework governing leasing of both immovable and movable property. Also worth mentioning, the FSC issued the Code on the Prevention of Money Laundering and Terrorist Financing in March 2012 in order to assist its licensees in complying with obligations contained within the relevant legislation.

Macroeconomic Overview

General Evolution

The operating environment of the MCB Group has been quite challenging during the last financial year against a backdrop of difficult conditions worldwide. Indeed, the global economy has been characterised by sequential waves of investor uncertainty linked notably to the unfolding of the eurozone crisis and subdued economic growth in the US, with the main engines of growth, namely the BRICS countries, also suffering from a relative slowdown in activity as well as inflationary pressures. That said, the impact of the economic downturn on countries where the MCB is active has not been entirely homogenous and has been felt to varying degrees, depending upon their linkages with afflicted nations and taking into consideration endogenous factors. As such, whilst economic activity in Mauritius is increasingly being undermined by the pressing conditions in its main export markets and some inherent domestic impediments, the sub-Saharan region as a whole sustained its resilient growth momentum to confirm its underlying potential. Economic expansion in the region has indeed remained above the 5% mark, underpinned by good performances by resource-rich countries as well as non-resource-rich economies reflecting improved macroeconomic management, enhanced business framework, and significant investment amongst others. Interestingly, Mozambique has been maintaining a high growth path on account of substantial investment in large-scale projects, expansionary policies and elevated commodity prices. As for the Seychelles and Maldives, economic performance therein has been appreciable on the back of strong tourism industries, aided by some pragmatic measures undertaken to support the sector, even though lower growth is expected for 2012 in line with the delicate external climate and some country-specific vulnerabilities. On the other hand, Madagascar's performance remains constrained by the ongoing political stalemate although an improvement is anticipated for 2012, albeit from a weak base.

	Real GDP (% change)				
Selected countries	**2008**	**2009**	**2010**	**2011(e)**	**2012(f)**
Sub-Saharan Africa	**5.6**	**2.8**	**5.3**	**5.2**	**5.4**
Oil exporters	7.1	5.2	6.6	6.0	7.1
Middle-income	4.1	-0.6	3.8	4.3	3.5
Low income	7.1	5.5	6.3	5.8	5.9
MCB presence countries					
Mauritius	**5.5**	**3.1**	**4.2**	**3.9**	**3.1**
Madagascar	7.1	-4.1	0.5	0.5	2.9
Maldives	12.2	-4.7	5.7	7.4	4.4
Mozambique	6.8	6.3	6.8	7.1	6.7
Seychelles	-1.0	0.5	6.7	4.9	2.8

Sources: IMF World Economic Outlook - April 2012; Regional Economic Outlook (Sub-Saharan Africa) - May 2012; WEO - July 2012 update; Statistics Mauritius; MCB staff estimates
(e) estimates (f) forecasts

Performance of the Mauritian Economy

Caught by the cross-winds of a deteriorating external environment, the nascent recovery pattern within the domestic economy stalled in 2011 with a notable deceleration in growth observed in the second half of the year. On the whole, notwithstanding market diversification inroads made by some textile operators and strong performances in the ICT as well as business and financial sectors, economic expansion dropped from 4.2% in 2010 to 3.9% last year. This sub-par performance reflects strains on some export sectors stemming from dampened private demand in main markets as well as a subdued nationwide investment level, lingering domestic inefficiencies and competitiveness-hindering factors including the strength of the rupee. In the latter two cases, the situation is even more parlous when compared to the situation prevailing within some of our main competitors for the same markets.

Management discussion and analysis

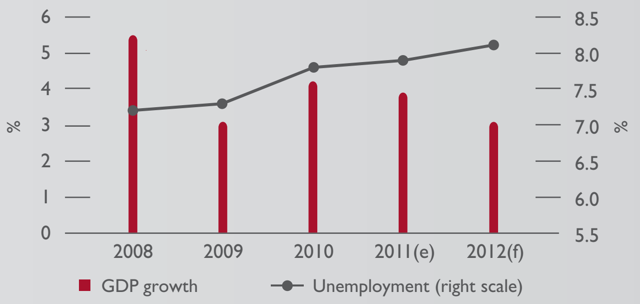
Photography of economic landscape

The difficult economic context in key export markets is exerting notable pressures on growth and unemployment...

Quarterly real GDP growth in main markets
(% change on previous quarter, seasonally adjusted at annual rates)

Key export markets	2011				2012	
	Q1	Q2	Q3	Q4	Q1(e)	Q2(e)
United States	0.0	0.6	0.3	1.0	0.5	0.4
Euro area	0.6	0.2	0.1	-0.3	0.0	-0.2
France	*0.9*	*0.0*	*0.3*	*0.0*	*0.0*	*0.0*
Germany	*1.2*	*0.5*	*0.4*	*-0.1*	*0.5*	*0.3*
Spain	*0.3*	*0.2*	*0.0*	*-0.5*	*-0.3*	*-0.4*
Italy	*0.1*	*0.3*	*-0.2*	*-0.7*	*-0.8*	*-0.8*
United Kingdom	0.5	-0.1	0.6	-0.4	-0.3	-0.5

Real GDP growth and unemployment

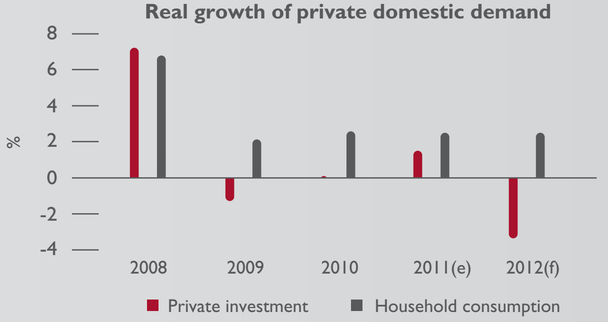


...with high external imbalances and a subdued evolution of private demand being observed...

Current account* and balance of trade deficit

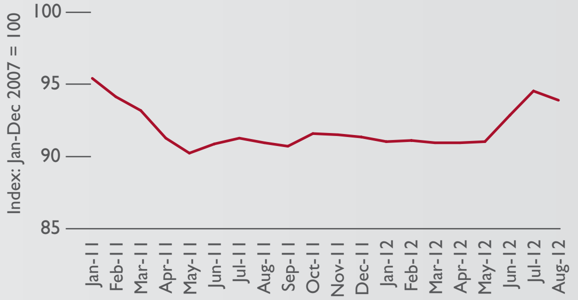
** New methodology takes into account cross-border transactions of GBC1s since 2010*

Real growth of private domestic demand



...while relative rupee strength remains a drag on the country's competitiveness, although contributing to a drop in inflation

MERI2



Notes:
(i) The MERI2, which is a weighted average of bilateral exchange rates for the Mauritian rupee, is based on the currency distribution of merchandise trade and tourism earnings
(ii) An increase/decrease in the index indicates a depreciation/appreciation of the rupee

Inflation

Notes:
(i) Headline inflation is measured by comparing the average level of prices, as measured by the CPI, during a twelve-month period with the average level during the corresponding previous twelve-month period
(ii) Year-on-year inflation is computed as the change in the CPI for a given month compared with the same month of the preceding year in percentage terms

(e) estimates (f) MCB forecasts

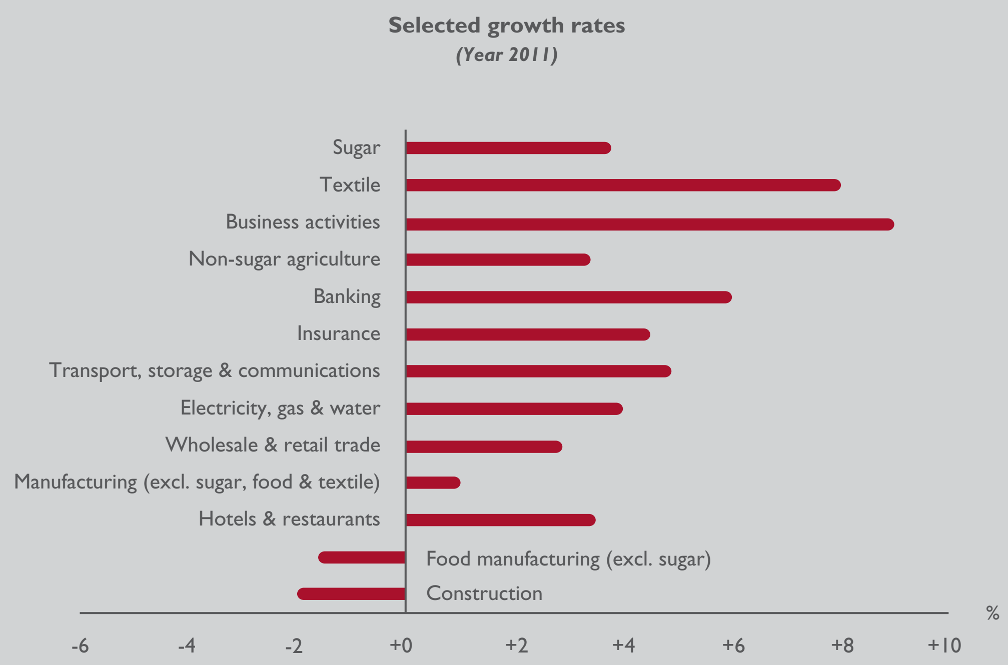
Sources: OECD Quarterly National Accounts, Statistics Mauritius, Bank of Mauritius & MCB staff estimates

The economic landscape in 2012 is proving to be even tougher in the wake of continued woes in the eurozone acting as a serious drag on key export sectors with spill-over effects throughout the economy, same being compounded by the prevalence of structural imperfections and a projected contraction in private investment amidst mounting uncertainties. As such, it is expected that the Mauritian economy will expand by only 3.1% this year, with prospects for the short to medium term remaining relatively subdued. Against this background, soft conditions continue to prevail in the labour market as gauged by further increases in unemployment which is projected to break through the 8% mark this year. Overall, the tepid nature of domestic growth in recent years is viewed with much concern to the extent that it might be signalling a waning resilience of the country to adverse conditions. Whilst duly supporting the economy in this increasingly testing environment, the authorities are called upon to promptly adopt a comprehensive set of far-reaching reforms and policy measures aimed at promoting a pro-growth operating paradigm. Indeed, there is a pressing need to materially enhance the country's competitiveness with due emphasis to be laid on upgrading the national productive capacity, reducing bottlenecks constraining private sector development, enhancing the operation of public entities, broadening international openness to foreign capital and expertise as well as widening our economic base anchored on a diligent diversification agenda, comprising *inter alia* the promotion of an underlying strategy for heightened involvement on the African continent.

Conspicuously, the performance of key export sectors is increasingly bearing the brunt of dampened private demand in our main export markets. As such, the tourism industry witnessed a notable slowdown in 2011 on the back of the number of arrivals rising by only 3.2% to 964,642. In spite of inroads made with respect to some emerging markets, the number of arrivals is even expected to contract slightly this year mainly due to a downturn with respect to traditional European markets. Coupled with the relative strength of the local currency over lengthy periods as well as price discounting practices by operators – amidst heightened competition and deficient demand linked to difficult economic conditions globally and limited airline seat availability – this situation has been exerting significant pressures on the profitability levels of some players, thereby denting their endeavours for further capacity-building. To ensure that the sector is adequately endowed to meet its ambition of being a key driver of the economy for the medium to long term, it therefore appears essential to adopt timely and pragmatic measures to widen market opportunities, backed by a fitting air access policy, a judicious broadening of the market base, adapted value propositions, targeted marketing efforts and high quality service amongst others. As regards the export oriented manufacturing sector, it posted a resilient performance last year owing to a strong recovery in the textile industry which recorded a growth of 8.0%, to some extent reflecting efficiency gains and market breakthroughs made in respect of South Africa for instance. However, the clothing and apparel sector is anticipated to shrink by a notable margin in 2012 on account of a forecast decline in related exports to Europe. It is worth noting here that operators of both the textiles and tourism sectors would have fared far worse but for their timely investments in third-party countries like Bangladesh and India for the former case and Seychelles and Maldives for hotels. After years of robust growth, the seafood segment displayed a poor showing in 2011 to register a slightly negative growth in line with high cost of raw materials, supply-side constraints and a price sensitive market. Nonetheless, there are clear signs that this segment will rebound strongly in 2012 in spite of a difficult operating environment, buoyed by positive developments in respect of market access. On the whole though, escalating challenges confronted by the export oriented sectors, in terms of restrained demand, pressures on business costs and stiffer competition, ever more underscore the importance to boost productivity at all levels while maintaining the thrust for product and market diversification. After all, the export-led sectors, namely sugar, relevant manufacturing industries and tourism, employ some 90,000 Mauritians, thus directly contributing to around 17% of total employment in the country.

Another drag on the growth performance of the country comes from the construction sector which contracted in 2011 on the back of subdued private investment, the first signs of saturation at some levels and relative delays in the implementation of Government projects, with a similar outturn expected this year given the continued sluggishness in the private sector. In the same vein, though posting a moderate upturn last year with the full shift to special and refined sugars offsetting the impact of lower production, the sugar sector remains at the whims of climatic conditions and the continued fall in area harvested as well as adverse currency dynamics and pressures on input costs. Thus, it seems opportune for efforts to be maintained and indeed accelerated for further diversification and sophistication of the industry's offerings and the prompt creation of a full-fledged multi-cane cluster. Furthermore, notwithstanding commercial actions undertaken by operators to boost sales and the ongoing thrust to the development of SMEs, the domestic oriented industry and the trade sector have continued to evolve at a relatively restrained pace reflecting several years of dampened growth in nationwide income.

On the other hand, although being exposed to the ramifications of a strained external context, recent past growth drivers in the tertiary sector have sustained a noteworthy expansion pattern on account of harnessed market development. Hence, the ICT segment remains particularly buoyant with robust growth performances. However, the sector is confronted by supply-side constraints that could impair its medium-term evolution if not duly addressed, pertaining, *inter alia*, to the shortage and turnover of human resources as well as cost, reliability and speed of connectivity, although the intended move to instil more competition, namely through the coming into operation of the undersea fibre optic cable, LION 2, could yield tangible benefits moving forward. As regards the business and financial services sector, a strong growth has been registered last year with a further appreciable, albeit lower, performance expected in 2012 despite ongoing fears regarding the Double Taxation Avoidance Agreement (DTAA) with India. Indeed, activity in the sector should be buoyed by the intrinsic strengths of the domestic offerings, time-tested operating models of key players and recent gains in terms of market penetration in the region.



Of particular concern, the investment ratio pursued its downtrend to stand at below 24% of GDP last year, in line with a decline in public outlays linked to some delays in the implementation of infrastructure projects and, more importantly, a persistently subdued private investment level. In effect, whilst the residential segment posted a resilient performance, aided by the execution of RES projects, fixed capital formation in the non-residential segment of the private sector witnessed a notable contraction in real terms, reflecting heightened uncertainty, soft economic conditions and adverse pressures on the revenue generation capability of enterprises. Worryingly, despite benefiting from an increase at public sector level, the Gross Domestic Fixed Capital Formation to GDP ratio is projected to drop further to just under 23% this year as a result of a foreseen contraction in private investment amidst persistent worries about economic prospects. This trend raises concerns as it will seriously hinder the productive capacity of the country over time, thereby underscoring the significance of enhancing the business climate and boosting investor confidence. Within the context of slow-moving investment, the resource gap is estimated to have somewhat shrunk but remains fairly high on account of a relatively low savings ratio amidst enduring pressures on disposable income emanating from sub-optimal growth patterns. This once again underlines the need for broadening income creation nationwide on the strength of greater competitiveness levels.

On another note, after sustaining an upward movement to a peak of 6.6% in November last year, in line with hikes in the prices of regulated items towards the end of 2010 and early 2011, headline inflation has since receded. Indeed, whilst being fuelled by the budgetary measure to increase excise duties on cigarettes and alcoholic drinks, headline inflation embarked on a declining trend towards the end of 2011 to reach 5.1% as at June last, unchanged from that attained one year earlier. The downward trajectory reflected the statistical impact of a wider base associated with significant price increases observed in late 2010 and early 2011 as well as general rupee strength and a drop in the price of some items notably linked to telecommunication services. This inflation path provided some leeway for the BoM to somewhat loosen the monetary stance in the face of worsening global conditions. Hence, after a small drop of 10 basis points in December last, the MPC lowered the key Repo rate by 50 basis points to 4.9% in March 2012 as the downside risks to economic outlook became more evident. Going forward and whilst heeding potential inflationary pressures, future policy decisions will critically hinge on the underlying evolution of economic activity with due consideration being given to the depth and perceived duration of strains being felt, notably with respect to private investment.

As regards public finance, in spite of revenue shortfall being partly linked to pressures on income generation, the budget deficit for 2011 undershot initial estimates to stand at some 3.2% of GDP, notably on account of under-spending with respect to the capital budget. The deficit would have been even lower had it not been for significant unbudgeted transfers for future use, including those to the National Resilience Fund which is meant to also act as a rainy day fund if the economic situation deteriorates. As for 2012, the fiscal policy has been broadly in line with the relatively accommodative monetary stance with the budget deficit expected to be maintained at 3.2% of GDP, again lower than the approved estimate on the back of some delays in specific infrastructure projects. Within this context, the public sector debt to GDP ratio edged up from 55.6% in June 2011 to 57.2% one year later. Hence, whilst Moody's cited progress made in reducing the debt load as one factor having prompted a one-notch uplift in the Government bond ratings, policy-makers should continue to exercise appropriate circumspection especially in order to ensure that set targets in terms of public debt metrics for the medium term are indeed duly met. This requires that a diligent and responsible approach to public spending be scrupulously adopted without compromising on competitiveness imperatives and emphasises the need to adequately support the economy in this difficult environment.

On the external front, inherent imbalances worsened as exemplified by a deterioration of the trade deficit to Rs 72.2 billion last year, with an important rise in imports in the wake of high commodity prices more than offsetting the observed increase in exports on the back of a resilient performance of the textile sector. As a cause for concern, the trade deficit is expected to widen further in 2012 to exceed the Rs 80 billion mark reflecting slow-moving exports and continued high commodity prices. As a result, the current account deficit as a percentage of GDP has slipped into double digit territory with the estimated outcome for both 2011 and 2012 exceeding the 12% level. Yet, on account of significant capital and financial flows, the balance of payments has remained in a surplus position. The latter positive outturn should not mask the seriousness of the country's vulnerable external situation as depicted by high and persistent current account deficits, thus warranting broad-based and coherent measures to upgrade export competitiveness. In this respect, the movement of the local currency should be carefully scrutinised considering the detrimental impact of prolonged rupee strength especially in the context of heightened competitive pressures and dampened demand. Actually, the rupee appreciated against the major currencies on an annual average basis in the last financial year even if it lost some grounds in June this year in the wake of the announcement of the 'Operation Reserves Reconstitution' programme (ORR) by the BoM whereby the latter is seeking to increase its overall foreign reserves to 6 months of import cover eventually. In effect, since the ORR was enunciated, the rupee has depreciated by some 3% in effective terms, a rate which, however, falls short of the currency misalignment of around 13% estimated as at May 2012 based on IMF methodologies.

Selling rates of main currencies vis-à-vis the rupee

	Value as at		Annual average	
	30 Jun 11	29 Jun 12	FY 2010/11	FY 2011/12
USD	28.85	31.35	30.44	29.68
GBP	46.47	48.92	48.38	46.99
EUR	41.85	39.42	41.45	39.72

Market Environment

During the last financial year, the banking sector faced up to key challenges flowing, in the main, from the sluggish economic environment with associated conditions impacting the evolution of private sector investment and the performance of some economic sectors. Nonetheless, the industry, which officially welcomed its 21st operator in September 2012, managed to uphold its overall financial soundness, underpinned by its generally healthy business model, the continued diversification of revenue streams, bolstered internal capabilities and due focus on risk management. Furthermore, the banking sector was characterised by heightened competition levels on specific fronts, with operators remaining particularly active in the retail segment. Besides, in light of the upgrade of the foreign and local currency Government bond ratings and the foreign currency ceilings for bonds and deposits, Moody's raised the long-term foreign currency deposit ratings of the two rated local banks, of which the MCB, to Baa1.

Even if the difficult economic context remained a cause for concern to the extent that it exerted pressures on the demand for credit at some levels, total gross loans allocated by the banking sector expanded by a rate of 17% over the year ending June 2012 to stand at around Rs 543 billion. This outcome was mainly explained by a growth of nearly 20% with regard to exposures at the segment B level – comprising the provision of international financial services that give rise to foreign-sourced income – which attained more than Rs 307 billion. Specifically, backed by a strong fourth quarter performance, the overall growth in segment B loans has been largely explained by a rise of some 16% in foreign currency loans outside Mauritius, reflecting cross-border exposures of foreign-owned banks to Asia and the increasingly pronounced international positioning of various industry operators in Africa, while progress also emanated from a near tripling of foreign bills discounted against the backdrop of a noticeable increase in trade finance activities. The evolution in gross loans was also underpinned by a resilient outcome in respect of segment A activities for which credit rose by some 13% over FY 2011/12 on the strength of disbursements made with regard to some sizeable, long-horizon corporate projects and the retail segment. Inclusive of loans to Global Business Licence holders which expanded by 26.6% over the period under review in spite of uncertainties linked to the sustainability of the DTAA between India and Mauritius, credit to the economy rose by around 12% during the last financial year. Apart from a noteworthy growth observed with regard to the agriculture and fishing segment in line with sugar cane restructuring initiatives adopted to meet competitiveness imperatives, this outturn was attributable to a notable performance of the trade sector, partly reflecting the continued, albeit restrained, growth in economic activities nationwide, while loans to the construction sector expanded at a significant rate, in response to the unfolding of some projects associated with property development. Besides, the increase in the loan portfolio of the domestic oriented industry was quite appreciable, presumably underpinned by the boost being provided to SMEs. Of note, the total credit facilities approved by banks to operators in the context of the SME Financing Scheme put in place by the Government stood at Rs 739 million as at June 2012, out of the Rs 1 billion fund-based credit facilities earmarked to be granted by banks under the scheme for the 1 December 2011 to 30 November 2012 period. Elsewhere, credit to the household sector pursued its noticeable uptrend, supported by expansions of both consumer and mortgage loans, the latter remaining particularly buoyant subsequent to banks gearing up their value proposition with aggressive pricing strategies and enhanced product specificities. On the other hand, on the back of reduced exposures to non-bank deposit-taking institutions, loans to the financial and business services sector registered a modest increase during the previous financial year. Likewise, the growth of credit to the tourism and export oriented manufacturing industries was quite restrained, possibly explained by the reduced investment patterns of operators therein as a result of high economic uncertainties and adverse pressures on earnings springing from tough economic conditions. Bearing in mind troubles in the eurozone and the attendant risks for the domestic economy, the BoM came up with two specific measures in June 2012. Firstly, the ORR programme was put into place to build up foreign exchange reserves in a context marked by the misalignment of the rupee in relation to the country's economic fundamentals and the ensuing detrimental consequences on some key economic sectors. Secondly, a Special Foreign Currency Line of Credit – to the tune of EUR 600 million to be drawn in USD, EUR or GBP – has been offered to banks for on-lending to export oriented and tourism sector clients who might be affected by the mismatch between the currencies in which their earnings are denominated and their outstanding debt in rupees, especially given the potential adverse effects that could, as a result, be exerted on the balance sheet of operators and, thus, of banks as creditors. Of note, following representations made by banks over their relative lack of attractiveness from both a liquidity and risk management angle, the BoM somewhat amended the initial conditions of the line of credit. As to date, the Central Bank has signed agreements with three banks having decided to avail themselves of the facility for on-lending to clients.

Banking sector loans
(Year-on-year growth)

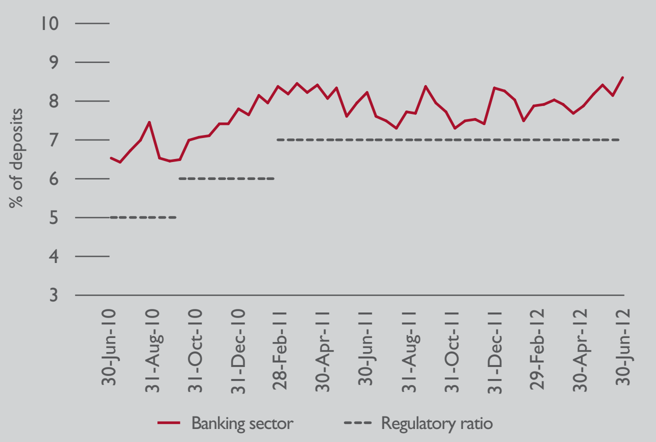
Credit to the economy (June 2012)

Sectors	Rs m	Mix %	Y.o.y. change %
Agriculture and fishing	15,681	5.9	14.2
Export oriented industry	6,197	2.3	2.1
Domestic oriented industry	12,797	4.8	5.6
Tourism	43,325	16.2	2.7
Transport	4,016	1.5	83.8
Construction	61,872	23.2	24.5
of which Housing	*37,603*	*14.1*	*21.9*
Traders	28,698	10.7	13.9
Information & Comm. Technology	1,237	0.5	5.1
Financial & business services	24,964	9.3	2.0
Infrastructure	5,340	2.0	9.6
Global Business Licence holders	27,463	10.3	26.6
Personal & professional	23,386	8.8	10.6
Public nonfinancial corporations	4,898	1.8	(30.8)
Others	7,348	2.7	10.6
Total	**267,223**	**100.0**	**12.2**

The money market was characterised by a marked downtrend in the Bank rate – representing the arithmetic mean of the weighted average yields of treasury bills – as from the end of 2011. Indeed, after remaining relatively stable during the first half of FY 2011/12, the average yields on securities dropped continuously to reach 3.39% as at end of June 2012 in line with the decline in the Key Repo Rate as well as aggressive bidding by market participants at auctions according to the latest Financial Stability Report (FSR) of the BoM. The latter explanation can be linked to the relative increase in the liquidity position observed recently in the banking system as gauged by the excess cash reserves held by commercial banks, above the required minimum cash balances, attaining a peak of around Rs 4.8 billion towards the end of June last, representing 8.6% of the deposit base. Overall, however, the Bank rate rose to 4.18% on average during FY 2011/12 as compared to 3.48% a year before. In fact, the latter outcome was largely explained by periods of acute undersupply of securities by the Central Bank in relation to demand by operators in FY 2010/11 in line with the generally high liquidity levels prevailing then.

Evolution of key interest rates (%)				
	As at		Weighted average	
	30 Jun 11	30 Jun 12	FY 11	FY 12
Repo rate	5.50	4.90	5.13	5.30
Lending rate	9.58	8.53	9.45	9.10
Deposit rate	4.25	3.66	4.03	4.12
Bank rate	4.47	3.39	3.48	4.18

Cash ratio by banks



Concerning sources of funds, after rising to a modest extent during the preceding year, total deposits contracted by 3.2% during FY 2011/12, owing to a drop of some 10% being observed at the level of foreign currency deposits which represent some two thirds of total deposits. This trend reflected movements in some volatile funds, partly linked to the testing nature of global economic and financial conditions, as well as the relative strength of the rupee. Conversely, there has been a significant rise of some 37% in borrowings, predominantly denominated in foreign currency, from banks abroad. For their part, in spite of the restrained evolution of national disposable income amidst the exigent economic climate and the low interest rate context, local currency deposits stepped up their upward momentum to rise by 9% over the year ending 30 June 2012, to some extent buttressed by heightened risk aversion levels linked to jittery conditions across financial markets.

Deposits in the banking sector (June 2012)			
Types of deposits	Rs m	Mix %	Y.o.y change %
Rupee	250,644	40.4	9.0
Savings	*136,914*	*22.1*	*8.4*
Demand	*37,819*	*6.1*	*13.8*
Time	*75,910*	*12.2*	*7.8*
Foreign Currency	369,931	59.6	(10.0)
Total	**620,575**	**100.0**	**(3.2)**

According to the August 2012 FSR of the BoM, banking sector activities have continued to expand at a relatively reasonable pace in recent times despite global and domestic economic concerns, with overall financial soundness metrics remaining healthy. To start with, sufficient capital has been maintained to provide adequate buffer to withstand potential adverse shocks as gauged by the capital adequacy ratio standing at 16% as at March 2012, which is much higher than the minimum requirement of 10%, while banks' Tier I capital represented 14.5% of risk-weighted assets. Besides, in spite of facing up to adverse pressures triggered by the weakened operating environment, asset quality in the banking sector remained within broadly manageable levels as a result of prudent portfolio management, with the coverage ratio deemed as providing suitable cushion against non-performing loans. Furthermore, the funding and liquidity positions of banks are viewed to have been well managed mainly due to the fact that most operators do not rely on wholesale funding to finance their core lending activities, but instead make greater use of deposits as a stable source of funding. Finally, banks continued to depict appropriate levels of profitability in spite of the testing economic landscape.

Selected financial stability indicators					
Core set of financial soundness indicators (%)	Mar11	Jun11	Sep11	Dec11	Mar12
Capital-based					
Regulatory capital to risk-weighted assets	17.2	16.3	15.8	15.7	16.0
Regulatory Tier 1 capital to risk-weighted assets	15.0	14.1	13.8	13.9	14.5
Non-performing loans net of provisions to capital	8.2	9.6	9.6	10.8	10.7
Asset quality					
Non-performing loans to total gross loans	2.8	2.6	2.6	2.8	3.0
Earnings and profitability					
Return on assets	1.4	1.6	1.6	1.3	1.5
Return on equity	19.3	21.5	22.1	17.9	20.3
Interest margin to gross income	70.0	65.4	62.4	65.4	59.7
Non-interest expenses to gross income	39.3	36.7	36.8	41.2	38.0
Sensitivity to market risk					
Net open position in foreign exchange to capital	2.6	2.0	1.7	2.2	3.3

Source: Bank of Mauritius, Financial Stability Report - August 2012

Looking ahead, on the basis of continuously tepid economic conditions, the activity levels of the banking sector could be affected by strains across various specific markets. However, the overall sector still appears well poised to weather the challenging context on the back of its strong fundamentals.

Review of MCB Operations

Local Banking Activities

Corporate

During FY 2011/12, MCB Corporate Banking encountered notable pressures on activity levels on the back of the testing economic environment that adversely impacted the level and quality of the demand for credit. Noticeably, key concerns arose from the earnings of export oriented enterprises and tourism operators being affected by dampened conditions in markets abroad and prolonged periods of rupee strength, in addition to private sector investment moving at a sluggish pace amidst lingering uncertainties. Notwithstanding the difficult context, this unit pursued its business development drive at different levels on the basis of its judicious market positioning, the overriding focus being laid on customer service excellence, reinforced proximities with clients, and strengthened operating capabilities. Thus, MCB Corporate Banking consolidated its position as a trustworthy partner to key projects shaping the evolution of the Mauritian economy, thereby furthering its prominent involvement in the economic growth and development of the country.

All in all, the gross operating margin of MCB Corporate Banking was impacted by the challenging market conditions, but managed to expand reasonably on the strength of the generally sustained growth in loan portfolios. Noticeably, apart from the ongoing financing of prominent ventures in the property development sector for instance, MCB Corporate Banking made inroads in other fields during FY 2011/12, to some extent underpinned by the proactive approach adopted by the Bank to explore emerging and under-tapped market segments. Conspicuously, pursuant to the concessional lending facility made available to selected banks by 'Agence Française de Développement' for some time now, the MCB has, by far, established itself as the most active drawer among local banks in respect of the 'Green loans' product being offered to promote environment-friendly projects. Indeed, the amount of loans disbursed under this facility more than trebled over the last financial year. Overall, the MCB anchored its market development on multiple initiatives, notably an increased exploration of cross-selling opportunities and human resource development, with the latter move being backed by the deployment of extended in-house knowledge sharing and the provision of overseas training to staff in respect of treasury, project finance and trade finance amongst others.

Looking ahead, MCB Corporate Banking is conscious that the continuing fragility of the economic landscape, against the backdrop of the unfolding eurozone crisis, will represent a key challenge for business development endeavours across markets. However, while exercising due vigilance against the demanding context and striving to maintain the quality of its loan book through diligent risk management, MCB Corporate Banking remains committed to charting its way through the difficult situation, backed by a continued improvement of operational efficiency in terms of people and processes. Fundamentally, the MCB is geared towards further diversifying its market reach, to some extent supported by a widening of the range of product offerings. Furthermore, particular attention will be devoted to clients faced with tight cash-flows by means of enhanced customer proximity and the provision of dedicated strategic advisory solutions.

Retail

MCB Retail faced up to a challenging context during FY 2011/12 against the backdrop of heightened competitive pressures in the housing market in particular, as well as the testing economic environment that impacted the evolution of private demand locally and weakening conditions in some niche market segments. Yet, despite growth in core earnings being restrained by pressures on the overall demand for credit, MCB Retail once again performed in a positive manner as gauged by a satisfactory growth in the gross operating margin. This performance was partly underpinned by the fact that mortgage loans extended to customers continued to grow at a noticeable rate, with the attractiveness of this offering being boosted by promotional offers. On the other hand, a deterioration has been observed in credit quality relative to unsecured loans, thus prompting MCB Retail to revise related lending criteria in order to strike a better balance between the risk and return profile of its activities.

MCB Corporate Banking is a trustworthy partner to key projects.

Business development endeavours were buttressed by the deployment of the Bank's customer-centric approach, the enhanced leveraging of the comprehensive and adapted range of delivery channels in place, and the provision of improved and broadened product offerings. Recently, the value proposition of MCB Retail was bolstered by the launch of two personalised and sophisticated bundles of services for up-market segments. These relate to: (i) 'MCB Select', a rebranding of the MCB Personal Banking unit that comprises dedicated packages of products and services, bestowed with a range of benefits, and (ii) 'Exceptions', a premium package including a bouquet of privileges to the customers of MCB Private Banking. The latter unit also witnessed the launch of 'Flexsure Capital Guaranti' in collaboration with Société Générale Corporate and Investment Banking, which garnered appreciable market interest, as has been the case with its asset management and advisory services. Of note also, the MCB, via its Business Banking unit, enlarged its client base relative to SMEs after expanding and refining its value proposition in line with their specific requirements. Indeed, apart from bolstering client proximities and enhancing the range and visibility of offerings, the MCB improved its asset financing options for investment projects notably in terms of the further alignment of credit policy to customer segments, in addition to a reduction of 50% off processing fees on loans and leases.

Furthermore, the enriched banking experience created across branches has assisted in meeting business growth aspirations. Indeed, after being completed some time back, the redesign of the entire branch network through the Kit of Parts project continued to yield benefits during the last financial year, subsequent to the provision of a more convivial, open and modern banking environment contributing to foster enhanced customer service levels. Hence, reflecting progress made by the Bank in embracing 'department store banking' and emphasising a shift from the transactional to the relational aspects of banking, the MCB was cited by the Lafferty and Retail Banker International specialised publications as a reference for its 'branches of the future'. The MCB was also engaged in restructuring its branch network in an attempt to better respond to the needs of clients (see section on 'delivery channels' for more details), alongside devoting efforts to increasing its promotional presence and brand visibility. For instance, the MCB relied widely on digital signage, with more than 200 screens being deployed across the network of branches to provide glimpses of the Bank, notably about general corporate information and its strategic offers. The branch network is now also equipped with prominent external signage to better attract and guide customers. Moreover, the MCB undertook marketing and sponsorship initiatives, relating notably to the regular organisation of joint commercial activities with third party vendors to promote specific products. Additionally, the Private Banking unit held its yearly networking event, while quarterly business meetings have been held with SMEs to help them improve their asset financing knowledge base, in line with the commitment displayed by the MCB in accompanying customers in good and bad times, alongside supporting their growth endeavours. All in all, the upheld market presence of MCB Retail was supported by a stepping up of its inherent capabilities. Indeed, apart from improving the monitoring and measurement of customer service standards through the review of customer surveys and service quality audits, the MCB upgraded its 'Complaints Handling Policy', with customers being given the opportunity to provide their feedback through screens positioned across the branch network. In other respects, operating efficiency levels were improved on the strength of measures intended to review and adapt the processes in place for the sales exercise to the typologies of different customer segments. Improved cash management processes have also been implemented.

MCB Business Banking invites SMEs to attend its quarterly Business Meetings

Moving ahead and in response to the challenging operating landscape, MCB Retail is intent on further enhancing the customisation of its value proposition so as to more gratifyingly meet the requirements and aspirations of customers. MCB Retail will strive to support its business expansion across various types of markets on the strength of the further capacity development of its sales force, via greater investment in training and coaching, as well as an improved leveraging of remote channels.

Cards

During the year under review, MCB Cards achieved a double digit growth in its operating earnings in spite of being confronted by increased competition levels and the repercussions of the weakening economic environment on activity levels, notably via strains being faced by operators in the tourism industry. Overall, business development was supported by the undertaking of key projects, backed by the unfolding of promotional campaigns.

Indeed, several commercial events were unveiled to foster greater brand visibility during the year, with particular emphasis laid on card usage at point of sale terminals. In addition to the traditional end-of-year event, themed 'Gagnez un tour du monde', MCB Cards, in collaboration with key international partners, undertook several other high-profile commercial initiatives. As such, a UEFA Champions League campaign was initiated in association with MasterCard International, an official sponsor of this competition, giving customers of the MCB the possibility to fly to Munich for the final of the competition. In the same vein, the MCB extended its partnership with Visa, the official sponsor of the London 2012 Olympic Games, to launch a special limited edition card, with prizes for cardholders to attend the event. Customers using MCB Visa cards during the same campaign period were also able to participate in a lucky draw to win a 3D television set. Moreover, from 15 December 2011 to 31 December 2012, customers making use of their MCB Maestro cards, Primo cards and MasterCard are able to benefit from price discounts in shops, restaurants, beauty spas, and different luxurious hotels. Additionally, users of MCB MasterCard and MCB Maestro cards were offered the chance of experiencing exclusive excursions and cruises at attractive prices.

At another level, the MCB diversified its product range with the launch of new Chip debit cards, namely the MasterCard Platinum and MasterCard World cards, while the Dynamic Currency Conversion service was introduced to the attention of our merchants. Of note also, MCB Cards leveraged on tablet technology, namely iPads, to launch its new online card application platform, allowing customers to complete and submit their card application forms electronically. Looking ahead, MCB Cards is dedicated to expand its product portfolio and stands ready to prospect new market segments locally and abroad on the strength of bolstered capacities and increased customer proximity with a view to maintaining its overall growth impetus.

MCB Cards launched
two new chip debit cards

Delivery Channels

During FY 2011/12, the MCB further expanded and refined its channel capabilities, while continuing to integrate the latter within its distribution network with the objective of promoting more convenient, flexible and rapid services to its customers by way of an enhanced reach of its delivery channels. Hence, as part of the endeavour to more closely align the deployment of delivery channels to customer needs, the configuration of the branch network has been reviewed in a bid to improve the convenience and accessibility of service delivery, alongside promoting a more gratifying banking experience. All in all, the branch formats have been tailored to the needs of different customer segments, in terms notably of the types of transactions being carried out, the services being offered as well as the opening and closing times as regards hours of business. Apart from the closure of the Curepipe Road branch to further rationalise the overall network, key changes comprised: (i) the refurbishment of the Trianon branch into an outlet where staff provides dedicated advice to customers on products and services, (ii) the relocation of the Flic en Flac branch to the Cascavelle Shopping Village, where a relatively larger surface area is made available to better accommodate customers from nearby areas, and (iii) the opening up of a new branch at the Bagatelle Mall of Mauritius, with the latter being purposefully oriented towards self-service as well as relying on a blend of innovative practices and technological support to bolster client experiences. Similarly, the Grand Bay Main Branch will, in October 2012, be relocated to the upcoming La Croisette Shopping Mall with the new branch being endowed with dedicated lounges and bulk tills amongst others.

The remote access of customers continues to be supported by a multiplicity of delivery options. As such, the ATM park was further widened to reach 161 (including 11 Forex ATMs) as at end of June 2012, representing a market share of around 37%. In the same vein, the network of merchant terminals expanded to above 5,200 during the last financial year. In respect of Internet Banking (IB) – allowing customers to perform their banking operations in a climate of trust, privacy and confidentiality – the MCB made substantial inroads in terms of the number of registered customers. To some extent, this has been underpinned by the service on IB being enhanced by the availability of new features for individual and corporate customers. Thus, besides the existing array of functionalities, customers have been provided with the option of being able to effect additional online transactions such as viewing factoring accounts held with MCB Factors and consulting their custody/investment portfolios. Furthermore, the MCB capitalised on the platforms and facilities that have been put in place for the provision of mobile banking services. As per latest available data, the total number of registered users for mobile Internet Banking and SMS banking stood at around 4,175 and 75,000 respectively.

Number of transactions ('000)

	FY 2009/10	FY 2010/11	FY 2011/12
Automated Teller Machines	33,140	33,781	34,218
Merchant Point of Sale	8,946	9,987	12,008
Internet Banking	584	645	821

Note: The relatively slow evolution of ATM transactions over time can be explained by moves to discourage the printing of balance enquiries and mini-statements as part of 'Initiative 175' in favour of environmental protection.

Looking ahead, the MCB is intent on pursuing its strategy to bolster the reach and quality of its delivery channels in order to cater for the increased convenience, user-friendliness and cost efficiency of related services with the view of fostering higher levels of customer satisfaction.

Foreign Activities

International Operations

Despite a delicate global economic context and lingering vulnerabilities in the socio-political environments of some of its presence and non-presence markets, the MCB Group's international operations, propelled by its International arm, once again achieved a positive performance, as testified by a strong rise in the gross operating margin. Indeed, during the year under review, the International Strategic Business Unit (SBU), as the gateway to the Group's outreach, has fuelled its growth momentum by capitalising on informed strategic opportunism and spearheading initiatives to bolster internal capabilities and further facilitate the provision of modern and tailored products and services to customers.

During the year under review, significant headway has been made in embedding the MCB's standing as a prominent regional Mandated Lead Arranger and trade hub, through the active development of risk participation and syndication agreements concluded with top-tier international banks. Simultaneously, on the back of its long-standing expertise and robust enabling infrastructure with respect to SWIFT operations, the Group has reaffirmed its foothold as the first SWIFT Member Concentrator in the region, with a notable increase in its client sign-up. In fact, the MCB has relentlessly pursued its expansionary drive on the basis of its 'Bank of Banks' strategy to position itself as a regional focal point for handling trade finance, payments and cards operations outsourcing on behalf of banking counterparts. Indeed, this initiative, which is a cornerstone of the MCB's regional diversification thrust, has scaled new heights over the past financial year, by more than doubling related revenues, driven by the taking of direct bank risks, the consolidation and nurturing of partnerships with correspondent banks and active undertakings targeting the regional oil and commodity business. Additionally, the Group has been actively involved, during the year ended 30 June 2012, as a prime partner for regional trade and commodity financing, as well as cross-border projects bridging the Africa-Asia connection, whilst diversifying its portfolio and risk-taking in new territories namely in Asia. Overall, our credentials in structured trade and commodities financing have been shored up by participation in the revolving credit facilities of major international oil traders, as well as in collateral management and ex-tank sales in Mozambique and the Kenya Open Tender System.

Representatives of 35 African banks attended
the 2011 'Africa Forward Together' seminar

All in all, the MCB's International arm, as a promoter of the MCB brand awareness in the region, furnished the necessary dynamism for the enhancement of the visibility of the Group's value proposition in the regional marketplace. In this vein, it has contributed to the execution of various targeted promotional and market development endeavours, amongst which features prominently the hosting of the 'Africa Forward Together' seminar for the third consecutive year. In effect, the 2011 edition, which built upon the deep interest elicited during previous editions, welcomed 49 banking professionals from 35 banks spanning 12 African countries. This seminar provided an opportunity to showcase the distinctive internal capabilities and product offerings of the MCB Group to the delegates and the benefits for their respective banks and clients of banking with the MCB. It also represented a nexus for bringing together regional banking peers to share promising practices, learn from each other and engage in constructive dialogue on the African banking industry, its opportunities, challenges and business outlook, in a bid to promote a collective vision of heightened cooperation and regional networking. Simultaneously, the impetus induced by the seminar was further reinforced by enhanced field visibility, participation in regional and international conferences and the co-sponsorship by the MCB of a high-profile annual conference on Africa trade and commodities financing, in line with its strategy to play an increasingly prominent role in the region. In addition, beyond the obvious positive spillovers ensuing from participation in and sponsoring of these conferences, the MCB has effectively reinforced its relationships with correspondent banks and key regional industry players, while attending networking events in Africa, Europe and South East Asia, as a key axis of its business development drive. Consequently, all these market-presence enhancing initiatives have translated into marked increases in solicitations from foreign counterparts for the MCB to support big-ticket cross-border ventures and syndication transactions.

Simultaneously, the MCB Group, true to its vision of being a pioneer and innovator in the markets in which it chooses to compete, has over the year under review, realised significant progress in consolidating its market shares in its presence countries, anchored on reinforced internal capabilities and upgraded customer service delivery. This has been accomplished particularly through the active participation of our overseas subsidiaries in business forums and events aiming at promoting regional trade and investment, as well as through the furtherance of an effective alignment and replication of our product and services line-up. In the latter respect, notable achievements comprised the introduction of the Internet Banking service in the Maldives, as well as the launch of a freshly redesigned Victoria branch in Seychelles, coupled with the unveiling of the new visual identity for MCB Seychelles, in line with the Group's branding exercise. In addition, the International SBU, as an effective project management arm for overseas subsidiaries, has been instrumental in the successful realisation of the strategies of the MCB's outbound entities and the harmonisation of their operational processes in alignment with those of the Head Office, notably via the roll-out of fibre optic connections and the implementation of proven applications of the Bank in its overseas subsidiaries.

In addition, notable achievements relate to a series of capacity building projects being completed by leveraging on the buoyant synergies prevailing within the Group, through in-house and external training courses and a deepening of staff exchange programmes and experiences involving MCB Head Office personnel for assistance to our overseas subsidiaries in the implementation of key projects.

Moving forward, the MCB is well poised to continue reaping the benefits of ongoing realisations and initiatives intended to strengthen its strategic positioning and credentials beyond domestic shores, duly underpinned by the continual provision of adapted and tailor-made product offerings to customers, the consolidation of its bilateral client portfolio, an enlarged risk appetite in terms of facility amounts, as well as the sound diversification of its overseas exposures, in full alignment with due diligence considerations and the MCB's risk management framework.

Global Business Desk

The last financial year was overshadowed by the uncertainties concerning the planned implementation of the provisions of the General Anti-Avoidance Rules (GAAR) by India and the apprehensions that this situation raised for the global business sector in Mauritius. This uncertain climate has only recently been allayed by the recommendation of a specifically-appointed Indian Joint Working Group to delay the implementation of the GAAR for three more years. Despite the testing operating environment and leveraging on the credentials of Mauritius as an offshore jurisdiction of good repute and substance, the MCB Global Business Desk delivered another solid performance during FY 2011/12, supported by inherent dynamics such as the provision of tailored financial solutions, the nurturing of alliances with various business operators and the display of sound risk management. Indeed, the gross operating margin of the Desk registered a substantial rise during the period, buttressed by comfortable growth rates in both interest and non-interest incomes. In fact, the Desk benefited from a widening of client portfolio which rose by about 20% as at June 2012, with a further entrenchment of its position as a prominent partner for global business companies, funds and trusts. Concurrently, in support of its market development thrust, the Desk has reinforced its links with offshore management companies.

Notable headway has been achieved on the business development front. Hence, building on its comprehensive product and service offerings, the Desk diversified its portfolio in terms of clients, financing modes and sectors of activity. Besides, consistent with the Bank's objective of building an extensive global network, the Desk has increased syndications with international banks, while its activities with respect to India have been widened through an expansion of its trade finance business. Furthermore, the Foreign Institutional Investor licence granted some time back to the MCB by the Securities and Exchange Board of India has paved the way for an increased involvement with global business players. In support of its market development thrust, the Desk has worked towards the continuous showcasing of its image and value proposition through active participation in key conferences and roadshows, most notably the 'Africa Forward Together' seminar organised by the MCB in November 2011 and other overseas events. Moreover, the deployment of strategic initiatives was underpinned by capacity building, such as the re-allocation of client portfolios so as to optimise the on-the-field presence of account executives as well as the delivery of training to staff in respect of project management.

Going forward, in spite of concerns, particularly linked to the sustainability of the DTAA between India and Mauritius in its current form, the Desk will pursue its efforts to accelerate and diversify its business development. A key endeavour relates to the prospecting of new clients through an enhanced value proposition, dedicated marketing initiatives and bolstered business relationships. Thus, the Desk will attempt at being increasingly involved in the financing of deals and various types of market transactions, alongside broadening its product catalogue. The Desk will continue to anchor its market development drive on bolstered capabilities, by means of improvements in the quality of human capital, reinforced client monitoring, strengthened institutional relationships and the recourse to technological facilities in order to increase operating efficiency levels.

MCB Madagascar

There has been little progress made in the efforts to resolve the political stalemate prevailing in Madagascar. Public sector reforms have been minimal and the economy grew at a very slow pace. However, some sectors are still relatively healthy, in particular the mining industry, while there has been a perceptible recovery in tourism numbers, albeit from a low base.

In this difficult environment, MCB Madagascar's activities have remained subdued, with a scarcity of new projects in the pipeline and existing businesses struggling, especially those linked to internal consumption of goods and services. In spite of the balance sheet of the bank contracting slightly over the period, results for the calendar year 2011 were just above the MGA 6 billion mark, in line with those of the previous year. There was not much change in the economic and business conditions over the first semester of 2012, which meant that contributions of MCB Madagascar to Group profits increased marginally to Rs 66 million for the year to 30 June 2012.

Whilst there seems to be renewed steps taken by regional political leaders to help solve the crisis, economic activity is unlikely to grow significantly in the short term. Meanwhile, MCB remains committed to its presence in Madagascar and is poised to capitalise on the eventual return to economic and political stability.

MCB Moçambique

The Mozambican economy recorded a relatively strong performance in 2011, showing little signs of having been affected by the global economic crisis. Activity was supported by a buoyant export sector and continuing investment in the mining industry.

MCB Moçambique realised profits of MZN 66 million for calendar year 2011. Results in 2012 continued to be encouraging, with this subsidiary contributing Rs 74 million to Group results for the year under review, up from Rs 42 million in FY 2010/11.

MCB Seychelles

The Seychelles economy maintained its path to recovery, after the 2008 crisis, with successive years of impressive growth, fuelled by a robust hospitality industry and continued high foreign direct investment, despite some pressures being felt recently in the wake of the global economic slowdown.

MCB Seychelles' balance sheet continued to grow at a healthy pace, with the underlying activity of the bank showing satisfactory progress. Profits of the bank for calendar year 2011 reached SCR 29 million. Although this was substantially down from the SCR 47 million realised in 2010, it should be noted that the latter year's results were boosted by large foreign exchange gains. The trend in profits has persisted in 2012 and, whilst the contribution of the Seychelles activities to Group profits, at Rs 94 million, was slightly lower than that of FY 2010/11, this can be regarded as a very positive performance, particularly when viewed within the turbulent global economic context.

MCB Maldives

The Maldivian economy grew at an impressive rate of 7.4% in 2011, owing to persistently strong growth in the tourism arrivals, particularly from Asia. The beginning of 2012 has witnessed a temporary downturn in the face of political and social unrest combined with a poor showing of European-sourced tourist markets. There has, however, been a strong rebound since and forecasts are now showing an expected growth rate of 4.4% for the Maldivian economy in 2012, a satisfactory performance in the current circumstances.

Our subsidiary's activities have continued to show steady growth during FY 2011/12, with loans and total assets expanding by 39% and 67% respectively. MCB Maldives is now well entrenched in the local economic environment, providing an increasing array of banking services to most important groups on the islands. Profits for calendar year 2011 reached MVR 34.2 million, up 66% on those of 2010. This positive trend has, however, stabilised in 2012, with contributions to Group profits for FY 2011/12 at Rs 69 million, almost unchanged from the previous financial year.

Banque Française Commerciale Océan Indien (BFCOI)

Réunion Island, this associate's main place of business, continued to be affected by the economic and financial crisis, with public and private investment almost at a standstill and rising unemployment fuelling increased levels of non-performing loans.

BFCOI's balance sheet, which had contracted in 2010, has started to grow again with the loan portfolio increasing by about 5% during the twelve months to 30 June 2012. Results for calendar year 2011 were, at EUR 13.1 million, up 43% on those of the previous year, which had been severely affected by impairment charges. The current economic crisis has again led to further charges for doubtful debts in 2012 which resulted in a below par contribution of Rs 164 million to Group profits in FY 2011/12, down from Rs 272 million in the preceding financial year.

The net slowdown in portfolio growth in the last two years has meant that surplus capital had accumulated on the balance sheet of BFCOI, which led the Board of that bank to declare an exceptional dividend of EUR 40 million to its shareholders, with MCB benefiting from half of that amount.

Non-Bank Activities

MCB Capital Markets Ltd.

MCB Capital Markets Ltd. (MCBCM) is the holding company for all the subsidiaries of the MCB Group involved in the investment business. The continuing uncertainty in global markets pervaded the local market and resulted in a tough and very challenging year. The subsidiaries of MCBCM spared no effort in that difficult context and continued to put their expertise at the service of clients, notably by enriching their offerings as gauged by the launch of the Fixed Income Fund and the Retirement Plan. Both these products are expected to contribute significantly to revenues over the coming years.

The last financial year has also been one of consolidation within the Group with the disposal of GHF Futures Ltd. and the buy-out of minorities within both MCB Investment Management Co. Ltd. and MCB Capital Markets Ltd.

Excluding the profit on disposal of GHF Futures Ltd. amounting to Rs 36.6 million, MCBCM posted a consolidated profit after tax of Rs 8.4 million in FY 2011/12 (2011: Rs 4.1 million) with total income amounting to Rs 165.4 million (2011: Rs 132.6 million), despite significant volatility in the markets. With the consolidation of MCBCM and the development initiatives under way across the subsidiaries, revenues are expected to continue to grow despite the persisting uncertainty in markets.

MCB Investment Management Co. Ltd.

MCB Investment Management Co. Ltd. (MCBIM) completed a number of initiatives over the year. The development of the foreign fixed income and currency capabilities was pursued with the implementation of an improved risk management system, thus consolidating our position as a leader in this asset class. In collaboration with MCB Fund Managers Ltd. (MCBFM), the MCB Fixed Income Fund was successfully launched in April 2012, attracting over USD 6 million over the initial three months. The team was further strengthened with the recruitment of three experienced professionals to provide additional depth in terms of middle office, risk management, and research. The enhanced team is now better equipped to achieve its ambitions both locally and regionally. Besides, the completion of the implementation of an integrated fund administration system, the benefits of which will be accruing to both clients and staff, is well under way.

Despite the uncertainty in financial markets created by the ongoing European crisis, a significant milestone was reached as assets under management crossed the Rs 10 billion level at 30 June 2012, up from Rs 9.8 billion one year earlier. Turnover rose to Rs 49.1 million, representing a rise of 7.7% over the previous year, with the core business remaining the management of institutional and pension monies. Net inflows from the MCB Funds contributed, to a notable extent, to funds under management, supported by the successful launch of new products and continued marketing efforts. The company expects sustainable growth to come from this avenue going forward. The company ended the financial year with profit after tax rising from Rs 20.6 million to reach Rs 22.4 million.

MCB Registry & Securities Ltd.

With the new IT system being fully operational since last year, MCB Registry & Securities Ltd. (MCBRS) has now gained significant operational efficiency. During the period under review, MCBRS has been solicited by its clients to carry out an unprecedented number of corporate events and the new system has turned out to be a judicious investment enabling the company to deliver on these requests within ever-shrinking deadlines, thus strengthening the company's position as the market leader.

Profit after tax for the year ended 30 June 2012 stood at Rs 0.76 million (2011: Rs 0.26 million) with total income of Rs 17.1 million (2011: Rs 16.2 million). MCBRS is currently working on a 'Green' project which would enable its clients to help in protecting the environment.

MCB Stockbrokers Ltd.

The uncertainty which characterised the global markets unsurprisingly spilled on to the domestic market, with highly challenging trading conditions on the Stock Exchange of Mauritius during the year under review. Excluding substantial one-off crossings, market turnover declined for a second successive year. In these difficult economic times, investors have become very risk averse and the team is working harder than ever to seize market shares amidst dwindling opportunities which are in turn putting pressure on margins.

MCB Stockbrokers Ltd. (MCBSB) saw turnover falling by 25% to Rs 13.2 million resulting in a net loss of Rs 2.0 million (2011: profit Rs 1.9 million). Worth noting, the setting up of the international dealings service proved judicious, contributing income of Rs 1.6 million (2011: Rs 0.8 million). It should also be highlighted that MCBSB has embarked in a restructuring of its operations, the benefits of which are expected to bring it back on the growth track.

MCB Fund Managers Ltd.

For the second consecutive year, MCB Fund Managers Ltd. witnessed a substantial growth of 33% in revenue despite difficult market conditions and morose investor sentiment. Another milestone was reached as total revenue crossed the Rs 10 million mark for the first time to stand at Rs 13.1 million (2011: Rs 9.8 million). Funds under management grew to Rs 1.35 billion from Rs 1.08 billion as the company continued its efforts to promote its products despite adverse market movements of around Rs 73 million. The new MCB Fixed Income Fund launched in last April raised more than USD 6 million within just a quarter, attracting both corporate and expert investors, and is expected to contribute an even more significant share to funds under management over the coming year.

FY 2011/12 was also marked by sustained marketing efforts from the team and the Group, particularly with regards to one of the most successful products of the company, namely the Education Plan. The number of active plans at year end grew above expectations by an appreciable 75% to more than 5,000. This figure is expected to double over the next two years as further efforts and resources are deployed to boost sales.

Building on the success of the Education Plan, the company launched, just after year end, another landmark product, the Retirement Plan, with specific target-date funds – another first from the MCB Group in Mauritius – as its building blocks. Aimed at providing a lump sum and/or a regular income at retirement, this new product, which is gaining increasing prominence due to its unique features and suitability, has been designed to encourage people to start planning as early as possible for their retirement so as to minimise the potential gap between their last salary and their first pension income. Efforts are being pursued to duly promote the Retirement Plan and early sales figures are very encouraging. The front- and back-office teams have, in the meantime, been strengthened to cope with the increased volume as the company embarks on its next level of development, with all of the above initiatives expected to translate into promising results as from FY 2012/13.

MCB Capital Partners Ltd.

MCB Capital Partners Ltd. manages the unlisted investments of the MCB Equity Fund Ltd. Revenues in FY 2011/12 went down slightly by 3% (2011: increase of 9%) to Rs 23.4 million, while funds under management stood at Rs 1.9 billion (2011: Rs 1.8 billion) on a fair value basis. The administration costs for FY 2011/12 increased to Rs 22.1 million as compared to Rs 19.2 million a year before, mainly attributable to salaries and professional fees. As a result, net profit for the year decreased from Rs 2.4 million to Rs 1.7 million. Prospects look positive, notably with revenues being possibly bolstered by potential investments earmarked in East Africa.

MCB Investment Services Ltd.

MCB Investment Services Ltd. (MCBIS) acts as a shared services company for the MCBCM group subsidiaries, in the process providing legal, finance, IT and strategic management services. Total revenue for the last financial year stood at Rs 13.6 million, consisting of shared service fees, while expenses and salaries amounted to Rs 19.1 million. As such, MCBIS incurred a net loss of Rs 4.6 million during the FY 2011/12.

Going forward, MCBIS is expected to benefit from new product developments and the setting up of a new Corporate Finance service, with the aim of capitalising on the skillset, knowledge base and network of contacts available within the MCB Group, whether locally or in the region, thus providing assistance to our clients in their M&A activities, be it from a buy-side, sell-side or fund raising perspective. We are already involved on a number of transactions and we strongly believe that, as our clients seek to expand locally and regionally, this new service will generate sizeable revenues.

MCB Equity Fund Ltd.

The Fund realised a net profit of Rs 48 million (2011: Rs 117.7 million) on the back of a successful exit from an investment in the hospitality sector which generated a net profit of Rs 33.9 million. Total income for FY 2011/12 decreased to Rs 47.8 million compared to Rs 62.3 million realised in the preceding financial year, mainly attributable to a reduction in dividend income linked to the tough operating environment in the Mauritian economy. For its part, management fees decreased slightly to Rs 24.6 million (2011: to Rs 27.4 million) during the year. Capital calls for FY 2011/12 aggregated to Rs 39.6 million (2011: Rs 220 million) with no redemptions recorded for this year. The net asset value of the Fund has declined by 8% from Rs 2.79 billion in FY 2010/11 to Rs 2.55 billion in FY 2011/12 on account of unfavourable valuations for some of our investments in the media and hotel sector.

MCB Factors Ltd.

MCB Factors Ltd. provides funding to clients against assignment of trade receivables as well as full sales ledger administration of the debtors book. Both recourse and non-recourse factoring are offered, the latter implying protection against debtors' insolvency. The year under review has seen the extension of the product offering to include import factoring and export factoring. Profit for the year reached Rs 34 million. Notable emphasis continues to be placed on improving customer experience, enhancing risk management, further diversifying the palette of invoice finance products, keeping costs under control and diversifying markets. In the latter respect, efforts are underway to introduce factoring in MCB presence countries.

Fincorp Investment Ltd.

This subsidiary, a quoted company on the Stock Exchange of Mauritius, in which the MCB has a 57.6% stake, has on its books the following main investments: Finlease, the leasing arm of the MCB Group, which is a fully owned subsidiary, and Promotion and Development Ltd. (PAD), another quoted company having diversified interests, including a majority stake in Caudan Development Ltd. (Caudan), a property company that owns and manages the waterfront real estate development in Port Louis, and a holding of about 34% in Medine Ltd.

Finlease has, for the second year running, displayed spectacular progress in its performance. With its cost of funding decreasing slightly, the liquidity situation stabilising and the leasing portfolio increasing by 12% on the back of a buoyant motor vehicle sector, operating income grew by 17% and net profits were up by 45% to Rs 63 million.

PAD, on the other hand, had a difficult year and posted a negative, albeit marginal, result compared to an attributable profit of Rs 35 million in FY 2010/11. Results were affected by lower dividend income combined with rising operating costs and financial charges. Caudan is still suffering from the stressed market conditions in the commercial and office space sectors in Port Louis but, nonetheless, achieved a positive result of Rs 48 million, down 9% from that of the previous year.

These mixed results from the Group's main investments have meant that Fincorp's consolidated profits were down by 8.4% from the previous year to just over Rs 19 million, representing a contribution of Rs 11 million to MCB profits.

Credit Guarantee Insurance Co. Ltd.

This associate, in which MCB has a 40% stake, is a joint venture with La Prudence Holding and essentially provides credit insurance services to its customers by ensuring protection in respect of their trade receivables. The company is making good progress and is gradually extending its service offerings in Mauritius. The company broke even for the year ended 31 December 2011 and has now become profitable, with a positive result of around Rs 3 million achieved for the six months to June 2012.

International Card Processing Services Ltd. (ICPS)

ICPS is an 80:20 joint venture between the MCB and Hightech Payment Services (HPS) from Morocco and has been operational since November 2008. ICPS has positioned itself as a card business enabler by offering an array of services ranging from card personalisation for private label and branded cards (magnetic stripe/chip card) to full issuer and acquirer services, inclusive of POS and ATMs driving as well as transactions switching/processing for banks in Mauritius and Africa. This allows banks to achieve economies of scale in outsourcing their card processing needs whilst offering their customers all card services in a most efficient and timely manner.

ICPS has also been successful in developing and providing several training, consultancy services for banks in the space of card business as well as card IT security (Payment Card Industry certification-PCI) and EMV (Chip technology) extension.

During FY 2011/12, ICPS has passed the renewal of its ISO 27001 and the prestigious certificate of PCI DSS (Payment Card Industry Data Security Standard) Version 2 as mandated by Visa/MasterCard International. ICPS has thus maintained its position in the elite group of card processing service providers that meet the highest standards of card data security. In terms of business development, ICPS has successfully rolled out the first MasterCard chip cards of the MCB as well as the migration of MCB cards to a new processing PCI compliant platform. Two other local banks are customers of ICPS and are running MasterCard Debit/ATM driving and Visa Chip credit card issuance programme. For its part, MCB Madagascar is gradually bridging the gap in its card programme thanks to ICPS expertise and support. MCB Madagascar is now in a position to issue Visa debit cards to its customers as well as improve their acceptance program with ATMs and electronic POS accepting VISA/MasterCard and in a near future Union Pay and Diners/Discover.

The staff count of the company has been increased to 40 on the basis of the very promising market outlook with new contracts extending the reach of ICPS beyond the network of MCB affiliates to African countries such as Ghana, Namibia, Kenya and Zimbabwe. Overall, ICPS has crossed the Rs 100 million turnover mark, thus sustaining the improvement in its profitability level, achieving profits for the first time.

MCB Properties Ltd.

This company owns a number of properties housing mostly banking premises of MCB. Profits achieved for the year were Rs 1.1 million, representing net rentals receivable.

Blue Penny Museum

This company, which runs the museum located in the Caudan Waterfront, represents one of the contributions of the MCB Group towards the promotion of arts and culture and, more generally, the protection of the National Heritage of Mauritius.

MCB Forward Foundation

Officially launched in September 2010, the MCB Forward Foundation aims to more efficiently serve the local communities amidst which the MCB operates. Basically, its vision is to be instrumental in the creation of sustainable value for the social, environmental and economic well-being of society through the provision of human, logistical and financial resources in support of dedicated initiatives. For FY 2011/12, the MCB Group contributed 2% of its book profits derived from the preceding year to the MCB Forward Foundation on an annual basis, representing a sum of Rs 53.8 million. A full report on the Foundation's activities during the year can be found in the Corporate Governance Report on Page 58.

Group key financial indicators

Income statement	Financial position	Performance and earnings	Soundness and efficiency
Profit attributable to shareholders Rs 4,115 m 2011: Rs 4,491 m; -8.4%	**Total assets** Rs 191.4 bn 2011: Rs 172.7 bn; +10.8%	**Return on average equity** 16.5% 2011: 20.4%	**Capital adequacy ratio** 13.2% 2011: 15.0%
Net interest income Rs 6,385 m 2011: Rs 5,886 m; +8.5%	**Loans and advances** Rs 140.9 bn 2011: Rs 125.7 bn; +12.1%	**Return on average assets** 2.3% 2011: 2.7%	**NPL ratio** 4.5% 2011: 3.4%
Operating income Rs 10,008 m 2011: Rs 9,443 m; +6.0%	**Deposits** Rs 150.9 bn 2011: Rs 136.2 bn; +10.8%	**Earnings per share** Rs 17.32 2011: Rs 18.91; -8.4%	**Liquid assets to total assets** 17.0% 2011: 17.4%
Non-interest expense Rs 4,616 m 2011: Rs 4,022 m; +14.8%	**Shareholders' equity** Rs 26.1 bn 2011: Rs 23.7 bn; +10.1%	**Dividend per share** Rs 5.85 2011: Rs 5.75; +1.7%	**Cost to income ratio** 46.1% 2011: 42.6%

Notes:
(i) Non-recurrent items are included in the relevant figures above
(ii) Liquid assets comprise cash, balances with BoM, placements, T-Bills and Government securities

Financial Review

Performance against Objectives

Objectives for FY 2011/12	Performance in FY 2011/12	Objectives for FY 2012/13
Return on average equity (ROE)		
In view of the prevailing challenging conditions, ROE is likely to fall marginally below 20%, on prudent estimates.	With results impacted by soft conditions in the operating environment, ROE, based on Tier 1 capital, dropped to 17.9%.	Barring unforeseen developments, notably in impairment charges, ROE to stay around the same level as in FY 2011/12.
Return on average assets (ROA)		
ROA is expected to remain at the current level, on the back of sluggish demand for credit. (FY 2010/11: 2.5% excluding non-recurrent gains)	ROA fell from the previous year's level, but remained at a circumstantially appreciable level of 2.3%.	ROA to be maintained at the current level.
Operating income		
With the expected slowdown in the rate of balance sheet growth, net interest income is forecast to follow the same trend, with a projected increase of just above 5%. Non-interest income, excluding non-recurrent profits, is expected to grow by about 15%, on the back of healthy contributions from cross-border trade finance deals and other income generated through the 'Bank of Banks' initiative.	Net interest income rose by 8.5% following continued notable expansion in average loan portfolio despite pressures emanating from the difficult context. Non-interest income of the Group, on excluding sizeable non-recurrent gains in FY 2010/11, increased by about 15%, buoyed by a significant rise in net fee and commission income as well as an upturn in profit from foreign exchange dealings, mainly linked to international activities.	Net interest income is forecast to follow the trend in loan portfolio growth, with a rate increase of just over 10%. Non-interest income, on the back of a strong contribution from cross-border and international operations, is expected to grow by about 10%.
Operating expenses		
MCB will continue its drive for the optimisation of cost control. However, with the full impact of IT investments being felt for the first time and with the added costs of the new building at St. Jean coming on stream, operating expenses are forecast to increase by more than 15%.	Operating expenses rose by around 15%, fuelled by the full-year impact of capacity building initiatives undertaken in the recent past, notably in terms of investments in IT systems and the physical infrastructure.	The major capital expenditure program of the last few years having now been completed, depreciation charges will now stabilise and operating expenses growth is not expected to be much above 10%.
Cost to income ratio		
With the delays observed in the coming into operation of large capital investment projects, the rise in the cost to income ratio, which was expected in FY 2010/11, will also be put forward in time, with a likely increase to around 45%.	In view of the rise in operating expenses, the cost to income ratio edged up to slightly above 46% in FY 2011/12.	Following the relative slowdown in operating expenses growth, cost to income ratio is expected to start falling again, probably by 1 to 2 percentage points.

Management discussion and analysis

Performance against Objectives

Objectives for FY 2011/12	Performance in FY 2011/12	Objectives for FY 2012/13
Loans and advances growth		
In view of the depressed climate for private investment, growth in the local currency loan book will certainly be slower than in recent years. Although cross-border lending opportunities will be fully exploited, loan expansion is expected to be lower than 10%.	Despite the restrained evolution of private investment, average loan balances of the Bank rose by some 12%, supported by resilient increases of 15% in foreign currency loans and 11% in rupee advances. Consequently, the loan portfolio at Group level grew by 12.1% during FY 2011/12.	Average loan growth is expected to be around the 10% mark, mostly on the back of a strong performance from our International and Global Business activities.
Deposits growth		
Reflecting the persisting liquidity situation on the local market, deposits are expected to increase by around 6% on average.	Although growth in rupee deposits has somewhat slowed down, total average deposits at Bank level rose by around 11% given a notable evolution of foreign currency deposits. At Group level, total deposits were also 10.8% up on the previous year.	Average deposit growth is forecast to slow down from the level attained in FY 2011/12 but, with foreign currency deposits again expected to grow appreciably, overall deposits should increase by 9 to 10%.
Asset quality		
NPL ratios are now thought to conform to best practice. The MCB will continue to apply its high standards of control to maintain these ratios at current levels. (FY 2010/11: gross – 3.4%, net – 1.5%)	Against the backdrop of worsened operating conditions, Group NPL ratios deteriorated in both gross and net terms to reach 4.5% and 2.9%.	Although it is difficult to forecast the trend in delinquencies within the Bank's loan portfolio and while very much will depend on the performance of the local and regional economies, we are not expecting the NPL ratios to deteriorate much further. However, impairment charges may well increase from current levels.
Capital management		
The uncertain international climate having put into question the level of capitalisation of banks worldwide, MCB's stated belief that it should maintain comfortable levels of capital has been further comforted. No change in policy is forecast in the short-term.	Notwithstanding the repayment of subordinated debt, the BIS capital adequacy ratio for the Group remained well above the regulatory limit to stand at 13.2%; for its part Tier 1 ratio was at a comfortable 12.5%.	With no forecasted change in the Group's policy on capitalisation, current capitalisation ratios should be maintained over the year.

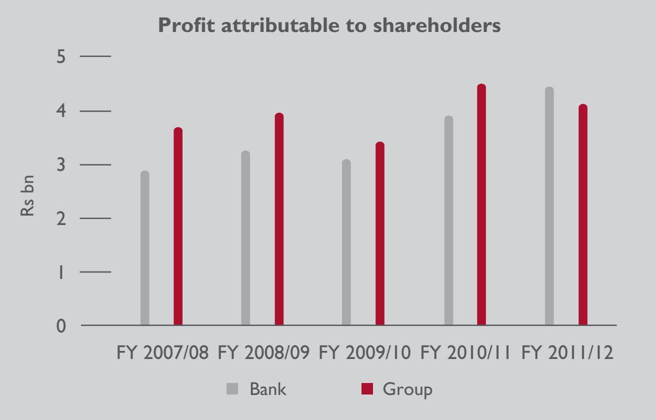
Performance against Objectives by Lines of Business – MCB (Bank)

Objectives for FY 2011/12	Performance in FY 2011/12	Objectives for FY 2012/13
Retail		
With continued focus to be laid on reinforcing the value proposition to customers, average retail loans and interest margin on advances are expected to increase by 14%, even if the challenging environment is likely to impact on operations.	Considering the difficult context, the retail segment fared relatively well as gauged by an expansion of around 10% in average advances, underpinned by resilient performances with respect to housing loans. Net interest income on advances went up by 4% amidst testing market conditions and increasing competitive pressures.	Despite continued pressures likely to emerge from the challenging economic environment and heightened competition in the industry, average loan book of the retail segment is expected to increase by around 9%, supported by our market development thrust anchored on customer centricity. Accordingly, net interest income on advances is anticipated to rise by some 8% with a similar growth projected for the operating margin.
Corporate		
The enduring financial and economic uncertainty abroad and the ensuing tepid growth in private investment should take their toll in demand for corporate credit with an observed drying up of current pipeline of projects. However, underpinned by customer proximity and provision of tailored financial solutions, it is expected that the average loan portfolio will expand by around 7%, contributing to an increase of some 5% in interest margin on advances.	The corporate segment performed slightly better than expected in the face of adverse pressures on demand for credit. In fact, related loans and advances grew by around 10% on average while net interest income expanded by some 7% reflecting the financing of landmark projects and ongoing support provided to customers in their development initiatives in good and bad times. On the other hand, competitive pressures and sub-optimal conditions in the foreign exchange market have restrained the evolution of non-interest income.	Taking into consideration the sluggish evolution of private investment, exposures in this segment are forecast to increase by 7% as the Bank sustains its role as a trusted partner to clients in their ventures. As such, net interest income is expected to grow by 10%, contributing to an increase of 6% in operating earnings.
International		
The MCB will sustain its thrust to further deepen and broaden its involvement beyond domestic shores, especially in the region where interesting business openings exist. As a result, average advances and associated net interest income are projected to rise by some 15% while net fee and commission income should again record a solid growth.	The Bank has made further progress in extending and deepening its market reach on the regional front with advances in this segment, inclusive of Global Business activities, posting a solid growth of around 24%. As such, net interest income increased by some 30%, which coupled with a strong increase in non-interest income, contributed to a similar growth in operating earnings.	Upheld by its market diversification strategy and the 'Bank of Banks' initiative, the growth momentum is anticipated to be maintained, the more so considering the positive prospects in the region. Hence, average advances are forecast to increase by over 25%. Consequently, net interest income is expected to rise by some 40% while operating income is anticipated to grow by above 25% after factoring in a notable increase in non-interest income.

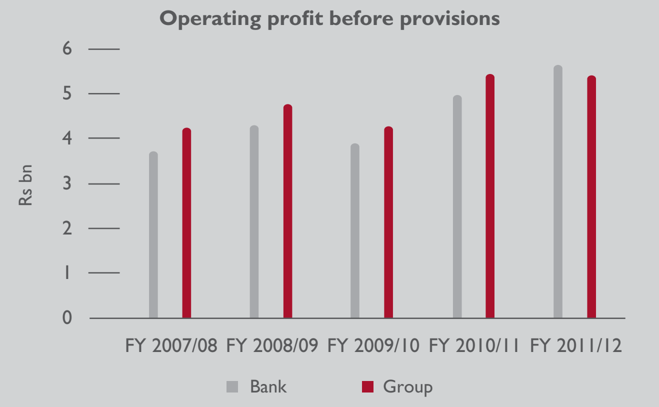
Review by Financial Priority Area

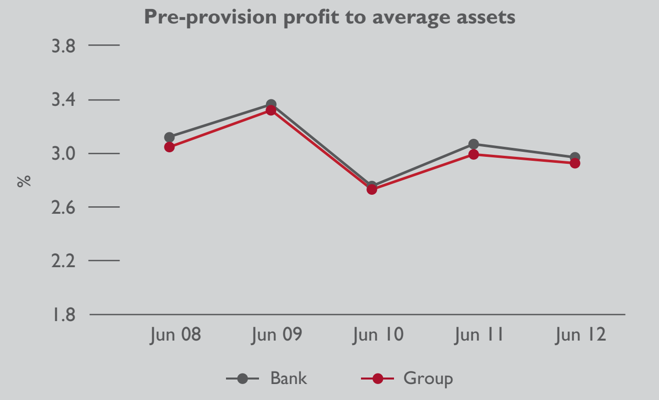
Analysis of Results

Amidst a demanding operating context, Group attributable profits for the year reached Rs 4,115 million, representing a drop of 8.4% as compared to FY 2010/11, which, nonetheless, included substantial non-recurrent gains associated with an out-of-court settlement and the exit from an equity investment. At Bank level, results increased by 14.2%, essentially due to the receipt of an exceptional net dividend income amounting to some Rs 755 million from our associate, BFCOI, in light of surplus capital held in the wake of the slowdown in loan portfolio therein. When excluding these non-recurrent items, Bank profit would have been marginally up while results at Group level would have been close to those realised in FY 2010/11. This performance testifies to the resilience of MCB operations in the face of the challenging operating conditions and provides comfort to the strategic orientations taken by the Group over time. In fact, the sustained diversification drive contributed to satisfactory performances across most segments even though non-banking activities were plagued by persisting market uncertainty and volatility. Further gains have particularly been made in respect of our strategy to deepen and extend our international footprint, contributing to the share of foreign-sourced earnings in total profit standing at around 43%. Indeed, a substantial increase in the international activities of the Bank associated with improved contribution from overseas subsidiaries, on the back of strong growth in results of MCB Moçambique, have helped to offset the impact of reduced profitability of our Réunion-based associate.



Underpinned by the MCB's business development thrust, operating income at Group level increased by 6.0% to reach Rs 10,008 million, while that of the Bank rose by 13.7% to Rs 9,514 million. With operating expenses being fuelled by capacity-building endeavours and taking into consideration one-off gains in FY 2010/11, operating profit before provisions of the Group remained close to the previous year's level as opposed to an increase to Rs 5,640 million for the Bank, buoyed by the BFCOI dividend. Recurring earning power, taken as being the ratio of pre-provision profit excluding net income from sale of securities and non-recurrent items to average assets, declined but stayed at an appreciable level of around 3%.





Pre-provision profit to average assets = Pre-provision profit excluding net income from sale of securities and non-recurrent items to average assets

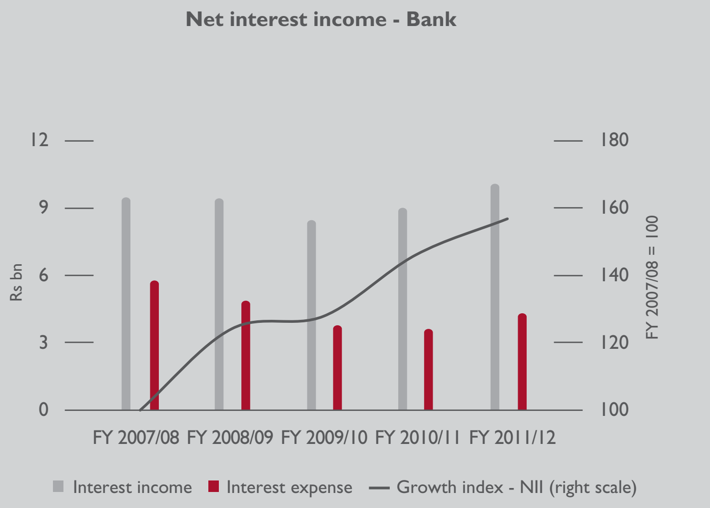
Results in the last financial year have been adversely impacted by a significant increase in impairment charges which reached some Rs 520 million for the Group and Rs 510 million for the Bank to cater for the delinquencies in respect of retail unsecured loans and higher provisioning in the corporate segment given the difficult context. Furthermore, share of profit of associates went down by 43.6% given dampened performance in PAD Group and, more importantly, a drop in results of BFCOI on account of increased charges for doubtful debts. Income tax charges, inclusive of the special levy applicable to banks operating in Mauritius, stood at Rs 888 million for the Group and Rs 669 million for the Bank during the last financial year.

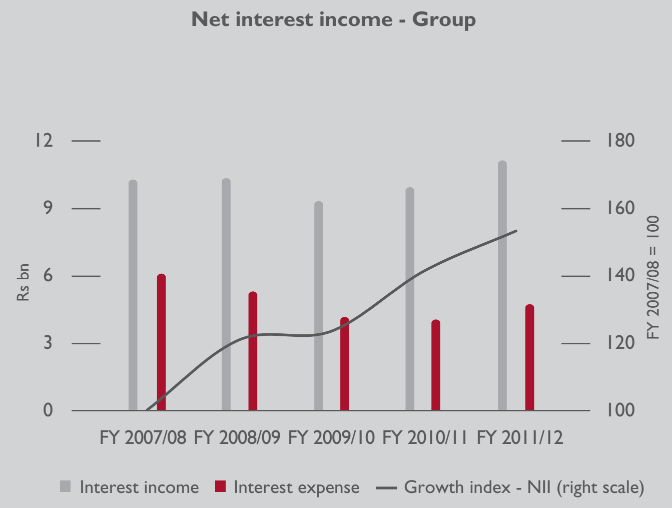
On the basis of sound business principles and diligent risk management practices, financial soundness metrics were maintained at a generally comfortable level despite pressures arising from the demanding environment contributing to some deterioration in asset quality.

Revenue Growth

Net Interest Income

Notwithstanding the challenging operating context and relatively low yields on Treasury Bills, interest income at Bank level increased by 11.9% to exceed the Rs 10 billion mark in FY 2011/12. This performance was mainly attributable to the sustained rise in the loan portfolio across major business lines with foreign-sourced operations in particular growing strongly. In the same vein, an increase in the deposit base contributed to interest expense going up by 18.6% to Rs 4,321 million in FY 2011/12. A significant growth was registered at segment B level as the MCB sought to secure adequate funding in support of its international ambition. Net interest income for the Bank expanded by 7.4% to reach Rs 5,746 million, contributing to a growth of 8.5% to Rs 6,385 million at Group level. As such, net interest margin, as measured by net interest income to average earning assets, remained close to the previous year's level to stand at some 4% for both the Bank and the Group. Correspondingly, the ratios for net interest income to average assets were maintained at about 3.5%.



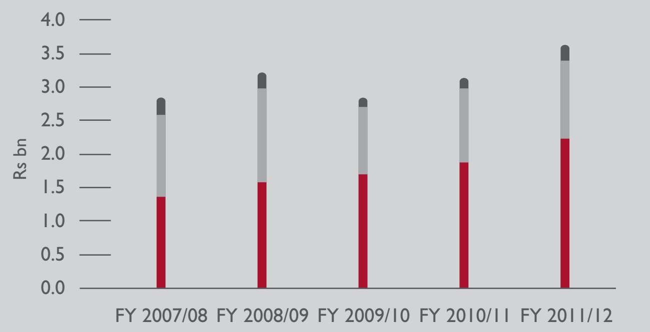


Management discussion and analysis

Non-Interest Income

Reflecting headway made in terms of market and product diversification, net fee and commission income rose by 17.2% and 18.4% at Bank and Group levels. This performance was boosted by the rising prominence of regional trade finance and appreciable increases in fees derived from financing, cards and other payments services. Although profit on exchange of the Group increased by 7.4% in net terms, largely driven by foreign activities, 'other income' declined by 2.0%, essentially due to FY 2010/11's figure including a significant gain arising from an exit from an equity investment. On excluding the latter, 'other income' of the Group would have risen by a notable margin. In the same vein, it is worth noting that the overall growth in non-interest income in FY 2011/12 was further restrained by the fact that the MCB benefited from an out-of-court settlement of Rs 250 million in the previous year.

Breakdown of non-interest income - Group

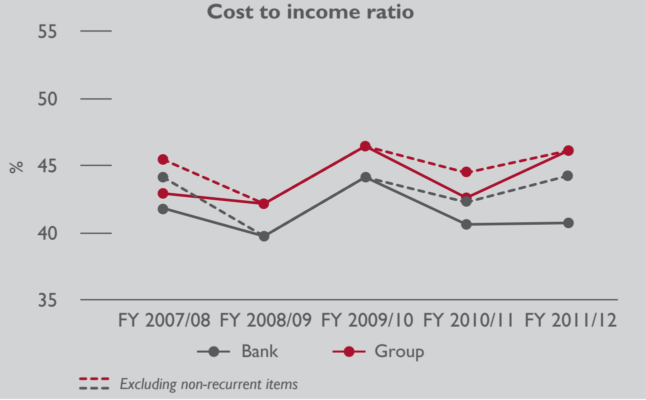


Figures for FY 2007/08 and FY 2010/11 exclude non-recurring items of Rs 425m and Rs 410m respectively

Cost Control

Reflecting the full impact of significant investments made in the recent past in relation especially to the technological platform and the physical infrastructure and subsequent to further human capacity building, operating expenses of the Group increased by 14.8% to reach Rs 4,616 million during FY 2011/12. The corresponding rise at Bank level stood at 13.8%. Worth mentioning, in the wake of initiatives put into place to promote environment-friendly behaviours on the part of staff and clients in the context of the 'Initiative 175' programme, stationery costs of the Bank sustained their downtrend.

Cost to income ratio



Considering the restrained evolution of earnings and the rise in operating expenses, the cost to income ratio at Group level worsened to attain 46.1% during the last financial year. The ratio at Bank level rose to 44.2% when the BFCOI dividend is excluded.

Credit Exposure

Whilst the economic environment was confronted by key challenges, total gross loans and advances of the Group grew by 12.1% to stand at Rs 140.9 billion as at end of June 2012, supported by the diversified strategic positioning of business lines. This performance was, to a large extent, driven by a 12.8% expansion in exposures at Bank level to stand at Rs 132.8 billion, linked to increases at the level of both local and foreign-sourced advances. Growth in the latter case has been particularly robust. Indeed, segment B loans and advances rose by 33.9% owing to exposures to entities outside Mauritius and to Global Business Licence Holders growing by significant rates of 28.1% and 26.3% respectively. On the domestic front, in spite of pressures exerted on private investment in the country, segment A loans and advances went up by 6.5%. This has been mainly spurred by the sustained dynamism depicted by the retail segment, with the growth in overall exposures being underpinned by another buoyant performance in respect of mortgage loans which rose by 17.6% during the period under review despite the competitive climate and, to a relatively lower extent, the continuing rise in consumer loans. Moreover, a circumstantially resilient increase has been noted in segment A loans to corporate customers on the back of major disbursements with respect to property development in particular.

June 2012	**Loans to customers**		**Non-performing loans (NPLs)**		**Allowances for credit impairment**		
MCB Group	**Rs m**	***Y.o.y growth (%)***	**Rs m**	***% of loans***	**Rs m**	***% of loans***	***% of NPLs***
Agriculture and fishing	8,673	*(4.1)*	54	*0.6*	77	*0.9*	*141.9*
Manufacturing	10,347	*(2.2)*	519	*5.0*	378	*3.7*	*72.9*
of which EPZ	*3,286*	*(0.6)*	*125*	*3.8*	*117*	*3.6*	*93.6*
Tourism	28,300	*2.3*	661	*2.3*	165	*0.6*	*25.0*
Construction	12,547	*45.7*	1,552	*12.4*	413	*3.3*	*26.6*
Traders	18,675	*7.8*	715	*3.8*	569	*3.0*	*79.6*
Financial and business services	14,071	*23.4*	167	*1.2*	80	*0.6*	*48.0*
Personal and professional	25,622	*17.7*	2,127	*8.3*	1,150	*4.5*	*54.1*
of which credit cards	*624*	*54.8*	*29*	*4.6*	*52*	*8.3*	*181.5*
Global Business Licence holders	10,919	*26.3*	77	*0.7*	145	*1.3*	*188.8*
Others	9,293	*14.3*	405	*4.4*	285	*3.1*	*70.3*
Total	**138,447**	***12.4***	**6,277**	***4.5***	**3,263**	***2.4***	***52.0***

Note: Personal and professional segments include housing loans

June 2012	**Total loans**		**Non-performing loans (NPLs)**		**Allowances for credit impairment**		
MCB Bank	**Rs m**	***Y.o.y growth (%)***	**Rs m**	***% of loans***	**Rs m**	***% of loans***	***% of NPLs***
Segment A	96,652	*6.5*	5,330	*5.5*	2,775	*2.9*	*52.1*
Segment B	36,172	*33.9*	555	*1.5*	365	*1.0*	*65.8*
Total	**132,824**	***12.8***	**5,885**	***4.4***	**3,140**	***2.4***	***53.4***

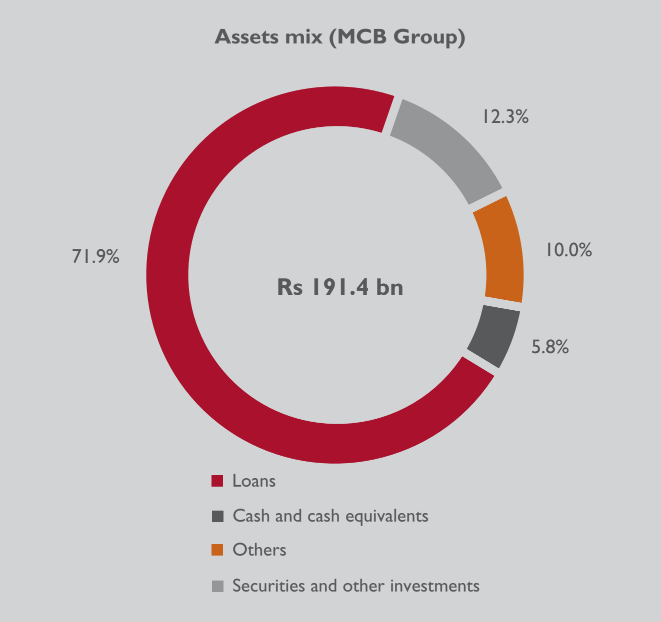
Group credit exposures as at 30 June	**2010**	**2011**	**2012**
On-balance sheet	**Rs m**	**Rs m**	**Rs m**
Lending	112,496	125,716	140,912
Loans to customers	*110,600*	*123,169*	*138,447*
Loans to banks	*1,896*	*2,547*	*2,466*
Trading	3,350	4,140	4,495
Investments	22,142	20,156	19,092
	137,988	**150,012**	**164,499**
Off-balance sheet	**Rs m**	**Rs m**	**Rs m**
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	26,796	33,143	39,134
Commitments	6,450	3,922	4,742
Other	1,097	1,316	1,484
Contingent liabilities	**34,344**	**38,382**	**45,360**

Management discussion and analysis

Other Assets

In respect of liquid assets, the Bank's portfolio of Government securities held to maturity fell by 12.8% to stand at Rs 10.8 billion as at 30 June 2012, in line with continued business growth and a relative undersupply of these securities. On the other hand, cash and cash equivalents held by the Bank registered a year-on-year rise of 18.2%, thus contributing to a corresponding increase of 20.2% at Group level. Besides, mandatory balances with Central Banks expanded by 21.2% and 21.6% to Rs 7.6 billion and Rs 9.1 billion at Bank and Group level respectively. As such, the liquid assets, including placements, to deposits ratio of the MCB stood at 20.0% for the Bank and 21.6% for the Group as at the end of the last financial year.

Furthermore, the intangible assets of the Group declined by 9.5% to attain Rs 976.9 million, while fixed assets expanded by 6.7% to reach Rs 6.3 billion, mainly reflecting the completion of the new MCB building at St. Jean. Additionally, it is worth highlighting that investments in associates at the Bank level rose by a significant margin to reach Rs 1,644 million by way of sizeable subordinated loans.



Credit Quality

The deepening financial crisis and its repercussions on the Mauritian economy are affecting the debt-servicing capacity of individual and corporate customers of banks. The MCB's operations have not been spared and there has been a sharp rise in both non-performing loans and impairment charges.

Although the bank's risk management processes have been tightened even further, with a review of lending parameters and even more careful monitoring and analysis of credit risk, delinquencies in the retail unsecured segment have been on the rise, even though this was not entirely unexpected, as the greater risk carried by this category of loans is compensated by higher interest rates. Elsewhere, in the corporate portfolio, provisions had to be increased on several exposures in a variety of sectors.

All this has led to specific impairment charges nearly doubling to Rs 405 million for the Bank and to Rs 411.9 million for the Group. This latter figure, however, represents 0.3% of the Group loan portfolio and, although it represents a jump from last year's figure of 0.2%, is still considered acceptable by international standards.

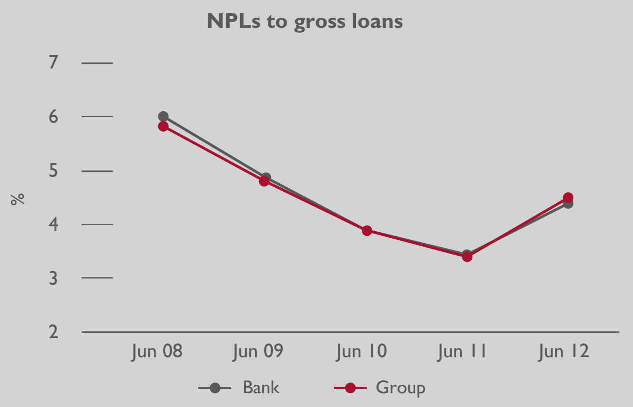
After successively falling for more than the last five years, the ratio of non-performing loans (NPLs) as a percentage of total loans has started to rise again, with the Group ratio standing at 4.5% at 30 June 2012, while that of the Bank reached 4.4% at that date. The net NPL ratios (net NPLs as a percentage of loans minus provisions) stood at 2.9% and 2.8% for the Group and the Bank, a rise of more than one percentage point during the year. The specific cover ratio of NPLs currently stands at some 38%, but it must be underlined that the uncovered portion is more than adequately catered for by collateral, suitably written down in value, when necessary, to reflect current market conditions and recovery time.

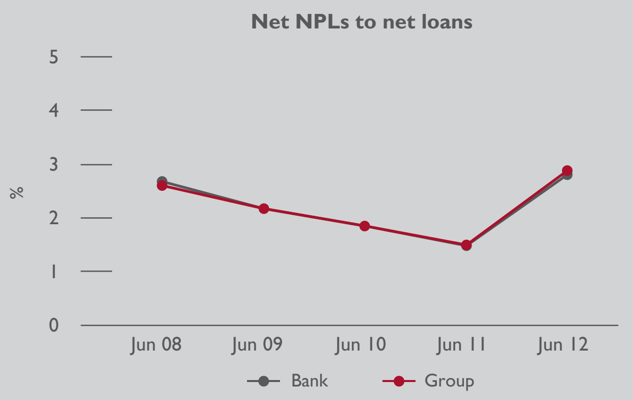
Additionally, the Bank, in conformity with the Bank of Mauritius Guideline on Credit Impairment Measurement and Income Recognition, gives due weight to the varying degrees of risk attached to the different components of its loan portfolio. Loans are thus analysed by sectors, each sector having similar characteristics, and a statistical provision is assigned to each sector based on past loss experience and current attributes and outlook. The Group portfolio provision increased by Rs 107 million as at 30 June 2012.

Although the trend in NPLs and impairment charges will largely depend on the state of the Mauritian economy and that of the countries where the MCB Group carries out its business, current high levels of credit risk management will be maintained and, where necessary, strengthened even further.

Provisioning and asset quality		**Group**			**Bank**	
Movement in allowances for credit impairment (Rs m)	**2010**	**2011**	**2012**	**2010**	**2011**	**2012**
Provisions at start	3,377	3,054	3,276	3,280	2,925	3,157
Provisions made during the year*	263	656	517	191	627	478
*of which specific charge**	*188*	*573*	*408*	*110*	*548*	*374*
Provisions released during the year	(116)	(112)	(57)	(89)	(103)	(31)
Amounts written off	(471)	(322)	(464)	(457)	(293)	(464)
Provisions at end	3,054	3,276	3,271	2,925	3,157	3,140
Key ratios (%)						
Income Statement charge (specific) to total loans	0.2	0.2	0.3	0.1	0.2	0.3
Total provision to non-performing loans	70.4	75.4	52.1	71.2	77.9	53.4
Total provision to total loans	2.7	2.6	2.3	2.7	2.7	2.4

**Include interest suspense*

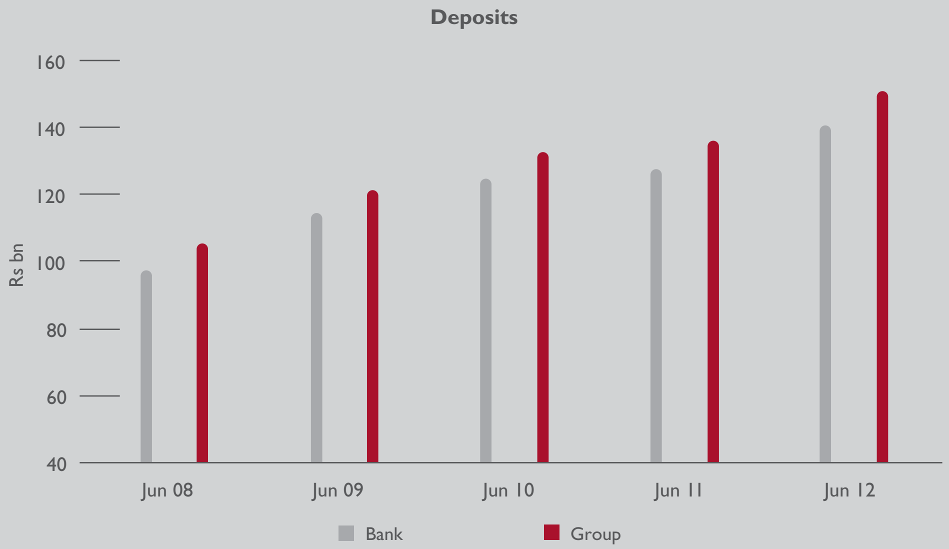




Funding

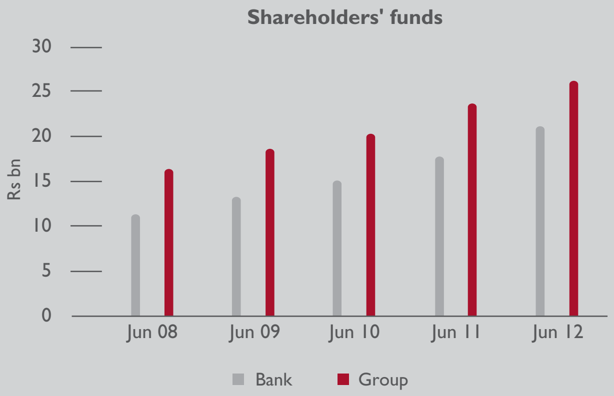
Deposits and Borrowings

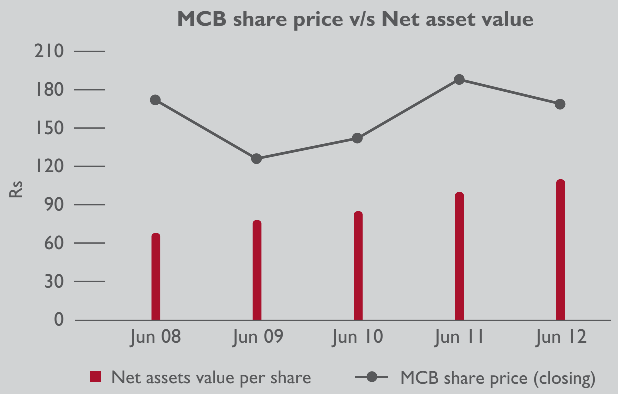
After moving at a restrained pace in the preceding year, total deposits at Bank level expanded by 10.3% to attain Rs 140.8 billion as at 30 June 2012, underpinned by notable increases in respect of both local and foreign currency denominated funding. Indeed, notwithstanding the tepid growth in national income and the prevalence of relatively low interest rates, rupee deposits increased by 8.6%, supported by growth rates of 9.7% and 14.3% in respect of savings and demand deposits, while foreign currency deposits rose by 14.9%. Reflecting the expansion at Bank level, total deposits of the Group increased by 10.8% to stand at Rs 150.9 billion as at the end of the period under review. On the other hand, borrowings at Group level experienced a substantial increase of 44.3% during FY 2011/12 to reach Rs 7.4 billion in order to make up for the repayment of subordinated debt worth Rs 1.3 billion and fund the expanding international activities. In fact, the rise was mainly prompted by the issue of senior unsecured floating rate notes as well as a notable growth in borrowings from banks abroad in line with the recourse to LC refinancing credit lines to cater for increasing regional trade finance activities.



Capital Resources

With retained earnings rising by 15.8% after accounting for dividend payments of Rs 1.4 billion, Group shareholders' funds expanded by 10.1% to stand at Rs 26.1 billion as at 30 June 2012. Hence, net assets value per share went up from Rs 100 to Rs 110. Reflecting in part the perceived potential from the market standpoint of the Group's ability to creating value on a sustained basis, the Group's share price, although declining in line with market trends, continues to be traded at a premium. Overall, the capitalisation of the Group remained at a comfortable level, providing adequate buffer against possible adverse shocks, as gauged by a risk-weighted capital adequacy ratio being well above the regulatory limit to stand at 13.2% despite the repayment of a subordinated debt in late 2011.



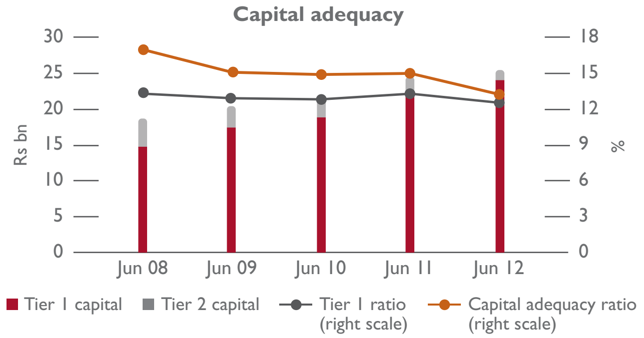


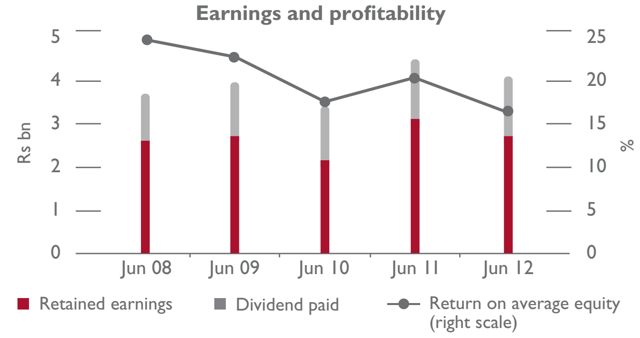
Pierre Guy NOEL
Chief Executive (Group)

Antony R. WITHERS
Chief Executive (Banking)

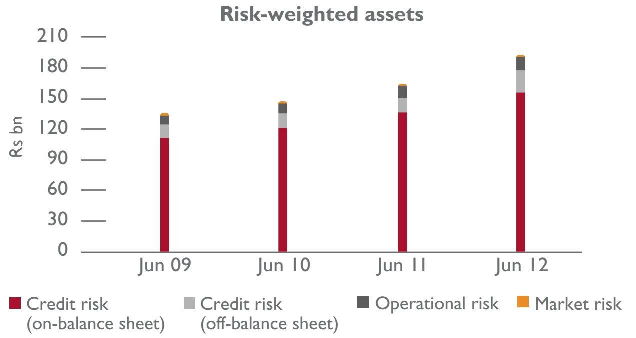
Key Financial Soundness Indicators

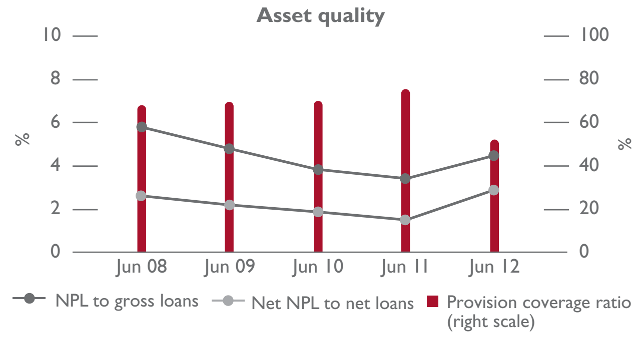
Adequate capital levels have been maintained, underpinned by an appreciable retained earnings evolution



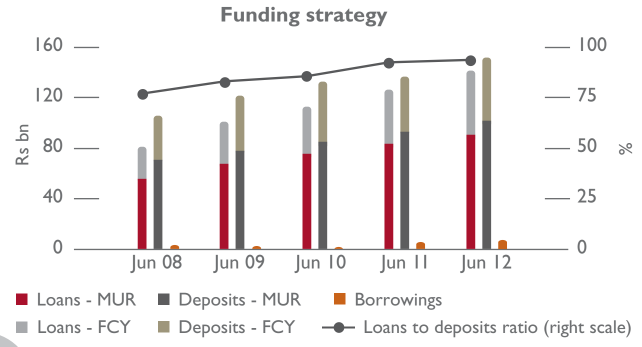


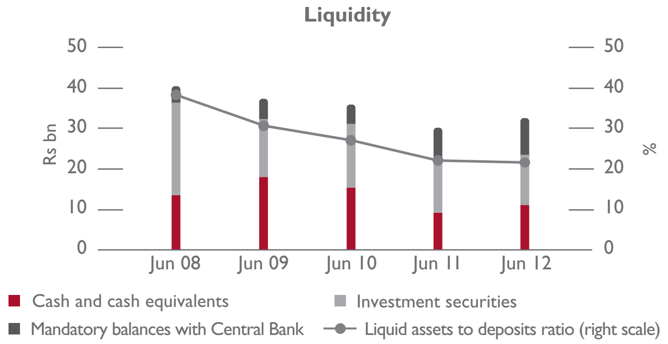
Reflecting business growth, assets upheld their expansion over time, while their quality remained within manageable levels despite of pressures emanating from the testing economic climate





Sufficient funds are made available to meet obligations on a timely basis, backed by sound funding strategies





Risk Management Philosophy

The mission of risk management at the MCB is:

To identify, assess and manage the credit, operational, market and information risks to which the Group is exposed, thereby improving the risk-return profile of its activities while upholding an environment conducive to attracting and promoting business opportunities.

...whilst its goal is:

To enhance stakeholders' confidence with respect to the management of current and potential credit, operational, market and information risks through:

- adequate internal control mechanisms;
- up-to-date and comprehensive risk policies;
- adherence to legal and regulatory requirements; and
- reliable decision-making support.

Key underpinnings

Strong governance standards

- Ultimate responsibility of the Board
- Supervision by the Board through sub-committees
- Risk appetite set and monitored by the Risk Monitoring Committee
- Well-established risk policy
- Comprehensive risk management processes
- Independent teams of Group internal audit, compliance, physical security and legal functions

Comfortable capital levels

- Organic growth through retained earnings
- Ample capital cushion to withstand potential shocks
- Enough resources to support strategic objectives

Sufficient funding and liquidity

- Deposits represent the primary funding source
- Diversified funding sources by type and nature
- Low involvement in overly volatile markets
- Funds at reasonable cost to meet obligations in a timely manner

Good asset quality

- Non-performing loan ratios at satisfactory levels
- Prudential market penetration
- Healthy loan portfolio through fitting credit discipline
- Efficient and cost effective debt collection and recovery

Risk-return profile and shareholder value

- Well-diversified portfolio of exposures
- Adequate pricing of risk to achieve appropriate return
- Due emphasis on long-term shareholder value creation

Risk report

Introduction

Summary

During FY 2011/12, the MCB Group effectively weathered the various challenges flowing from a persistently testing economic environment and its cohort of market fragilities. Fundamentally, backed by the adoption of stringent risk management practices, the MCB sustained its financial soundness with respect to capitalisation, earnings and profitability, as well as funding and liquidity. Besides, though deteriorating on the back of challenging economic conditions, asset quality remained within manageable levels. Overall, in the face of adverse conditions, the capacity of the MCB to support its market development drive has remained anchored on its sound business model, underpinned by the continuous reinforcement of the risk management process. For instance, the Group improved the credit quality management of its loan portfolios, with further progress made in terms of the measurement and pricing of risk as well as the more systematic adoption of proactive measures to address deteriorating assets at an early stage. Besides, in order to achieve a superior risk-return relationship, the MCB pursued its efforts to optimise cash flow management and further diversify its liability base in order to uphold its funding and liquidity positions. In addition, the following initiatives have been undertaken during the last financial year.

- The MCB is in the preliminary stage of a project aimed at replacing the Bank's capital calculation engine with an enterprise-wide risk management software which will assist in the computation of credit risk capital under both the Basel II Standardised Approach and the Internal Ratings Based Approach. It is expected that, in adopting better risk management techniques, already embedded in an integrated risk software, the Bank will boost its capacity to perform complex capital stress-testing and scenario analyses, thus reviewing the impact of changes in both business strategy and external factors through user-defined scenarios and simulating capital requirements in line with the Guideline on Supervisory Review Process issued by the Bank of Mauritius (BoM). The risk management solution will also integrate robust capabilities such as the consolidation, monitoring and stress-testing of the MCB's liquidity risk positions amongst others.

- The Internal Capital Adequacy Assessment Process (ICAAP) has been further refined with a view to enhancing the Group's strategy for maintaining adequate capital levels consistent with the Board's risk appetite across all identified risks faced by the MCB whilst meeting regulatory requirements.

- A full-fledged risk management training and awareness programme has been conducted with the staff of the Group Risk SBU in order to promote the dissemination and adoption of an effective risk management culture, by notably keeping the personnel abreast of the knowledge and skills relevant to Basel compliance, thus ensuring adherence to best risk management practices.

Risk Metrics

This risk management approach is reflected across the specific risk metrics summarised below.

Credit Risk

The MCB's core credit principles, active management of the concentration of risks and fitting risk mitigation techniques have enabled the Group to maintain the risk profile of its portfolio within the set risk appetite while operating in a growingly challenging economic environment, and to contain the level of loan losses despite the subdued performances posted by various sectors of the local economy. Although somewhat increasing after years of decline, the non-performing loan ratios have been kept within manageable levels of 4.5% and 2.9% in gross and net terms respectively as at 30 June 2012. Also, of note, the MCB's portfolio of credit exposures remained well diversified across lines of business, economic sectors and countries. On the whole, the credit risk-weighted assets rose by 17.4% to Rs 177.4 billion in FY 2011/12.

Market Risk

The trading exposures of the MCB have been confined to within 5% of its total assets as at 30 June 2012, with the main source of market risk arising from foreign exchange risk. The aggregate net open foreign exchange position stood at Rs 1,474 million at the financial year end, representing a rise of 35.2% from FY 2010/11.

Operational Risk

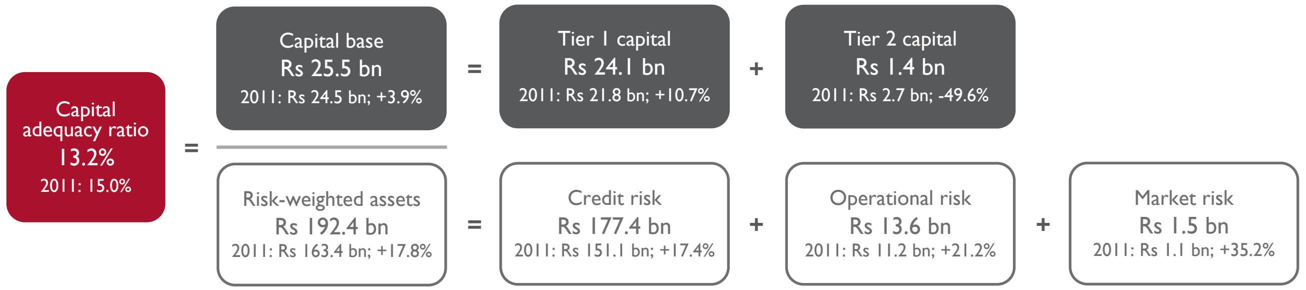
The charge for operational risk capital increased by 21.2% to Rs 1,355 million as at 30 June 2012, resulting primarily from the selection of a more conservative measurement method as well as the overall expansion of business activities across the Group.

Liquidity Risk

Liquidity management at the MCB is underpinned by the recourse to stable and flexible sources of funding that assist in the effective monitoring of cash flows and liquidity needs. The MCB's holdings of liquid assets remained fairly stable, with liquid assets (consisting of cash, balances with BoM, placements, T-Bills and Government securities) representing 21.6% of deposits as at 30 June 2012, thus providing adequate buffer against unforeseen short-term liquidity pressures.

Capital Management

Supported by the sustained growth in retained earnings, exposures across markets are generally assigned comfortable capital levels. Despite being damped by the repayment of subordinated debt of Rs 1.3 billion, the capital base of the Group grew by 3.9% to reach Rs 25.5 billion as at 30 June 2012. On the other hand, risk-weighted assets increased by 17.8% to Rs 192.4 billion at the end of FY 2011/12, largely supported by the increase in credit risk-weighted assets on the back of the growth in business activities. As a result, reflecting the capability of the Group to effectively withstand potential shocks, the Tier I and total capital adequacy ratios stood at 12.5% and 13.2% respectively as at 30 June 2012. These ratios are well above the regulatory minimum of 10% respectively.



Looking ahead, some fundamental changes that could potentially occur on the regulatory front over the course of the next few years would heighten prudential standards for capital requirements, leverage, liquidity and contingent capital applicable for the banking industry as a whole. Besides, the ramifications of the weakened economic and financial environments – both domestically and internationally – would invariably impact the market potential of banks over the foreseeable future. For its part, while remaining characterised by its strong capital foundation and healthy operating fundamentals, the MCB is committed to continuously refine its risk management strategy to foster prudent market penetration, alongside tapping into market development opportunities which are in line with the Group's risk appetite.

Risk report

Risk Appetite and Strategy

The Board of Directors seeks to ensure that the business strategies of the MCB are clearly linked to its risk appetite, thus ensuring that capital resources of the Group are optimally managed. The risk appetite refers to the amount of risk the Group is able and willing to take or tolerate in pursuit of its business objectives. The objective of setting risk appetite is not necessarily to limit risk-taking, but to ensure that the Group's risk profile is aligned to its business strategy. For its part, the Group's risk management strategy is targeted at ensuring ongoing effective risk identification and achieving effective capital management.

To this end, the MCB *inter alia* defines (i) its appetite for credit risk in terms of, for example, allocation range targets for domestic and international credit exposures as well as exposure by economic sector, and (ii) its appetite for market risk in terms of the splits between domestic and international markets, foreign currency and interest rate exposures, % exposure allocation for position-taking and % target splits in respect of maturities of exposure.

Indeed, effective risk management is a key component of the delivery of sustainable returns to its shareholders, achieved mainly by maximising the risk-adjusted rate of return whilst maintaining risk exposures within acceptable parameters. The risk management approach adopted by the MCB is guided by four key principles:

Risk management principles

Principle 1	Principle 2	Principle 3	Principle 4
Comprehensive definition and identification of risk	Risk governance	Segregation of duties	Pricing of risk

Principle 1 *Comprehensive definition and identification of risk*

The overall definition of risk used within the Group is:

> Risk is the outcome of uncertainty in the future course of events resulting from decisions or actions taken at any specific point in time. Risk has a financial consequence which can only be quantified with certainty after the event, but which must be estimated or assessed as best as possible in advance.

The Group ensures that risks are identified, assessed, managed and controlled in a systematic manner, with clearly defined policies, roles and responsibilities which are documented and subject to regular review.

Principle 2 *Risk governance*

The governance structure and policy framework seek to foster the embedding of risk considerations in existing business processes and ensure that consistent standards exist across the Group's operating units. A description of the framework for risk governance, roles and responsibilities and lines of accountability for the various risk categories is provided later in the report.

Principle 3 *Segregation of duties*

Segregation of duties and management oversight are key components of the Group's risk management process. There is a clear segregation of duties between the three risk aspects namely:

- Risk-taking comprises the involvement of lines of business with customers, and the actions which give rise to risks for the Bank as a result of delivering products and services to those customers. These mainly relate to Corporate Banking, Retail Banking, Cards and International Banking including Global Business.
- Risk processing refers to the actions which turn a risk-taking decision into a series of financial actions, often referred to as back office operations. Some examples of such functions are trade finance, treasury back office and central operations.
- Risk control includes all the actions required to ensure that risk-taking is undertaken within agreed boundaries, and that the consequences of all risk-taking and risk processing are analysed over time for their actual risk outcome. For instance, Group Risk, Group Internal Audit and Legal are referred to as risk control functions.

Principle 4 *Pricing of risk*

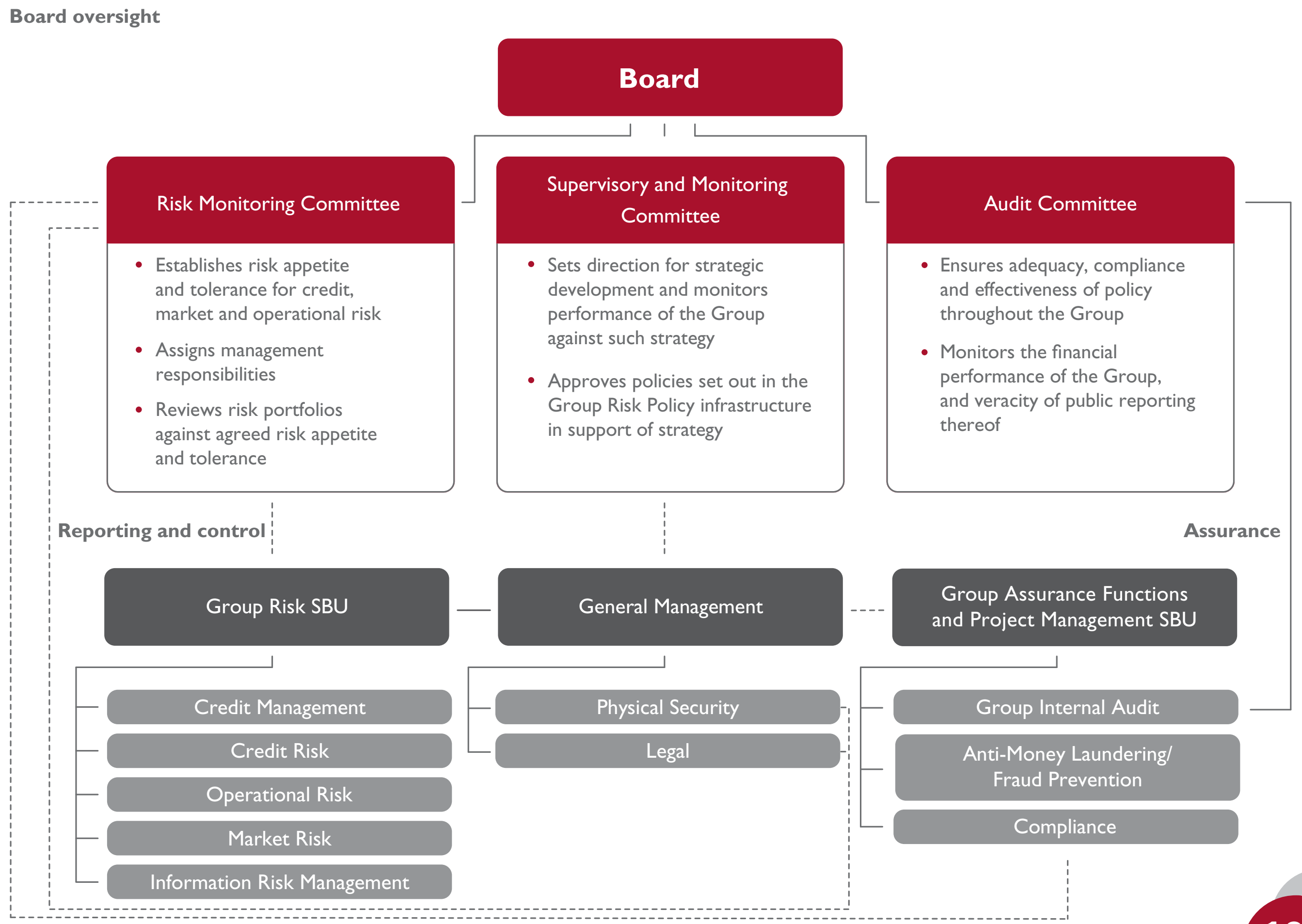
A key objective of risk management is to ensure that shareholders receive an appropriate return for the risks that are being undertaken on their behalf. The following principles underpin the MCB's approach to the pricing of risk:

- The price that is charged to clients is reasonable in relation to the relative riskiness of the exposure. In applying this principle while ensuring sustainable returns, the Bank uses the risk-based profitability metric, referred to as the return on risk-adjusted capital (RORAC), which provides the measure of net income as a proportion of the allocated capital commensurate with the risk undertaken.
- A reasonable expectation of return is established at the outset of any transaction where the Bank assumes a risk for its own account, an example being proprietary trading.

Governance and Structure

In line with the corporate governance structure adopted by the MCB, the Board has the ultimate responsibility of ensuring that risks are adequately identified, measured, monitored and managed. The Board discharges its duty through policies and frameworks as well as specialised committees as illustrated in the chart that follows.

MCB risk management framework



Risk report

The Group risk framework clearly defines the roles, responsibilities and reporting lines for various business units whilst aiming at safeguarding the Bank's assets and resources as well as ensuring compliance to regulatory norms. The delegation of authority, control processes and operational procedures are documented and disseminated to staff.

The primary Board committee overseeing risk matters is the Risk Monitoring Committee (RMC) which reviews and assesses a wide range of areas including capital adequacy, effectiveness of risk management and control activities, alongside ensuring that Basel Capital Accord requirements are met. Several members of the RMC are non-executives, thereby strengthening the MCB's independent risk oversight and control functions. Management is accountable to the Board for ensuring the effectiveness of risk management and the adherence to the risk appetite established by the Board.

The Group Risk function bears the responsibility, on a day-to-day basis, of providing independent risk control and managing credit, market, operational and information risks. Within the division, risk managers reporting to the Head of Group Risk are dedicated to establishing risk measurement and methodology as well as monitoring and regularly reporting the Bank's various risk exposures, profiles, concentration, and trends to the RMC and Senior Management for discussion and appropriate actions.

A fitting risk control framework is also fostered through independent teams overseeing the internal audit function, the compliance with all applicable laws, regulations, codes of conduct and standards of good practice, the physical security and the legal function across the Group. It can be noted that the Group Internal Audit Business Unit (BU), Compliance BU and the Anti-Money Laundering/Fraud Prevention BU report to the Head of the Group Assurance Functions and Project Management Strategic Business Unit (SBU), while the responsibility to act as the Money Laundering Reporting Officer is entrusted to the Head of the Legal SBU, thus ensuring the strict independence required for this position.

The existing risk structure enables the Group to reinforce the linkage between capital requirements and the level of risks undertaken whilst progressively migrating from the Basel II Standardised Approach to the Internal Ratings Based Approach. The Group continues to monitor developments arising from Basel III and refine its risk management capabilities to duly position itself for the far-reaching consequences of such reforms.

Management of Key Risks

Credit Risk

Credit risk is defined within the MCB as per international norms as:

The risk of loss arising from any failure by a borrower or a counterparty to fulfil its financial obligations as and when they fall due.

Governance

The Board has ultimate control and oversight of credit risk management as well as credit risk policies and their deployment through the Supervisory and Monitoring Committee (SMC) and the Executive Credit Committee (ECC) which is the management committee responsible for the planning, sanctioning, control and monitoring of credit risk. In particular, the SMC, in consultation with line management, is accountable to the Board through the normal chain of operational command and control for ensuring the proper and prudential segregation of duties within the credit risk management architecture of the MCB. The Board delegates its authority to the RMC for the oversight of all credit matters. It monitors the effectiveness of the Group's credit and country risk management structure, be it in terms of framework, people, processes, information, infrastructure, methodologies or systems.

Management and Monitoring

The credit risk management framework enables the Bank to manage credit risk within the limits of its evolving risk appetite, develops risk-response strategies and optimises risk-taking by anticipating and acting on potential opportunities or threats. Specifically, it relies on the Bank's well-established dual control structure, sound credit processes and clear delegation of decision-making authority, amongst other considerations, for the approval of loans.

Credit risk exposures are in fact managed through a robust credit assessment, structuring and monitoring process. The latter, under the responsibility of the Credit Management BU, involves the daily monitoring of credit limit excesses as well as the review of all exposures, the frequency of which is increased in accordance to the size and likelihood of potential credit losses to ensure the timely detection of possible problem loans. Exposures showing signs of deterioration are placed on a watch list and are referred to a dedicated team for closer scrutiny where appropriate. The Bank's disciplined approach to provisioning and loan loss assessment is based on the Guideline on Credit Impairment Measurement and Income Recognition issued by the BoM.

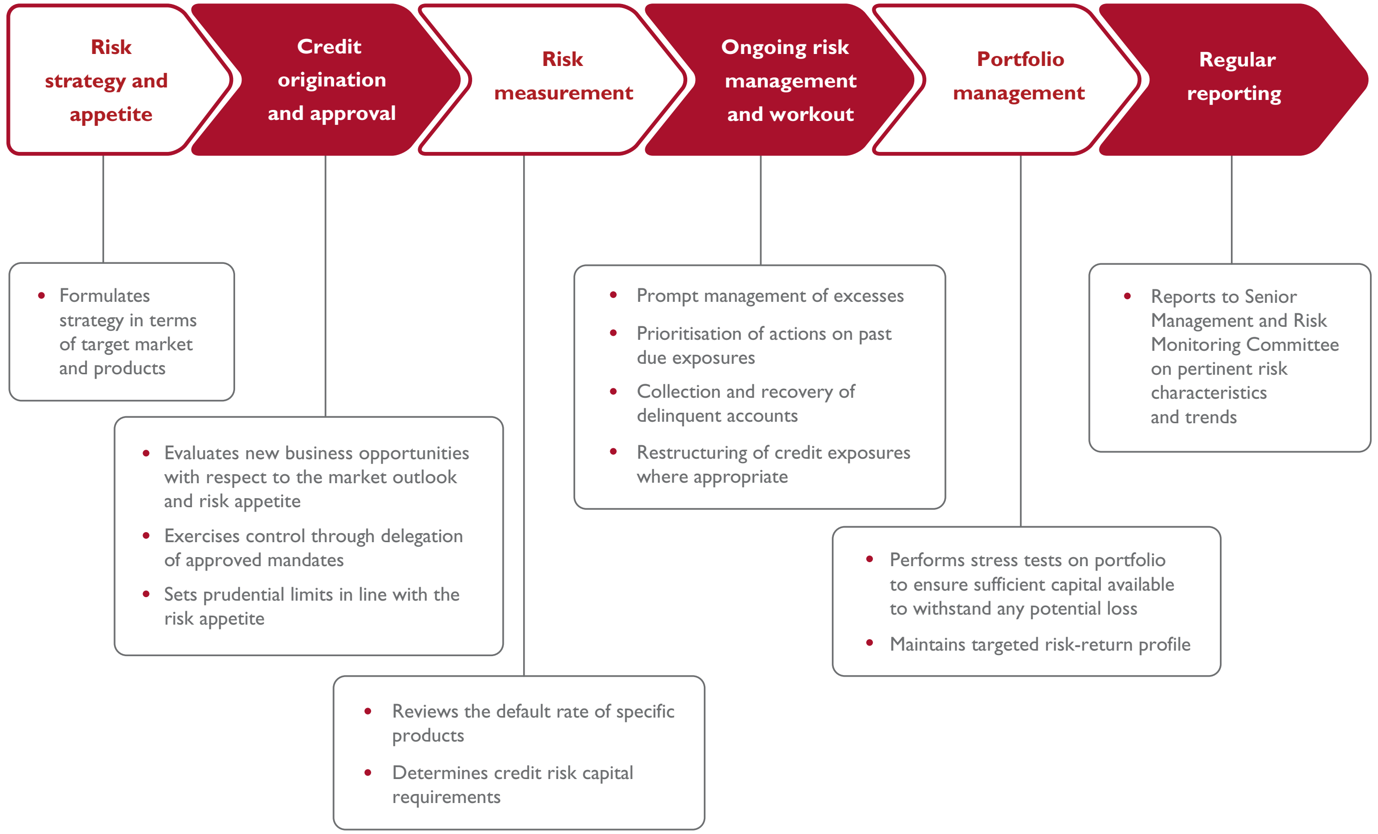
The Credit Risk BU, for its part, provides an independent and regular review of the aggregate loan portfolio to proactively manage any delinquency and minimise undue credit concentrations. Significant trends in that respect are reported to Senior Management and the RMC on a quarterly basis, notably in relation to the credit risk profile of counterparties, including corporates and small businesses as well as banks, a the risk exposures (via placements and advances) to which are indicatively provided in the following diagram.

Bank risk exposure

Risk report

The enterprise-wide credit risk policy, approved and reviewed by the SMC, sets forth the principles by which the Group conducts its credit risk management activities. The policy ensures consistency in credit risk assessment across the Group, and provides guidance in the formulation of the appropriate structure by which business generation is harmonised with risk management requirements, referred to as target market criteria.

The credit risk management practices adopted by the MCB cut across the entire credit cycle, as depicted in the following diagram.



Measurement

Credit risk measurement consists of appraising the track record of customers as appropriate for the prediction of the likely future behaviour of existing accounts for ongoing credit risk management. Ultimately, the Bank assesses whether individual business areas provide sufficient contribution to the targeted risk-return profile in order to determine the capital allocation that yields the optimum return, achieved by channelling risk capital away from low-return to high-return business areas, in a manner commensurate with the risks shouldered.

As part of its ongoing efforts to refine its credit risk management capabilities, the Bank makes use of the Moody's Financial Analyst software which evaluates a combination of factors such as the financial condition of the borrower, the economic outlook and management quality to risk-rate its major corporate borrowers and accordingly measures the risk profile of the corporate banking customer segment which consumes a sizeable proportion of the MCB's capital resources. The active deployment of credit scoring models for both secured and unsecured loans aims at improving the turnaround time and the monitoring of the risk profile within the Retail segment. The Group Risk SBU in collaboration with the Retail SBU regularly analyses default trends, identifies the underlying root causes and subsequently channels recommendations to Senior Management allowing the fine-tuning of the appropriate credit scoring parameters. Similarly, risk grades of major corporate customers are used to set tolerance limits to enhance the management of excesses.

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

Mitigation

As a fundamental credit principle, the Group generally does not grant credit facilities solely on the basis of the collateral provided. All credit facilities are granted based on the credit standing, source of repayment and debt servicing ability of the borrower. Collateral is taken whenever possible to mitigate the credit risk assumed. The value of the collateral is monitored periodically, with the frequency of valuation depending on the type, liquidity and volatility of the collateral value. On the whole, the main credit risk mitigation techniques applied by the MCB include security/collateral, netting, guarantees and political risk covers, all of which contribute to a reduction in the MCB's credit risk exposures.

Concentration

The Group's risk management processes aim to ensure that an acceptable level of risk diversification is maintained across the Group on an ongoing basis. Limits are established and regularly monitored in respect of country exposures and sectors, as well as for single counterparty exposures. Control structures are in place to ensure that appropriate limits are set, exposures are monitored against such limits, and suitable actions are taken if these are breached.

The Bank complies with the Guideline on Credit Concentration which sets out the regulatory limits as follows:

- credit exposure to any single customer shall not exceed 25% of the Bank's/Group's capital base;
- credit exposure to any group of closely-related customers shall not exceed 40% of the Bank's/Group's capital base; and
- the aggregate large credit exposures to all customers and groups of closely-related customers shall not exceed 800% of the Bank's/Group's capital base.

It is the policy of the MCB to limit credit risk exposures and concentrations within the constraints of the Bank's capital base. The Bank thus regularly monitors the credit risk concentration aggregating to more than 15% of its capital base, classified by industry sector, to ensure that its risk-bearing capacity is not jeopardised. Note 5b (v) to the Financial Statements provides the total amount of 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 to more than 15% of its capital base, classified by sector. The Group also has a prudential guideline which specifies that the aggregate large credit exposures to all customers and groups of closely-related customers shall not exceed 600% of the Bank's capital base without due notification to the SMC. The table below provides a breakdown of the Bank's top credit exposures as at 30 June 2012. Ten customer groups had exposures of at least 15% of the Bank's capital base. The aggregate of these exposures amounted to 265% of the Bank's capital base which was well within the internal limit of 600% and the BoM limit of 800%.

Gross exposure as at 30 June 2012	Total gross exposure	Risk capital consumed	Risk capital consumed as a % of total credit risk capital
	Rs bn	Rs bn	%
Top 5 customers / customer groups	31.2	2.2	14
Top 10 customers / customer groups	50.0	3.7	23

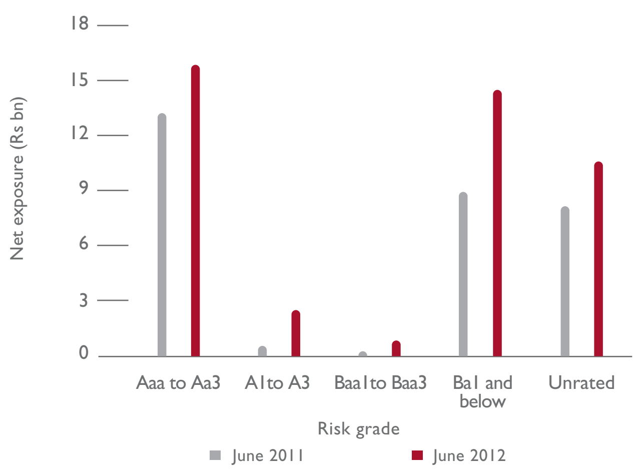
The MCB focuses on the diversification of its lending portfolio by setting sectoral limits based on forecasts spanning a five-year horizon in order to ensure that the performance of the Group is not negatively impacted by a large sectoral exposure default. Additionally, regular stress tests are performed on the portfolio to ensure that the Bank holds sufficient capital to withstand any loss arising from significant exposure to a sector, single customer and group of closely-related customers.

Country Risk

Country risk arises when the Group is unable to receive payments from customers as a result of political or economic events in a particular country. These events include political and social unrest, nationalisation and expropriation of assets, government repudiation of external indebtedness, foreign exchange controls and currency depreciation or devaluation amongst others.

Foreign country exposure limits are determined on the basis of the Bank's areas of expertise, its intimate knowledge of the local economy in presence countries and its strategy to increase its regional presence, with the maximum risk limit being determined by the risk appetite of the Bank and in accordance with the BoM Guideline on Country Risk Management. Country limits are approved annually by the Board and monitored quarterly by the RMC. Where necessary, sub-limits relating to short-term trading operations in strategic commodities are set. The upgrade of the Bank's management information systems enables the generation of detailed reports for the identification, measurement and proactive monitoring of country risk exposures against country risk limits as approved by the Board. The chart below shows the country risk exposures of MCB by rating.

Country exposure by rating



Operational Risk

Operational risk is defined within the MCB as per international norms as:

> The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk but excludes strategic and reputational risk.

Operational risk exists in the normal course of business activity given that it is inherent in all banking products, activities, processes and systems. Therefore, the management of operational risk necessitates an integrated approach for the prompt identification, assessment, control, reporting and monitoring thereof through the adherence to sound practices adopted by employees at all levels of the hierarchy. At the MCB, an overarching framework is in place for fostering the systematic and consistent management of operational risk. The set-up consists of policies, standards, approaches and procedures and adapted contingency plans that are spelt out in the Group Operational Risk Policy, with the latter delineating the roles and responsibilities of key stakeholders in respect of the business support and control functions.

Governance

A fitting governance structure is an evident prerequisite for managing operational risk effectively. With regard to the MCB, the Board retains the ultimate responsibility for ensuring that operational risk is adequately managed throughout the Bank – notably through the delegation of authority to the RMC – by providing clear guidance with respect to policies and processes for the day-to-day operations. Furthermore, the responsibility for implementing the operational risk framework which addresses inherent risks is entrusted to Senior Management, while the monitoring of the entire operational cycle is exercised through the Operational Risk and Compliance Committee (ORCC), chaired by the Chief Executive (Banking). The ORCC acts as the focal point and coordinating committee which ensures the management of operational risks in accordance with the policy set out in the Group Operational Risk Policy.

The operational risk management framework relies on three primary lines of control as depicted in the following diagram. The control environment at the MCB is based on a combination of adapted policies, processes and systems as well as an appropriate risk culture which is fostered through operational risk awareness sessions targeting relevant audiences.

Risk ownership	Risk control	Independent assurance
Strategic and Business Line Management	RMC/ORCC/ Operational Risk BU	Internal/External Audit
• Implements internal control procedures • Identifies inherent risks in products, activities, processes and systems • Initiates actions and applies mitigation strategies • Reports risk incidents	• Oversees the conduct of policy • Implements integrated risk framework • Reports on inherent risks • Monitors corrective actions	• Verifies the effectiveness of the overall operational risk framework

The Strategic and Business Line Management is composed of the various business units responsible for day-to-day operational activities throughout the Bank and seeks to identify the risk inherent in the products, activities, processes and systems for which they are accountable and they ensure appropriate mitigation thereof. The second line of control (i.e. risk control) complements the business lines' risk management activities by collating operational risk events and reporting on the inherent risks embedded in processes. The third line of control relies on the independent verification of the effectiveness of the overall operational risk management framework.

Risk Exposure and Measurement

The determination of the Bank's risk exposure is anchored on the regular assessment and review of operational risk embedded in products, services and processes with the monitoring thereof being performed against acceptable tolerance limits.

In its endeavour to adopting an efficient approach to maintaining a more conservative regulatory operational risk capital charge, the MCB opted to switch from the Basel II Standardised methodology to the Basel II Basic Indicator Approach at Bank level with effect from FY 2011/12 onwards after having obtained the approval of the BoM on the matter. The Basic Indicator Approach is also used for overseas subsidiaries and local entities.

Management and Monitoring

The MCB seeks to ensure that key operational risks are managed on a timely basis and in an effective manner. This is backed by the adherence to good practices for the prompt identification of risk incidents, the initiation of appropriate remedial actions and the reporting of such incidents to the Operational Risk function. The information on operational risk events is recorded in a centralised database which enables systematic root cause and trend analysis, for necessary corrective actions. Significant operational risks are escalated to the ORCC and then, if warranted, to the RMC.

Mitigation

Operational risk mitigation relies on fitting policies, processes and systems throughout the Bank that lead to maximum risk mitigation through clear segregation of duties, dual control, regular verification and reconciliation of transactions. Moreover, a measure of risk transfer is ensured through insurance, where appropriate. In addition, as aforementioned, root cause analysis enables the identification of areas for improvement and appropriate mitigating strategies.

Business Continuity Management

Business continuity management refers to the ongoing process through which the MCB assesses the key requirements for continuity after identifying the underlying weaknesses in the business operations and implementing the appropriate strategies that will aim at minimising the impact of disruptive events on business operations. Continuity and recovery plans, designed for all core services, key systems and business activities, are regularly executed in view of assessing their ease of implementation and are revisited to ensure that underlying strategies remain relevant.

Market Risk

In line with international norms, the MCB defines market risk as:

> The risk of gain or 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 main categories of market risk to which the MCB is exposed are defined in the following diagram:

Interest rate risk
The risk arising from changes in interest rates, or the prices of interest-rate related securities and derivatives

A major source of interest rate risk arises when the interest rate reset date of an asset does not coincide exactly with the interest rate reset date of the liability which funds it. The MCB uses repricing gap analysis techniques to assess and manage interest rate risk in the trading and non-trading books. Exposure to interest rate risk is generally low given that floating interest rates linked to an index apply.

Liquidity risk
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 contractual maturity mismatch of the Bank generally reflects the characteristics of the savings and current accounts which are contractually repayable on demand. On a behavioural basis however, the Group considers such balances to be highly non-volatile and granular.

Foreign exchange risk
The risk arising from the movement in exchange rates between one currency and another

The MCB manages foreign exchange risk as a whole, whether arising from its day-to-day trading decisions or embedded within the balance sheet/general banking activities. Foreign exchange exposures are managed in terms of both the official regulatory limit of the BoM as well as internal limits/targets.

Further details on market risk exposures are provided in Note 2 to the Financial Statements.

Governance

The governance of market risk within MCB is conducted through:
- Board control oversight through the RMC, SMC and Audit Committee
- Executive management, principally via the Asset and Liability Committee (ALCO) and ECC (for counterparty credit risk aspects of market risk activities)

The Group Market Risk Policy, as approved and reviewed by the Board, establishes a cogent and comprehensive framework of policies, principles and functional responsibilities within which market risk origination, processing and valuation are appropriately segregated and undertaken.

Risk Exposure and Appetite

The Board is ultimately responsible for setting the risk appetite at Group level, in the context of the overall business strategy. Operating within this risk appetite and prudential guidelines set by the BoM, ALCO is tasked with reviewing and fixing asset and liability allocation objectives and targets to sustain both the diversification and the growth of the Bank's balance sheet from a market, funding and profitability perspective, while taking into account the changing economic and competitive landscape. ALCO meets monthly under the chairmanship of the Chief Executive (Banking) and attendance from executive management.

Taking into consideration the challenging economic environment, the Committee has proactively adopted a host of measures, including:
- cash flow projections and impact on related metrics such as loans to deposits ratio;
- proactive currency risk management and impact analysis of a depreciating euro;
- testing of money and short-term swap markets for liquidity depth;
- diversification of balance sheet funding sources, including setting of back up lines of credit;
- strengthening of liability base to minimise dependence on wholesale access to liquidity; and
- maintenance of adequate liquid assets to counter unexpected withdrawals.

Measurement and Management

The MCB complies with various regulatory limits and reporting requirements in place with regards to market and liquidity risks, including amongst others:

Interest rate risk	Liquidity risk	Currency risk
• Repricing gap analysis • Earnings and Economic Value impact analysis of a 200-basis-point shift in interest rates	• Liquidity gap analysis • 7% Cash Reserve Ratio • 18% cap on Government of Mauritius Treasury Bills	• Overall exposure of amounting to 15% of Tier I capital • Single currency exposure of 10% of Tier I capital

The MCB supplements regulatory limits with a set of internal limits and targets fixed by ALCO and cascaded, where applicable, to the Treasury BU for further delegation to different trading units and individual dealers, including individual stop loss limits. For its part, the Market Risk BU is primarily responsible for the independent monitoring of market risk limits at the MCB, including counterparty and operational risk arising from market risk activities. Procedures are in place regarding new product due diligence and independent valuation methodologies for the fair valuation of financial instruments.

The policy guiding the analysis of key balance sheet items relies on the monthly analysis of balance sheet movements by the ALCO which includes:

- the analysis of foreign currency liquidity by projecting cash flows and formulating internal targeting for the FCY loans to deposits ratio;
- the conduct of scenario analyses by simulating withdrawal of funds from largest depositors or as a percentage of the deposit base; and
- the maintenance of prudentially short placement maturities taking into account the maturity structure of the deposit base and counterparty credit risk of banks.

In the conduct of its risk measurement, the MCB also applies Value at Risk (VaR) analysis. VaR, which is based on the statistical quantification of risk, is a probabilistic estimate of future risk, where the assumptions underlying the probabilities are central to the calculations and estimates. In line with Basel II recommendations, the MCB currently uses a historical observation period of one year, with a 99% one-tailed confidence interval and a holding period of 10 days. Whereas VaR reflects the potential loss under conditions of normalcy, stress testing is used within the MCB to assess its vulnerability to extreme movements in market prices, and economic shifts.

Information Risk Management

The Information Risk Management function (IRM) aims at enhancing the security framework around the organisation's information assets. To this end, the department manages and controls logical accesses of system users to bank applications, maintains the organisation's critical asset register and performs risk assessments with the intent of evaluating and enhancing the control framework over the confidentiality, integrity and availability of sensitive data. IRM also monitors the Bank's technical infrastructure, in collaboration with other business units and carries out operational activities pertaining to sensitive and critical information. As a business partner, IRM also aligns itself with business activities and initiatives through its participation in various business projects and the evaluation and recommendation of specific security features.

The year under review has seen the reinforcement of the level of control over a range of information security areas including a normalisation of the organisation's logical access framework. Moving forward, and whilst continuing to comply with policies, regulations and requirements, the BU plans to strengthen its control frameworks through the continuous improvement of its operations and the adoption of the appropriate industry standards and best practices.

Physical Security

In its quest to promote a secure banking experience on top of outstanding service quality, the MCB pursued its efforts in upgrading and enforcing standards to protect its employees, customers and other assets. To this end, physical security practices and procedures, documented in the physical security manual, are regularly reviewed and updated with enhanced preventive measures where necessary, alongside ensuring their alignment to international standards, notably through specialised training and the deployment of state-of-the-art technology.

The year under review has seen the continuous gearing up of team competencies, uplifted synergy among control functions within the Group, optimised security levels through the leveraging on state-of-the-art technology, the promotion of efficiency and good risk management practices, enhanced communication and awareness on security aspects as well as health and safety within the Group. In addition, the appropriate policies, processes and systems have been meticulously monitored to ensure diligent adherence thereto while reinforcing the ongoing security arrangements. Security audits were also carried out to ensure compliance to security policies.

No major incident was reported at the MCB over the year under review.

Legal

Acting as a central advisory unit to business lines, the Legal SBU has, over time, capitalised on its distinctive characteristics, notably its specialist competencies and other capabilities, to provide timely and adapted legal solutions to meet the evolving needs of stakeholders within the Bank, backed by the continuous improvement of its functioning and positioning. Consequently, the entity cemented its role of duly supporting the delivery of financial services by the MCB, besides remaining geared to the fulfilment of its mission to uphold, secure and defend the supreme interests of the MCB Group and its constituents.

As a conclusion to the actions taken back since 2009 to publish a banking law manual, the last semester of FY 2011/12 has been particularly rewarding for the Legal SBU inasmuch as the latter launched a "Manuel de Droit Bancaire Mauricien" in June last, in collaboration with French law Professors, Jean Baptiste Seube and Bruno Dondero, in line with the partnership forged between the MCB and the Réunion University. This publication has been described as being a valuable and user friendly reference and instrument for those to whom the legal aspects of banking are of interest and practice. In effect, by choosing to embark on such an ambitious project, it was the aspiration of the Legal SBU to capitalise on the distinctive synergy established between the Bank and its high-calibre legal partners as well as to put at the disposal of the relevant parties a unique and comprehensively designed legal tool on banking. This publication is expected to provide a basis for a better understanding of the practices of banks, thereby accompanying the Legal SBU's endeavours in ensuring that business entities that are standing in need of legal services are better served and are adequately equipped to deal with legal issues.

Assurance Functions

The Group Assurance Functions and Project Management SBU, which regroups the three control units – Group Internal Audit (GIA) BU, Compliance BU and Anti-Money Laundering/Fraud Prevention (AML/FP) BU – under the same Head, has brought some significant synergistic and efficiency gains, not unusual to organisations moving to combined assurance functions. This streamlining has also enabled each of these distinct units to exercise better focus and add more value to the Group as a whole.

Internal Audit

The Group Internal Audit BU – whose Head reports directly to the Audit Committee for direction and accountability and to the Executive Directors for administrative interface and support – ensures that the quality of internal audit services of the MCB is aligned with recognised best practices. Over the past few years, it has conscientiously and scrupulously geared up its efforts towards implementing a risk centric model whilst taking into consideration the unchallenged need for a purely compliance approach to some carefully identified business areas.

The use of Mauritius Qualifications Authority approved control self-assessments programs, increased reliance on data analytics via a world-wide recognised audit software, audit work programs addressing as far as possible identified residual audit risks and automation of some audit related administrative tasks relating to time sheets, reports and working papers are the main building blocks which have helped and shall continue to prompt the function to adopt a disciplined and systematic approach in evaluating and improving the effectiveness of risk management control and governance processes.

The outcomes of the different audit assignments, including a risk-based grading of the relevant issues, are periodically presented to functional heads, line managers and Executive Directors. The Group Internal Audit BU communicates a summarised implementation status of all issues to the Executive Directors on a needs basis for discussion and to reach consensus on corrective actions to be taken. Quarterly or more frequent meetings are scheduled with the Audit Committee. The annual audit plan, identified issues, progress regarding implementation thereof, and resource requirements are typical items on the agenda.

The Institute of Internal Auditors currently requires each internal audit function to have an external quality assessment conducted at least once every five years. This exercise was carried out three years ago for the MCB by an internationally recognised auditing firm which has confirmed the Group's full compliance with the International Standards for the Professional Practice of Internal Audit issued by the above mentioned institute. Obviously, our current business model ensures a continual and strict adherence to the expected standards and approved processes through, for example, the introduction of internal peer reviews and quality assurance assignments by the Head of the Group Assurance Functions and Project Management SBU.

Mindful of the increased expectations of different internal and external stakeholders [including the strategic orientations of the Bank through the Bank of Banks project] and capitalising on its past and current achievements, the Group Internal Audit BU shall pursue its efforts to become more effective and efficient, notably through a well-designed recruitment strategy and a savvy usage of technology. In the quest for more impactful risk management – which is of even more relevance nowadays – without, however, falling into the common traps of assurance fatigue and pure check-list based auditing; furthering the mobilisation of internal stakeholders, by way of secondments and the guest audit concept, will remain a key feature of this strategically oriented function.

Compliance

The MCB defines compliance risk as:

> The volatility in the Group's earnings resulting from failure by companies of the Group to comply with laws, regulations, codes of conduct, and standards of good practice relevant to their respective business environment in the countries in which they operate.

The compliance strategy of MCB is crafted with the view to ensuring consistency between the conduct of its business operations and ongoing observance of relevant laws, rules and standards of good market practices to shield itself from legal and regulatory sanction, financial or reputation losses.

The Board through the RMC and the General Management is responsible to ensure that adequate systems and procedures have been established and sufficient resources committed to enable compliance with the requirements of laws, regulations and the industry best practices.

The Group's approach to managing compliance risk is fivefold:

1. paying continuous attention to latest developments as regards related laws and regulations, accurately understanding their impact and coming up with necessary responses to guarantee that the Group addresses the risks arising from such changes;
2. ascertaining compliance in the way the MCB does business - through close working arrangement with the business lines with the view to, *inter alia*, ensuring that adherence to legal and regulatory requirements are achieved at all times and enabling early identification of breaches of significant regulations;
3. making use of state-of-the-art technology to monitor adherence to the legal and regulatory requirements and thereafter giving the necessary assurances to Management and the Board regarding the state of compliance;
4. fostering good relationship with regulators by keeping productive, value adding dialogue with regulatory and supervisory bodies in order to ensure continued effective two-way communication; and
5. assisting Management in nurturing and promoting a culture of integrity and ensuring that MCB and its staff adhere both to the letter and spirit of relevant laws, regulations, codes and standards of good practices.

In keeping with the foregoing, the aim of the Compliance BU is to eradicate non-compliance incidents. Initiatives that were taken as part of this endeavour included promoting awareness of Management and staff on requirements arising out of new or amendments to laws/regulations, undertaking proactive reviews with the aim of ensuring ongoing adherence to the principles of good corporate governance, shoring up the manner in which the Bank performs its business to mitigate the risk of money laundering and financing of terrorism, designing a set of policies to promote strong ethical behaviours by staff and exercising oversight over customer related complaints, so ensuring fair treatment of customers and identifying potential breaches of the Bank's standards of ethics and behaviour. The Compliance BU also performs certain tests on a regular basis either on its own or by designing the tests for another internal assurance provider, namely the GIA BU, to carry out.

As an internal assurance provider, the compliance function along, with the GIA and the AML/FP BUs, forms part of the Bank's combined assurance model implemented by the MCB since March 2010. As such, the Compliance BU has been able to leverage on the strengths of those two other BUs, notably by drawing on staff of the GIA BU for the performance of routine compliance checks and on IT auditors to perform intelligent systematic and ongoing tracking in regard to adherence with regulatory requirements.

Some of the initiatives successfully materialised by the Compliance BU during the year under review are set out below.

- Design of in-house Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) training materials loaded on an IT platform, Graphical Interface Electronic Operations Manual (GIEOM), and rolled out to staff. During the financial year ended 30 June 2012, 1,200 staff members took up the training.
- Delivery of classroom style training on the AML/CFT subject to some 730 Bank staff through 27 sessions.
- Reviewing and validating new and amended process flows by ensuring that related regulatory requirements were duly incorporated in the way business is done at the Bank.
- Organising a business risk workshop for the development of a Compliance risk heat map.
- Reviewing the Bank's policies such as Complaints Handling Policy and Compulsory Leave Policy to reinforce our adherence to industry best practices.
- Providing AML/CFT certifications to some 50 correspondent banks.

With regard to the AML/CFT obligations of the Bank, the Compliance function is duty-bound to ensure that the MCB Group has adequate processes rendering the Group's services inaccessible to criminals, including money launderers and terrorists or their financiers. To that end, the function, *inter alia*, ensures that staff is given appropriate training to help them identify suspicious transactions in keeping with legal and regulatory requirements. The Bank has also invested heavily in automated systems to assist in tracking transactions with an underlying pattern that is not commensurate with declared activities of the customer and thus help the identification of counterparties or customers subject to economic and financial sanctions by the international community.

The MCB's AML/FP BU is involved in designing and implementing appropriate training programmes to promote staff awareness on fraud risks as well as conducting enquiries with respect to cases of suspected fraud perpetrated internally or by outsiders. The function also assists the Money Laundering Reporting Officer in investigating suspicious transaction reports submitted by Bank employees.

Compliance with Basel II

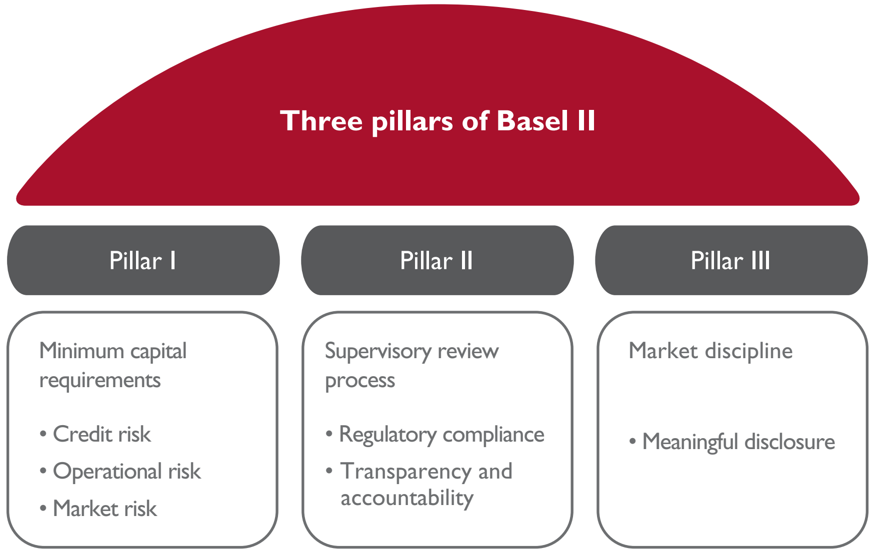
Capital Structure

The Group's capital management objective is to ensure that adequate capital resources are available for business growth, investment opportunities as well as for coping with adverse situations while delivering returns to shareholders and maintaining a strong capital position consistent with the expectations of various stakeholders such as regulators, rating agencies, investors and customers amongst others.

The MCB is required by the BoM to maintain a minimum capital adequacy ratio of 10% at both the Bank and the Group levels. In addition, the banking operations in jurisdictions outside Mauritius are subject to different local regulations. The MCB and each of its regulated banking entities were in compliance with all prescribed capital ratios throughout the financial period under review. In 2007, the MCB adopted the Basel II Standardised Approach to the measurement of credit, market and operational risks. The framework aims to ensure the ongoing enhancement of risk management techniques by banks in the monitoring and management of their risks, and to ensure proper processes are undertaken by banks in determining the adequate amount of capital to be held in relation to their underlying risk profile.

The Internal Capital Adequacy Assessment Process (ICAAP) framework within the Group provides the process through which the MCB assesses the extent to which it holds sufficient capital to support its business activities. The ICAAP is reviewed periodically to ensure that the Bank remains well capitalised after considering all material risks. Stress testing is also conducted periodically to determine capital adequacy in a range of difficult, though unlikely, situations and conditions.

The risk management framework proposed in Basel II seeks to ensure that the strategies formulated by a bank are clearly linked to its risk appetite, so that its capital resources are managed at an optimal level in supporting both its risk and strategic objectives. Basel II is anchored on three pillars as illustrated in the following diagram.



- **Pillar I** of the Basel II framework provides for the general requirement for banks to hold total capital equivalent to at least 8% of their risk-weighted assets, entailing risk-sensitive capital requirements that are both conceptually sound and adaptable to the existing supervisory and accounting systems in individual member countries. Three options are available to allow banks and supervisors to choose an approach that seems most appropriate for the sophistication of a bank's activities and internal controls.

  Specifically, under the Standardised Approach to credit risk, banks that engage in less complex forms of lending and credit underwriting and that have simpler control structures may use the ratings of Standard & Poor's Ratings Services, Moody's Investors Service and Fitch Ratings – as recognised by the BoM for the purpose of allocating risk-weights to claims on counterparties and exposures – in the assessment of the credit quality of their borrowers for regulatory capital purposes. The ratings of other External Credit Assessment Institutions may be recognised subject to the requirements of the BoM Guideline on the Recognition and Use of External Credit Assessment Institutions.

- **Pillar II** of the capital framework recognises the necessity of exercising an effective supervisory review of banks' internal assessments of their overall risks in order to ensure that bank management is exercising sound judgement and has set aside adequate capital for these risks. Supervisors evaluate the activities and risk profiles of individual banks to determine whether those organisations should hold higher levels of capital than the minimum requirements specified in Pillar I and see whether there is any need for remedial actions.

- **Pillar III** leverages the ability of market discipline to motivate prudent management by enhancing the degree of transparency in banks' public reporting. It sets out the public disclosures that banks must make to lend greater insight into the adequacy of their capitalisation.

The following table shows the capital adequacy ratios of the MCB determined in accordance with the requirements of the BoM which include the definitions for Tier 1 and Tier 2 capital, the deductions required for goodwill, intangible assets, and capital investments in associates and insurance subsidiaries, as well as the methodologies available for computing risk-weighted assets.

MCB Bank	June 10	June 11	June 12
Capital base	**Rs m**	**Rs m**	**Rs m**
Paid up or assigned capital	2,504	2,504	2,504
Share premium	51	78	90
Statutory reserve	2,555	2,582	2,593
Other disclosed free reserves including undistributed balance in Income Statement	7,793	9,652	12,164
Current year's retained profit	1,859	2,512	3,058
Other intangible assets	(611)	(919)	(819)
Deferred tax	(9)	13	64
Treasury shares	(373)	(367)	(365)
Core capital	**13,768**	**16,055**	**19,289**
50% of investment in unconsolidated banking and financial subsidiary companies	(442)	(442)	(442)
50% of investments in capital of other banks and financial institutions	(431)	(440)	(822)
Net core capital (A)	**12,895**	**15,173**	**18,025**
General banking reserve	534	534	534
Portfolio provision	736	813	917
Reserves on revaluation of securities not held for trading	508	829	671
Subordinated debt	1,455	1,023	0
Supplementary capital	**3,232**	**3,199**	**2,121**
50% of investment in unconsolidated banking and financial subsidiary companies	(442)	(442)	(442)
50% of investments in capital of other banks and financial institutions	(431)	(440)	(822)
Net supplementary capital (B)	**2,358**	**2,317**	**857**
Capital base (A + B)	**15,253**	**17,490**	**18,882**
Total risk-weighted assets	133,494	145,871	174,484
CAPITAL ADEQUACY RATIOS (%)			
BIS risk adjusted ratio	11.4	12.0	10.8
of which Tier 1	9.7	10.4	10.3

MCB Group	June 10	June 11	June 12
Capital base	**Rs m**	**Rs m**	**Rs m**
Tier 1 capital	18,851	21,772	24,094
Tier 2 capital	3,028	2,747	1,385
Capital base	**21,878**	**24,519**	**25,479**
Total risk-weighted assets	146,928	163,397	192,425
CAPITAL ADEQUACY RATIOS (%)			
BIS risk adjusted ratio	14.9	15.0	13.2
of which Tier 1	12.8	13.3	12.5

Credit Risk Capital

The risk-weighted exposures under the Standardised Approach to credit risk are based on the category of borrower, its associated risk-weight and the credit conversion factor of the underlying credit facility. The Group uses the external ratings from Standard & Poor's, Moody's and Fitch for credit exposures to its sovereign and bank portfolios.

The table below provides comparative figures for the risk-weighted exposures for both on-balance sheet and off-balance sheet assets.

Risk-Weighted Assets

MCB Bank	June 2012 Amount	June 2012 Weight	June 2012 Weighted assets	June 2011 Weighted assets	June 2010 Weighted assets
Risk-weighted on-balance sheet assets	**Rs m**	**%**	**Rs m**	**Rs m**	**Rs m**
Cash items	1,693	0 - 20	77	66	44
Claims on sovereigns	11,426	0 - 100	471	286	1,771
Claims on central banks	8,166	0 - 100	0	0	0
Claims on banks	10,964	20 - 100	5,274	3,564	5,529
Claims on non-central government public sector entities	38	0 - 100	38	35	34
Claims on corporates	98,867	100	98,659	87,345	78,704
Claims on retail segment	10,249	75	7,175	6,955	6,279
Claims secured by residential property	9,757	35 - 100	3,453	2,995	2,942
Fixed assets/other assets	10,343	100	10,343	10,207	7,979
Past due claims	12,276	50 - 150	17,089	10,936	7,761
Total			**142,580**	**122,390**	**111,045**

MCB Bank	June 2012 Nominal amount	June 2012 Credit conversion factor	June 2012 Credit equivalent amount	June 2012 Weight	June 2012 Weighted amount	June 2011 Weighted amount	June 2010 Weighted amount
Non-market related off-balance sheet risk-weighted assets	**Rs m**	**%**	**Rs m**	**%**	**Rs m**	**Rs m**	**Rs m**
Direct credit substitutes	6,110	100	6,108	0 - 100	6,108	3,039	2,005
Transaction-related contingent items	22,566	50	11,182	0 - 100	9,870	6,700	7,079
Trade related contingencies	8,808	20	1,759	0 - 100	1,370	2,153	1,391
Outstanding loans commitment	4,520	20 - 50	2,260	100	2,260	1,917	3,062
Total					**19,608**	**13,809**	**13,612**

MCB Bank	June 2012 Nominal amount	June 2012 Credit conversion factor	June 2012 Potential future exposure	June 2012 Current exposure	June 2012 Credit equivalent amount	June 2012 Weighted assets	June 2011 Weighted assets	June 2010 Weighted assets
Market-related off-balance sheet risk-weighted assets	**Rs m**	**%**	**Rs m**	**Rs m**	**Rs m**	**Rs m**	**Rs m**	**Rs m**
Interest rate contracts	802	0 - 1.5	12	24	36	33	0	0
Foreign exchange contracts	17,245	1 - 7.5	227	29	256	169	75	74
Total						**202**	**75**	**74**

MCB Group	June 2012 Amount	June 2012 Weight	June 2012 Weighted assets	June 2011 Weighted assets	June 2010 Weighted assets
Risk-weighted assets	**Rs m**	**%**	**Rs m**	**Rs m**	**Rs m**
On-balance sheet	192,054	0 - 150	156,403	136,066	121,123
Off-balance sheet	62,176	0 - 100	20,997	15,061	14,509
Total			**177,400**	**151,127**	**135,632**

The MCB's overall credit quality remained within manageable levels against a backdrop of continuing economic uncertainties, while total risk-weighted assets increased by 17.8% at Group level in FY 2011/12 compared to FY 2010/11. Asset growth has been relatively balanced, achieved through proactive and disciplined risk management as reflected in the broadly stable average risk weights.

Specific and Portfolio Allowances

Credit impairment allowances consist of specific and portfolio provisions. The amount of specific provision more than adequately covers for the shortfall between the carrying amount of loans and their recoverable amounts. On the other hand, potential losses as a result of current economic conditions as well as general historical patterns of losses are assigned comfortable levels of portfolio provision allowances. The breakdown of specific and portfolio provision by industry is provided in Note 5(b) of the Financial Statements.

Credit Risk Mitigation

The Standardised Approach recognises the use of a number of techniques to mitigate the credit risks to which banks are exposed. For example exposures may be collateralised by first priority claims, in whole or in part with cash or securities. Additionally, banks may agree to net loans owed to them against deposits from the same counterparty. On a conservative basis, for the purpose of calculating its capital requirements, the MCB considers only cash pledged and guarantees as eligible credit risk mitigations in its calculations.

The following table summarises the credit exposures secured by cash and bank guarantees which qualify for a zero risk-weight. While the amount secured by the bank guarantees is relatively low compared to cash collateral, the latter is generally more commonly used by the Retail as opposed to the Corporate asset class.

Exposures covered by credit risk mitigation as at 30 June 2012	
On-balance sheet	**Eligible collateral**
	Rs m
Corporate	38
Retail and residential mortgage	696
	734
Off-balance sheet	**Eligible collateral**
	Rs m
Direct credit substitutes	9
Transaction-related contingent items	202
Trade-related contingencies	11
Commitments that can be unconditionally cancellable at any time by the bank without prior notice, or that effectively provide for automatic cancellation due to the deterioration in a borrower's credit worthiness	314
	536
Total	**1,269**

Operational Risk Capital

The Bank has elected, and obtained the approval of the BoM, to use the Basic Indicator Approach in determining the required operational risk capital as from FY 2011/12, despite having implemented the Standardised Approach since 2007, mainly driven by its more conservative results and ease of computation. The measurement of operational risk at the subsidiaries level also follows the Basic Indicator Approach. The capital charge, under the Basic Indicator Approach, is arrived at by applying 15% (denoted as alpha) to the average of positive annual gross income over the previous three years. This alpha percentage is set by the BoM and relates to the industry-wide level of required capital.

MCB Bank	Weighted gross income				
	Standardised approach			Basic indicator approach	
	Beta Factor (β)	June 10	June 11	Alpha Factor (α)	June 12
Line of business	%	Rs m	Rs m	%	Rs m
Trading and sales	β = 18	(122)	(86)		
Commercial banking	β = 15	457	654		
Retail banking	β = 12	519	518		
Agency services	β = 15	8	10		
				α = 15	1,284
Total yearly weighted gross income		**862**	**1,097**		**1,284**
	Standardised approach			Basic indicator approach	
		June 10	June 11		June 12
		Rs m	Rs m		Rs m
Capital charge for operational risk (Bank)		842	951		1,165
Capital charge for operational risk (Group)		1,009	1,118		1,355

Market Risk Capital

The Basel II framework permits two broad methodologies with respect to the computation of market risk capital, namely the Standardised Measurement Method (SMM) and the Internal Models Approach. The BoM Guideline on Measurement and Management of Market Risk sets out the basic principles to be endorsed by banks for establishing an adequate and effective market risk management system, and outlines a standardised methodology along the lines of the SMM for the computation of capital charge pertaining to the different categories of market risk. The MCB adheres to the standardised methodology outlined by BoM. As per the definition of 'significant trading book' stipulated in the Guideline, the trading exposures of the MCB were confined to within 5% of its total assets as at 30 June 2012, with the main source of market risk arising from foreign exchange risk. The following table provides the comparative figures for the aggregate net open foreign exchange position.

Market risk	June 10	June 11	June 12
Aggregate net open foreign exchange position	Rs m	Rs m	Rs m
Bank	416	89	442
Group	1,206	1,090	1,474

With regards to interest rate risk in the banking book, the MCB also prepares separate repricing gap returns for each currency accounting for 5% or more of the Bank's total assets or liabilities. As at 30 June 2012, the three main currencies were MUR, USD and EUR.

Supervisory Review Process

Internal Capital Adequacy Assessment Process

A key tool for capital management is the ICAAP which sets the stage for the implementation of the BoM Guideline on Supervisory Review Process. The aim of this framework is to ensure that banks have adequate capital to support all the risks they are exposed to in their business, and to encourage banks to develop and use better risk management techniques in monitoring and managing their risks. The Supervisory Review process rests on the following four principles:

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

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

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

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

The ICAAP, which goes beyond regulatory requirements, enables the assessment of capital adequacy levels based on the indigenous complexity and risk exposures of banks whilst facilitating:

- the link between business strategy, risk introduced and capital required to support the strategy;
- the establishment of frameworks, policies and procedures for the effective management of material risks; and
- the development of plausible stress tests to provide useful information which acts as early warning signs and triggers so that contingency plans can be implemented.

The MCB assesses, through the ICAAP, its forecast capital supply and demand relative to its capital targets under various scenarios, including stress scenarios of differing scope and severity, over a three-year horizon. In adherence to the principles set out in the Guideline on Supervisory Review Process issued by BoM in 2010, the MCB has already submitted its ICAAP document to the Central Bank.

Stress Testing

Stress testing is a risk management exercise that forms an integral part of the ICAAP. As part of the Group's ICAAP, forecasts are made over a three-year horizon, taking into account the Basel Pillar I and II stresses. The ICAAP provides for an assessment of the Pillar I risk types (i.e. credit, operational, market risks) and Pillar II risk types (i.e. concentration of risk, liquidity risk, interest rate risk, strategic risks, and so on). These assessments are conducted with a view to understanding the sensitivity of the key assumptions of the capital plan to the realisation of plausible stress scenarios and in order to evaluate how the Group can continue to maintain adequate capital under such scenarios.

The overriding aim of the MCB stress testing framework is to ensure that risk management exercises are firmly embedded in the organisation's overall governance culture. This helps to bolster the observance of regulatory requirements with regard to risk management (see following table), while simultaneously contributing to the competitive positioning of the MCB. Towards this end, enabling conditions have been created at the MCB for the development of sound stress testing practices through robust objectives-setting and oversight, proper scenario selection, and suitable methodologies.

Risk metric	Relevance of stress testing
Risk identification	• To detect and address existing or potential vulnerabilities such as unidentified and Bank-wide risk concentrations or interactions among various types of risk, many of which may be concealed when relying purely on statistical risk management tools based on historical data
Risk assessment	• To promote a deep understanding of organisational vulnerabilities following forward-looking assessments of risk, to make risk more transparent via an estimation of scenario-based losses, and to prevent the development of any false sense of security about the Bank's resilience • To evaluate risk (i) during periods of favourable economic and financial conditions given a resulting lack of visibility over potentially negative future settings, and (ii) during periods of expansion when innovation leads to new products and services for which no historical data is available for forecasting future trends
Risk mitigation	• To facilitate and assess the development of risk mitigation or contingency plans across a range of stressed conditions • To spur debates on and awareness of different risk aspects of banking portfolios among management on the strength of (i) a well-organised surveying of the operational environment, (ii) an identification of the most important risk factors, and (iii) a relevant scanning of the horizon for potential stressful events

The Bank has, during the year under review, conducted stress testing under various historical and stress test scenarios to assess the impact of unfavourable scenarios on its capital position. The stress testing results produced in the ICAAP document have been reported to the Board of Directors and to the Bank of Mauritius. A sample of stress tests which are conducted regularly at the MCB is provided below.

Scenario 1 (Eurozone crisis – external risks)

- 25% of exposure to the 'tourism' sector turns impaired
- 10% of exposure to 'sugar & other agriculture' turns impaired
- 25% of exposure to 'export oriented industries' turns impaired
- Specific provision of 20% is made.

Scenario 2 (Concentration risks)

- Exposure to top 3 customers turns non-performing and specific provision made is less than 20%

Scenario 3 (External risks)

- The MCB's exposure to top 3 banks becomes past due. No specific provision

Scenario 4 (Strategic risks)

- Non-fund based exposure to 'energy-related' sector becomes fund based

Scenario 5 (Worst case – Combination of scenarios 1, 2 and 3)

Scenario 6 (Property value declines by 20%)

- Expected losses are compared against portfolio provisions *whereby Expected losses = Default rate x Loss Given Default x Exposure at Default*

Barring the extreme cases, the analyses reveal that the capital adequacy ratio of the Bank does not fall below the regulatory requirement of 10% as per the different scenarios.

Basel III

The MCB remains vigilant to ongoing industry and regulatory developments, including new standards established in the Basel III framework. In December 2010, the Basel Committee on Banking Supervision (BCBS) published its reforms on capital and liquidity rules to address the lessons of the financial crisis that began in 2007. Basel III strengthens the Basel II framework rather than replaces it. Whereas Basel II focused on the asset side of the balance sheet, Basel III mostly addresses the liabilities side, i.e. capital and liquidity. The following table provides the timetable for the projected migration to Basel III.

Basel III timetable									
As of January:	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Leverage ratio	Supervisory monitoring		Parallel run - disclosure starts 1 Jan 2015				Pillar 1 Treatment		
Minimum common equity capital ratio			3.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Capital conservation buffer						0.625%	1.25%	1.875%	2.50%
Minimum common equity plus capital conservation buffer			3.5%	4.5%	4.5%	5.125%	5.75%	6.375%	7.0%
Phase-in of deductions from CET 1				20%	40%	60%	80%	100%	100%
Minimum Tier 1 capital			4.0%	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Minimum total capital			8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Minimum total capital plus conservation buffer			8.00%	8.00%	8.00%	8.63%	9.25%	9.88%	10.50%
Non-core Tier 1 capital/Tier 2 capital			Capital instruments no longer qualifying phased out over 10 year horizon beginning 2013						
Liquidity coverage ratio	Observation period				Minimum standard applies				
Net stable funding ratio	Observation period							Minimum standard applies	

Until the BoM sets up a working group for discussion on the BCBS proposals on capital and liquidity, the MCB will constantly review its risk management capabilities and will manage its capital resources to ensure that the Bank and its regulated banking subsidiaries maintain strong capital levels to support its businesses and growth, to meet regulatory capital requirements at all times and to position itself for the far-reaching consequences of these eventual reforms.

E. Jean MAMET
Director
Chairman Risk Monitoring Committee

Pierre Guy NOEL
Chief Executive (Group)

Statement of management's responsibility for financial reporting

The Group Financial Statements and 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 for the year ended 30 June 2012 and Management has exercised its judgement and made best estimates where deemed necessary.

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

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

The Bank's Internal Auditor, who has full and free access to the Audit Committee, conducts a well-designed programme of internal audits in coordination with the Bank's external auditors. In addition, the Bank's compliance function maintains policies, procedures and programmes directed at ensuring compliance with regulatory requirements.

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

The Bank's external auditors, BDO & Co, have full and free access to the Board of Directors and its committees to discuss the audit and matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

Pierre Guy NOEL
Chief Executive (Group)

Antony R. WITHERS
Chief Executive (Banking)

J.Gérard HARDY
Director

Gilles GUFFLET
Director
Chairman Audit Committee

Report of the auditors

To the Shareholders of the Mauritius Commercial Bank Ltd

Independent auditors' report to the members

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

Report on the Financial Statements

We have audited the financial statements of The Mauritius Commercial Bank Ltd and its subsidiaries (the "Group") and the Bank's separate financial statements on pages 132 to 220 which comprise the statements of financial position at June 30, 2012 and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Bank and for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001 and Banking Act 2004. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements on pages 132 to 220 give a true and fair view of the financial position of the Group and of the Bank at June 30, 2012, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Report on Other Legal and Regulatory Requirements

Companies Act 2001

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

We have obtained all information and explanations we have required.

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

Banking Act 2004

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

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

The Financial Reporting Act 2004

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

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

BDO & Co

BDO & Co
Chartered Accountants

Yacoob Ramtoola, FCA
Licensed by FRC
27th September 2012
Port Louis
Mauritius

Statements of financial position

as at 30th June 2012

	Notes	GROUP 2012 RS'000	GROUP 2011 RS'000	GROUP 2010 RS'000	BANK 2012 RS'000	BANK 2011 RS'000	BANK 2010 RS'000
ASSETS							
Cash and cash equivalents	3	**11,071,228**	9,211,566	15,352,000	**9,762,837**	8,257,202	14,032,127
Derivative financial instruments	4	**32,057**	55,357	40,195	**32,057**	55,357	40,195
Loans and advances to banks	5(a)	**2,457,646**	2,538,727	1,889,801	**2,287,026**	2,268,761	1,940,302
Loans and advances to customers	5(b)	**135,183,050**	119,901,032	107,552,548	**127,396,940**	112,345,481	101,743,388
Investment securities	6	**16,873,501**	17,555,272	19,105,410	**12,385,486**	13,617,560	15,131,136
Investments in associates	7	**6,713,495**	6,740,979	6,386,548	**1,644,074**	879,012	862,632
Investments in subsidiaries	8	**-**	-	-	**3,537,307**	3,447,710	3,230,761
Goodwill and other intangible assets	9	**976,858**	1,079,472	756,231	**818,676**	919,264	611,353
Property, plant and equipment	10	**6,316,085**	5,918,072	4,696,459	**5,543,947**	5,147,598	3,927,355
Deferred tax assets	11	**14,877**	18,944	29,337	**-**	-	9,232
Other assets	12	**11,771,622**	9,670,058	6,930,640	**10,188,097**	8,359,351	5,835,482
Total assets		**191,410,419**	172,689,479	162,739,169	**173,596,447**	155,297,296	147,363,963
LIABILITIES AND SHAREHOLDERS' EQUITY							
Deposits from banks	13(a)	**1,319,030**	1,711,987	1,118,656	**2,776,618**	2,829,395	3,067,436
Deposits from customers	13(b)	**149,558,227**	134,497,780	131,364,901	**138,032,675**	124,849,823	121,878,417
Derivative financial instruments	4	**274,868**	41,619	85,571	**274,868**	41,619	85,571
Other borrowed funds	14	**7,434,431**	5,153,730	1,521,864	**7,008,400**	4,499,307	1,161,061
Subordinated liabilities		**-**	1,278,856	1,454,853	**-**	1,278,856	1,454,853
Current tax liabilities		**240,364**	323,105	292,540	**202,738**	297,809	266,769
Deferred tax liabilities	11	**97,868**	46,212	32,987	**63,836**	13,095	-
Other liabilities	16	**4,796,441**	4,335,680	4,991,375	**4,138,499**	3,660,851	4,291,168
Total liabilities		**163,721,229**	147,388,969	140,862,747	**152,497,634**	137,470,755	132,205,275
Shareholders' Equity							
Share capital and share premium		**2,593,395**	2,581,709	2,554,970	**2,593,395**	2,581,709	2,554,970
Retained earnings		**19,565,121**	16,898,668	13,774,324	**15,221,962**	12,164,060	9,651,949
Other components of equity		**4,342,410**	4,615,779	4,363,294	**3,648,221**	3,447,955	3,324,977
		26,500,926	24,096,156	20,692,588	**21,463,578**	18,193,724	15,531,896
Less treasury shares		**(364,765)**	(367,183)	(373,208)	**(364,765)**	(367,183)	(373,208)
Equity attributable to the ordinary equity holders of the parent		**26,136,161**	23,728,973	20,319,380	**21,098,813**	17,826,541	15,158,688
Non-controlling interests		**1,553,029**	1,571,537	1,557,042	**-**	-	-
Total equity		**27,689,190**	25,300,510	21,876,422	**21,098,813**	17,826,541	15,158,688
Total equity and liabilities		**191,410,419**	172,689,479	162,739,169	**173,596,447**	155,297,296	147,363,963
CONTINGENT LIABILITIES							
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers		**39,134,200**	33,143,144	26,796,327	**37,482,964**	31,627,552	25,628,905
Commitments		**4,741,781**	3,922,272	6,450,251	**4,519,999**	3,832,368	6,239,807
Tax assessments		**68,042**	315,356	319,900	**68,042**	315,356	319,900
Other		**1,416,011**	1,000,997	777,123	**1,289,436**	987,508	765,152
	18	**45,360,034**	38,381,769	34,343,601	**43,360,441**	36,762,784	32,953,764

These financial statements were approved for issue by the Board of Directors on the 27th September 2012.

The notes on pages 143 to 220 form part of these financial statements.
Auditors' report on pages 130 and 131.

Pierre Guy NOEL
Director
Chief Executive (Group)

Antony R.WITHERS
Director
Chief Executive (Banking)

J. Gérard HARDY
Director
President of the Board

Gilles GUFFLET
Director
Chairman Audit Committee

Income statements

for the year ended 30th June 2012

	Notes	GROUP 2012 RS'000	GROUP 2011 RS'000	GROUP 2010 RS'000	BANK 2012 RS'000	BANK 2011 RS'000	BANK 2010 RS'000
Interest income	19	**11,140,000**	9,924,655	9,326,639	**10,067,396**	8,995,292	8,460,748
Interest expense	20	**(4,755,245)**	(4,038,370)	(4,181,663)	**(4,321,466)**	(3,643,407)	(3,773,649)
Net interest income		**6,384,755**	5,886,285	5,144,976	**5,745,930**	5,351,885	4,687,099
Fee and commission income	21	**2,684,133**	2,225,100	2,008,208	**2,204,326**	1,852,414	1,578,795
Fee and commission expense	22	**(456,891)**	(343,537)	(311,412)	**(342,108)**	(263,212)	(240,378)
Net fee and commission income		**2,227,242**	1,881,563	1,696,796	**1,862,218**	1,589,202	1,338,417
Other income							
Profit arising from dealing in foreign currencies		**1,429,863**	1,038,326	1,054,932	**1,231,954**	891,404	832,739
Net (loss)/income from financial instruments carried at fair value	23	**(251,765)**	59,086	(43,795)	**(251,783)**	59,115	(43,795)
		1,178,098	1,097,412	1,011,137	**980,171**	950,519	788,944
Dividend income	24	**58,999**	86,828	89,257	**917,105**	157,823	148,249
Net gain on sale of securities		**33,030**	102,204	3,218	**-**	5,648	44
Other operating income		**126,087**	138,901	48,489	**8,847**	61,389	22,370
		1,396,214	1,425,345	1,152,101	**1,906,123**	1,175,379	959,607
Income from out-of-court settlement		**-**	250,000	-	**-**	250,000	-
Operating income		**10,008,211**	9,443,193	7,993,873	**9,514,271**	8,366,466	6,985,123
Non-interest expense							
Salaries and human resource development	25(a)	**(2,149,847)**	(1,952,134)	(1,765,138)	**(1,878,725)**	(1,705,403)	(1,550,543)
Employee benefits	15	**(200,463)**	(201,443)	(191,512)	**(200,463)**	(201,443)	(191,512)
Depreciation		**(535,666)**	(412,063)	(371,745)	**(399,238)**	(285,172)	(254,482)
Amortisation of intangible assets		**(216,043)**	(209,993)	(89,272)	**(196,879)**	(189,444)	(73,015)
Other	25(b)	**(1,513,482)**	(1,246,038)	(1,296,477)	**(1,199,375)**	(1,024,174)	(1,018,981)
		(4,615,501)	(4,021,671)	(3,714,144)	**(3,874,680)**	(3,405,636)	(3,088,533)
Operating profit before impairment		**5,392,710**	5,421,522	4,279,729	**5,639,591**	4,960,830	3,896,590
Allowance for credit impairment	26	**(518,809)**	(315,089)	(272,180)	**(509,241)**	(305,405)	(219,852)
Impairment of available-for-sale investment		**-**	-	(190,140)	**-**	-	-
Impairment of intangible assets		**(1,206)**	(24,428)	(214)	**(1,206)**	(24,428)	(165)
Operating profit		**4,872,695**	5,082,005	3,817,195	**5,129,144**	4,630,997	3,676,573
Share of profit of associates		**162,391**	288,020	294,842	**-**	-	-
Profit before tax		**5,035,086**	5,370,025	4,112,037	**5,129,144**	4,630,997	3,676,573
Income tax expense	27	**(888,111)**	(853,365)	(691,918)	**(669,495)**	(726,653)	(572,197)
Profit for the year		**4,146,975**	4,516,660	3,420,119	**4,459,649**	3,904,344	3,104,376
Profit for the year attributable to:							
Ordinary equity holders of the parent		**4,114,563**	4,491,121	3,413,254	**4,459,649**	3,904,344	3,104,376
Non-controlling interests		**32,412**	25,539	6,865	**-**	-	-
		4,146,975	4,516,660	3,420,119	**4,459,649**	3,904,344	3,104,376
Earnings per share:							
Basic (Rs)	29(a)	**17.32**	18.91	14.38			
Diluted (Rs)	29(b)	**17.31**	18.90	14.38			

The notes on pages 143 to 220 form part of these financial statements.
Auditors' report on pages 130 and 131.

Statements of comprehensive income

for the year ended 30th June 2012

	GROUP			BANK		
	2012 RS'000	2011 RS'000	2010 RS'000	2012 RS'000	2011 RS'000	2010 RS'000
Profit for the year	**4,146,975**	4,516,660	3,420,119	**4,459,649**	3,904,344	3,104,376
Other comprehensive (expense)/income:						
Exchange differences on translating foreign operations	**(154,708)**	24,781	(545,331)	**-**	-	-
Reclassification adjustments	**(21,491)**	(2,787)	87,303	**-**	-	-
Net fair value (loss)/gain on available-for-sale investments	**(92,198)**	236,202	(52,197)	**188,580**	96,239	34,390
Share of other comprehensive (expense)/income of associates	**(14,066)**	(16,795)	84,527	**-**	-	-
Other comprehensive (expense)/income for the year	**(282,463)**	241,401	(425,698)	**188,580**	96,239	34,390
Total comprehensive income for the year	**3,864,512**	4,758,061	2,994,421	**4,648,229**	4,000,583	3,138,766
Total comprehensive income attributable to:						
Ordinary equity holders of the parent	**3,837,338**	4,735,144	2,974,604	**4,648,229**	4,000,583	3,138,766
Non-controlling interests	**27,174**	22,917	19,817	**-**	-	-
	3,864,512	4,758,061	2,994,421	**4,648,229**	4,000,583	3,138,766

The notes on pages 143 to 220 form part of these financial statements.
Auditors' report on pages 130 and 131.

Statement of changes in equity

for the year ended 30th June 2012

		Attributable to ordinary equity holders of the parent										
	Note	Share Capital RS'000	Share Premium RS'000	Treasury Shares RS'000	Retained Earnings RS'000	Capital Reserve RS'000	Translation Reserve RS'000	Statutory Reserve RS'000	General Banking Reserve RS'000	Total RS'000	Non-controlling Interests RS'000	Total Equity RS'000
GROUP												
At 1st July 2009		**2,503,756**	**41,242**	**(375,857)**	**11,611,885**	**1,240,114**	**405,616**	**2,555,814**	**591,384**	**18,573,954**	**1,557,928**	**20,131,882**
Total comprehensive income for the year		-	-	-	3,413,254	87,298	(525,948)	-	-	2,974,604	19,817	2,994,421
Increase in effective shareholding of associate		-	-	-	4,075	-	-	-	-	4,075	3,005	7,080
Dividends	28	-	-	-	(1,245,874)	-	-	-	-	(1,245,874)	(23,708)	(1,269,582)
Share of transfer on disposal of property, plant & equipment by associate		-	-	-	10,014	(10,014)	-	-	-	-	-	-
Transfer to general banking reserve		-	-	-	(7,674)	-	-	-	7,674	-	-	-
Transfer to statutory reserve		-	-	-	(11,356)	-	-	11,356	-	-	-	-
Employee share options exercised		-	9,972	2,649	-	-	-	-	-	12,621	-	12,621
At 30th June 2010		**2,503,756**	**51,214**	**(373,208)**	**13,774,324**	**1,317,398**	**(120,332)**	**2,567,170**	**599,058**	**20,319,380**	**1,557,042**	**21,876,422**
Total comprehensive income for the year		-	-	-	4,491,121	219,287	24,736	-	-	4,735,144	22,917	4,758,061
Changes in ownership interest in subsidiaries with no loss of control		-	-	-	2,365	-	-	-	-	2,365	6,425	8,790
Increase in effective shareholding of associate		-	-	-	4,814	-	-	-	-	4,814	3,550	8,364
Dividends	28	-	-	-	(1,365,494)	-	-	-	-	(1,365,494)	(18,397)	(1,383,891)
Share of transfer on disposal of property, plant & equipment by associate		-	-	-	20,230	(20,230)	-	-	-	-	-	-
Transfer from general banking reserve		-	-	-	1,785	-	-	-	(1,785)	-	-	-
Transfer to statutory reserve		-	-	-	(30,477)	-	-	30,477	-	-	-	-
Employee share options exercised		-	26,739	6,025	-	-	-	-	-	32,764	-	32,764
At 30th June 2011		**2,503,756**	**77,953**	**(367,183)**	**16,898,668**	**1,516,455**	**(95,596)**	**2,597,647**	**597,273**	**23,728,973**	**1,571,537**	**25,300,510**
Total comprehensive income for the year		**-**	**-**	**-**	**4,114,563**	**(121,980)**	**(155,245)**	**-**	**-**	**3,837,338**	**27,174**	**3,864,512**
Transfer on disposal of interest in joint venture		**-**	**-**	**-**	**3,029**	**-**	**(2,468)**	**-**	**-**	**561**	**(561)**	**-**
Effect of shares bought back and cancelled by subsidiary		**-**	**-**	**-**	**(12,333)**	**-**	**-**	**-**	**-**	**(12,333)**	**(17,833)**	**(30,166)**
Acquisition of non-controlling interest by local subsidiary		**-**	**-**	**-**	**(43,694)**	**-**	**-**	**-**	**-**	**(43,694)**	**(8,628)**	**(52,322)**
Increase in effective shareholding of associate		**-**	**-**	**-**	**1,273**	**-**	**-**	**-**	**-**	**1,273**	**939**	**2,212**
Dividends	28	**-**	**-**	**-**	**(1,390,061)**	**-**	**-**	**-**	**-**	**(1,390,061)**	**(19,599)**	**(1,409,660)**
Share of transfer on disposal of property, plant & equipment by associate		**-**	**-**	**-**	**11,571**	**(11,571)**	**-**	**-**	**-**	**-**	**-**	**-**
Transfer to general banking reserve		**-**	**-**	**-**	**(760)**	**-**	**-**	**-**	**760**	**-**	**-**	**-**
Transfer to statutory reserve		**-**	**-**	**-**	**(17,135)**	**-**	**-**	**17,135**	**-**	**-**	**-**	**-**
Employee share options exercised		**-**	**11,686**	**2,418**	**-**	**-**	**-**	**-**	**-**	**14,104**	**-**	**14,104**
At 30th June 2012		**2,503,756**	**89,639**	**(364,765)**	**19,565,121**	**1,382,904**	**(253,309)**	**2,614,782**	**598,033**	**26,136,161**	**1,553,029**	**27,689,190**

The notes on pages 143 to 220 form part of these financial statements.
Auditors' report on pages 130 and 131.

Statement of changes in equity

for the year ended 30th June 2012

	Note	Share Capital RS'000	Share Premium RS'000	Treasury Shares RS'000	Retained Earnings RS'000	Capital Reserve RS'000	Statutory Reserve RS'000	General Banking Reserve RS'000	Total Equity RS'000
BANK									
At 1st July 2009		**2,503,756**	**41,242**	**(375,857)**	**7,803,419**	**202,037**	**2,544,998**	**533,580**	**13,253,175**
Total comprehensive income for the year		-	-	-	3,104,376	34,390	-	-	3,138,766
Dividends	28	-	-	-	(1,245,874)	-	-	-	(1,245,874)
Transfer to statutory reserve		-	-	-	(9,972)	-	9,972	-	-
Employee share options exercised		-	9,972	2,649	-	-	-	-	12,621
At 30th June 2010		**2,503,756**	**51,214**	**(373,208)**	**9,651,949**	**236,427**	**2,554,970**	**533,580**	**15,158,688**
Total comprehensive income for the year		-	-	-	3,904,344	96,239	-	-	4,000,583
Dividends	28	-	-	-	(1,365,494)	-	-	-	(1,365,494)
Transfer to statutory reserve		-	-	-	(26,739)	-	26,739	-	-
Employee share options exercised		-	26,739	6,025	-	-	-	-	32,764
At 30th June 2011		**2,503,756**	**77,953**	**(367,183)**	**12,164,060**	**332,666**	**2,581,709**	**533,580**	**17,826,541**
Total comprehensive income for the year		**-**	**-**	**-**	**4,459,649**	**188,580**	**-**	**-**	**4,648,229**
Dividends	28	**-**	**-**	**-**	**(1,390,061)**	**-**	**-**	**-**	**(1,390,061)**
Transfer to statutory reserve		**-**	**-**	**-**	**(11,686)**	**-**	**11,686**	**-**	**-**
Employee share options exercised		**-**	**11,686**	**2,418**	**-**	**-**	**-**	**-**	**14,104**
At 30th June 2012		**2,503,756**	**89,639**	**(364,765)**	**15,221,962**	**521,246**	**2,593,395**	**533,580**	**21,098,813**

The notes on pages 143 to 220 form part of these financial statements.
Auditors' report on pages 130 and 131.

Statements of cash flows

for the year ended 30th June 2012

	Notes	GROUP 2012 RS'000	GROUP 2011 RS'000	GROUP 2010 RS'000	BANK 2012 RS'000	BANK 2011 RS'000	BANK 2010 RS'000
Net cash flows from trading activities	31	**4,637,125**	2,101,181	5,539,269	**5,105,161**	1,855,053	4,923,545
Net cash flows from other operating activities	32	**183,535**	(7,029,581)	(3,099,688)	**(775,002)**	(6,580,033)	(3,220,770)
Dividends received from associates		**775,394**	38,713	52,247	**-**	-	-
Dividends paid		**(1,389,787)**	(1,305,473)	(1,245,597)	**(1,389,787)**	(1,305,473)	(1,245,597)
Dividends paid to non-controlling interests in subsidiaries		**(19,599)**	(20,302)	(21,803)	**-**	-	-
Income tax paid		**(876,410)**	(795,935)	(1,160,491)	**(713,825)**	(673,286)	(917,173)
Net cash flows from operating activities		**3,310,258**	(7,011,397)	63,937	**2,226,547**	(6,703,739)	(459,995)
Investing activities							
Purchase of available-for-sale investments		**(720,111)**	(820,948)	(129,097)	**(261,845)**	(201,850)	(5,756)
Proceeds from sale of available-for-sale investments		**290,285**	404,527	16,847	**185,040**	-	44
Proceeds on disposal of shares in subsidiary		**-**	-	-	**-**	8,790	-
Investment in subsidiaries		**-**	-	-	**(39,597)**	(220,091)	(373,223)
Net cash flow on sale of joint venture	34	**28,801**	-	-	**-**	-	-
(Acquisition)/Disposal of non-controlling interest by local subsidiary		**(52,322)**	8,790	-	**-**	-	-
Purchase of property, plant and equipment		**(1,014,548)**	(1,720,661)	(1,318,717)	**(809,044)**	(1,525,000)	(1,178,425)
Purchase of intangible assets		**(115,327)**	(558,444)	(429,354)	**(97,497)**	(521,783)	(408,805)
Proceeds from sale of property, plant and equipment		**71,231**	65,417	27,398	**17,866**	24,426	7,846
		(1,511,991)	(2,621,319)	(1,832,923)	**(1,005,077)**	(2,435,508)	(1,958,319)
Net cash flows before financing		**1,798,267**	(9,632,716)	(1,768,986)	**1,221,470**	(9,139,247)	(2,418,314)
Financing							
Employee share options exercised		**12,183**	28,076	11,693	**12,183**	28,076	11,693
Refund of subordinated liabilities		**(1,298,672)**	-	-	**(1,298,672)**	-	-
Share buy back by subsidiary		**(30,166)**	-	-	**-**	-	-
Debt securities issued		**1,783,500**	-	-	**1,783,500**	-	-
(Grant)/Refund of subordinated loan to associates/subsidiaries		**(782,439)**	(2,000)	(1,620)	**(832,439)**	(2,000)	153,880
		(315,594)	26,076	10,073	**(335,428)**	26,076	165,573
Increase/(Decrease) in cash and cash equivalents		**1,482,673**	(9,606,640)	(1,758,913)	**886,042**	(9,113,171)	(2,252,741)
Net cash and cash equivalents at 1st July 2011		**4,057,836**	13,830,136	15,636,677	**3,757,895**	12,871,066	15,123,807
Effect of foreign exchange rate changes		**(14,212)**	(165,660)	(47,628)	**-**	-	-
Net cash and cash equivalents at 30th June 2012	33	**5,526,297**	4,057,836	13,830,136	**4,643,937**	3,757,895	12,871,066

The notes on pages 143 to 220 form part of these financial statements.
Auditors' report on pages 130 and 131.

General information

The Mauritius Commercial Bank Limited ("the Company") is a public company incorporated by Royal Charter in 1838 and registered as limited liability company on 18th August 1955. Its registered office is situated at 9-15, Sir William Newton Street, Port Louis, Mauritius.

The Mauritius Commercial Bank Limited was one of the first group of companies to be listed on The Stock Exchange of Mauritius.

The main activities of the Company and those of its subsidiaries ("the Group") consist in providing a whole range of financial services in the Indian Ocean region and beyond.

Index to notes to the financial statements

Index to notes to the financial statements
(continued)

Index to notes to the financial statements
(continued)

Notes to the financial statements
for the year ended 30th June 2012

1. Significant Accounting Policies

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

(a) Basis of presentation

The financial statements of The Mauritius Commercial Bank comply with The Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS) and instructions, Guidelines and Guidance notes issued by the Bank of Mauritius, in so far as the operations of the Bank are concerned.
Where necessary, comparative figures have been amended to conform with changes in presentation, or in accounting policies in the current year.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, available-for-sale investment securities, financial assets and liabilities held-for-trading and all derivative contracts.

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

IAS 24, 'Related Party Disclosures' (Revised 2009), clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. This revised standard is not expected to have any impact on the Group's financial statements.

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

Disclosures - Transfers of Financial Assets (Amendments to IFRS 7). These amendments improve the disclosure requirements in relation to transferred financial assets. The amendments are not expected to have any impact on the Group's financial statements.

Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS1). These amendments replace references to a fixed transition date with 'the date of transition to IFRSs' and set out the requirements for how an entity resumes presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. The amendments are not expected to have any impact on the Group's financial statements.

Improvements to IFRSs (issued May 6, 2010)

IAS 1 (Amendment), 'Presentation of Financial Statements', clarifies that an entity may present the analysis of the components of other comprehensive income by item either in the statement of changes in equity or in the notes to the financial statements. This amendment is not expected to have any impact on the Group's financial statements.

1. Significant Accounting Policies (Cont'd)

Improvements to IFRSs (issued May 6, 2010) (cont'd)

IAS 34 (Amendment), 'Interim Financial Reporting', emphasises the principle in IAS 34 that the disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report. The amendment clarifies how to apply this principle in respect of financial instruments and their fair values. This amendment is not expected to have any impact on the Group's financial statements.

IFRS 1 (Amendment), 'First-time Adoption of International Financial Reporting Standards', clarifies that if a first-time adopter changes its accounting policies or its use of IFRS 1 exemptions after publishing a set of IAS 34 interim financial information, it should explain those changes and include the effects of such changes in its opening reconciliations within the first annual IFRS reporting. The amendment also clarifies that the exemption to use a 'deemed cost' arising from a revaluation triggered by an event that occurred at or before the date of transition to IFRS is extended to revaluations that occur during the period covered by the first IFRS financial statements. The amendment specifies that entities subject to rate regulation are allowed to use previous GAAP carrying amounts of property, plant and equipment or intangible assets as deemed cost on an item-by-item basis. Entities that use this exemption are required to test each item for impairment under IAS 36 at the date of transition. This amendment is not expected to have any impact on the Group's financial statements.

IFRS 7 (Amendment), Financial Instruments: Disclosures', encourages qualitative disclosures in the context of the quantitative disclosure required to help users to form an overall picture of the nature and extent of risks arising from financial instruments. The amendment also clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated loans. This amendment is unlikely to have an impact on the Group's financial statements.

IFRIC 13 (Amendment), 'Customer Loyalty Programmes' clarifies that the 'fair value' of award credits should take into account the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale and any expected forfeitures. This amendment is unlikely to have an impact on the Group's financial statements.

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

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2012 or later periods, but which the Group has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)
Amendments to IAS 1 Presentation of Items of Other Comprehensive Income
IFRS 9 Financial Instruments
IAS 27 Separate Financial Statements
IAS 28 Investments in Associates and Joint Ventures

1. Significant Accounting Policies (Cont'd)

Standards, Amendments to published Standards and Interpretations issued but not yet effective (cont'd)

IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Measurement
IAS 19 Employee Benefits (Revised 2011)
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)
IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
Amendment to IFRS 1 (Government Loans)
Annual Improvements 2009 - 2011 Cycle
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

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

(b) Basis of consolidation

(I) (i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets.

1. Significant Accounting Policies (Cont'd)

(b) Basis of consolidation (cont'd)

(1) (i) Subsidiaries (cont'd)

The excess of (a) the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (b) the net of the acquisition-date amounts of identifiable assets acquired and the liabilities assumed measured in accordance with IFRS 3 is recorded as goodwill. In the case of a bargain purchase (excess of (b) over (a)), the resulting gain is recognised immediately in the Income Statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Separate financial statements of the Bank

In the separate financial statements of the Bank, investments in subsidiary companies are carried at cost (or at fair value). The carrying amount is reduced to recognise any impairment in the value of individual investments.

(iii) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(2) Associates

Investments in associates are accounted for by the equity method of accounting. Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates includes goodwill. Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associates. The Group Income Statement reflects the Group's share of post-tax profits of associates.

In the separate financial statements of the Bank, the investment in associated companies is accounted at cost (which includes transaction costs). The carrying amount is reduced to recognise any impairment in the value of the individual companies.

1. Significant Accounting Policies (Cont'd)

(b) Basis of consolidation (cont'd)

(3) Joint Venture

Interest in jointly controlled entities is consolidated in a line - by - line basis using proportionate consolidation. Under this method, the appropriate share of income, expenses, assets and liabilities of the jointly controlled entities is included in the relevant components of the financial statements.

(c) Foreign currency translation

The foreign subsidiaries' Statement of Financial Position are translated to Mauritian Rupees using the closing rate method. Their Income Statements and Cash Flows are translated at the average rate for the year. Any resulting exchange differences are recognised in other comprehensive income. On disposal of a foreign entity, such exchange differences are recognised in the Income Statement as part of the gain or loss on sale.
Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using Mauritian rupees, the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Mauritian rupees, which is the Bank's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement , except when deferred in equity as qualifying cashflow hedges and qualifying net investment hedges.

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

1. Significant Accounting Policies (Cont'd)

(d) Derivative financial instruments

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

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

The fair values of derivative financial instruments held for trading are disclosed in note 4.

(e) Offsetting financial instruments

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

(f) Interest income and expense

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

(g) Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan processing fees are deferred and recognised as income over the life of the loan.

1. Significant Accounting Policies (Cont'd)

(h) Sale and repurchase agreements

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

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

(i) Investment securities

The Group classifies its investment securities as fair value through profit or loss, held-to-maturity or available-for-sale assets. Management determines the appropriate classification of its investments at the time of the purchase. Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities intended to be held for an indefinite period of time in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale, which may be sold.

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

Financial assets at fair value through profit or loss are financial assets held for trading.

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

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

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

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

I. Significant Accounting Policies (Cont'd)

(j) Trading securities

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

(k) Loans and provisions for loan impairment

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

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

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

Statutory and other regulatory loan loss reserve requirements that exceed these amounts are dealt with in the general banking reserve as an appropriation of retained earnings.

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

(l) Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's interest in fair value of the net identifiable assets of the acquired subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill on acquisition of subsidiaries is included in Intangible Assets.

Gain on bargain purchase represents the excess of the Group's interest in the net fair value of the acquiree's net identifiable asset over cost of acquisition is recognised in the Income Statement. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the gains and losses on disposal. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

I. Significant Accounting Policies (Cont'd)

(m) Property, plant and equipment

Property, plant and equipment are carried at historical cost or at revalued amounts less accumulated depreciation. Revaluation surpluses are credited to reserves. Any subsequent decrease is first charged to reserves. Thereafter, decreases are charged to the Income Statement to the extent that the decrease exceeds any amount formerly held in reserves in respect of the same asset.

Land and buildings are revalued on a regular basis by qualified independent valuers. Depreciation is calculated to write down the cost or amount of the valuation of such assets to their residual values on a straight-line basis over their estimated useful lives as follows:

Buildings	50 years
Computer and other equipment	5-10 years
Other fixed assets	5-15 years

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

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

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are recognised as income or expense in the Income Statement. Repairs and renewals are charged to the Income Statement when the expenditure is incurred.

(n) Computer software development costs

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

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

(o) Finance leases-where the company is the lessee

Assets acquired under finance leases are accounted for at the present value of the minimum lease payments and depreciated over their estimated useful lives. A corresponding liability is recorded as outstanding lease obligations.
Lease payments are apportioned between the liability and the finance charge so as to achieve a constant periodic rate of interest on the outstanding lease obligations.

1. Significant Accounting Policies (Cont'd)

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

Finance leases

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

Operating leases

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

(q) Cash and cash equivalents

For the purposes of the Statements of Cash Flows, cash and cash equivalents comprise cash and balances with Central Banks and amounts due to and from other banks. A further breakdown of cash and cash equivalents is given in notes 3 and 33 to the financial statements.

(r) Provisions

Provisions are recognised when the Group 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.

(s) Employee benefits

The Group operates a number of defined benefit and defined contribution plans throughout the region.The defined benefit plan is fully funded. The assets of the funded plan are held independently and administered by the MCB Superannuation Fund. The pension costs are assessed in accordance with the advice of qualified actuaries using the projected unit credit method. The Group's contributions are charged to the Income Statement in the year to which they relate. The main assumptions made in the actuarial valuation of the pension fund are listed in note 15 to the financial statements. Cumulative actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans in excess of the greater of 10% of the value of the plan assets or 10% of the defined benefit obligation are spread to income over the average remaining working lives of the related employees.

1. Significant Accounting Policies (Cont'd)

(t) Deferred tax

Deferred tax is provided for, using the liability method, on all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation of property, plant and equipment, provisions for impairment losses on loans and advances and provisions for employee benefits. The rates enacted or subsequently enacted at the end of the reporting period are used to determine deferred tax. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(u) Borrowings

Borrowings are recognised initially at 'cost' , being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective yield method.

(v) Acceptances

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are disclosed as liabilities with corresponding contra-assets.

(w) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Supervisory and Monitoring Committee to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial position is available.

Detailed analysis of segment reporting are shown in note 35 to the financial statements.

1. Significant Accounting Policies (Cont'd)

(x) Share capital

Ordinary shares are classified as equity.

(i) Share issue costs

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

(ii) Treasury shares

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

(y) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised until such time as the assets are substantially ready for their intended use or sale.

Other borrowing costs are expensed.

2. Financial Risk Management

(a) Strategy in using financial instruments

The use of financial instruments is a major feature of the Bank's operations. It has been the Bank's policy to take deposits from customers at variable rates mostly by investing these funds in a wide range of assets.

The Bank also seeks to raise its interest margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. The Bank's exposures are not restricted to just on-balance sheet loans and advances but, also, to guarantees and other commitments such as letters of credit, performance and other bonds.

(b) Credit risk

Credit risk arises when customers or counterparties are not able to fulfill their contractual obligations. Credit Risk Management at the Bank is under the responsibility of the Credit Risk Business Unit (CRBU). The CRBU has the task of reviewing the Bank's credit policies and guidelines to ensure that best lending practices are upheld at all times. Risk assessments are carried out to assist in portfolio management decisions including exposure levels and the constitution of required provisions.

Credit related commitments

The main purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank to pay a third party, on behalf of its customers 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 borrowing.

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 since 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.

2. Financial Risk Management (Cont'd)

(b) Credit risk (cont'd)

Credit Quality of Loans And Advances

	GROUP			BANK		
	2012 Rs M	2011 Rs M	2010 Rs M	2012 Rs M	2011 Rs M	2010 Rs M
Neither past due nor impaired	**120,478**	115,536	104,962	**120,478**	108,821	99,399
Past due but not impaired	**6,461**	5,834	3,198	**6,461**	4,899	3,098
Impaired	**5,885**	4,346	4,336	**5,885**	4,051	4,111
Gross	**132,824**	125,716	112,496	**132,824**	117,771	106,608
Less Allowances for credit impairment	**(3,271)**	(3,276)	(3,053)	**(3,140)**	(3,157)	(2,925)
Net	**129,553**	122,440	109,443	**129,684**	114,614	103,683
Fair Value of collaterals of past due but not impaired loans	**6,461**	5,834	3,198	**6,461**	4,899	3,098
Fair Value of collaterals of impaired loans	**3,937**	2,243	2,240	**3,937**	1,948	2,000

Loans and advances negotiated

	GROUP			BANK		
	2012 Rs M	2011 Rs M	2010 Rs M	2012 Rs M	2011 Rs M	2010 Rs M
Loans and advances negotiated	**13,920**	5,989	4,972	**13,920**	5,989	4,972
Fair value of collaterals	**13,920**	5,989	4,972	**13,920**	5,989	4,972

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

	GROUP			BANK		
	2012 Rs M	2011 Rs M	2010 Rs M	2012 Rs M	2011 Rs M	2010 Rs M
Credit risk exposures relating to on - balance sheet assets are as follows:						
Cash and cash equivalents	**11,071**	9,212	15,352	**9,763**	8,257	14,032
Derivatives financial instruments	**32**	55	40	**32**	55	40
Loans and advances to banks	**2,458**	2,539	1,890	**2,287**	2,269	1,940
Loans and advances to customers	**135,183**	119,901	107,553	**127,397**	112,345	101,743
Investment securities	**16,874**	17,555	19,105	**12,385**	13,618	15,131
Other assets	**11,772**	9,670	6,931	**10,188**	8,359	5,835
Credit risk exposures relating to off - balance sheet assets are as follows:						
Financial guarantees	**39,134**	33,143	26,796	**37,483**	31,628	25,629
Loans committed and other credit related liabilities	**4,742**	3,922	6,450	**4,520**	3,832	6,240
Total	**221,266**	195,997	184,117	**204,055**	180,363	170,590

2. Financial Risk Management (Cont'd)

(c) Market risk

Market risk arises from activities undertaken in or impacted by financial markets generally. This includes the risk of gain or loss arising from the movement in market price of a financial asset or liability as well as ancillary risks such as liquidity and funding risk. The market risk management policies at the Bank are set by the Risk Committee of the Board and executive management of this class of risk is delegated to the Asset and Liability Committee (ALCO). The Market Risk Business Unit (MRBU) plays a central role in monitoring and controlling market risk activities. It is the aim of MRBU to ensure that market risk policies and guidelines are being effectively complied with and that limits are being observed.

A major methodology which MCB uses for the measurement of market price risk is Value-at-Risk (VaR). VaR is the statistical representation of financial risk, expressed as a number, based on consistent modelling of past data and/or simulation of possible future movements, applied to a particular risk position, asset, or portfolio.
The VaR model used by the Bank is based upon a 99 percent one-tailed confidence level and assumes a ten-day holding period, with market data taken from the previous one year.

VaR Analysis - Foreign Exchange Risk (Group)

	As at 30 June	Average	Maximum	Minimum
2012 (Rs M)	**(18.63)**	**(12.93)**	**(18.63)**	**(10.20)**
2011 (Rs M)	(13.44)	(36.33)	(79.62)	(13.44)

VaR Analysis - Foreign Exchange Risk (Bank)

	As at 30 June	Average	Maximum	Minimum
2012 (Rs M)	**(15.65)**	**(10.72)**	**(15.65)**	**(7.32)**
2011 (Rs M)	(9.72)	(17.50)	(28.35)	(9.72)

(d) Price risk

The Group and the Bank are exposed to equity securities price risk because of investments held and classified as available-for-sale financial assets. The table below summarises the impact of increases/decreases in fair value of the investments on the Group's and the Bank's equity. The analysis is based on the assumption that the fair value had increased/decreased by 5%.

	GROUP			BANK		
	2012 Rs M	2011 Rs M	2010 Rs M	2012 Rs M	2011 Rs M	2010 Rs M
Available-for-sale financial assets	**225**	207	168	**77**	63	46

2. Financial Risk Management (Cont'd)

(e) Currency risk

Currency Risk is defined as the risk that movements in foreign exchange rates adversely affect the value of the Bank's foreign currency positions. Exposure resulting from trading activities is monitored through the use of targets and limits. Limits are given to the individual trader and monitored by the Treasury Manager. Such limits include daily, monthly, half-yearly and yearly stop losses. Exposure resulting from non-trading activities is managed through the Asset Liability Management framework, with reference to guidelines and policies set and approved by ALCO and the Board Risk Monitoring Committee.

Concentration of assets, liabilities and off-balance sheet items

Group **At June 30, 2012**	**EURO** **RS '000**	**USD** **RS '000**	**GBP** **RS '000**	**MUR** **RS '000**	**OTHER** **RS '000**	**TOTAL** **RS '000**
Assets						
Cash & cash equivalents	750,897	2,154,113	1,808,277	1,753,013	3,296,537	9,762,837
Derivative financial instruments	10,193	10,180	958	229	10,497	32,057
Loans and advances to banks	25,027	2,269,999	-	-	-	2,295,026
Loans and advances to customers	9,657,582	30,297,023	683,918	89,606,882	283,525	130,528,930
Investment securities	-	191,008	-	12,162,852	31,626	12,385,486
Investments in associates	3,288,918	-	-	3,424,577	-	6,713,495
Goodwill and other intangible assets	-	-	-	818,676	-	818,676
Property, plant and equipment	-	-	-	5,543,947	-	5,543,947
Deferred tax assets	-	-	-	-	-	-
Other assets	46,272	512,244	425,606	9,177,943	26,032	10,188,097
	13,778,889	35,434,567	2,918,759	122,488,119	3,648,217	178,268,551
Less allowances for credit impairment						(3,139,990)
						175,128,561
Subsidiaries						16,281,858
Total assets						**191,410,419**
Liabilities						
Deposits from banks	631,745	1,450,287	51,304	332,612	310,670	2,776,618
Deposits from customers	14,863,982	17,037,026	2,909,709	100,333,930	2,888,028	138,032,675
Derivative financial instruments	125,262	42,501	4,354	100,816	1,935	274,868
Other borrowed funds	701,288	4,362,951	41,037	11,718	1,891,406	7,008,400
Subordinated liabilities	-	-	-	-	-	-
Current tax liabilities	-	-	-	202,738	-	202,738
Deferred tax liabilities	-	-	-	63,836	-	63,836
Other liabilities	132,648	231,355	17,382	3,712,501	44,613	4,138,499
	16,454,925	23,124,120	3,023,786	104,758,151	5,136,652	152,497,634
Subsidiaries						11,223,595
Total liabilities						**163,721,229**
Net on-balance sheet position	(2,676,036)	12,310,447	(105,027)	17,729,968	(1,488,435)	25,770,917
Less allowances for credit impairment						(3,139,990)
Subsidiaries						5,058,263
						27,689,190
Off balance sheet net notional position	4,613,856	14,932,554	253,841	-	1,096,629	20,896,880
Credit commitments	3,357,376	24,002,199	107,429	13,549,968	985,991	42,002,963
Subsidiaries						1,873,018
						64,772,861

2. Financial Risk Management (Cont'd)

(e) Currency risk (cont'd)

Concentration of assets, liabilities and off-balance sheet items

Bank **At June 30, 2012**	**EURO** **RS '000**	**USD** **RS '000**	**GBP** **RS '000**	**MUR** **RS '000**	**OTHER** **RS '000**	**TOTAL** **RS '000**
Assets						
Cash & cash equivalents	750,897	2,154,113	1,808,277	1,753,013	3,296,537	9,762,837
Derivative financial instruments	10,193	10,180	958	229	10,497	32,057
Loans and advances to banks	25,027	2,269,999	-	-	-	2,295,026
Loans and advances to customers	9,657,582	30,297,023	683,918	89,606,882	283,525	130,528,930
Investment securities	-	191,008	-	12,162,852	31,626	12,385,486
Investments in associates	1,181,271	-	-	462,803	-	1,644,074
Investments in subsidiaries	-	-	-	3,537,307	-	3,537,307
Goodwill and other intangible assets	-	-	-	818,676	-	818,676
Property, plant and equipment	-	-	-	5,543,947	-	5,543,947
Deferred tax liabilities	-	-	-	-	-	-
Other assets	46,272	512,244	425,606	9,177,943	26,032	10,188,097
	11,671,242	35,434,567	2,918,759	123,063,652	3,648,217	176,736,437
Less allowances for credit impairment						(3,139,990)
Total assets						**173,596,447**
Liabilities						
Deposits from banks	631,745	1,450,287	51,304	332,612	310,670	2,776,618
Deposits from customers	14,863,982	17,037,026	2,909,709	100,333,930	2,888,028	138,032,675
Derivative financial instruments	125,262	42,501	4,354	100,816	1,935	274,868
Other borrowed funds	701,288	4,362,951	41,037	11,718	1,891,406	7,008,400
Subordinated liabilities	-	-	-	-	-	-
Current tax liabilities	-	-	-	202,738	-	202,738
Deferred tax liabilities	-	-	-	63,836	-	63,836
Other liabilities	132,648	231,355	17,382	3,712,501	44,613	4,138,499
Total liabilities	16,454,925	23,124,120	3,023,786	104,758,151	5,136,652	**152,497,634**
Net on-balance sheet position	(4,783,683)	12,310,447	(105,027)	18,305,501	(1,488,435)	24,238,803
Less allowances for credit impairment						(3,139,990)
						21,098,813
Off balance sheet net notional position	4,613,856	14,932,554	253,841	-	1,096,629	20,896,880
Credit commitments	3,357,376	24,002,199	107,429	13,549,968	985,991	42,002,963

2. Financial Risk Management (Cont'd)

(e) Currency risk (cont'd)

Concentration of assets, liabilities and off-balance sheet items

Group At June 30, 2011	EURO RS '000	USD RS '000	GBP RS '000	MUR RS '000	OTHER RS '000	TOTAL RS '000
Total assets	14,859,409	26,600,688	1,884,595	114,890,338	2,633,519	160,868,549
Total liabilities	13,298,624	22,451,114	3,019,261	96,311,954	2,389,802	137,470,755
Net on-balance sheet position	1,560,785	4,149,574	(1,134,666)	18,578,384	243,717	23,397,794
Less allowances for credit impairment						(3,156,996)
						20,240,798
Subsidiaries						5,059,712
						25,300,510
Off balance sheet net notional position	2,149,155	6,371,283	707,745	583,041	562,982	10,374,206
Credit commitments	3,747,866	17,477,279	58,156	12,830,123	1,346,495	35,459,919
Subsidiaries						1,605,496
						47,439,621

Bank At June 30, 2011	EURO RS '000	USD RS '000	GBP RS '000	MUR RS '000	OTHER RS '000	TOTAL RS '000
Total assets	11,936,567	26,600,688	1,884,595	115,398,923	2,633,519	158,454,292
Total liabilities	13,298,624	22,451,114	3,019,261	96,311,954	2,389,802	137,470,755
Net on-balance sheet position	(1,362,057)	4,149,574	(1,134,666)	19,086,969	243,717	20,983,537
Less allowances for credit impairment						(3,156,996)
						17,826,541
Off balance sheet net notional position	2,149,155	6,371,283	707,745	583,041	562,982	10,374,205
Credit commitments	3,747,866	17,477,279	58,156	12,830,123	1,346,495	35,459,920

2. Financial Risk Management (Cont'd)

(e) Currency risk (cont'd)

Concentration of assets, liabilities and off-balance sheet items

Group At June 30, 2010	EURO RS '000	USD RS '000	GBP RS '000	MUR RS '000	OTHER RS '000	TOTAL RS '000
Total assets	16,958,148	26,301,950	3,156,239	104,093,754	2,072,164	152,582,255
Total liabilities	13,448,545	24,918,282	2,951,048	89,223,922	1,663,478	132,205,275
Net on-balance sheet position	3,509,603	1,383,668	205,191	14,869,832	408,686	20,376,980
Less allowances for credit impairment						(2,925,137)
						17,451,843
Subsidiaries						4,424,579
						21,876,422
Off balance sheet net notional position	1,348,691	1,980,154	592,645	633,089	698,764	5,253,343
Credit commitments	5,018,845	14,410,545	60,653	11,300,380	1,078,289	31,868,712
Subsidiaries						1,377,866
						38,499,921

Bank At June 30, 2010	EURO RS '000	USD RS '000	GBP RS '000	MUR RS '000	OTHER RS '000	TOTAL RS '000
Total assets	14,401,843	26,301,950	3,156,239	104,356,904	2,072,164	150,289,100
Total liabilities	13,448,545	24,918,282	2,951,048	89,223,922	1,663,478	132,205,275
Net on-balance sheet position	953,298	1,383,668	205,191	15,132,982	408,686	18,083,825
Less allowances for credit impairment						(2,925,137)
						15,158,688
Off balance sheet net notional position	1,348,691	1,980,154	592,645	633,089	698,764	5,253,343
Credit commitments	5,018,845	14,410,545	60,653	11,300,380	1,078,289	31,868,712

2. Financial Risk Management (Cont'd)

(f) Interest rate risk

Interest rate risk refers to the potential variability in the Bank's financial condition owing to changes in the level of interest rates. It is the Bank's policy to apply variable interest rates to lending and deposit taking. Fixed interest rates are applied to deposits in foreign currencies; however maturities in this regard are only short-term.

Interest sensitivity of assets and liabilities - repricing analysis

Group At June 30, 2012	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 bearing RS '000	Total RS '000
Assets								
Cash & cash equivalents	6,975,240	-	124,210	-	-	64,871	2,598,516	9,762,837
Derivative financial instruments	-	-	-	-	-	-	32,057	32,057
Loans and advances to banks	1,246,745	960,641	-	-	87,014	-	626	2,295,026
Loans and advances to customers	93,072,256	14,603,488	14,272,901	3,395,654	1,858,883	2,984,661	341,087	130,528,930
Investment securities	664,068	2,020,906	2,097,357	3,879,247	1,884,742	515,091	1,324,075	12,385,486
Investments in associates	-	398,831	-	782,440	-	-	5,532,224	6,713,495
Goodwill and other intangible assets	-	-	-	-	-	-	818,676	818,676
Property, plant and equipment	-	-	-	-	-	-	5,543,947	5,543,947
	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	10,188,097	10,188,097
	101,958,309	17,983,866	16,494,468	8,057,341	3,830,639	3,564,623	26,379,305	178,268,551
Less allowances for credit impairment								(3,139,990)
								175,128,561
Subsidiaries								16,281,858
Total assets								**191,410,419**
Liabilities								
Deposits from banks	1,341,781	500,148	153,935	422,549	-	-	358,205	2,776,618
Deposits from customers	116,146,779	4,647,557	2,112,795	2,963,709	4,799	14,067	12,142,969	138,032,675
Derivative financial instruments	-	-	-	-	-	-	274,868	274,868
Other borrowed funds	2,560,770	3,217,956	1,144,676	-	3,885	38,171	42,942	7,008,400
Subordinated liabilities	-	-	-	-	-	-	-	-
Current tax liabilities	-	-	-	-	-	-	202,738	202,738
Deferred tax liabilities	-	-	-	-	-	-	63,836	63,836
Other liabilities	633,006	-	-	-	-	-	3,505,493	4,138,499
	120,682,336	8,365,661	3,411,406	3,386,258	8,684	52,238	16,591,051	152,497,634
Subsidiaries								11,223,595
Total liabilities								**163,721,229**
On balance sheet interest sensitivity gap	(18,724,027)	9,618,205	13,083,062	4,671,083	3,821,955	3,512,385	9,788,254	25,770,917
Less allowances for credit impairment								(3,139,990)
Subsidiaries								5,058,263
								27,689,190

2. Financial Risk Management (Cont'd)

(f) Interest rate risk (cont'd)

Interest sensitivity of assets and liabilities - repricing analysis

Bank At June 30, 2012	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 bearing RS '000	Total RS '000
Assets								
Cash & cash equivalents	6,975,240	-	124,210	-	-	64,871	2,598,516	9,762,837
Derivative financial instruments	-	-	-	-	-	-	32,057	32,057
Loans and advances to banks	1,246,745	960,641	-	-	87,014	-	626	2,295,026
Loans and advances to customers	93,072,256	14,603,488	14,272,901	3,395,654	1,858,883	2,984,661	341,087	130,528,930
Investment securities	664,068	2,020,906	2,097,357	3,879,247	1,884,742	515,091	1,324,075	12,385,486
Investments in associates	-	398,831	-	782,440	-	-	462,803	1,644,074
Investments in subsidiaries	-	-	-	-	-	-	3,537,307	3,537,307
Goodwill and other intangible assets	-	-	-	-	-	-	818,676	818,676
Property, plant and equipment	-	-	-	-	-	-	5,543,947	5,543,947
Deferred tax assets	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	10,188,097	10,188,097
	101,958,309	17,983,866	16,494,468	8,057,341	3,830,639	3,564,623	24,847,191	176,736,437
Less allowances for credit impairment								(3,139,990)
Total assets								**173,596,447**
Liabilities								
Deposits from banks	1,341,781	500,148	153,935	422,549	-	-	358,205	2,776,618
Deposits from customers	116,146,779	4,647,557	2,112,795	2,963,709	4,799	14,067	12,142,969	138,032,675
Derivative financial instruments	-	-	-	-	-	-	274,868	274,868
Other borrowed funds	2,560,770	3,217,956	1,144,676	-	3,885	38,171	42,942	7,008,400
Subordinated liabilities	-	-	-	-	-	-	-	-
Current tax liabilities	-	-	-	-	-	-	202,738	202,738
Deferred tax liabilities	-	-	-	-	-	-	63,836	63,836
Other liabilities	633,006	-	-	-	-	-	3,505,493	4,138,499
Total liabilities	120,682,336	8,365,661	3,411,406	3,386,258	8,684	52,238	16,591,051	**152,497,634**
On balance sheet interest sensitivity gap	(18,724,027)	9,618,205	13,083,062	4,671,083	3,821,955	3,512,385	8,256,140	24,238,803
Less allowances for credit impairment								(3,139,990)
								21,098,813

2. Financial Risk Management (Cont'd)

(f) Interest rate risk (cont'd)

Interest sensitivity of assets and liabilities - repricing analysis

Group At June 30, 2011	Up to 1 month RS '000	1-3 months RS '000	3-6 months RS '000	6-12 months RS '000	1-3 years RS '000	Over 3 years RS '000	Non-interest bearing RS '000	Total RS '000
Total assets	93,869,058	12,852,245	13,115,594	8,064,753	4,304,132	3,900,537	24,762,230	160,868,549
Total liabilities	109,845,095	6,976,614	4,011,282	2,106,662	63,286	215,351	14,252,465	137,470,755
On balance sheet interest sensitivity gap	(15,976,037)	5,875,631	9,104,312	5,958,091	4,240,846	3,685,186	10,509,765	23,397,794
Less allowances for credit impairment								(3,156,996)
								20,240,798
Subsidiaries								5,059,712
								25,300,510

Bank At June 30, 2011	Up to 1 month RS '000	1-3 months RS '000	3-6 months RS '000	6-12 months RS '000	1-3 years RS '000	Over 3 years RS '000	Non-interest bearing RS '000	Total RS '000
Total assets	93,869,058	12,852,245	13,115,594	8,064,753	4,304,132	3,900,537	22,347,973	158,454,292
Total liabilities	109,845,095	6,976,614	4,011,282	2,106,662	63,286	215,351	14,252,465	137,470,755
On balance sheet interest sensitivity gap	(15,976,037)	5,875,631	9,104,312	5,958,091	4,240,846	3,685,186	8,095,508	20,983,537
Less allowances for credit impairment								(3,156,996)
								17,826,541

Group At June 30, 2010	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 bearing RS '000	Total RS '000
Total assets	100,033,591	7,619,702	9,714,260	6,141,245	3,892,660	5,144,760	20,036,037	152,582,255
Total liabilities	107,155,585	5,229,948	3,820,555	2,060,131	223,380	119,779	13,595,897	132,205,275
On balance sheet interest sensitivity gap	(7,121,994)	2,389,754	5,893,705	4,081,114	3,669,280	5,024,981	6,440,140	20,376,980
Less allowances for credit impairment								(2,925,137)
								17,451,843
Subsidiaries								4,424,579
								21,876,422

Bank At June 30, 2010								
Total assets								
Total liabilities	100,033,591	7,619,702	9,714,260	6,141,245	3,892,660	5,144,760	17,742,882	150,289,100
On balance sheet interest sensitivity gap	107,155,585	5,229,948	3,820,555	2,060,131	223,380	119,779	13,595,897	132,205,275
Less allowances for credit impairment	(7,121,994)	2,389,754	5,893,705	4,081,114	3,669,280	5,024,981	4,146,985	18,083,825
								(2,925,137)
								15,158,688

2. Financial Risk Management (Cont'd)

(g) Liquidity risk

Liquidity risk can be defined as the risk of a funding crisis, notably a lack of funds to meet immediate or short term obligations in a cost-effective way. There are two aspects of liquidity risk management a) cash flow management to ensure a balanced inflow and outflow of funds on any one specific day b) the maintenance of a stock of liquid assets to ensure that the Bank has a constantly available store of value, which can be utilised in the event of an unexpected outflow of funds. The MCB has a documented liquidity policy compliant with the Bank of Mauritius Guideline on Liquidity. The Bank Treasury manages liquidity in accordance with this policy, on a day-to-day basis.

Maturities of assets and liabilities

Group At June 30, 2012 Assets	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 RS '000	Total RS '000
Cash & cash equivalents	9,250,700	-	124,210	-	-	-	387,927	9,762,837
Derivative financial instruments	14,967	11,791	3,420	-	-	1,879	-	32,057
Loans and advances to banks	1,247,371	960,641	-	-	87,014	-	-	2,295,026
Loans and advances to customers	29,198,123	6,789,602	5,425,794	4,259,401	9,560,221	74,979,990	315,799	130,528,930
Investment securities	632,441	2,020,906	1,937,391	3,830,397	2,200,269	631,014	1,133,068	12,385,486
Investments in associates	-	-	-	-	782,440	398,831	5,532,224	6,713,495
Goodwill and other intangible assets	-	-	-	-	-	-	818,676	818,676
Property, plant and equipment	-	-	-	-	-	-	5,543,947	5,543,947
Deferred tax assets	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	10,188,097	10,188,097
	40,343,602	9,782,940	7,490,815	8,089,798	12,629,944	76,011,714	23,919,738	178,268,551
Less allowances for credit impairment								(3,139,990)
								175,128,561
Subsidiaries								16,281,858
Total assets								**191,410,419**
Liabilities								
Deposits from banks	1,570,820	629,314	153,935	422,549	-	-	-	2,776,618
Deposits from customers	104,125,131	11,050,676	3,335,723	6,504,371	6,830,732	6,186,042	-	138,032,675
Derivative financial instruments	142,584	97,629	2,972	37	31,646	-	-	274,868
Other borrowed funds	2,603,713	854,812	1,483,882	-	1,326,535	739,458	-	7,008,400
Subordinated liabilities	-	-	-	-	-	-	-	-
Current tax liabilities	-	-	202,738	-	-	-	-	202,738
Deferred tax liabilities	-	-	-	-	-	-	63,836	63,836
Other liabilities	633,006	-	-	-	-	-	3,505,493	4,138,499
	109,075,254	12,632,431	5,179,250	6,926,957	8,188,913	6,925,500	3,569,329	152,497,634
Subsidiaries								11,223,595
Total liabilities								**163,721,229**
Net liquidity gap	(68,731,652)	(2,849,491)	2,311,565	1,162,841	4,441,031	69,086,214	20,350,409	25,770,917
Less allowances for credit impairment								(3,139,990)
Subsidiaries								5,058,263
								27,689,190

2. Financial Risk Management (Cont'd)

(g) Liquidity risk (cont'd)

Maturities of assets and liabilities

Bank At June 30, 2012 **Assets**	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 RS '000	Total RS '000
Cash & cash equivalents	9,250,700	-	124,210	-	-	-	387,927	9,762,837
Derivative financial instruments	14,967	11,791	3,420	-	-	1,879	-	32,057
Loans and advances to banks	1,247,371	960,641	-	-	87,014	-	-	2,295,026
Loans and advances to customers	29,198,123	6,789,602	5,425,794	4,259,401	9,560,221	74,979,990	315,799	130,528,930
Investment securities	632,441	2,020,906	1,937,391	3,830,397	2,200,269	631,014	1,133,068	12,385,486
Investments in associates	-	-	-	-	782,440	398,831	462,803	1,644,074
Investments in subsidiaries	-	-	-	-	-	50,000	3,487,307	3,537,307
Goodwill and other intangible assets	-	-	-	-	-	-	818,676	818,676
Property, plant and equipment	-	-	-	-	-	-	5,543,947	5,543,947
Deferred tax assets	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	10,188,097	10,188,097
	40,343,602	9,782,940	7,490,815	8,089,798	12,629,944	76,061,714	22,337,624	176,736,437
Less allowances for credit impairment								(3,139,990)
Total assets								**173,596,447**
Liabilities								
Deposits from banks	1,570,820	629,314	153,935	422,549	-	-	-	2,776,618
Deposits from customers	104,125,131	11,050,676	3,335,723	6,504,371	6,830,732	6,186,042	-	138,032,675
Derivative financial instruments	142,584	97,629	2,972	37	31,646	-	-	274,868
Other borrowed funds	2,603,713	854,812	1,483,882	-	1,326,535	739,458	-	7,008,400
Subordinated liabilities	-	-	-	-	-	-	-	-
Current tax liabilities	-	-	202,738	-	-	-	-	202,738
Deferred tax liabilities	-	-	-	-	-	-	63,836	63,836
Other liabilities	633,006	-	-	-	-	-	3,505,493	4,138,499
Total liabilities	109,075,254	12,632,431	5,179,250	6,926,957	8,188,913	6,925,500	3,569,329	**152,497,634**
Net liquidity gap	(68,731,652)	(2,849,491)	2,311,565	1,162,841	4,441,031	69,136,214	18,768,295	24,238,803
Less allowances for credit impairment								(3,139,990)
								21,098,813

2. Financial Risk Management (Cont'd)

(g) Liquidity risk (cont'd)

Maturities of assets and liabilities

Group At June 30, 2011	Up to 1 month RS '000	1-3 months RS '000	3-6 months RS '000	6-12 months RS '000	1-3 years RS '000	Over 3 years RS '000	Non-maturity items RS '000	Total RS '000
Total assets	37,869,747	11,522,821	3,491,098	7,667,925	14,462,663	63,171,744	22,682,551	160,868,549
Total liabilities	105,038,512	7,963,857	4,182,697	5,095,392	6,020,301	5,994,974	3,175,022	137,470,755
Net liquidity gap	(67,168,765)	3,558,964	(691,599)	2,572,533	8,442,362	57,176,770	19,507,529	23,397,794
Less allowances for credit impairment								(3,156,996)
								20,240,798
Subsidiaries								5,059,712
								25,300,510
Bank **At June 30, 2011**								
Total assets	37,869,747	11,522,821	3,491,098	7,667,925	14,462,663	63,171,744	20,268,294	158,454,292
Total liabilities	105,038,512	7,963,857	4,182,697	5,095,392	6,020,301	5,994,974	3,175,022	137,470,755
Net liquidity gap	(67,168,765)	3,558,964	(691,599)	2,572,533	8,442,362	57,176,770	17,093,272	20,983,537
Less allowances for credit impairment								(3,156,996)
								17,826,541

Group At June 30, 2010	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 RS '000	Total RS '000
Total assets	42,404,723	7,034,286	5,761,811	5,354,141	12,625,314	61,481,448	17,920,532	152,582,255
Total liabilities	100,161,849	7,040,943	4,426,050	5,763,903	5,436,599	5,527,038	3,848,893	132,205,275
Net liquidity gap	(57,757,126)	(6,657)	1,335,761	(409,762)	7,188,715	55,954,410	14,071,639	20,376,980
Less allowances for credit impairment								(2,925,137)
								17,451,843
Subsidiaries								4,424,579
								21,876,422
Bank **At June 30, 2010**								
Total assets	42,404,723	7,034,286	5,761,811	5,354,141	12,625,314	61,508,103	15,600,722	150,289,100
Total liabilities	100,161,849	7,040,943	4,426,050	5,763,903	5,436,599	5,527,038	3,848,893	132,205,275
Net liquidity gap	(57,757,126)	(6,657)	1,335,761	(409,762)	7,188,715	55,981,065	11,751,829	18,083,825
Less allowances for credit impairment								(2,925,137)
								15,158,688

3. Cash and Cash Equivalents

	GROUP			BANK		
	2012 RS'000	2011 RS'000	2010 RS'000	2012 RS'000	2011 RS'000	2010 RS'000
Cash in hand	**1,380,140**	1,470,228	1,468,406	**1,267,257**	1,352,494	1,366,848
Foreign currency notes and coin	**92,819**	95,397	81,132	**40,649**	63,005	49,653
Unrestricted balances with Central Banks	**859,901**	227,679	592,348	**577,982**	-	97,200
Balances due in clearing	**504,802**	446,186	303,024	**385,541**	328,931	220,898
Balances with local banks	**114,067**	251,641	25,604	**1,468**	1,646	-
Interbank loans	**100,000**	-	266,860	**100,000**	-	-
Money market placements	**6,161,648**	5,263,239	9,372,333	**5,597,929**	5,130,514	9,340,243
Balances with banks abroad	**1,857,851**	1,457,196	3,242,293	**1,792,011**	1,380,612	2,957,285
	11,071,228	9,211,566	15,352,000	**9,762,837**	8,257,202	14,032,127

4. Derivative Financial Instruments

The Group utilises the following derivative instruments to manage its exposure to foreign currency risk and interest rate risk:
Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions.
Currency swaps and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies, or interest rates, or a combination of all these.
Except for certain currency swaps, no exchange of principal takes place. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

The fair values of derivative instruments held are set out below:

GROUP & BANK	Contractual/ Nominal Amount RS'000	Fair value assets RS'000	Fair value liabilities RS'000
Derivatives held-for-trading			
Year ended 30th June 2012			
Foreign Exchange Derivatives			
Currency forwards	**1,426,176**	**10,522**	**11,466**
Cross currency interest rate swaps	**3,839,086**	**-**	**32,865**
Interest rate swaps	**802,001**	**1,879**	**-**
Currency swaps	**14,829,617**	**19,656**	**230,537**
	20,896,880	**32,057**	**274,868**
Year ended 30th June 2011			
Foreign Exchange Derivatives			
Currency forwards	1,431,015	12,211	7,616
Currency swaps	8,943,190	43,146	34,003
	10,374,205	55,357	41,619
Year ended 30th June 2010			
Foreign Exchange Derivatives			
Currency forwards	1,817,772	16,097	49,444
Currency swaps	3,435,571	24,098	36,127
	5,253,343	40,195	85,571

5. Loans

(a) Loans and advances to banks

	GROUP			BANK		
	2012 RS'000	2011 RS'000	2010 RS'000	2012 RS'000	2011 RS'000	2010 RS'000
(i) Loans and advances to banks						
in Mauritius	**-**	54,168	138,353	**-**	54,168	138,353
outside Mauritius	**2,465,646**	2,492,606	1,757,596	**2,295,026**	2,222,640	1,808,097
	2,465,646	2,546,774	1,895,949	**2,295,026**	2,276,808	1,946,450
Less:						
Allowances for credit impairment	**(8,000)**	(8,047)	(6,148)	**(8,000)**	(8,047)	(6,148)
	2,457,646	2,538,727	1,889,801	**2,287,026**	2,268,761	1,940,302
(ii) Remaining term to maturity						
Up to 3 months	**2,080,426**	1,992,011	1,056,026	**2,208,012**	2,033,245	1,406,974
Over 3 months and up to 6 months	**-**	8,333	-	**-**	8,333	-
Over 6 months and up to 1 year	**-**	136,502	173,803	**-**	136,502	173,803
Over 1 year and up to 5 years	**87,014**	98,728	365,673	**87,014**	98,728	365,673
Over 5 years	**298,206**	311,200	300,447	**-**	-	-
	2,465,646	2,546,774	1,895,949	**2,295,026**	2,276,808	1,946,450

(iii) Allowances for credit impairment

	GROUP & BANK RS'000
Portfolio Provisions :	
At 30th June 2009	5,237
Provision for credit impairment for the year	911
At 30th June 2010	6,148
Provision for credit impairment for the year	1,899
At 30th June 2011	**8,047**
Provision released	**(47)**
At 30th June 2012	**8,000**

5. Loans (Cont'd)

(b) Loans and advances to customers

	GROUP			BANK		
	2012 RS'000	2011 RS'000	2010 RS'000	2012 RS'000	2011 RS'000	2010 RS'000
(i) Loans and advances to customers						
Retail customers:						
Credit cards	**629,732**	406,037	449,922	**629,732**	406,037	449,922
Mortgages	**14,689,497**	12,745,729	11,031,512	**14,456,023**	12,485,446	10,827,873
Other retail loans	**11,508,910**	10,957,860	10,535,902	**10,940,835**	10,176,732	10,205,352
Corporate customers	**91,986,503**	83,472,846	74,057,120	**85,580,648**	77,605,575	68,675,436
Governments	**1,016,197**	1,051,996	1,202,650	**306,003**	286,020	1,180,908
Entities outside Mauritius	**18,615,689**	14,534,620	13,322,886	**18,615,689**	14,534,620	13,322,886
	138,446,528	123,169,088	110,599,992	**130,528,930**	115,494,430	104,662,377
Less:						
Allowances for credit impairment	**(3,263,478)**	(3,268,056)	(3,047,444)	**(3,131,990)**	(3,148,949)	(2,918,989)
	135,183,050	119,901,032	107,552,548	**127,396,940**	112,345,481	101,743,388

Finance lease receivable included in Group loans amount to Rs 2,552 million as at 30th June 2012(2011:Rs 2,275 million, 2010:Rs 2,022 million).

(ii) Remaining term to maturity

	GROUP 2012 RS'000	GROUP 2011 RS'000	GROUP 2010 RS'000	BANK 2012 RS'000	BANK 2011 RS'000	BANK 2010 RS'000
Up to 3 months	**37,670,278**	38,230,132	32,259,716	**35,987,725**	36,539,652	30,450,748
Over 3 months and up to 6 months	**6,253,132**	2,200,438	2,783,863	**5,425,794**	1,685,370	2,527,685
Over 6 months and up to 1 year	**5,295,161**	4,283,737	2,244,424	**4,259,401**	2,944,529	1,418,438
Over 1 year and up to 5 years	**27,474,156**	28,690,163	24,851,335	**24,433,684**	25,735,946	22,397,396
Over 5 years	**61,753,801**	49,764,618	48,460,654	**60,422,326**	48,588,933	47,868,110
	138,446,528	123,169,088	110,599,992	**130,528,930**	115,494,430	104,662,377

5. Loans (Cont'd)

(b) Loans and advances to customers (cont'd)

(iii) Allowances for credit impairment

	GROUP			BANK		
	Specific RS'000	Portfolio RS'000	Total RS'000	Specific RS'000	Portfolio RS'000	Total RS'000
At 1st July 2009	2,078,813	667,515	2,746,328	2,014,186	650,063	2,664,249
Translation differences in respect of subsidiaries	(8,466)	-	(8,466)	-	-	-
Provision for credit impairment for the year	276,165	81,449	357,614	198,864	79,489	278,353
Provisions released	(115,611)	-	(115,611)	(88,678)	-	(88,678)
Amounts written off	(470,718)	-	(470,718)	(457,138)	-	(457,138)
At 30th June 2010	1,760,183	748,964	2,509,147	1,667,234	729,552	2,396,786
Interest suspense	538,297	-	538,297	522,203	-	522,203
Provisions and interest suspense at 30th June 2010	2,298,480	748,964	3,047,444	2,189,437	729,552	2,918,989
At 1st July 2010	1,760,183	748,964	2,509,147	1,667,234	729,552	2,396,786
Translation differences in respect of subsidiaries	1,895	-	1,895	-	-	-
Provision for credit impairment for the year	320,434	77,095	397,529	300,889	75,101	375,990
Provisions released	(111,862)	-	(111,862)	(102,788)	-	(102,788)
Amounts written off	(321,848)	-	(321,848)	(292,698)	-	(292,698)
At 30th June 2011	1,648,802	826,059	2,474,861	1,572,637	804,653	2,377,290
Interest suspense	793,195	-	793,195	771,659	-	771,659
Provisions and interest suspense at 30th June 2011	2,441,997	826,059	3,268,056	2,344,296	804,653	3,148,949
At 1st July 2011	**1,648,802**	**826,059**	**2,474,861**	**1,572,637**	**804,653**	**2,377,290**
Translation differences in respect of subsidiaries	**1,425**	**-**	**1,425**	**-**	**-**	**-**
Provision for credit impairment for the year	**381,973**	**106,908**	**488,881**	**345,146**	**103,947**	**449,093**
Provisions released	**(57,431)**	**-**	**(57,431)**	**(31,067)**	**-**	**(31,067)**
Amounts written off	**(463,862)**	**-**	**(463,862)**	**(463,523)**	**-**	**(463,523)**
At 30th June 2012	**1,510,907**	**932,967**	**2,443,874**	**1,423,193**	**908,600**	**2,331,793**
Interest suspense	**819,604**	**-**	**819,604**	**800,197**	**-**	**800,197**
Provisions and interest suspense at 30th June 2012	**2,330,511**	**932,967**	**3,263,478**	**2,223,390**	**908,600**	**3,131,990**

5. Loans (Cont'd)

(b) Loans and advances to customers (cont'd)

(iv) Allowances for credit impairment by industry sectors

	2012					2011	2010
	Gross amount of loans RS'000	Non performing loans RS'000	Specific provision RS'000	Portfolio provision RS'000	Total provision RS'000	Total provision RS'000	Total provision RS'000
GROUP							
Agriculture and fishing	**8,672,857**	**54,167**	**16,964**	**59,912**	**76,876**	80,617	83,692
Manufacturing	**10,346,674**	**518,668**	**312,865**	**65,403**	**378,268**	460,766	424,091
of which EPZ	***3,286,449***	***124,697***	***87,508***	***29,200***	***116,708***	*126,197*	*131,385*
Tourism	**28,299,961**	**660,841**	**98,234**	**67,226**	**165,460**	120,516	102,790
Transport	**2,537,232**	**89,911**	**50,936**	**7,633**	**58,569**	23,139	18,767
Construction	**12,546,660**	**1,551,535**	**256,097**	**157,266**	**413,363**	333,345	665,392
Financial and business services	**14,070,821**	**167,369**	**37,425**	**42,841**	**80,266**	273,558	128,386
Traders	**18,675,343**	**714,997**	**407,896**	**161,556**	**569,452**	566,459	562,803
Personal	**24,569,400**	**2,042,954**	**911,625**	**189,239**	**1,100,864**	1,076,937	680,878
of which credit cards	***624,333***	***28,658***	***25,215***	***26,800***	***52,015***	*29,984*	*84,709*
of which housing	***14,928,390***	***649,447***	***46,701***	***34,500***	***81,201***	*83,785*	*86,860*
Professional	**1,052,460**	**84,411**	**28,977**	**20,339**	**49,316**	12,877	61,288
Foreign governments	**1,016,197**	**-**	**-**	**1,600**	**1,600**	-	5,905
Global Business Licence holders	**10,919,099**	**76,708**	**47,216**	**97,600**	**144,816**	124,982	63,895
Others	**5,739,824**	**315,043**	**162,276**	**62,352**	**224,628**	194,860	249,557
	138,446,528	**6,276,604**	**2,330,511**	**932,967**	**3,263,478**	3,268,056	3,047,444
BANK							
Agriculture and fishing	**8,053,144**	**30,401**	**14,019**	**59,100**	**73,119**	76,306	81,740
Manufacturing	**8,960,905**	**423,950**	**271,221**	**60,400**	**331,621**	414,667	378,452
of which EPZ	***3,273,848***	***122,579***	***85,390***	***29,200***	***114,590***	*124,019*	*129,241*
Tourism	**27,175,715**	**655,372**	**97,679**	**65,700**	**163,379**	118,871	101,090
Transport	**2,009,363**	**53,381**	**41,916**	**6,800**	**48,716**	17,162	11,619
Construction	**11,852,815**	**1,545,846**	**251,692**	**152,000**	**403,692**	322,968	658,404
Financial and business services	**13,567,951**	**95,428**	**37,081**	**42,600**	**79,681**	270,200	125,104
Traders	**16,436,707**	**604,168**	**369,206**	**156,900**	**526,106**	534,240	530,260
Personal	**23,743,130**	**2,039,707**	**910,407**	**186,700**	**1,097,107**	1,075,000	679,339
of which credit cards	***624,333***	***28,658***	***25,215***	***26,800***	***52,015***	*29,984*	*84,709*
of which housing	***14,456,023***	***649,447***	***46,701***	***34,500***	***81,201***	*83,785*	*86,860*
Professional	**875,279**	**70,542**	**28,977**	**20,100**	**49,077**	11,290	61,103
Foreign governments	**306,003**	**-**	**-**	**1,600**	**1,600**	-	5,905
Global Business Licence holders	**10,919,099**	**76,708**	**47,216**	**97,600**	**144,816**	124,982	63,895
Others	**6,628,819**	**289,615**	**153,976**	**59,100**	**213,076**	183,263	222,078
	130,528,930	**5,885,118**	**2,223,390**	**908,600**	**3,131,990**	3,148,949	2,918,989

5. Loans (Cont'd)

(b) Loans and advances to customers (cont'd)

(v) Credit concentration of risk by industry sectors

Total credit facilities including guarantees, acceptances and other similar commitments extended by the Group to any one customer or group of closely-related customers for amounts aggregating more than 15% of its capital base, classified by industry sectors.

	GROUP		
	2012 RS'000	2011 RS'000	2010 RS'000
Agriculture and fishing	**3,613,438**	2,446,010	2,343,045
Manufacturing	**1,386,435**	1,321,935	2,234,114
of which EPZ	***25,100***	*104,223*	*1,480,118*
Tourism	**13,267,279**	13,877,296	14,482,497
Transport	**1,415**	160,437	290,237
Construction	**1,163,995**	1,652,880	3,303,039
Financial and Business Services	**3,627,580**	1,539,185	1,475,224
Traders	**8,740,148**	2,096,245	894,063
Global Business Licence holders	**5,358,375**	4,840,440	672,571
Others	**3,026,078**	3,221,842	3,055,753
	40,184,743	31,156,270	28,750,543

6. Investment Securities

	GROUP			BANK		
	2012 RS'000	2011 RS'000	2010 RS'000	2012 RS'000	2011 RS'000	2010 RS'000
At fair value through profit or loss	78,513	479	-	78,202	-	-
Held to maturity	12,299,890	13,414,416	15,754,989	10,774,392	12,357,018	14,209,275
Available-for-sale	4,495,098	4,140,377	3,350,421	1,532,892	1,260,542	921,861
	16,873,501	17,555,272	19,105,410	12,385,486	13,617,560	15,131,136

(a) At fair value through profit or loss

	GROUP 2012 RS'000	GROUP 2011 RS'000	GROUP 2010 RS'000	BANK 2012 RS'000	BANK 2011 RS'000	BANK 2010 RS'000
Treasury bills held for trading :						
Over 3 months and up to 12 months	78,202	-	-	78,202	-	-
Other financial instruments including investments in unquoted overseas collective investment scheme	311	479	-	-	-	-
	78,513	479	-	78,202	-	-

(b) (i) Held to maturity

	GROUP 2012 RS'000	GROUP 2011 RS'000	GROUP 2010 RS'000	BANK 2012 RS'000	BANK 2011 RS'000	BANK 2010 RS'000
Mauritius Development Loan Stocks	449,632	676,221	772,633	368,321	623,515	717,567
GOM bonds	3,740,666	4,608,480	4,754,826	3,734,912	4,510,645	4,604,354
Treasury bills	8,077,965	8,129,715	10,227,530	6,639,532	7,222,858	8,887,354
Foreign bonds	31,627	-	-	31,627	-	-
	12,299,890	13,414,416	15,754,989	10,774,392	12,357,018	14,209,275

(ii) Remaining term to maturity

	2012					
	Up to 3 months RS'000	3 - 6 months RS'000	6 - 12 months RS'000	1 - 5 years RS'000	Over 5 years RS'000	Total RS'000
GROUP						
Mauritius Development Loan Stocks	149,763	19,569	-	280,300	-	449,632
GOM bonds	435,559	399,186	699,324	1,784,399	422,198	3,740,666
Treasury bills	3,188,428	1,666,468	3,223,069	-	-	8,077,965
Foreign bonds	-	-	-	31,627	-	31,627
	3,773,750	2,085,223	3,922,393	2,096,326	422,198	12,299,890
BANK						
Mauritius Development Loan Stocks	149,763	19,569	-	198,989	-	368,321
GOM bonds	435,559	399,186	699,324	1,778,645	422,198	3,734,912
Treasury bills	2,068,025	1,518,636	3,052,871	-	-	6,639,532
Foreign bonds	-	-	-	31,627	-	31,627
	2,653,347	1,937,391	3,752,195	2,009,261	422,198	10,774,392

6. Investment Securities (Cont'd)

(c) Available-for-sale

	GROUP			BANK		
	2012 RS'000	2011 RS'000	2010 RS'000	2012 RS'000	2011 RS'000	2010 RS'000
Quoted						
Official list: shares	473,423	578,951	450,227	7,030	6,406	2,104
Development and Enterprise Market: shares	392,685	376,575	282,227	-	-	-
Foreign shares	534,769	335,441	280,823	494,088	310,807	258,699
Unquoted						
Shares	2,885,405	2,647,560	2,337,144	822,958	741,479	661,058
Inflation - indexed GOM bonds	208,816	201,850	-	208,816	201,850	-
	4,495,098	4,140,377	3,350,421	1,532,892	1,260,542	921,861

7. Investments in Associates

The Group's interest in its principal associates are as follows:

	Country of incorporation	Assets RS'000	Liabilities RS'000	Non-controlling Interest RS'000	Revenues RS'000	Profit/(loss) RS'000	Holding % Direct	Holding % Effective	BANK Cost RS'000
Year ended 30th June 2012									
Banque Française Commerciale O.I.	**France**	**61,789,804**	**57,549,249**	**-**	**4,441,905**	**322,017**	**49.99**	**49.99**	**447,184**
Credit Guarantee Co Ltd	**Mauritius**	**50,240**	**29,987**	**-**	**17,860**	**4,089**	**40.00**	**40.00**	**12,000**
Promotion and Development Ltd	**Mauritius**	**9,863,330**	**1,897,926**	**1,055,966**	**527,119**	**(5,998)**	**46.43**	**46.43**	**-**
Caudan Development Ltd	**Mauritius**	**3,981,487**	**1,129,796**	**-**	**478,512**	**48,294**	**5.34**	**34.38**	**-**
									459,184
Subordinated loans to associates									**1,184,890**
									1,644,074
Year ended 30th June 2011									
Banque Française Commerciale O.I.	France	63,757,757	57,995,158	-	4,495,755	539,976	49.99	49.99	447,184
Credit Guarantee Co Ltd	Mauritius	38,419	22,255	-	16,247	(2,582)	40.00	40.00	12,000
Promotion and Development Ltd	Mauritius	9,729,152	1,684,387	1,067,228	518,552	35,311	46.43	46.43	-
Caudan Development Ltd	Mauritius	4,065,089	1,208,961	-	468,683	51,547	5.34	34.22	-
									459,184
Subordinated loans to associates									419,828
									879,012
Year ended 30th June 2010									
Banque Française Commerciale O.I.	France	60,824,619	55,825,574	-	4,130,768	626,747	49.99	49.99	447,184
Credit Guarantee Co Ltd	Mauritius	26,129	7,383	-	2,271	(11,255)	40.00	40.00	12,000
Promotion and Development Ltd	Mauritius	9,551,039	1,418,119	1,095,122	476,875	(35,964)	46.43	46.43	-
Caudan Development Ltd	Mauritius	4,012,079	1,155,527	-	424,028	51,142	5.34	33.65	-
									459,184
Subordinated loan to associates									403,448
									862,632

Except for Banque Française Commerciale Ocean Indien and Credit Guarantee Company Ltd which are unquoted, the other associates are quoted.

	GROUP 2012 RS'000	2011 RS'000	2010 RS'000
Group share of net assets	**5,471,720**	6,264,266	5,926,215
Goodwill	**56,885**	56,885	56,885
Subordinated loans to associates	**1,184,890**	419,828	403,448
	6,713,495	6,740,979	6,386,548

8. Investments in Subsidiaries

	Country of incorporation/ operation	Principal activities	Stated capital RS'000	Effective holding 2012 %	2011 %	2010 %	BANK 2012 RS'000	2011 RS'000	2010 RS'000
MCB Equity Fund Ltd	Mauritius	Private Equity Fund	**2,334,639**	**100.00**	100.00	100.00	**2,334,637**	2,295,040	2,074,949
MCB (Maldives) Private Ltd	Republic of Maldives	Banking & Financial services	**306,473**	**100.00**	100.00	100.00	**347,963**	347,963	347,963
MCB Moçambique SA	Mozambique	Banking & Financial services	**139,204**	**95.00**	95.00	95.00	**260,040**	260,040	260,040
MCB Seychelles Ltd	Seychelles	Banking & Financial services	**42,864**	**100.00**	100.00	100.00	**211,522**	211,522	211,522
International Card Processing Services Ltd	Mauritius	Providing card system facilities, card embossing and encoding services	**100,000**	**80.00**	80.00	80.00	**80,000**	80,000	80,000
MCB Capital Markets Ltd	Mauritius	Investment Holding Company	**75,000**	**96.00**	86.23	90.00	**71,858**	71,858	75,000
MCB Madagascar SA	Madagascar	Banking & Financial services	**169,508**	**85.00**	85.00	85.00	**64,322**	64,322	64,322
MCB Factors Ltd	Mauritius	Factoring	**50,000**	**100.00**	100.00	100.00	**50,000**	50,000	50,000
Fincorp Investment Ltd	Mauritius	Investment Company	**103,355**	**57.56**	57.56	57.56	**24,735**	24,735	24,735
MCB Properties Ltd	Mauritius	Property ownership & development	**14,625**	**100.00**	100.00	100.00	**14,625**	14,625	14,625
Blue Penny Museum	Mauritius	Philatelic museum	**1,000**	**97.88**	97.88	97.88	**950**	950	950
							3,460,652	3,421,055	3,204,106
Subordinated loans to subsidiaries							**76,655**	26,655	26,655
							3,537,307	3,447,710	3,230,761

Except for Fincorp Investment Ltd, which is quoted, the other above companies are unquoted.

9. Goodwill and Other Intangible Assets

(a) Goodwill

	GROUP		
	2012 RS'000	2011 RS'000	2010 RS'000
At 30th June	**52,849**	52,849	52,849

(b) Other intangible assets

	GROUP			BANK		
	2012 RS'000	2011 RS'000	2010 RS'000	2012 RS'000	2011 RS'000	2010 RS'000
Computer Software						
Cost						
At 1st July 2011	**2,387,186**	1,860,964	1,379,737	**2,207,049**	1,716,155	1,308,327
Transfer from property, plant and equipment	**-**	-	58,047	**-**	-	-
Additions	**115,327**	558,444	429,354	**97,497**	521,783	408,805
Impairment	**(2,287)**	(30,889)	(1,059)	**(2,287)**	(30,889)	(977)
Exchange adjustment	**(889)**	(1,333)	(5,115)	**-**	-	-
At 30th June 2012	**2,499,337**	2,387,186	1,860,964	**2,302,259**	2,207,049	1,716,155
Amortisation						
At 1st July 2011	**1,360,563**	1,157,582	1,072,561	**1,287,785**	1,104,802	1,032,599
Impairment	**(1,081)**	(6,461)	(845)	**(1,081)**	(6,461)	(812)
Charge for the year	**216,043**	209,993	89,272	**196,879**	189,444	73,015
Exchange adjustment	**(197)**	(551)	(3,406)	**-**	-	-
At 30th June 2012	**1,575,328**	1,360,563	1,157,582	**1,483,583**	1,287,785	1,104,802
Net book value	**924,009**	1,026,623	703,382	**818,676**	919,264	611,353
TOTAL	**976,858**	1,079,472	756,231	**818,676**	919,264	611,353

10. Property, Plant and Equipment

	Assets under finance leases RS'000	Land and buildings RS'000	Computer and other equipment RS'000	Other fixed assets RS'000	Work in progress RS'000	Total RS'000
GROUP						
Cost & valuation						
At 1st July 2009	622	2,864,597	1,881,842	1,099,169	-	5,846,230
Additions	-	303,404	419,381	270,667	325,265	1,318,717
Disposals	-	-	(122,209)	(91,259)	-	(213,468)
Exchange adjustment	-	297	(11,029)	(10,431)	-	(21,163)
Transfer	-	684	(6,459)	(52,272)	-	(58,047)
At 30th June 2010	622	3,168,982	2,161,526	1,215,874	325,265	6,872,269
Additions	-	3,537	181,676	191,866	1,343,582	1,720,661
Disposals	-	(1,150)	(94,919)	(171,148)	-	(267,217)
Exchange adjustment	-	(21,294)	(6,018)	(527)	-	(27,839)
Transfer	-	71,935	78,994	44,710	(195,639)	-
At 30th June 2011	**622**	**3,222,010**	**2,321,259**	**1,280,775**	**1,473,208**	**8,297,874**
Additions	**-**	**119,671**	**101,292**	**188,922**	**604,663**	**1,014,548**
Disposals	**-**	**(7,650)**	**(55,678)**	**(146,561)**	**-**	**(209,889)**
Exchange adjustment	**-**	**(6,847)**	**(490)**	**(2,155)**	**-**	**(9,492)**
Disposals of joint venture	**-**	**(2,257)**	**(4,920)**	**(1,374)**	**-**	**(8,551)**
Transfer	**-**	**1,319,642**	**574,727**	**146,066**	**(2,040,435)**	**-**
At 30th June 2012	**622**	**4,644,569**	**2,936,190**	**1,465,673**	**37,436**	**9,084,490**
Accumulated depreciation						
At 1st July 2009	509	357,733	1,177,922	470,539	-	2,006,703
Charge for the year	24	37,637	200,267	133,817	-	371,745
Disposal adjustment	-	-	(121,053)	(67,578)	-	(188,631)
Exchange adjustment	-	1,104	(10,478)	(4,633)	-	(14,007)
Transfer	-	585	148	(733)	-	-
At 30th June 2010	533	397,059	1,246,806	531,412	-	2,175,810
Charge for the year	24	38,411	231,783	141,845	-	412,063
Disposal adjustment	-	-	(79,954)	(125,496)	-	(205,450)
Exchange adjustment	-	(4,945)	1,265	1,059	-	(2,621)
At 30th June 2011	**557**	**430,525**	**1,399,900**	**548,820**	**-**	**2,379,802**
Charge for the year	**24**	**72,969**	**303,861**	**158,812**	**-**	**535,666**
Disposal adjustment	**-**	**(1,874)**	**(52,284)**	**(90,999)**	**-**	**(145,157)**
Exchange adjustment	**-**	**(2,154)**	**4,225**	**(46)**	**-**	**2,025**
Disposal of joint venture	**-**	**(312)**	**(3,317)**	**(302)**	**-**	**(3,931)**
At 30th June 2012	**581**	**499,154**	**1,652,385**	**616,285**	**-**	**2,768,405**
Net book values						
At 30th June 2012	**41**	**4,145,415**	**1,283,805**	**849,388**	**37,436**	**6,316,085**
At 30th June 2011	65	2,791,485	921,359	731,955	1,473,208	5,918,072
At 30th June 2010	89	2,771,923	914,720	684,462	325,265	4,696,459

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

	Land and buildings RS'000	Computer and other equipment RS'000	Other fixed assets RS'000	Work in progress RS'000	Total RS'000
BANK					
Cost & valuation					
At 1st July 2009	2,529,004	1,665,654	480,235	-	4,674,893
Additions	300,495	409,060	143,605	325,265	1,178,425
Disposals	-	(111,065)	(27,124)	-	(138,189)
At 30th June 2010	2,829,499	1,963,649	596,716	325,265	5,715,129
Additions	2,725	150,556	28,137	1,343,582	1,525,000
Disposals	(1,150)	(94,610)	(48,887)	-	(144,647)
Transfer	71,935	78,994	44,710	(195,639)	-
At 30th June 2011	**2,903,009**	**2,098,589**	**620,676**	**1,473,208**	**7,095,482**
Additions	**119,615**	**66,331**	**18,435**	**604,663**	**809,044**
Disposals	**(7,650)**	**(55,114)**	**(30,942)**	**-**	**(93,706)**
Transfer	**1,319,642**	**574,727**	**146,066**	**(2,040,435)**	**-**
At 30th June 2012	**4,334,616**	**2,684,533**	**754,235**	**37,436**	**7,810,820**
Accumulated depreciation					
At 1st July 2009	306,398	1,111,011	248,855	-	1,666,264
Charge for the year	30,940	173,554	49,988	-	254,482
Disposal adjustment	-	(109,935)	(23,037)	-	(132,972)
At 30th June 2010	337,338	1,174,630	275,806	-	1,787,774
Charge for the year	32,486	198,820	53,866	-	285,172
Disposal adjustment	-	(79,847)	(45,215)	-	(125,062)
At 30th June 2011	**369,824**	**1,293,603**	**284,457**	**-**	**1,947,884**
Charge for the year	**68,365**	**271,130**	**59,743**	**-**	**399,238**
Disposal adjustment	**(1,874)**	**(51,898)**	**(26,477)**	**-**	**(80,249)**
At 30th June 2012	**436,315**	**1,512,835**	**317,723**	**-**	**2,266,873**
Net book values					
At 30th June 2012	**3,898,301**	**1,171,698**	**436,512**	**37,436**	**5,543,947**
At 30th June 2011	2,533,185	804,986	336,219	1,473,208	5,147,598
At 30th June 2010	2,492,161	789,019	320,910	325,265	3,927,355

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

If the land and buildings were stated on the historical basis, the amounts would be as follows:

	GROUP			BANK		
	2012 RS'000	2011 RS'000	2010 RS'000	2012 RS'000	2011 RS'000	2010 RS'000
Cost	**8,394,120**	7,604,510	6,178,026	**7,120,450**	6,402,118	5,020,886
Accumulated depreciation	**(2,635,641)**	(2,255,202)	(2,059,373)	**(2,134,109)**	(1,823,284)	(1,671,337)
	5,758,479	5,349,308	4,118,653	**4,986,341**	4,578,834	3,349,549

11. Deferred Tax (Liabilities)/Assets

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

	GROUP 2012 RS'000	GROUP 2011 RS'000	GROUP 2010 RS'000	BANK 2012 RS'000	BANK 2011 RS'000	BANK 2010 RS'000
At 1st July 2011	**(27,268)**	(3,650)	(7,711)	**(13,095)**	9,232	26,146
Exchange adjustments in respect of foreign subsidiaries	**703**	1,835	(2,149)	**-**	-	-
Income statement (charge)/credit	**(56,426)**	(25,453)	6,210	**(50,741)**	(22,327)	(16,914)
At 30th June 2012	**(82,991)**	(27,268)	(3,650)	**(63,836)**	(13,095)	9,232
Deferred tax assets:						
Provisions and post retirement benefits	**-**	-	32,232	**-**	-	32,232
Provisions for credit impairment	**5,754**	10,046	56,388	**-**	-	51,720
Tax losses carried forward	**20,069**	9,297	15,473	**-**	-	-
Accelerated tax depreciation	**(10,946)**	(399)	(74,756)	**-**	-	(74,720)
	14,877	18,944	29,337	**-**	-	9,232
Deferred tax liabilities:						
Provisions and post retirement benefits	**35,415**	34,810	-	**35,415**	34,810	-
Provisions for credit impairment	**78,351**	82,903	-	**78,351**	82,903	-
Accelerated tax depreciation	**(211,634)**	(163,925)	(32,987)	**(177,602)**	(130,808)	-
	(97,868)	(46,212)	(32,987)	**(63,836)**	(13,095)	-
	(82,991)	(27,268)	(3,650)	**(63,836)**	(13,095)	9,232

12. Other Assets

	GROUP 2012 RS'000	GROUP 2011 RS'000	GROUP 2010 RS'000	BANK 2012 RS'000	BANK 2011 RS'000	BANK 2010 RS'000
Mandatory balances with Central Banks	**9,089,260**	7,475,414	4,780,076	**7,588,498**	6,262,909	4,056,680
Accrued interest receivable	**996,072**	852,136	876,464	**929,635**	796,724	838,225
Employee benefits assets (see note 15)	**306,900**	310,938	328,119	**306,900**	310,938	328,119
Prepayments & other receivables	**387,557**	276,628	135,798	**545,297**	423,119	119,810
Accrued income	**250,917**	204,166	330,113	**184,884**	172,560	174,595
Margin deposit under Credit Support Annex	**162,862**	-	-	**162,862**	-	-
Receivable from Mauritius Union Assurance Co Ltd	**100,000**	125,000	-	**100,000**	125,000	-
Credit Card Clearing	**113,962**	103,442	88,941	**85,100**	60,561	60,166
Non-banking assets acquired in satisfaction of debts	**35,369**	36,851	43,064	**35,369**	36,851	43,064
Others	**328,723**	285,483	348,065	**249,552**	170,689	214,823
	11,771,622	9,670,058	6,930,640	**10,188,097**	8,359,351	5,835,482

13. Deposits

	GROUP 2012 RS'000	GROUP 2011 RS'000	GROUP 2010 RS'000	BANK 2012 RS'000	BANK 2011 RS'000	BANK 2010 RS'000
(a) Deposits from banks						
Other deposits	**657,426**	710,251	449,097	**1,570,820**	1,271,445	1,477,902
Money market deposits with remaining term to maturity:						
Up to 3 months	**620,728**	624,038	669,559	**629,314**	1,159,512	1,008,080
Over 3 months and up to 6 months	**-**	342,431	-	**153,935**	363,171	581,454
Over 6 months and up to 1 year	**40,876**	35,267	-	**422,549**	35,267	-
	661,604	1,001,736	669,559	**1,205,798**	1,557,950	1,589,534
	1,319,030	1,711,987	1,118,656	**2,776,618**	2,829,395	3,067,436
(b) Deposits from customers						
(i) Retail customers						
Demand deposits	**11,618,046**	10,798,596	10,500,291	**10,838,105**	10,085,730	9,914,354
Savings deposits	**62,519,720**	57,107,927	48,834,713	**61,394,644**	55,423,216	47,857,556
Time deposits with remaining term to maturity:						
Up to 3 months	**4,765,464**	4,976,429	7,005,429	**4,350,159**	4,652,228	6,016,866
Over 3 months and up to 6 months	**2,932,590**	2,574,143	2,629,841	**2,496,911**	2,293,690	2,397,487
Over 6 months and up to 1 year	**5,206,635**	4,479,102	4,392,475	**4,764,562**	4,011,924	3,910,186
Over 1 year and up to 5 years	**10,852,671**	10,635,045	9,261,318	**9,032,424**	9,018,859	8,317,423
Over 5 years	**4,489**	9,106	357	**4,480**	9,106	357
	23,761,849	22,673,825	23,289,420	**20,648,536**	19,985,807	20,642,319
	97,899,615	90,580,348	82,624,424	**92,881,285**	85,494,753	78,414,229
(ii) Corporate customers						
Demand deposits	**30,422,843**	25,522,559	31,632,603	**27,006,803**	23,155,464	28,711,590
Savings deposits	**6,040,134**	5,418,738	5,383,673	**4,827,541**	4,919,058	4,381,891
Time deposits with remaining term to maturity:						
Up to 3 months	**7,396,667**	8,166,995	7,540,007	**6,700,517**	7,626,825	7,042,346
Over 3 months and up to 6 months	**1,096,072**	1,379,672	1,128,608	**838,812**	1,078,686	955,030
Over 6 months and up to 1 year	**2,068,541**	1,250,281	1,276,516	**1,739,809**	1,041,605	1,211,919
Over 1 year and up to 5 years	**1,419,144**	1,728,597	1,191,797	**1,241,330**	1,410,589	1,032,274
Over 5 years	**2,738,540**	1,198	-	**2,738,540**	-	-
	14,718,964	12,526,743	11,136,928	**13,259,008**	11,157,705	10,241,569
	51,181,941	43,468,040	48,153,204	**45,093,352**	39,232,227	43,335,050
(iii) Government						
Demand deposits	**154,382**	179,016	243,380	**7,253**	64,885	31,971
Savings deposits	**83,418**	92,059	108,564	**50,785**	57,958	97,167
Time deposits with remaining term to maturity:						
Up to 3 months	**190,586**	152,521	197,014	**-**	-	-
Over 3 months and up to 6 months	**-**	24,190	27,536	**-**	-	-
Over 6 months and up to 1 year	**48,285**	1,606	10,632	**-**	-	-
Over 1 year and up to 5 years	**-**	-	147	**-**	-	-
	238,871	178,317	235,329	**-**	-	-
	476,671	449,392	587,273	**58,038**	122,843	129,138
	149,558,227	134,497,780	131,364,901	**138,032,675**	124,849,823	121,878,417

14. Other Borrowed Funds

(a) Other borrowed funds comprise the following:

	GROUP 2012 RS'000	GROUP 2011 RS'000	GROUP 2010 RS'000	BANK 2012 RS'000	BANK 2011 RS'000	BANK 2010 RS'000
Borrowings from Central Banks	**11,718**	48,493	112,301	**11,718**	48,493	112,301
Borrowings from banks:						
in Mauritius	**206,700**	289,728	328,371	**3,885**	-	200,000
abroad	**5,326,513**	4,815,509	1,081,192	**5,103,297**	4,450,814	848,760
Other borrowed funds shown in note 33	**5,544,931**	5,153,730	1,521,864	**5,118,900**	4,499,307	1,161,061
Debt securities*	**1,889,500**	-	-	**1,889,500**	-	-
	7,434,431	5,153,730	1,521,864	**7,008,400**	4,499,307	1,161,061

*The debt securities consist of senior unsecured floating rate notes as follows:

	GROUP 2012 RS'000	GROUP 2011 RS'000	GROUP 2010 RS'000	BANK 2012 RS'000	BANK 2011 RS'000	BANK 2010 RS'000
ZAR 150 million maturing in December 2012 at an average interest rate of 6.5%	**566,850**	-	-	**566,850**	-	-
ZAR 350 million maturing in December 2014 at an average interest rate of 7.6%	**1,322,650**	-	-	**1,322,650**	-	-
	1,889,500	-	-	**1,889,500**	-	-

(b) Remaining term to maturity:

	GROUP 2012 RS'000	GROUP 2011 RS'000	GROUP 2010 RS'000	BANK 2012 RS'000	BANK 2011 RS'000	BANK 2010 RS'000
On demand or within a period not exceeding 1 year	**5,229,464**	4,693,226	1,265,523	**4,942,407**	4,201,442	1,002,331
Within a period of more than 1 year but not exceeding 2 years	**55,656**	69,271	62,174	**3,885**	37,233	42,270
Within a period of more than 2 years but not exceeding 3 years	**1,372,357**	36,663	90,585	**1,322,650**	-	69,948
Within a period of more than 3 years	**776,954**	354,570	103,582	**739,458**	260,632	46,512
	7,434,431	5,153,730	1,521,864	**7,008,400**	4,499,307	1,161,061

15. Employee Benefits Assets

Amounts recognised in the Statements of Financial Position at end of year:

	GROUP & BANK				
	2012 RS'000	2011 RS'000	2010 RS'000	2009 RS'000	2008 RS'000
Present value of funded obligations	**4,482,807**	4,059,837	3,804,858	3,446,058	2,603,510
Fair value of plan assets	**(3,824,012)**	(3,786,181)	(3,346,005)	(3,031,372)	(3,104,721)
Shortfall/(Surplus) of plan assets	**658,795**	273,656	458,853	414,686	(501,211)
Unrecognised actuarial (losses)/gains	**(965,695)**	(584,594)	(786,972)	(758,631)	173,354
Assets shown in note 12	**(306,900)**	(310,938)	(328,119)	(343,945)	(327,857)

	2012	2011	2010
Amounts recognised as total expense:			
Current service cost	**170,777**	146,713	142,354
Interest cost	**398,827**	392,455	338,641
Expected return on plan assets	**(381,048)**	(354,249)	(306,276)
Actuarial losses recognised	**11,907**	27,099	27,602
Total included in non-interest expense	**200,463**	212,018	202,321
Less: Amount capitalised under IAS 38	**-**	(10,575)	(10,809)
	200,463	201,443	191,512
Movements in assets recognised in Statements of Financial Position:			
At 1st July 2011	**(310,938)**	(328,119)	(343,945)
Total expense as recognised in the Income Statements	**200,463**	201,443	191,512
Amount capitalised under IAS 38	**-**	10,575	10,809
Contributions and direct benefits paid	**(196,425)**	(194,837)	(186,495)
At 30th June 2012	**(306,900)**	(310,938)	(328,119)
Actual (deficit)/return on plan assets	**(11,960)**	365,777	250,333

The principal actuarial assumptions at end of year:

	%	%	%
Discount rate	**10.00**	10.00	10.50
Expected return on plan assets	**10.00**	10.00	10.50
Future salary increases*	**8.50**	8.50	9.00
Future pension increases	**5.50**	5.50	6.00

* 8.5% for clerical staff and non-clerical staff.

Reconciliation of the present value of funded obligations

	GROUP & BANK				
	2012 RS'000	2011 RS'000	2010 RS'000	2009 RS'000	2008 RS'000
Present value of obligation at start of year	**4,059,837**	3,804,858	3,446,058	2,603,510	2,389,118
Current service cost	**170,777**	146,713	142,354	131,798	103,349
Interest cost	**398,827**	392,455	338,641	267,739	245,988
Benefits paid	**(146,634)**	(120,438)	(122,195)	(109,449)	(134,945)
Liability (gain)/loss	**-**	(163,751)	-	552,460	-
Present value of obligation at end of year	**4,482,807**	4,059,837	3,804,858	3,446,058	2,603,510

15. Employee Benefits Assets (Cont'd)

Reconciliation of fair value of plan assets

	GROUP & BANK				
	2012 RS'000	2011 RS'000	2010 RS'000	2009 RS'000	2008 RS'000
Fair value of plan assets at start of year	**3,786,181**	3,346,005	3,031,372	3,104,721	3,092,815
Expected return on plan assets	**381,048**	354,249	306,276	326,553	325,159
Employer contributions	**196,425**	194,837	186,495	126,635	110,920
Benefits paid	**(146,634)**	(120,438)	(122,195)	(109,449)	(134,945)
Asset (losses)/gains	**(393,008)**	11,528	(55,943)	(417,088)	(289,228)
Fair value of plan assets at end of year	**3,824,012**	3,786,181	3,346,005	3,031,372	3,104,721

Distribution of plan assets at end of year

	GROUP & BANK		
	2012 %	2011 %	2010 %
Percentage of assets at end of year			
Local equities	**24**	26	24
Local bonds	**8**	11	14
Property	**5**	4	5
Loan	**2**	1	1
Overseas bonds and equities	**43**	43	40
Other	**18**	15	16
Total	**100**	100	100

Where the plan is funded, the overall expected rate of return on plan assets is determined by reference to market yields on bonds and expected yield differences on other types of assets held.

Additional disclosure on assets issued or used by the reporting entity

	GROUP & BANK		
	2012 %	2011 %	2010 %
Percentage of assets at end of year			
Assets held in the entity's own financial instruments	**5**	5	4
Property occupied by the entity	**3**	3	3
Other assets used by the entity	**15**	13	13

Expected employer contributions for 2013 is Rs 213.1 million.

Note: Employee benefits obligations have been provided for based on the report from Aon Hewitt Ltd., Actuaries and Consultants.

16. Other Liabilities

	GROUP			BANK		
	2012 RS'000	2011 RS'000	2010 RS'000	2012 RS'000	2011 RS'000	2010 RS'000
Accrued interest payable	**1,050,451**	842,590	1,422,731	**845,381**	655,593	1,254,642
MCB Superannuation Fund	**633,006**	498,924	432,597	**633,006**	498,924	432,597
Proposed dividend	**772,342**	772,068	712,047	**772,342**	772,068	712,047
Interest suspense, impersonal & other accounts	**3,160,246**	3,015,293	2,962,297	**2,687,967**	2,505,925	2,414,085
	5,616,045	5,128,875	5,529,672	**4,938,696**	4,432,510	4,813,371
Interest suspense shown in note 5 (b) (iii)	**(819,604)**	(793,195)	(538,297)	**(800,197)**	(771,659)	(522,203)
	4,796,441	4,335,680	4,991,375	**4,138,499**	3,660,851	4,291,168

17. Share Capital and Treasury Shares

	Number of shares		
	Share Capital	Treasury Shares	Total
At 1st July 2009	250,375,595	(13,119,094)	237,256,501
Exercise of share options	-	92,445	92,445
At 30th June 2010	250,375,595	(13,026,649)	237,348,946
Exercise of share options	-	210,310	210,310
At 30th June 2011	**250,375,595**	**(12,816,339)**	**237,559,256**
Exercise of share options	**-**	**84,399**	**84,399**
At 30th June 2012	**250,375,595**	**(12,731,940)**	**237,643,655**

The nominal value of the shares is Rs 10 each.

18. Contingent Liabilities

	GROUP			BANK		
	2012 RS'000	2011 RS'000	2010 RS'000	2012 RS'000	2011 RS'000	2010 RS'000
(a) Instruments						
Acceptances on account of customers	**535,445**	515,925	217,257	**-**	-	-
Guarantees on account of customers	**15,657,807**	15,340,148	15,525,976	**15,089,948**	14,870,612	15,177,173
Letters of credit and other obligations on account of customers	**15,215,243**	12,333,704	8,343,369	**14,687,969**	11,818,511	7,757,811
Other contingent items	**7,725,705**	4,953,367	2,709,725	**7,705,047**	4,938,429	2,693,921
	39,134,200	33,143,144	26,796,327	**37,482,964**	31,627,552	25,628,905
(b) Commitments						
Loans and other facilities, including undrawn credit facilities	**4,741,781**	3,922,272	6,450,251	**4,519,999**	3,832,368	6,239,807
(c) Tax assessments*	**68,042**	315,356	319,900	**68,042**	315,356	319,900
(d) Other						
Inward bills held for collection	**518,458**	425,880	361,526	**391,883**	412,391	349,555
Outward bills sent for collection	**897,553**	575,117	415,597	**897,553**	575,117	415,597
	1,416,011	1,000,997	777,123	**1,289,436**	987,508	765,152
	45,360,034	38,381,769	34,343,601	**43,360,441**	36,762,784	32,953,764

*The Bank received in 2005 an income tax assessment relating to the three years ended 30th June 2003.

The Bank objected to that part of the assessment which disputed the deductibility of the loss of Rs 632 million sustained as the result of the fraud of February 2003.

Further assessments were raised in June 2009, December 2009 and December 2010 for the financial years ended 30th June 2004, 30th June 2005 and 30th June 2006 respectively against which the Bank has objected. During the financial year ended 30th June 2012, agreements were reached in respect of the fraud and on a series of items for the above years.

In December 2011, the Bank received as income tax assessment relating to the year ended 30th June 2007 against which the Bank has objected. The matter is pending in front of the Assessment Review Committee.

In May 2012, the Bank received an assessment under the Value Added Tax Act for the periods April 2006 to December 2009 against which the Bank has also objected.

The maximum liability that could arise from these assessments amounts to Rs 68 million, including penalties and interests.

19. Interest Income

	GROUP 2012 RS'000	GROUP 2011 RS'000	GROUP 2010 RS'000	BANK 2012 RS'000	BANK 2011 RS'000	BANK 2010 RS'000
Loans and advances to banks	**26,015**	31,864	46,113	**20,042**	28,823	39,199
Loans and advances to customers	**10,103,266**	8,919,467	8,028,621	**9,211,199**	8,114,188	7,336,485
Placements with other banks	**214,897**	168,315	155,869	**136,271**	118,060	111,413
Held to maturity investments	**748,335**	805,009	1,096,036	**654,926**	734,221	973,651
Other	**47,487**	-	-	**44,958**	-	-
	11,140,000	9,924,655	9,326,639	**10,067,396**	8,995,292	8,460,748

20. Interest Expense

	GROUP 2012 RS'000	GROUP 2011 RS'000	GROUP 2010 RS'000	BANK 2012 RS'000	BANK 2011 RS'000	BANK 2010 RS'000
Deposits from banks	**37,213**	38,010	28,504	**37,070**	37,967	28,499
Deposits from customers	**4,497,810**	3,897,327	4,077,395	**4,084,058**	3,544,040	3,688,630
Debt securities	**75,688**	-	-	**75,688**	-	-
Subordinated liabilities	**6,747**	21,233	28,276	**6,747**	21,233	28,276
Other borrowed funds	**137,787**	81,800	47,488	**117,903**	40,167	28,244
	4,755,245	4,038,370	4,181,663	**4,321,466**	3,643,407	3,773,649

21. Fee and Commission Income

	GROUP 2012 RS'000	GROUP 2011 RS'000	GROUP 2010 RS'000	BANK 2012 RS'000	BANK 2011 RS'000	BANK 2010 RS'000
Retail banking fees	**214,362**	185,330	167,708	**208,181**	167,217	151,383
Corporate banking fees	**413,252**	320,942	229,112	**364,699**	281,958	195,423
Guarantee fees	**181,886**	177,876	162,401	**177,869**	172,369	156,213
Interbank transaction fees	**33,904**	35,899	37,166	**32,709**	34,448	35,256
Brokerage	**13,213**	17,502	15,195			
Asset management fees	**85,413**	79,262	71,951	**-**	-	-
Rental income	**145,955**	150,075	125,253	**1,687**	1,814	1,886
Cards and other related fees	**879,673**	756,944	684,299	**784,647**	688,420	623,102
Trade finance fees	**566,858**	436,293	327,878	**533,147**	409,579	300,347
Others	**149,617**	64,977	187,245	**101,387**	96,609	115,185
	2,684,133	2,225,100	2,008,208	**2,204,326**	1,852,414	1,578,795

22. Fee and Commission Expense

	GROUP 2012 RS'000	GROUP 2011 RS'000	GROUP 2010 RS'000	BANK 2012 RS'000	BANK 2011 RS'000	BANK 2010 RS'000
Interbank transaction fees	**20,653**	7,968	15,427	**5,990**	2,825	4,102
Cards and other related fees	**393,633**	305,961	272,582	**314,951**	252,884	230,819
Others	**42,605**	29,608	23,403	**21,167**	7,503	5,457
	456,891	343,537	311,412	**342,108**	263,212	240,378

23. Net (Loss)/Income from Financial Instruments Carried at Fair Value

	GROUP 2012 RS'000	GROUP 2011 RS'000	GROUP 2010 RS'000	BANK 2012 RS'000	BANK 2011 RS'000	BANK 2010 RS'000
Net (loss)/income from derivatives	**(251,957)**	59,115	(45,377)	**(251,957)**	59,115	(45,377)
Investment securities at fair value through profit or loss	**192**	(29)	1,582	**174**	-	1,582
	(251,765)	59,086	(43,795)	**(251,783)**	59,115	(43,795)

24. Dividend Income

	GROUP 2012	GROUP 2011	GROUP 2010	BANK 2012	BANK 2011	BANK 2010
Income from quoted investments:						
Subsidiary	**-**	-	-	**14,873**	14,873	8,924
Others	**19,437**	17,315	21,376	**3,183**	166	151
Income from unquoted investments:						
Subsidiaries	**-**	-	-	**117,299**	93,820	95,372
Associate	**-**	-	-	**755,600**	-	-
Others	**39,562**	69,513	67,881	**26,150**	48,964	43,802
	58,999	86,828	89,257	**917,105**	157,823	148,249

25. Non-Interest Expense

(a) Salaries and human resource development

	GROUP			BANK		
	2012 RS'000	2011 RS'000	2010 RS'000	2012 RS'000	2011 RS'000	2010 RS'000
Wages and salaries	**1,703,589**	1,576,306	1,395,093	**1,449,502**	1,350,792	1,206,724
Compulsory social security obligations	**48,813**	50,286	52,075	**43,273**	38,504	33,576
Equity settled share-based payments	**2,128**	4,808	1,062	**2,128**	4,808	1,062
Other personnel expenses	**395,317**	320,734	316,908	**383,822**	311,299	309,181
	2,149,847	1,952,134	1,765,138	**1,878,725**	1,705,403	1,550,543
Number of employees at the end of the year	**2,880**	2,724	2,672	**2,562**	2,380	2,274

(b) Other non-interest expense

Software licensing and other information technology cost	**214,313**	208,051	199,192	**146,611**	134,967	120,829
Others	**1,299,169**	1,037,987	1,097,285	**1,052,764**	889,207	898,152
	1,513,482	1,246,038	1,296,477	**1,199,375**	1,024,174	1,018,981

(c) Share-based payments

On 26th December 2006, at the Annual Meeting, the shareholders approved a scheme that entitles the employees of the Bank to purchase shares in the Company at a discount. A further offer on similar terms was made to these employees on the 17th November 2011.

The number and weighted average exercise price of share options are as follows:

	2012		2011		2010	
	Weighted avg exercise price RS	Number of options	Weighted avg exercise price RS	Number of options	Weighted avg exercise price RS	Number of options
Outstanding and exercisable at 1st July 2011	**128.96**	**397,367**	125.78	567,885	150.61	496,609
Expired during the year	**129.02**	**(372,345)**	125.66	(546,484)	150.61	(496,609)
Granted during the year	**154.49**	**589,860**	130.80	586,276	131.65	660,330
Exercised during the year	**144.18**	**(84,399)**	134.07	(210,310)	136.52	(92,445)
Outstanding and exercisable at 30th June 2012		**530,483**		397,367		567,885

The options outstanding at 30th June 2012 have an exercise price in the range of Rs 155 to Rs 174 and a weighted average contractual life of 3½ months (2011 & 2010: 3½ months).

The weighted average share price at the date the share options were exercised during F/Y 11/12 was Rs 167.66 (2011: Rs 158.87, 2010: Rs 139.84).

The fair value of services in return for share options granted is based on the fair value of the share options granted measured by the average market price of the share of the last three months, as may be adjusted by the Board of Directors of the Bank. The fair value at measurement date is Rs 168 (2011: Rs 142, 2010 : Rs 137)

26. Allowance for Credit Impairment

	GROUP			BANK		
	2012 RS'000	2011 RS'000	2010 RS'000	2012 RS'000	2011 RS'000	2010 RS'000
Provisions for bad and doubtful debts:						
Loans and advances to banks	**-**	1,899	911	**-**	1,899	911
Loans and advances to customers	**488,881**	397,529	357,614	**449,093**	375,990	278,353
Bad debts written off for which no provisions were made	**130,215**	48,188	37,517	**129,933**	48,188	37,517
Provisions released during the year:						
Loans and advances to banks	**(47)**	-	-	**(47)**	-	-
Loans and advances to customers	**(57,431)**	(111,862)	(115,611)	**(31,067)**	(102,788)	(88,678)
Recoveries of advances written off	**(42,809)**	(20,665)	(8,251)	**(38,671)**	(17,884)	(8,251)
	518,809	315,089	272,180	**509,241**	305,405	219,852

27. Income Tax Expense

	GROUP			BANK		
	2012 RS'000	2011 RS'000	2010 RS'000	2012 RS'000	2011 RS'000	2010 RS'000
Income tax based on the adjusted profits	**679,218**	633,997	554,191	**474,036**	510,113	413,254
Deferred tax	**56,426**	25,453	(6,210)	**50,741**	22,327	16,914
Special levy on banks	**185,948**	189,036	156,136	**185,948**	189,036	156,136
(Over)/Under provision in previous years	**(33,481)**	4,879	(12,199)	**(41,230)**	5,177	(14,107)
Charge for the year	**888,111**	853,365	691,918	**669,495**	726,653	572,197

The tax on the profits differs from the theoretical amount that would arise using the basic tax rate as follows:

Profit before tax	**5,035,086**	5,370,025	4,112,037	**5,129,144**	4,630,997	3,676,573
Less profit of Associates	**(162,391)**	(288,020)	(294,842)	**-**	-	-
	4,872,695	5,082,005	3,817,195	**5,129,144**	4,630,997	3,676,573
Tax calculated at a rate of 15%	**730,904**	762,301	572,579	**769,372**	694,650	551,486
Effect of different tax rates	**62,468**	56,262	65,809	**-**	-	-
Impact of:						
Income not subject to tax	**(67,703)**	(87,738)	(80,358)	**(73,408)**	(81,029)	(88,159)
Expenses not deductible for tax purposes	**185,632**	107,427	126,522	**152,090**	89,743	102,616
Tax credits	**(175,657)**	(178,802)	(136,571)	**(323,277)**	(170,924)	(135,775)
Special levy on banks	**185,948**	189,036	156,136	**185,948**	189,036	156,136
(Over)/Under provision in previous years	**(33,481)**	4,879	(12,199)	**(41,230)**	5,177	(14,107)
Tax charge	**888,111**	853,365	691,918	**669,495**	726,653	572,197

28. Dividends

	BANK		
	2012 RS'000	2011 RS'000	2010 RS'000
Interim paid on 4th January 2012 at Rs 2.60 per share	**617,719**	593,426	533,827
Final paid on 30th July 2012 at Rs 3.25 per share	**772,342**	772,068	712,047
	1,390,061	1,365,494	1,245,874

29. Earnings Per Share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, excluding the weighted average number of ordinary shares purchased by the Bank and held as treasury shares.

	GROUP		
	2012 RS'000	2011 RS'000	2010 RS'000
Profit attributable to the ordinary equity holders of the parent	**4,114,563**	4,491,121	3,413,254
Weighted average number of ordinary shares (thousands)	**237,606**	237,460	237,305
Basic earnings per share (Rs)	**17.32**	18.91	14.38

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year after adjustment for the effects of all dilutive potential ordinary shares.

The Bank has only one category of dilutive potential ordinary shares which is share options.

For share options, the proceeds from these instruments shall be regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the period. The difference between the number of ordinary shares issued and the number of ordinary shares that would have been issued at the average market price of ordinary shares during the period shall be treated as an issue of ordinary shares for no consideration.

Profit attributable to the ordinary equity holders of the parent	**4,114,563**	4,491,121	3,413,254
Weighted average number of ordinary shares basic (thousands)	**237,606**	237,460	237,305
Effect of share options in issue (thousands)	**44**	125	54
Weighted average number of ordinary shares diluted (thousands) at year end	**237,650**	237,585	237,359
Diluted earnings per share (Rs)	**17.31**	18.90	14.38

30. Commitments

(a) Capital Commitments

	GROUP			BANK		
	2012 RS'000	2011 RS'000	2010 RS'000	2012 RS'000	2011 RS'000	2010 RS'000
Expenditure contracted for but not incurred	**112,488**	461,535	1,337,926	**112,488**	461,535	1,337,926
Expenditure approved by the Board but not contracted for	**40,668**	128,299	484,045	**40,668**	128,299	484,045

(b) Securities pledged

The Bank has pledged GOM bonds as collateral for the purpose of overnight facility from the Bank of Mauritius:

	BANK		
	2012 RS'000	2011 RS'000	2010 RS'000
GOM bonds	**1,789,086**	1,497,368	-

31. Net Cash Flows from Trading Activities

	GROUP			BANK		
	2012 RS'000	2011 RS'000	2010 RS'000	2012 RS'000	2011 RS'000	2010 RS'000
Operating profit	**4,872,695**	5,082,005	3,817,195	**5,129,144**	4,630,997	3,676,573
(Increase)/Decrease in interest receivable and other assets	**(2,165,960)**	(2,672,955)	79,859	**(1,839,749)**	(2,416,048)	106,236
Increase/(Decrease) in other liabilities	**474,733**	(689,464)	497,838	**477,374**	(690,338)	364,962
Income from out-of-court settlement	**-**	(225,000)	-	**-**	(225,000)	-
Net decrease/(increase) in derivatives	**256,549**	(59,114)	121,240	**256,549**	(59,114)	121,240
(Increase)/Decrease in investment securities at fair value through profit or loss	**(78,034)**	(479)	64,692	**(78,202)**	-	64,692
Employee share option expenses	**1,921**	4,688	928	**1,921**	4,688	928
Additional provision for employee benefits	**4,038**	17,181	15,826	**4,038**	17,181	15,826
Charge for credit impairment	**488,881**	399,428	358,525	**449,093**	377,889	279,264
Release of provisions for credit impairment	**(57,478)**	(111,862)	(115,611)	**(31,114)**	(102,788)	(88,678)
Exchange adjustment	**147,841**	(183,877)	53,477	**143,193**	(170,969)	57,513
Depreciation	**535,666**	412,063	371,745	**399,238**	285,172	254,482
Amortisation of intangible assets	**216,043**	209,993	89,272	**196,879**	189,444	73,015
Profit on disposal of property, plant and equipment	**(6,499)**	(3,650)	(2,561)	**(4,409)**	(4,841)	(2,629)
Impairment of intangible assets	**1,206**	24,428	214	**1,206**	24,428	165
Impairment of available-for-sale investments	**-**	-	190,140	**-**	-	-
Profit on disposal of available-for-sale investments	**(33,042)**	(102,204)	(3,510)	**-**	-	(44)
Profit on disposal of joint venture/subsidiary	**(21,435)**	-	-	**-**	(5,648)	-
	4,637,125	2,101,181	5,539,269	**5,105,161**	1,855,053	4,923,545

32. Net Cash Flows from Other Operating Activities

	GROUP			BANK		
	2012 RS'000	2011 RS'000	2010 RS'000	2012 RS'000	2011 RS'000	2010 RS'000
Net increase in deposits	**14,914,074**	4,192,299	11,658,342	**13,130,075**	2,733,365	10,439,411
Net increase in loans and advances	**(15,803,540)**	(13,459,061)	(13,317,998)	**(15,487,703)**	(11,165,655)	(12,523,330)
Decrease/(Increase) in held to maturity investment securities	**1,073,001**	2,237,181	(1,440,032)	**1,582,626**	1,852,257	(1,136,851)
	183,535	(7,029,581)	(3,099,688)	**(775,002)**	(6,580,033)	(3,220,770)

33. Analysis of Net Cash and Cash Equivalents as shown in the Statements of Cash Flows

	GROUP			BANK		
	2012 RS'000	2011 RS'000	2010 RS'000	2012 RS'000	2011 RS'000	2010 RS'000
Cash and cash equivalents (see note 3)	**11,071,228**	9,211,566	15,352,000	**9,762,837**	8,257,202	14,032,127
Other borrowed funds (see note 14(a))	**(5,544,931)**	(5,153,730)	(1,521,864)	**(5,118,900)**	(4,499,307)	(1,161,061)
NET CASH AND CASH EQUIVALENTS	**5,526,297**	4,057,836	13,830,136	**4,643,937**	3,757,895	12,871,066
CHANGE IN YEAR	**1,468,461**	(9,772,300)	(1,806,541)	**886,042**	(9,113,171)	(2,252,741)

34. Disposal of Joint Venture

During the year, the Group disposed of its investment in GHF Futures. The details of assets and liabilities disposed and the consideration are as follows:

	GROUP RS'000
Cash & cash equivalent	**411**
Property, plant & equipment	**4,620**
Other assets	**3,999**
Borrowings from banks in Mauritius	**(29,169)**
Other liabilities	**(1,253)**
Net liability	**(21,392)**
Proceeds from sale	**43**
Add:	
Borrowings from banks in Mauritius	**29,169**
Less:	
Cash & cash equivalent in joint venture	**(411)**
Net cash inflow on sale	**28,801**

35. Operating Segments

Operating segments are reported in accordance with the internal reporting provided to the Supervisory and Monitoring Committee, which is the Board Committee responsible for allocating capital and resources to the reportable segments and assesses their performance. All operating segments used by the Group meet the definition of a reportable segment under IFRS 8.

Year ended 30th June 2012

	GROUP RS'000	Mauritius RS'000	Reunion* RS'000	Seychelles RS'000	Madagascar RS'000	Mozambique RS'000	Maldives RS'000	Eliminations RS'000
Income:								
External gross income	**15,220,347**	13,904,457	-	405,844	373,505	307,729	228,812	
Expenses	**(9,827,637)**	(8,988,707)	-	(263,117)	(266,156)	(186,628)	(123,029)	
Operating profit before impairment	**5,392,710**	4,915,750	-	142,727	107,349	121,101	105,783	
Allowance for credit impairment	**(518,809)**	(506,060)	-	460	(6,115)	(1,089)	(6,005)	
Impairment of intangible assets	**(1,206)**	(1,206)	-	-	-	-	-	
Operating profit	**4,872,695**	4,408,484	-	143,187	101,234	120,012	99,778	
Share of profit/(loss) of associates	**162,391**	(2,111)	164,502	-	-	-	-	
Profit before tax	**5,035,086**	4,406,373	164,502	143,187	101,234	120,012	99,778	
Income tax expense	**(888,111)**							
Profit for the year	**4,146,975**							
Other segment items:								
Segment assets	**183,705,189**	176,570,258	-	4,213,802	3,354,659	1,802,033	2,738,652	(4,974,215)
Investments in associates	**6,713,495**	3,346,556	3,366,939	-	-	-	-	-
Goodwill and other intangible assets	**976,858**							
Deferred tax assets	**14,877**							
Total assets	**191,410,419**							
Segment liabilities	**162,610,655**	156,363,765	-	3,971,706	2,819,891	1,477,913	2,221,102	(4,243,722)
Unallocated liabilities	**1,110,574**							
Total liabilities	**163,721,229**							

* Note: Figures for Banque Française Commerciale Ocean Indien have been aggregated under this heading, Reunion being this bank's main place of business.

35. **Operating Segments** (Cont'd)

Year ended 30th June 2011

	GROUP RS'000	Mauritius RS'000	Reunion* RS'000	Seychelles RS'000	Madagascar RS'000	Mozambique RS'000	Maldives RS'000	Eliminations RS'000
Income:								
External gross income	13,825,100	12,694,278	-	398,171	358,228	214,669	159,754	
Expenses	(8,403,578)	(7,664,605)	-	(259,710)	(263,848)	(144,585)	(70,830)	
Operating profit before impairment	5,421,522	5,029,673	-	138,461	94,380	70,084	88,924	
Allowance for credit impairment	(315,089)	(308,703)	-	(3,366)	995	(4,711)	696	
Impairment of intangible assets	(24,428)	(24,428)	-	-	-	-	-	
Operating profit	5,082,005	4,696,542	-	135,095	95,375	65,373	89,620	
Share of profit of associates	288,020	15,937	272,083	-	-	-	-	
Profit before tax	5,370,025	4,712,479	272,083	135,095	95,375	65,373	89,620	
Income tax expense	(853,365)							
Profit for the year	4,516,660							
Other segment items:								
Segment assets	164,850,084	158,904,704	-	3,852,330	3,493,551	1,522,992	1,762,425	(4,685,918)
Investments in associates	6,740,979	3,392,688	3,348,291	-	-	-	-	-
Goodwill and other intangible assets	1,079,472							
Deferred tax assets	18,944							
Total assets	172,689,479							
Segment liabilities	144,968,728	139,746,425	-	3,643,287	2,975,071	1,323,561	1,306,299	(4,025,915)
Unallocated liabilities	2,420,241							
Total liabilities	147,388,969							

* Note: Figures for Banque Française Commerciale Ocean Indien have been aggregated under this heading, Reunion being this bank's main place of business.

35. **Operating Segments** (Cont'd)

Year ended 30th June 2010

	GROUP RS'000	Mauritius RS'000	Reunion* RS'000	Seychelles RS'000	Madagascar RS'000	Mozambique RS'000	Maldives RS'000	Eliminations RS'000
Income:								
External gross income	12,486,948	11,328,978	-	428,024	356,962	272,049	100,935	
Expenses	(8,207,219)	(7,498,185)	-	(316,854)	(235,641)	(106,001)	(50,538)	
Operating profit before impairment	4,279,729	3,830,793	-	111,170	121,321	166,048	50,397	
Allowance for credit impairment	(272,180)	(237,658)	-	(956)	(11,964)	(20,869)	(733)	
Impairment of available-for-sale investments	(190,140)	(190,140)	-	-	-	-	-	
Impairment of intangible assets	(214)	(214)	-	-	-	-	-	
Operating profit	3,817,195	3,402,781	-	110,214	109,357	145,179	49,664	
Share of profit of associates	294,842	(18,469)	313,311	-	-	-	-	
Profit before tax	4,112,037	3,384,312	313,311	110,214	109,357	145,179	49,664	
Income tax expense	(691,918)							
Profit for the year	3,420,119							
Other segment items:								
Segment assets	155,567,053	150,335,397	-	4,129,315	3,398,646	1,270,085	1,400,947	(4,967,337)
Investments in associates	6,386,548	3,403,424	2,983,124	-	-	-	-	-
Goodwill and other intangible assets	756,231							
Deferred tax assets	29,337							
Total assets	162,739,169							
Segment liabilities	138,370,320	133,638,183	-	3,961,428	2,879,830	1,095,161	976,476	(4,180,758)
Unallocated liabilities	2,492,427							
Total liabilities	140,862,747							

* Note: Figures for Banque Française Commerciale Ocean Indien have been aggregated under this heading, Reunion being this bank's main place of business.

35. Operating Segments (Cont'd)

Year ended 30th June 2012

	GROUP RS'000
External gross income:	
The Mauritius Commercial Bank Ltd	14,177,845
MCB Madagascar SA	373,505
MCB Moçambique SA	307,729
MCB Seychelles Ltd	405,844
MCB (Maldives) Private Ltd	228,812
Fincorp Investment Ltd	421,398
Others	461,785
Eliminations	(1,156,571)
	15,220,347

	GROUP RS'000	Net interest income RS'000	Net fee and commissions RS'000	Dividend income RS'000	Forex profit and others RS'000
Operating income:					
The Mauritius Commercial Bank Ltd	9,514,271	5,745,930	1,862,218	917,105	989,018
MCB Madagascar SA	250,303	164,551	55,147	-	30,605
MCB Moçambique SA	228,712	138,761	16,948	-	73,003
MCB Seychelles Ltd	311,014	153,803	62,220	92	94,899
MCB (Maldives) Private Ltd	164,950	119,820	36,804	-	8,326
Fincorp Investment Ltd	150,947	16,971	126,013	167	7,796
Others	412,371	44,919	165,268	29,407	172,777
Eliminations	(1,024,357)	-	(97,376)	(887,772)	(39,209)
	10,008,211	6,384,755	2,227,242	58,999	1,337,215
Segment assets	162,669,250	158,174,152		4,495,098	
Investments in associates	6,713,495				
Goodwill and other intangible assets	976,858				
Deferred tax assets	14,877				
Unallocated assets	21,035,939				
Total assets	191,410,419				

35. Operating Segments (Cont'd)

Year ended 30th June 2011

	GROUP RS'000
External gross income:	
The Mauritius Commercial Bank Ltd	12,273,085
MCB Madagascar SA	358,228
MCB Moçambique SA	214,669
MCB Seychelles Ltd	398,171
MCB (Maldives) Private Ltd	159,754
Fincorp Investment Ltd	382,938
Others	435,732
Eliminations	(397,477)
	13,825,100

	GROUP RS'000	Net interest income RS'000	Net fee and commissions RS'000	Dividend income RS'000	Forex profit and others RS'000
Operating income:					
The Mauritius Commercial Bank Ltd	8,366,466	5,351,885	1,589,202	157,823	1,267,556
MCB Madagascar SA	236,868	173,206	53,360	-	10,302
MCB Moçambique SA	169,172	101,122	21,758	-	46,292
MCB Seychelles Ltd	313,697	124,887	84,191	89	104,530
MCB (Maldives) Private Ltd	117,941	78,768	28,289	-	10,884
Fincorp Investment Ltd	125,701	4,760	115,581	106	5,254
Others	402,630	51,657	161,201	37,503	152,269
Eliminations	(289,282)	-	(172,019)	(108,693)	(8,570)
	9,443,193	5,886,285	1,881,563	86,828	1,588,517
Segment assets	146,966,628	142,826,251		4,140,377	
Investments in associates	6,740,979				
Goodwill and other intangible assets	1,079,472				
Deferred tax assets	18,944				
Unallocated assets	17,883,456				
Total assets	172,689,479				

35. Operating Segments (Cont'd)

Year ended 30th June 2010

	GROUP RS'000
External gross income:	
The Mauritius Commercial Bank Ltd	10,999,150
MCB Madagascar SA	356,962
MCB Moçambique SA	272,049
MCB Seychelles Ltd	428,024
MCB (Maldives) Private Ltd	100,935
Fincorp Investment Ltd	375,758
Others	293,759
Eliminations	(339,689)
	12,486,948

	GROUP RS'000	Net interest income/(expense) RS'000	Net fee and commissions RS'000	Dividend income RS'000	Forex profit and others RS'000
Operating income:					
The Mauritius Commercial Bank Ltd	6,985,123	4,687,099	1,338,417	148,249	811,358
MCB Madagascar SA	246,100	174,911	49,019	-	22,170
MCB Moçambique SA	247,429	91,489	24,942	-	130,998
MCB Seychelles Ltd	315,016	134,486	90,992	32	89,506
MCB (Maldives) Private Ltd	85,461	43,976	36,516	-	4,969
Fincorp Investment Ltd	99,815	(14,562)	110,783	4,746	(1,152)
Others	249,994	27,577	154,071	47,884	20,462
Eliminations	(235,065)	-	(107,944)	(111,654)	(15,467)
	7,993,873	5,144,976	1,696,796	89,257	1,062,844
Segment assets	141,454,849	138,104,428		3,350,421	
Investments in associates	6,386,548				
Goodwill and other intangible assets	756,231				
Deferred tax assets	29,337				
Unallocated assets	14,112,204				
Total assets	162,739,169				

36. Related Party Transactions

(a) The Group

	Associated companies and entities in which the Bank holds more than a 10% interest RS'000	Directors and Key Management Personnel RS'000	Enterprises in which Directors and Key Management Personnel have significant interest RS'000
Loans and Advances			
Balances at 30th June 2011	3,909,866	32,737	943,712
Net movements during the year	2,552,348	37,611	(20,859)
Balances at 30th June 2012	**6,462,214**	**70,348**	**922,853**
Leases receivable			
Balance at year end:			
30th June 2010	N/A	N/A	48,936
30th June 2011	-	-	38,437
30th June 2012	**-**	**-**	**521**
Deposits			
Balance at year end:			
30th June 2010	839,661	153,683	69,642
30th June 2011	804,249	167,633	22,240
30th June 2012	**640,279**	**210,698**	**36,245**
Off Balance sheet items			
Balance at year end:			
30th June 2010	10,037	400	180,951
30th June 2011	1,581,705	400	136,881
30th June 2012	**1,060,275**	**250**	**444,861**
Interest income			
For the year ended:			
30th June 2010	194,840	2,648	40,272
30th June 2011	215,290	2,208	43,243
30th June 2012	**296,526**	**2,937**	**83,856**
Interest expense			
For the year ended:			
30th June 2010	19,963	4,035	1,302
30th June 2011	25,704	4,249	1,222
30th June 2012	**19,695**	**4,906**	**747**
Other income			
For the year ended:			
30th June 2010	36,432	261	4,212
30th June 2011	20,372	297	3,499
30th June 2012	**40,281**	**380**	**12,043**

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

36. Related Party Transactions (Cont'd)

(a) The Group

The figure for "other income" from Associated Companies includes an element, representing management fees charged to associated companies in respect of salaries, notional rental of office space and provision of technical, administrative and other assistance to local Group companies. It also includes an amount of Rs 3.9M, Rs 6.1M and Rs 29.7M respectively for 2012, 2011 and 2010 in respect of management fees charged to BFCOI.

Additionally, the Bank has entered into management contracts with its foreign banking subsidiaries and charges management fees based on operating income. These fees represent the re-invoicing of expatriate salaries and benefits, where applicable, as well as management, administrative and technical support provided by MCB. Gross amounts claimed, net of withholding tax in the local jurisdiction, were as follows:

MCB Seychelles	5.88 % of Gross operating income	Rs 22.2 M
MCB Madagascar	5 % of operating income	Rs 11.2 M
MCB Moçambique	5 % of operating income	Rs 10.8 M
MCB Maldives	5 % of operating income	Rs 7.6 M

IT and Systems support to three of the above companies is provided by BFCOI who has claimed EUR 317,000, EUR 311,000 and EUR 165,000 from MCB Seychelles, MCB Madagascar and MCB Moçambique respectively. These amounts have been charged to our subsidiaries' income statements and consolidated in Group non-interest expense.

(b) The Bank

In addition to the amounts disclosed in (a) above, the following information relate to subsidiaries of the Bank:

(i) Balances as at 30th June:

	Loans and Advances RS'000	Deposits RS'000	Off Balance Sheet items RS'000
Balance at year end:			
30th June 2010	1,617,278	2,530,268	523,802
30th June 2011	1,739,041	1,972,885	519,933
30th June 2012	**1,859,396**	**2,292,558**	**467,320**

36. Related Party Transactions (Cont'd)

(b) The Bank (cont'd)

(ii) Income and expenses:

	Interest income	Interest expense	Other income
For the year ended:			
30th June 2010	81,144	35,493	58,786
30th June 2011	89,926	38,256	79,269
30th June 2012	**110,888**	**40,639**	**95,610**

(c) Key Management Personnel compensation

	GROUP & BANK		
	2012 RS'000	2011 RS'000	2010 RS'000
Remuneration and other benefits relating to Key Management Personnel, including Directors, were as follows:			
Salaries and short term employee benefits	**134,052**	124,022	123,644
Post employment benefits	**10,957**	12,637	13,138
	145,009	136,659	136,782

37. Segmental Reporting - Bank

The Bank classifies its assets and liabilities into two segments; Segment A and Segment B. Segment B activity is essentially directed to the provision of international financial services that give rise to "foreign source income".
Segment B assets will generally consist of placements with and advances to foreign financial institutions, notably associated companies and overseas correspondents.
Segment B liabilities will normally arise from deposits, borrowings and funds deposited by non-residents, global business companies and residents.

Segment A activity relates to all banking business other than Segment B activity.

Expenditure incurred by the Bank but which is not directly attributable to its income derived from Mauritius or its foreign source income is apportioned in a fair and reasonable manner.

37. Segmental Reporting - Bank (Cont'd)

Statements of financial position

as at 30th June 2012

		2012			2011			2010		
	Note	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000
ASSETS										
Cash and cash equivalents		**9,762,837**	**2,372,896**	**7,389,941**	8,257,202	1,746,075	6,511,127	14,032,127	1,734,600	12,297,527
Derivative financial instruments	37(a)	**32,057**	**19,913**	**12,144**	55,357	15,543	39,814	40,195	37,610	2,585
Loans and advances to banks	37(b)	**2,287,026**	**626**	**2,286,400**	2,268,761	54,168	2,214,593	1,940,302	138,353	1,801,949
Loans and advances to customers	37(c)	**127,396,940**	**93,876,606**	**33,520,334**	112,345,481	87,813,319	24,532,162	101,743,388	79,933,278	21,810,110
Investment securities	37(d)	**12,385,486**	**11,658,712**	**726,774**	13,617,560	13,158,114	459,446	15,131,136	14,704,388	426,748
Investment in associates	37(e)	**1,644,074**	**15,620**	**1,628,454**	879,012	15,620	863,392	862,632	13,620	849,012
Investment in subsidiaries	37(f)	**3,537,307**	**2,653,460**	**883,847**	3,447,710	2,563,863	883,847	3,230,761	2,346,914	883,847
Goodwill and other intangible assets		**818,676**	**818,676**	**-**	919,264	919,264	-	611,353	611,353	-
Property, plant and equipment	37(g)	**5,543,947**	**5,543,947**	**-**	5,147,598	5,147,598	-	3,927,355	3,927,355	-
Deferred tax assets		**-**	**-**	**-**	-	-	-	9,232	9,232	-
Other assets	37(h)	**10,188,097**	**9,591,670**	**596,427**	8,359,351	8,090,784	268,567	5,835,482	5,545,881	289,601
Total assets		**173,596,447**	**126,552,126**	**47,044,321**	155,297,296	119,524,348	35,772,948	147,363,963	109,002,584	38,361,379
LIABILITIES AND SHAREHOLDERS' EQUITY										
Deposits from banks	37(i)	**2,776,618**	**45,829**	**2,730,789**	2,829,395	62,433	2,766,962	3,067,436	18,800	3,048,636
Deposits from customers	37(j)	**138,032,675**	**110,435,022**	**27,597,653**	124,849,823	103,878,920	20,970,903	121,878,417	98,158,326	23,720,091
Derivative financial instruments	37(a)	**274,868**	**108,587**	**166,281**	41,619	17,243	24,376	85,571	44,612	40,959
Other borrowed funds		**7,008,400**	**15,602**	**6,992,798**	4,499,307	48,493	4,450,814	1,161,061	312,301	848,760
Subordinated liabilities		**-**	**-**	**-**	1,278,856	-	1,278,856	1,454,853	-	1,454,853
Current tax liabilities		**202,738**	**202,738**	**-**	297,809	297,809	-	266,769	266,769	-
Deferred tax liabilities		**63,836**	**63,836**	**-**	13,095	13,095	-	-	-	-
Other liabilities	37(k)	**4,138,499**	**3,862,772**	**275,727**	3,660,851	3,483,029	177,822	4,291,168	3,979,787	311,381
Total liabilities		**152,497,634**	**114,734,386**	**37,763,248**	137,470,755	107,801,022	29,669,733	132,205,275	102,780,595	29,424,680
Shareholders' Equity										
Share capital and share premium		**2,593,395**	**2,593,395**	**-**	2,581,709	2,581,709	-	2,554,970	2,554,970	-
Retained earnings		**15,221,962**	**15,221,962**	**-**	12,164,060	12,164,060	-	9,651,949	9,651,949	-
Other components of equity		**3,648,221**	**3,460,265**	**187,956**	3,447,955	3,395,847	52,108	3,324,977	3,290,570	34,407
		21,463,578	**21,275,622**	**187,956**	18,193,724	18,141,616	52,108	15,531,896	15,497,489	34,407
Less treasury shares		**(364,765)**	**(364,765)**	**-**	(367,183)	(367,183)	-	(373,208)	(373,208)	-
Total equity		**21,098,813**	**20,910,857**	**187,956**	17,826,541	17,774,433	52,108	15,158,688	15,124,281	34,407
Total equity and liabilities		**173,596,447**	**135,645,243**	**37,951,204**	155,297,296	125,575,455	29,721,841	147,363,963	117,904,876	29,459,087
CONTINGENT LIABILITIES										
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers		**37,482,964**	**17,926,441**	**19,556,523**	31,627,552	15,221,779	16,405,773	25,628,905	13,413,646	12,215,259
Commitments		**4,519,999**	**4,005,052**	**514,947**	3,832,368	3,706,749	125,619	6,239,807	5,687,041	552,766
Tax assessments		**68,042**	**68,042**	**-**	315,356	315,356	-	319,900	319,900	-
Other		**1,289,436**	**732,559**	**556,877**	987,508	720,878	266,630	765,152	634,600	130,552
	37(l)	**43,360,441**	**22,732,094**	**20,628,347**	36,762,784	19,964,762	16,798,022	32,953,764	20,055,187	12,898,577

37. Segmental Reporting - Bank (Cont'd)

Income statements
for the year ended 30th June 2012

		2012			2011			2010		
	Note	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000
Interest income	37(m)	**10,067,396**	**8,564,081**	**1,503,315**	8,995,292	7,796,804	1,198,488	8,460,748	7,483,995	976,753
Interest expense	37(n)	**(4,321,466)**	**(3,685,691)**	**(635,775)**	(3,643,407)	(3,292,312)	(351,095)	(3,773,649)	(3,478,986)	(294,663)
Net interest income		**5,745,930**	**4,878,390**	**867,540**	5,351,885	4,504,492	847,393	4,687,099	4,005,009	682,090
Fee and commission income	37(o)	**2,204,326**	**1,466,221**	**738,105**	1,852,414	1,229,392	623,022	1,578,795	1,112,308	466,487
Fee and commission expense	37(p)	**(342,108)**	**(336,118)**	**(5,990)**	(263,212)	(255,957)	(7,255)	(240,378)	(230,819)	(9,559)
Net fee and commission income		**1,862,218**	**1,130,103**	**732,115**	1,589,202	973,435	615,767	1,338,417	881,489	456,928
Other income										
Profit arising from dealing in foreign currencies		**1,231,954**	**1,062,675**	**169,279**	891,404	830,294	61,110	832,739	752,015	80,724
Net (loss)/income from other financial instruments carried at fair value	37(q)	**(251,783)**	**(225,389)**	**(26,394)**	59,115	59,115	-	(43,795)	(43,795)	-
		980,171	**837,286**	**142,885**	950,519	889,409	61,110	788,944	708,220	80,724
Dividend income	37(r)	**917,105**	**42,706**	**874,399**	157,823	64,788	93,035	148,249	78,668	69,581
Net gain on sale of securities		**-**	**-**	**-**	5,648	5,648	-	44	44	-
Other		**8,847**	**8,847**	**-**	61,389	5,849	55,540	22,370	22,370	-
		1,906,123	**888,839**	**1,017,284**	1,175,379	965,694	209,685	959,607	809,302	150,305
Income from out-of-court settlement		**-**	**-**	**-**	250,000	250,000	-	-	-	-
Operating income		**9,514,271**	**6,897,332**	**2,616,939**	8,366,466	6,693,621	1,672,845	6,985,123	5,695,800	1,289,323
Non-interest expense										
Salaries and human resource development	37(s)	**(1,878,725)**	**(1,747,179)**	**(131,546)**	(1,705,403)	(1,593,501)	(111,902)	(1,550,543)	(1,441,186)	(109,357)
Employee benefits		**(200,463)**	**(189,361)**	**(11,102)**	(201,443)	(187,918)	(13,525)	(191,512)	(178,281)	(13,231)
Depreciation		**(399,238)**	**(386,611)**	**(12,627)**	(285,172)	(274,681)	(10,491)	(254,482)	(243,360)	(11,122)
Amortisation of intangible assets		**(196,879)**	**(190,754)**	**(6,125)**	(189,444)	(183,869)	(5,575)	(73,015)	(69,078)	(3,937)
Other	37(t)	**(1,199,375)**	**(1,138,735)**	**(60,640)**	(1,024,174)	(969,481)	(54,693)	(1,018,981)	(990,945)	(28,036)
		(3,874,680)	**(3,652,640)**	**(222,040)**	(3,405,636)	(3,209,450)	(196,186)	(3,088,533)	(2,922,850)	(165,683)
Operating profit before impairment		**5,639,591**	**3,244,692**	**2,394,899**	4,960,830	3,484,171	1,476,659	3,896,590	2,772,950	1,123,640
Allowances for credit impairment	37(u)	**(509,241)**	**(417,657)**	**(91,584)**	(305,405)	(251,523)	(53,882)	(219,852)	(140,415)	(79,437)
Impairment of intangible assets		**(1,206)**	**(1,206)**	**-**	(24,428)	(24,428)	-	(165)	(165)	-
Profit before tax		**5,129,144**	**2,825,829**	**2,303,315**	4,630,997	3,208,220	1,422,777	3,676,573	2,632,370	1,044,203
Income tax expense	37(v)	**(669,495)**	**(596,032)**	**(73,463)**	(726,653)	(661,520)	(65,133)	(572,197)	(531,349)	(40,848)
Profit for the year		**4,459,649**	**2,229,797**	**2,229,852**	3,904,344	2,546,700	1,357,644	3,104,376	2,101,021	1,003,355

37. Segmental Reporting - Bank (Cont'd)

Statements of comprehensive income
for the year ended 30th June 2012

	2012			2011			2010		
	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000
Profit for the year	**4,459,649**	**2,229,797**	**2,229,852**	3,904,344	2,546,700	1,357,644	3,104,376	2,101,021	1,003,355
Other comprehensive (expense)/income:									
Net fair value gain/(loss) on available-for-sale investments	**188,580**	**624**	**187,956**	96,239	44,301	51,938	34,390	(17)	34,407
Total comprehensive income for the year	**4,648,229**	**2,230,421**	**2,417,808**	4,000,583	2,591,001	1,409,582	3,138,766	2,101,004	1,037,762

37. Segmental Reporting - Bank (Cont'd)

(a) Derivative financial instruments

	2012			2011			2010		
	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000
(i) Fair value assets									
Currency forwards	**10,522**	**3,927**	**6,595**	12,211	8,723	3,488	16,097	15,439	658
Cross currency interest rate swaps	**1,879**	**-**	**1,879**	-	-	-	-	-	-
Currency swaps	**19,656**	**15,986**	**3,670**	43,146	6,820	36,326	24,098	22,171	1,927
	32,057	**19,913**	**12,144**	55,357	15,543	39,814	40,195	37,610	2,585
(ii) Fair value liabilities									
Currency forwards	**11,466**	**10,956**	**510**	7,616	2,875	4,741	49,444	44,156	5,288
Cross currency interest rate swaps	**32,865**	**-**	**32,865**	-	-	-	-	-	-
Currency swaps	**230,537**	**97,631**	**132,906**	34,003	14,368	19,635	36,127	456	35,671
	274,868	**108,587**	**166,281**	41,619	17,243	24,376	85,571	44,612	40,959

(b) Loans and advances to banks

	2012			2011			2010		
	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000
Loans and advances to banks									
in Mauritius	**-**	**-**	**-**	54,168	54,168	-	138,353	138,353	-
outside Mauritius	**2,295,026**	**626**	**2,294,400**	2,222,640	-	2,222,640	1,808,097	-	1,808,097
	2,295,026	**626**	**2,294,400**	2,276,808	54,168	2,222,640	1,946,450	138,353	1,808,097
Less allowances for credit impairment	**(8,000)**	**-**	**(8,000)**	(8,047)	-	(8,047)	(6,148)	-	(6,148)
	2,287,026	**626**	**2,286,400**	2,268,761	54,168	2,214,593	1,940,302	138,353	1,801,949

(i) Remaining term to maturity

	BANK 2012	Segment A 2012	Segment B 2012	BANK 2011	Segment A 2011	Segment B 2011	BANK 2010	Segment A 2010	Segment B 2010
Up to 3 months	**2,208,012**	**626**	**2,207,386**	2,033,245	-	2,033,245	1,406,974	-	1,406,974
Over 3 months and up to 6 months	**-**	**-**	**-**	8,333	8,333	-	-	-	-
Over 6 months and up to 1 year	**-**	**-**	**-**	136,502	45,835	90,667	173,803	13,353	160,450
Over 1 year and up to 5 years	**87,014**	**-**	**87,014**	98,728	-	98,728	365,673	125,000	240,673
	2,295,026	**626**	**2,294,400**	2,276,808	54,168	2,222,640	1,946,450	138,353	1,808,097

(ii) Allowances for credit impairment

	BANK Total RS'000	Segment B Total RS'000
Portfolio provisions		
At 30th June 2009	5,237	5,237
Provision for credit impairment for the year	911	911
At 30th June 2010	6,148	6,148
Provision for credit impairment for the year	1,899	1,899
At 30th June 2011	**8,047**	**8,047**
Provision for credit impairment for the year	**(47)**	**(47)**
At 30th June 2012	**8,000**	**8,000**

37. Segmental Reporting - Bank (Cont'd)

(c) Loans and advances to customers

	2012			2011			2010		
	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000
Retail customers:									
Credit cards	**629,732**	**629,732**	**-**	406,037	406,037	-	449,922	449,922	-
Mortgages	**14,456,023**	**13,416,921**	**1,039,102**	12,485,446	11,409,688	1,075,758	10,827,873	9,783,829	1,044,044
Other retail loans	**10,940,835**	**10,497,482**	**443,353**	10,176,732	9,913,132	263,600	10,205,352	9,919,320	286,032
Corporate customers	**85,580,648**	**72,107,320**	**13,473,328**	77,605,575	68,965,871	8,639,704	68,675,436	62,478,653	6,196,783
Governments	**306,003**	**-**	**306,003**	286,020	-	286,020	1,180,908	-	1,180,908
Entities outside Mauritius	**18,615,689**	**-**	**18,615,689**	14,534,620	-	14,534,620	13,322,886	-	13,322,886
	130,528,930	**96,651,455**	**33,877,475**	115,494,430	90,694,728	24,799,702	104,662,377	82,631,724	22,030,653
Less:									
Allowances for credit impairment	**(3,131,990)**	**(2,774,849)**	**(357,141)**	(3,148,949)	(2,881,409)	(267,540)	(2,918,989)	(2,698,446)	(220,543)
	127,396,940	**93,876,606**	**33,520,334**	112,345,481	87,813,319	24,532,162	101,743,388	79,933,278	21,810,110

(i) Remaining term to maturity

	BANK 2012	Segment A 2012	Segment B 2012	BANK 2011	Segment A 2011	Segment B 2011	BANK 2010	Segment A 2010	Segment B 2010
Up to 3 months	**35,987,725**	**25,192,211**	**10,795,514**	36,539,652	29,691,136	6,848,516	30,450,748	25,420,449	5,030,299
Over 3 months and up to 6 months	**5,425,794**	**829,479**	**4,596,315**	1,685,370	1,124,956	560,414	2,527,685	1,290,315	1,237,370
Over 6 months and up to 12 months	**4,259,401**	**2,965,764**	**1,293,637**	2,944,529	2,184,223	760,306	1,418,438	1,386,042	32,396
Over 1 year and up to 5 years	**24,433,684**	**15,485,687**	**8,947,997**	25,735,946	16,610,212	9,125,734	22,397,396	13,744,475	8,652,921
Over 5 years	**60,422,326**	**52,178,314**	**8,244,012**	48,588,933	41,084,201	7,504,732	47,868,110	40,790,443	7,077,667
	130,528,930	**96,651,455**	**33,877,475**	115,494,430	90,694,728	24,799,702	104,662,377	82,631,724	22,030,653

(ii) Credit concentration of risk by industry sectors

	BANK 2012	Segment A 2012	Segment B 2012	BANK 2011	Segment A 2011	Segment B 2011	BANK 2010	Segment A 2010	Segment B 2010
Agriculture and fishing	**3,899,116**	**3,899,116**	**-**	5,798,811	5,798,811	-	3,527,677	3,527,677	-
Manufacturing	**2,302,694**	**2,302,694**	**-**	2,513,355	2,513,355	-	4,087,044	4,087,044	-
of which EPZ	***788,832***	***788,832***	**-**	*104,223*	*104,223*	-	*1,441,257*	*1,441,257*	-
Tourism	**15,901,988**	**14,136,889**	**1,765,099**	16,636,093	13,870,785	2,765,308	17,307,414	12,932,140	4,375,274
Transport	**168,861**	**168,861**	**-**	162,644	162,644	-	281,560	281,560	-
Construction	**3,944,314**	**3,944,314**	**-**	4,046,955	4,046,955	-	5,218,103	5,218,103	-
Financial and business services	**5,586,120**	**5,586,120**	**-**	4,769,952	4,769,952	-	3,529,300	3,529,300	-
Traders	**9,203,082**	**2,409,677**	**6,793,405**	2,372,581	2,324,479	48,102	1,420,920	1,420,920	-
Global business licence holders	**4,963,374**	**-**	**4,963,374**	4,550,613	-	4,550,613	1,010,764	-	1,010,764
Foreign Governments	**3,213,000**	**-**	**3,213,000**	-	-	-	2,727,650	-	2,727,650
Others	**4,605,826**	**4,580,985**	**24,841**	4,203,572	4,169,722	33,850	3,716,074	3,716,074	-
	53,788,375	**37,028,656**	**16,759,719**	45,054,576	37,656,703	7,397,873	42,826,506	34,712,818	8,113,688

37. Segmental Reporting - Bank (Cont'd)

(c) Loans and advances to customers (cont'd)

(iii) Allowances for credit impairment

	BANK			SEGMENT A			SEGMENT B		
	Specific RS'000	Portfolio RS'000	Total RS'000	Specific RS'000	Portfolio RS'000	Total RS'000	Specific RS'000	Portfolio RS'000	Total RS'000
At 1st July 2009	2,014,186	650,063	2,664,249	1,990,821	537,371	2,528,192	23,365	112,692	136,057
Provision for credit impairment for the year	198,864	79,489	278,353	162,256	37,654	199,910	36,608	41,835	78,443
Provisions released	(88,678)	-	(88,678)	(88,562)	-	(88,562)	(116)	-	(116)
Amounts written off	(457,138)	-	(457,138)	(455,504)	-	(455,504)	(1,634)	-	(1,634)
At 30th June 2010	1,667,234	729,552	2,396,786	1,609,011	575,025	2,184,036	58,223	154,527	212,750
Interest suspense	522,203	-	522,203	514,410	-	514,410	7,793	-	7,793
Provisions and interest suspense at 30th June 2010	2,189,437	729,552	2,918,989	2,123,421	575,025	2,698,446	66,016	154,527	220,543
At 1st July 2010	1,667,234	729,552	2,396,786	1,609,011	575,025	2,184,036	58,223	154,527	212,750
Provision for credit impairment for the year	300,889	75,101	375,990	288,120	32,331	320,451	12,769	42,770	55,539
Provisions released	(102,788)	-	(102,788)	(99,232)	-	(99,232)	(3,556)	-	(3,556)
Amounts written off	(292,698)	-	(292,698)	(289,127)	-	(289,127)	(3,571)	-	(3,571)
At 30th June 2011	1,572,637	804,653	2,377,290	1,508,772	607,356	2,116,128	63,865	197,297	261,162
Interest suspense	771,659	-	771,659	765,281	-	765,281	6,378	-	6,378
Provisions and interest suspense at 30th June 2011	2,344,296	804,653	3,148,949	2,274,053	607,356	2,881,409	70,243	197,297	267,540
At 1st July 2011	**1,572,637**	**804,653**	**2,377,290**	**1,508,772**	**607,356**	**2,116,128**	**63,865**	**197,297**	**261,162**
Provision for credit impairment for the year	**345,146**	**103,947**	**449,093**	**298,271**	**59,191**	**357,462**	**46,875**	**44,756**	**91,631**
Provisions released	**(31,067)**	**-**	**(31,067)**	**(31,067)**	**-**	**(31,067)**	**-**	**-**	**-**
Amounts written off	**(463,523)**	**-**	**(463,523)**	**(460,976)**	**-**	**(460,976)**	**(2,547)**	**-**	**(2,547)**
At 30th June 2012	**1,423,193**	**908,600**	**2,331,793**	**1,315,000**	**666,547**	**1,981,547**	**108,193**	**242,053**	**350,246**
Interest suspense	**800,197**	**-**	**800,197**	**793,302**	**-**	**793,302**	**6,895**	**-**	**6,895**
Provisions and interest suspense at 30th June 2012	**2,223,390**	**908,600**	**3,131,990**	**2,108,302**	**666,547**	**2,774,849**	**115,088**	**242,053**	**357,141**

37. Segmental Reporting - Bank (Cont'd)

(c) Loans and advances to customers (cont'd)

(iv) Allowances for credit impairment by industry sectors

	2012					2011	2010
	Gross amount of loans RS'000	Non performing loans RS'000	Specific provision RS'000	Portfolio provision RS'000	Total provision RS'000	Total provision RS'000	Total provision RS'000
BANK							
Agriculture and fishing	8,053,144	30,401	14,019	59,100	**73,119**	76,306	81,740
Manufacturing	8,960,905	423,950	271,221	60,400	**331,621**	414,667	378,452
of which EPZ	*3,273,848*	*122,579*	*85,390*	*29,200*	***114,590***	*124,019*	*129,241*
Tourism	27,175,715	655,372	97,679	65,700	**163,379**	118,871	101,090
Transport	2,009,363	53,381	41,916	6,800	**48,716**	17,162	11,619
Construction	11,852,815	1,545,846	251,692	152,000	**403,692**	322,968	658,404
Financial and business services	13,567,951	95,428	37,081	42,600	**79,681**	270,200	125,104
Traders	16,436,707	604,168	369,206	156,900	**526,106**	534,240	530,260
Personal	23,743,130	2,039,707	910,407	186,700	**1,097,107**	1,075,000	679,339
of which credit cards	*624,333*	*28,658*	*25,215*	*26,800*	***52,015***	*29,984*	*84,709*
of which housing	*14,456,023*	*649,447*	*46,701*	*34,500*	***81,201***	*83,785*	*86,860*
Professional	875,279	70,542	28,977	20,100	**49,077**	11,290	61,103
Foreign governments	306,003	-	-	1,600	**1,600**	-	5,905
Global Business Licence holders	10,919,099	76,708	47,216	97,600	**144,816**	124,982	63,895
Others	6,628,819	289,615	153,976	59,100	**213,076**	183,263	222,078
	130,528,930	5,885,118	2,223,390	908,600	**3,131,990**	3,148,949	2,918,989
Segment A							
Agriculture and fishing	7,632,114	30,401	14,019	55,995	**70,014**	72,940	77,293
Manufacturing	7,921,919	391,143	268,024	53,134	**321,158**	409,695	378,279
of which EPZ	*3,273,848*	*122,579*	*85,390*	*29,200*	***114,590***	*124,019*	*129,241*
Tourism	18,675,624	299,183	96,258	45,001	**141,259**	100,175	81,854
Transport	1,611,897	23,596	11,317	5,510	**16,827**	15,101	10,663
Construction	10,746,206	1,526,401	251,660	127,420	**379,080**	304,305	609,615
Financial and business services	9,571,190	94,661	36,331	29,915	**66,246**	260,921	124,011
Traders	11,273,239	593,294	358,928	105,238	**464,166**	490,032	504,419
Personal	23,297,712	2,039,707	904,329	183,476	**1,087,805**	1,051,683	657,895
of which credit cards	*624,333*	*28,658*	*25,215*	*26,800*	***52,015***	*29,984*	*84,709*
of which housing	*14,456,025*	*649,447*	*46,701*	*34,500*	***81,201***	*83,785*	*86,860*
Professional	644,999	70,542	28,977	14,348	**43,325**	10,423	57,361
Others	5,276,555	261,524	138,459	46,510	**184,969**	166,134	197,056
	96,651,455	5,330,452	2,108,302	666,547	**2,774,849**	2,881,409	2,698,446
Segment B							
Agriculture and fishing	421,030	-	-	3,105	**3,105**	3,366	4,447
Manufacturing	1,038,986	32,807	3,197	7,266	**10,463**	4,972	173
Tourism	8,500,091	356,189	1,421	20,699	**22,120**	18,696	19,236
Transport	397,466	29,785	30,599	1,290	**31,889**	2,061	956
Construction	1,106,609	19,445	32	24,580	**24,612**	18,663	48,789
Financial and business services	3,996,761	767	750	12,685	**13,435**	9,279	1,093
Traders	5,163,468	10,874	10,278	51,662	**61,940**	44,208	25,841
Personal	445,418	-	6,078	3,224	**9,302**	23,317	21,444
Professional	230,280	-	-	5,752	**5,752**	867	3,742
Foreign governments	306,003	-	-	1,600	**1,600**	-	5,905
Global Business Licence holders	10,919,099	76,708	47,216	97,600	**144,816**	124,982	63,895
Others	1,352,264	28,091	15,517	12,590	**28,107**	17,129	25,022
	33,877,475	554,666	115,088	242,053	**357,141**	267,540	220,543

Notes to the financial statements
for the year ended 30th June 2012 (continued)

37. Segmental Reporting - Bank (Cont'd)

(d) Investment securities

	2012			2011			2010		
	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000
At fair value through profit or loss	78,202	78,202	-	-	-	-	-	-	-
Held to maturity	10,774,392	10,742,765	31,627	12,357,018	12,357,018	-	14,209,275	14,209,275	-
Available-for-sale	1,532,892	837,745	695,147	1,260,542	801,096	459,446	921,861	495,113	426,748
	12,385,486	11,658,712	726,774	13,617,560	13,158,114	459,446	15,131,136	14,704,388	426,748

(i) At fair value through profit or loss

	2012			2011			2010		
	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000
Treasury bills held for trading:									
Over 3 months and up to 12 months	78,202	78,202	-	-	-	-	-	-	-
	78,202	78,202	-	-	-	-	-	-	-

(ii) Held to maturity

	2012			2011			2010		
	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000
Mauritius Development Loan Stocks	368,321	368,321	-	623,515	623,515	-	717,567	717,567	-
GOM bonds	3,734,912	3,734,912	-	4,510,645	4,510,645	-	4,604,354	4,604,354	-
Treasury bills	6,639,532	6,639,532	-	7,222,858	7,222,858	-	8,887,354	8,887,354	-
Foreign Bonds	31,627	-	31,627	-	-	-	-	-	-
	10,774,392	10,742,765	31,627	12,357,018	12,357,018	-	14,209,275	14,209,275	-

(iii) Available-for-sale

	2012			2011			2010		
	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000
Quoted									
Official list: shares	7,030	7,030	-	6,406	6,406	-	2,104	2,104	-
Foreign shares	494,088	-	494,088	310,807	-	310,807	258,699	-	258,699
Unquoted									
Shares	822,958	621,899	201,059	741,479	592,840	148,639	661,058	493,009	168,049
Inflation - indexed GOM bonds	208,816	208,816	-	201,850	201,850	-	-	-	-
	1,532,892	837,745	695,147	1,260,542	801,096	459,446	921,861	495,113	426,748

37. Segmental Reporting - Bank (Cont'd)

(e) Investments in associates

			2012			2011			2010		
	Country of incorporation	Effective Holding %	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000
Banque Française Commerciale O.I.	France	49.99	447,184	-	447,184	447,184	-	447,184	447,184	-	447,184
Credit Guarantee Co. Ltd	Mauritius	40.00	12,000	12,000	-	12,000	12,000	-	12,000	12,000	-
Subordinated loans to associates			1,184,890	3,620	1,181,270	419,828	3,620	416,208	403,448	1,620	401,828
			1,644,074	15,620	1,628,454	879,012	15,620	863,392	862,632	13,620	849,012

(f) Investments in subsidiaries

					2012		
	Country of incorporation/ operation	Principal activities	Stated Capital RS'000	Effective Holding %	BANK RS'000	Segment A RS'000	Segment B RS'000
MCB Equity Fund Ltd	Mauritius	Private Equity Fund	2,334,639	100.00	2,334,637	2,334,637	-
MCB (Maldives) Private Ltd	Republic of Maldives	Banking & Financial services	306,473	100.00	347,963	-	347,963
MCB Moçambique SA	Mozambique	Banking & Financial services	139,204	95.00	260,040	-	260,040
MCB Seychelles Ltd	Seychelles	Banking & Financial services	42,864	100.00	211,522	-	211,522
International Card Processing Services Ltd	Mauritius	Providing card system facilities, card embossing & encoding services	100,000	80.00	80,000	80,000	-
MCB Capital Markets Ltd	Mauritius	Investment Holding Company	75,000	96.00	71,858	71,858	-
MCB Madagascar SA	Madagascar	Banking & Financial services	169,508	85.00	64,322	-	64,322
MCB Factors Ltd	Mauritius	Factoring	50,000	100.00	50,000	50,000	-
Fincorp Investment Ltd	Mauritius	Investment Company	103,355	57.56	24,735	24,735	-
MCB Properties Ltd	Mauritius	Property ownership and development	14,625	100.00	14,625	14,625	-
Blue Penny Museum	Mauritius	Philatelic museum	1,000	97.88	950	950	-
					3,460,652	2,576,805	883,847
Subordinated loan to subsidiaries					76,655	76,655	-
					3,537,307	2,653,460	883,847

37. Segmental Reporting - Bank (Cont'd)

(f) Investments in subsidiaries

	2011						
	Country of incorporation/ operation	Principal activities	Effective Holding %	BANK RS'000	Segment A RS'000	Segment B RS'000
MCB Equity Fund Ltd	Mauritius	Private Equity Fund	100.00	2,295,040	2,295,040	-
MCB (Maldives) Private Ltd	Republic of Maldives	Banking & Financial services	100.00	347,963	-	347,963
MCB Moçambique SA	Mozambique	Banking & Financial services	95.00	260,040	-	260,040
MCB Seychelles Ltd	Seychelles	Banking & Financial services	100.00	211,522	-	211,522
International Card Processing Services Ltd	Mauritius	Providing card system facilities, card embossing & encoding services	80.00	80,000	80,000	-
MCB Capital Markets Ltd	Mauritius	Investment Holding Company	86.23	71,858	71,858	-
MCB Madagascar SA	Madagascar	Banking & Financial services	85.00	64,322	-	64,322
MCB Factors Ltd	Mauritius	Factoring	100.00	50,000	50,000	-
Fincorp Investment Ltd	Mauritius	Investment Company	57.56	24,735	24,735	-
MCB Properties Ltd	Mauritius	Property ownership and development	100.00	14,625	14,625	-
Blue Penny Museum	Mauritius	Philatelic museum	97.88	950	950	-
				3,421,055	2,537,208	883,847
Subordinated loan to subsidiary				26,655	26,655	-
				3,447,710	2,563,863	883,847

	2010						
	Country of incorporation/ operation	Principal activities	Effective Holding %	BANK RS'000	Segment A RS'000	Segment B RS'000
MCB Equity Fund Ltd	Mauritius	Private Equity Fund	100.00	2,074,949	2,074,949	-
MCB (Maldives) Private Ltd	Republic of Maldives	Banking & Financial services	100.00	347,963	-	347,963
MCB Moçambique SA	Mozambique	Banking & Financial services	95.00	260,040	-	260,040
MCB Seychelles Ltd	Seychelles	Banking & Financial services	100.00	211,522	-	211,522
International Card Processing Services Ltd	Mauritius	Providing card system facilities, card embossing & encoding services	80.00	80,000	80,000	-
MCB Capital Markets Ltd	Mauritius	Investment Holding Company	90.00	75,000	75,000	-
MCB Madagascar SA	Madagascar	Banking & Financial services	85.00	64,322	-	64,322
MCB Factors Ltd	Mauritius	Factoring	100.00	50,000	50,000	-
Fincorp Investment Ltd	Mauritius	Investment Company	57.56	24,735	24,735	-
MCB Properties Ltd	Mauritius	Property ownership and development	100.00	14,625	14,625	-
Blue Penny Museum	Mauritius	Philatelic museum	97.88	950	950	-
				3,204,106	2,320,259	883,847
Subordinated loan to subsidiary				26,655	26,655	-
				3,230,761	2,346,914	883,847

37. Segmental Reporting - Bank (Cont'd)

(g) Property, plant and equipment

	Land and buildings RS'000	Computer and other equipment RS'000	Other fixed assets RS'000	Work in progress RS'000	Total RS'000
Cost & Valuation					
At 1st July 2009	2,529,004	1,665,654	480,235	-	4,674,893
Additions	300,495	409,060	143,605	325,265	1,178,425
Disposals	-	(111,065)	(27,124)	-	(138,189)
At 30th June 2010	2,829,499	1,963,649	596,716	325,265	5,715,129
Additions	2,725	150,556	28,137	1,343,582	1,525,000
Disposals	(1,150)	(94,610)	(48,887)	-	(144,647)
Transfer	71,935	78,994	44,710	(195,639)	-
At 30th June 2011	2,903,009	2,098,589	620,676	1,473,208	7,095,482
Additions	119,615	66,331	18,435	604,663	809,044
Disposals	(7,650)	(55,114)	(30,942)	-	(93,706)
Transfer	1,319,642	574,727	146,066	(2,040,435)	-
At 30th June 2012	**4,334,616**	**2,684,533**	**754,235**	**37,436**	**7,810,820**
Accumulated depreciation					
At 1st July 2009	306,398	1,111,011	248,855	-	1,666,264
Charge for the year	30,940	173,554	49,988	-	254,482
Disposal adjustment	-	(109,935)	(23,037)	-	(132,972)
At 30th June 2010	337,338	1,174,630	275,806	-	1,787,774
Charge for the year	32,486	198,820	53,866	-	285,172
Disposal adjustment	-	(79,847)	(45,215)	-	(125,062)
At 30th June 2011	369,824	1,293,603	284,457	-	1,947,884
Charge for the year	68,365	271,130	59,743	-	399,238
Disposal adjustment	(1,874)	(51,898)	(26,477)	-	(80,249)
At 30th June 2012	**436,315**	**1,512,835**	**317,723**	**-**	**2,266,873**
Net book values - Segment A					
At 30th June 2012	**3,898,301**	**1,171,698**	**436,512**	**37,436**	**5,543,947**
At 30th June 2011	2,533,185	804,986	336,219	1,473,208	5,147,598
At 30th June 2010	2,492,161	789,019	320,910	325,265	3,927,355

37. Segmental Reporting - Bank (Cont'd)

(h) Other assets

	2012			2011			2010		
	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000
Mandatory balances with Bank of Mauritius	**7,588,498**	**7,588,498**	**-**	6,262,909	6,262,909	-	4,056,680	4,056,680	-
Accrued interest receivable	**929,635**	**597,195**	**332,440**	796,724	630,762	165,962	838,225	723,528	114,697
Employee benefits asset	**306,900**	**306,900**	**-**	310,938	310,938	-	328,119	328,119	-
Prepayments and other receivables	**545,297**	**545,297**	**-**	423,119	423,119	-	119,810	119,810	-
Accrued income	**184,884**	**110,713**	**74,171**	172,560	69,955	102,605	174,595	64,389	110,206
Margin Deposit under Credit Support Annex	**162,862**	**-**	**162,862**	-	-	-	-	-	-
Receivable from Mauritius Union Assurance Co Ltd	**100,000**	**100,000**	**-**	125,000	125,000	-	-	-	-
Credit Card Clearing	**85,100**	**68,688**	**16,412**	60,561	60,561	-	60,166	60,166	-
Non-banking assets acquired in satisfaction of debts	**35,369**	**35,369**	**-**	36,851	36,851	-	43,064	43,064	-
Others	**249,552**	**239,010**	**10,542**	170,689	170,689	-	214,823	150,125	64,698
	10,188,097	**9,591,670**	**596,427**	8,359,351	8,090,784	268,567	5,835,482	5,545,881	289,601

(i) Deposits from banks

	2012			2011			2010		
	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000
Other deposits	**1,570,820**	**45,829**	**1,524,991**	1,271,445	62,433	1,209,012	1,477,902	18,800	1,459,102
Money market deposits with remaining term to maturity:									
Up to 3 months	**629,314**	**-**	**629,314**	1,159,512	-	1,159,512	1,008,080	-	1,008,080
Over 3 months and up to 6 months	**153,935**	**-**	**153,935**	363,171	-	363,171	581,454	-	581,454
Over 6 months and up to 1 year	**422,549**	**-**	**422,549**	35,267	-	35,267	-	-	-
	1,205,798	**-**	**1,205,798**	1,557,950	-	1,557,950	1,589,534	-	1,589,534
	2,776,618	**45,829**	**2,730,789**	2,829,395	62,433	2,766,962	3,067,436	18,800	3,048,636

37. Segmental Reporting - Bank (Cont'd)

(j) Deposits from customers

	2012			2011			2010		
	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000
Retail customers									
Demand deposits	**10,838,105**	**6,763,069**	**4,075,036**	10,085,730	6,454,601	3,631,129	9,914,354	6,576,422	3,337,932
Savings deposits	**61,394,644**	**57,579,306**	**3,815,338**	55,423,216	52,168,234	3,254,982	47,857,556	45,266,614	2,590,942
Time deposits with remaining term to maturity:									
Up to 3 months	**4,350,159**	**2,986,033**	**1,364,126**	4,652,228	3,023,176	1,629,052	6,016,866	4,057,620	1,959,246
Over 3 months and up to 6 months	**2,496,911**	**1,678,996**	**817,915**	2,293,690	1,615,260	678,430	2,397,487	1,706,142	691,345
Over 6 months and up to 1 year	**4,764,562**	**3,515,179**	**1,249,383**	4,011,924	2,875,073	1,136,851	3,910,186	3,055,916	854,270
Over 1 year and up to 5 years	**9,032,424**	**7,782,072**	**1,250,352**	9,018,859	7,920,646	1,098,213	8,317,423	7,309,621	1,007,802
Over 5 years	**4,480**	**3,710**	**770**	9,106	5,706	3,400	357	357	-
	20,648,536	**15,965,990**	**4,682,546**	19,985,807	15,439,861	4,545,946	20,642,319	16,129,656	4,512,663
	92,881,285	**80,308,365**	**12,572,920**	85,494,753	74,062,696	11,432,057	78,414,229	67,972,692	10,441,537
Corporate customers									
Demand deposits	**27,006,803**	**18,832,970**	**8,173,833**	23,155,464	17,150,971	6,004,493	28,711,590	17,916,682	10,794,908
Savings deposits	**4,827,541**	**4,768,779**	**58,762**	4,919,058	4,823,780	95,278	4,381,891	4,325,368	56,523
Time deposits with remaining term to maturity:									
Up to 3 months	**6,700,517**	**3,523,021**	**3,177,496**	7,626,825	4,925,290	2,701,535	7,042,346	5,362,910	1,679,436
Over 3 months and up to 6 months	**838,812**	**450,070**	**388,742**	1,078,686	655,182	423,504	955,030	690,204	264,826
Over 6 months and up to 1 year	**1,739,809**	**1,252,449**	**487,360**	1,041,605	727,773	313,832	1,211,919	730,315	481,604
Over 1 year and up to 5 years	**1,241,330**	**1,241,330**	**-**	1,410,589	1,410,385	204	1,032,274	1,031,017	1,257
Over 5 years	**2,738,540**	**-**	**2,738,540**	-	-	-	-	-	-
	13,259,008	**6,466,870**	**6,792,138**	11,157,705	7,718,630	3,439,075	10,241,569	7,814,446	2,427,123
	45,093,352	**30,068,619**	**15,024,733**	39,232,227	29,693,381	9,538,846	43,335,050	30,056,496	13,278,554
Government									
Demand deposits	**7,253**	**7,253**	**-**	64,885	64,885	-	31,971	31,971	-
Savings deposits	**50,785**	**50,785**	**-**	57,958	57,958	-	97,167	97,167	-
	58,038	**58,038**	**-**	122,843	122,843	-	129,138	129,138	-
	138,032,675	**110,435,022**	**27,597,653**	124,849,823	103,878,920	20,970,903	121,878,417	98,158,326	23,720,091

37. Segmental Reporting - Bank (Cont'd)

(k) Other liabilities

	2012			2011			2010		
	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000
Accrued interest payable	**845,381**	**662,431**	**182,950**	655,593	505,340	150,253	1,254,642	1,128,852	125,790
MCB Superannuation Fund	**633,006**	**633,006**	**-**	498,924	498,924	-	432,597	432,597	-
Proposed dividend	**772,342**	**772,342**	**-**	772,068	772,068	-	712,047	712,047	-
Interest suspense, impersonal & other accounts	**2,687,967**	**2,588,295**	**99,672**	2,505,925	2,471,978	33,947	2,414,085	2,220,701	193,384
	4,938,696	**4,656,074**	**282,622**	4,432,510	4,248,310	184,200	4,813,371	4,494,197	319,174
Interest suspense	**(800,197)**	**(793,302)**	**(6,895)**	(771,659)	(765,281)	(6,378)	(522,203)	(514,410)	(7,793)
	4,138,499	**3,862,772**	**275,727**	3,660,851	3,483,029	177,822	4,291,168	3,979,787	311,381

(l) Contingent liabilities

	BANK 2012	Segment A 2012	Segment B 2012	BANK 2011	Segment A 2011	Segment B 2011	BANK 2010	Segment A 2010	Segment B 2010
(i) Instruments									
Guarantees on account of customers	**15,089,948**	**11,508,692**	**3,581,256**	14,870,612	11,807,837	3,062,775	15,177,173	10,355,529	4,821,644
Letters of credit and other obligations on account of customers	**14,687,969**	**3,268,177**	**11,419,792**	11,818,511	3,030,988	8,787,523	7,757,811	2,960,112	4,797,699
Other contingent items	**7,705,047**	**3,149,572**	**4,555,475**	4,938,429	382,954	4,555,475	2,693,921	98,005	2,595,916
	37,482,964	**17,926,441**	**19,556,523**	31,627,552	15,221,779	16,405,773	25,628,905	13,413,646	12,215,259
(ii) Commitments									
Loans and other facilities, including undrawn credit facilities	**4,519,999**	**4,005,052**	**514,947**	3,832,368	3,706,749	125,619	6,239,807	5,687,041	552,766
(iii) Tax assessments	**68,042**	**68,042**	**-**	315,356	315,356	-	319,900	319,900	-
(iv) Other									
Inward bills held for collection	**391,883**	**304,509**	**87,374**	412,391	294,062	118,329	349,555	281,525	68,030
Outward bills sent for collection	**897,553**	**428,050**	**469,503**	575,117	426,816	148,301	415,597	353,075	62,522
	1,289,436	**732,559**	**556,877**	987,508	720,878	266,630	765,152	634,600	130,552
	43,360,441	**22,732,094**	**20,628,347**	36,762,784	19,964,762	16,798,022	32,953,764	20,055,187	12,898,577

37. Segmental Reporting - Bank (Cont'd)

(m) Interest income

	2012			2011			2010		
	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000
Loans and advances to banks	**20,042**	**6,014**	**14,028**	28,823	3,354	25,469	39,199	17,199	22,000
Loans and advances to customers	**9,211,199**	**7,902,443**	**1,308,756**	8,114,188	7,057,509	1,056,679	7,336,485	6,491,455	845,030
Placements with other banks	**136,271**	**71**	**136,200**	118,060	1,985	116,075	111,413	3,017	108,396
Held to maturity investments	**654,926**	**654,595**	**331**	734,221	733,956	265	973,651	972,324	1,327
Other	**44,958**	**958**	**44,000**	-	-	-	-	-	-
	10,067,396	**8,564,081**	**1,503,315**	8,995,292	7,796,804	1,198,488	8,460,748	7,483,995	976,753

(n) Interest expense

	BANK 2012	Segment A 2012	Segment B 2012	BANK 2011	Segment A 2011	Segment B 2011	BANK 2010	Segment A 2010	Segment B 2010
Deposits from banks	**37,070**	**1,296**	**35,774**	37,967	3,797	34,170	28,499	143	28,356
Deposits from customers	**4,084,058**	**3,675,559**	**408,499**	3,544,040	3,281,073	262,967	3,688,630	3,458,451	230,179
Debt securities	**75,688**	**-**	**75,688**	-	-	-	-	-	-
Subordinated liabilities	**6,747**	**-**	**6,747**	21,233	-	21,233	28,276	-	28,276
Other borrowed funds	**117,903**	**8,836**	**109,067**	40,167	7,442	32,725	28,244	20,392	7,852
	4,321,466	**3,685,691**	**635,775**	3,643,407	3,292,312	351,095	3,773,649	3,478,986	294,663

(o) Fee and commission income

	BANK 2012	Segment A 2012	Segment B 2012	BANK 2011	Segment A 2011	Segment B 2011	BANK 2010	Segment A 2010	Segment B 2010
Retail banking fees	**208,181**	**201,717**	**6,464**	167,217	164,351	2,866	151,383	139,877	11,506
Corporate banking fees	**364,699**	**287,617**	**77,082**	281,958	184,166	97,792	195,423	119,748	75,675
Guarantee fees	**177,869**	**146,860**	**31,009**	172,369	112,758	59,611	156,213	121,555	34,658
Interbank transaction fees	**32,709**	**-**	**32,709**	34,448	-	34,448	35,256	-	35,256
Rental income	**1,687**	**1,687**	**-**	1,814	1,814	-	1,886	1,886	-
Cards and other related fees	**784,647**	**642,230**	**142,417**	688,420	574,607	113,813	623,102	544,615	78,487
Trade finance fees	**533,147**	**131,445**	**401,702**	409,579	142,173	267,406	300,347	150,538	149,809
Others	**101,387**	**54,665**	**46,722**	96,609	49,523	47,086	115,185	34,089	81,096
	2,204,326	**1,466,221**	**738,105**	1,852,414	1,229,392	623,022	1,578,795	1,112,308	466,487

(p) Fee and commission expense

	BANK 2012	Segment A 2012	Segment B 2012	BANK 2011	Segment A 2011	Segment B 2011	BANK 2010	Segment A 2010	Segment B 2010
Interbank transaction fees	**5,990**	**-**	**5,990**	2,825	-	2,825	4,102	-	4,102
Card and other related fees	**314,951**	**314,951**	**-**	252,884	252,884	-	230,819	230,819	-
Others	**21,167**	**21,167**	**-**	7,503	3,073	4,430	5,457	-	5,457
	342,108	**336,118**	**5,990**	263,212	255,957	7,255	240,378	230,819	9,559

(q) Net (loss)/income from financial instruments carried at fair value

	BANK 2012	Segment A 2012	Segment B 2012	BANK 2011	Segment A 2011	Segment B 2011	BANK 2010	Segment A 2010	Segment B 2010
Net (loss)/income from derivatives	**(251,957)**	**(225,563)**	**(26,394)**	59,115	59,115	-	(45,377)	(45,377)	-
Investment securities at fair value through profit or loss	**174**	**174**	**-**	-	-	-	1,582	1,582	-
	(251,783)	**(225,389)**	**(26,394)**	59,115	59,115	-	(43,795)	(43,795)	-

(r) Dividend income

	BANK 2012	Segment A 2012	Segment B 2012	BANK 2011	Segment A 2011	Segment B 2011	BANK 2010	Segment A 2010	Segment B 2010
Available for sale securities	**29,333**	**27,833**	**1,500**	24,979	23,915	1,064	43,953	42,744	1,209
Others	**887,772**	**14,873**	**872,899**	132,844	40,873	91,971	104,296	35,924	68,372
	917,105	**42,706**	**874,399**	157,823	64,788	93,035	148,249	78,668	69,581

37. Segmental Reporting - Bank (Cont'd)

(s) Salaries and human resource development

	2012			2011			2010		
	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000	BANK RS'000	Segment A RS'000	Segment B RS'000
Wages and salaries	**1,449,502**	**1,345,574**	**103,928**	1,350,792	1,264,374	86,418	1,206,724	1,123,865	82,859
Compulsory social security obligations	**43,273**	**40,826**	**2,447**	38,504	36,107	2,397	33,576	31,166	2,410
Equity settled share-based payments	**2,128**	**2,070**	**58**	4,808	4,240	568	1,062	1,033	29
Other personnel expenses	**383,822**	**358,709**	**25,113**	311,299	288,780	22,519	309,181	285,122	24,059
	1,878,725	**1,747,179**	**131,546**	1,705,403	1,593,501	111,902	1,550,543	1,441,186	109,357

(t) Other non-interest expense

	2012 BANK RS'000	2012 Segment A RS'000	2012 Segment B RS'000	2011 BANK RS'000	2011 Segment A RS'000	2011 Segment B RS'000	2010 BANK RS'000	2010 Segment A RS'000	2010 Segment B RS'000
Software licensing and other information technology cost	**146,611**	**140,955**	**5,656**	134,967	126,479	8,488	120,829	108,456	12,373
Others	**1,052,764**	**997,780**	**54,984**	889,207	843,002	46,205	898,152	882,489	15,663
	1,199,375	**1,138,735**	**60,640**	1,024,174	969,481	54,693	1,018,981	990,945	28,036

(u) Allowances for credit impairment

	2012 BANK RS'000	2012 Segment A RS'000	2012 Segment B RS'000	2011 BANK RS'000	2011 Segment A RS'000	2011 Segment B RS'000	2010 BANK RS'000	2010 Segment A RS'000	2010 Segment B RS'000
Loans and advances to banks	**(47)**	**-**	**(47)**	1,899	-	1,899	911	-	911
Loans and advances to customers	**509,288**	**417,657**	**91,631**	303,506	251,523	51,983	218,941	140,415	78,526
	509,241	**417,657**	**91,584**	305,405	251,523	53,882	219,852	140,415	79,437

(v) Income tax expense

	2012 BANK RS'000	2012 Segment A RS'000	2012 Segment B RS'000	2011 BANK RS'000	2011 Segment A RS'000	2011 Segment B RS'000	2010 BANK RS'000	2010 Segment A RS'000	2010 Segment B RS'000
Current tax expense									
Current year	**659,984**	**586,521**	**73,463**	699,149	634,016	65,133	569,390	528,542	40,848
Adjustment for prior years	**(41,230)**	**(41,230)**	**-**	5,177	5,177	-	(14,107)	(14,107)	-
	618,754	**545,291**	**73,463**	704,326	639,193	65,133	555,283	514,435	40,848
Deferred tax	**50,741**	**50,741**	**-**	22,327	22,327	-	16,914	16,914	-
Total income tax expense	**669,495**	**596,032**	**73,463**	726,653	661,520	65,133	572,197	531,349	40,848

The tax on the profits differs from the theoretical amount that would arise using the basic tax rate as follows:

	2012 BANK RS'000	2012 Segment A RS'000	2012 Segment B RS'000	2011 BANK RS'000	2011 Segment A RS'000	2011 Segment B RS'000	2010 BANK RS'000	2010 Segment A RS'000	2010 Segment B RS'000
Profit before tax	**5,129,144**	**2,805,921**	**2,323,223**	4,630,997	3,208,220	1,422,777	3,676,573	2,632,370	1,044,203
Tax calculated at a rate of 15%	**769,372**	**420,889**	**348,483**	694,650	481,233	213,417	551,486	394,856	156,630
Impact of:									
Income not subject to tax	**(73,408)**	**(72,047)**	**(1,361)**	(81,029)	(75,106)	(5,923)	(88,159)	(85,017)	(3,142)
Expenses not deductible for tax purposes	**152,090**	**123,458**	**28,632**	89,743	74,289	15,454	102,616	89,262	13,354
Tax credits	**(323,277)**	**(90)**	**(323,187)**	(170,924)	(89)	(170,835)	(135,775)	(102)	(135,673)
Special levy on banks	**185,948**	**165,052**	**20,896**	189,036	176,016	13,020	156,136	146,457	9,679
(Over)/Under provision in previous years	**(41,230)**	**(41,230)**	**-**	5,177	5,177	-	(14,107)	(14,107)	-
Tax charge	**669,495**	**596,032**	**73,463**	726,653	661,520	65,133	572,197	531,349	40,848

2012 in retrospect

The MCB launched its new visual identity and its landmark building in October 2011.

As part of its 'Initiative 175' programme in favour of sustainable development, the MCB distributed 25,000 'green' bags throughout Mauritius.

Tom Lehman won the 2011 MCB Tour Championship, the most prestigious golf tournament in the Indian Ocean.

Camp Levieux won the MCB Football Academy Challenge Cup 2011.

The 2012 MCB Foundation Scholarship was awarded to Rishi Thondee.

Produced in collaboration with French law Professors, the 'Manuel de Droit Bancaire Mauricien' was launched in June 2012.

Quatre Bornes SSS won the first prize of the Stock Exchange of Mauritius Young Investor Award 2012 offered by the MCB.

The 2012 MCB Rodrigues Scholarship was awarded to four students enrolled at the University of Mauritius.

The MCB was the sole sponsor of the Science Adventure 2011 organised by the Rajiv Gandhi Science Centre.

Administrative information

THE MAURITIUS COMMERCIAL BANK LTD. – MAURITIUS

HEAD OFFICE – PORT LOUIS
P.O Box 52 – Sir William Newton Street
Port Louis – Republic of Mauritius
Telephone: (230) 202 5000 – Telefax: (230) 208 7054
Swift Code: MCBLMUMU
Email address: contact@mcb.mu
Website: www.mcbgroup.com
www.mcb.mu

LOCAL SUBSIDIARIES

MCB EQUITY FUND LTD.
c/o MCB Capital Partners Ltd.
4th Floor Travel House
Sir William Newton Street
Port Louis – Republic of Mauritius
Telephone: (230) 202 5063 – Telefax: (230) 213 5961
Email address: mcbcp@mcbcm.mu
Website: www.mcbcapitalpartners.mu

MCB CAPITAL MARKETS LTD.
4th Floor Travel House
Sir William Newton Street
Port Louis – Republic of Mauritius
Telephone: (230) 202 5063 – Telefax: (230) 213 5961
Email address: mcbis@mcbcm.mu
Website: www.mcbcapitalmarkets.mu

MCB FUND MANAGERS LTD.
6th Floor Travel House
Sir William Newton Street
Port Louis – Republic of Mauritius
Telephone: (230) 202 5522 – Telefax: (230) 211 3592
Email address: mcbfm@mcbcm.mu
Website: www.mcbfundmanagers.mu

MCB INVESTMENT SERVICES LTD.
4th Floor Travel House
Sir William Newton Street
Port Louis – Republic of Mauritius
Telephone: (230) 202 5063 – Telefax: (230) 213 5961
Email address: mcbis@mcbcm.mu
Website: www.mcbcapitalmarkets.mu

MCB REGISTRY & SECURITIES LTD.
Raymond Lamusse Building
9-11 Sir William Newton Street
Port Louis – Republic of Mauritius
Telephone: (230) 202 5397 – Telefax: (230) 208 1167
Email address: mcbrs@mcbcm.mu
Website: www.mcbcapitalmarkets.mu

MCB STOCKBROKERS LTD.
Raymond Lamusse Building
9-11 Sir William Newton Street
Port Louis – Republic of Mauritius
Telephone: (230) 202 5427 – Telefax: (230) 208 9210
Email address: mcbsb@mcbcm.mu
Website: www.mcbstockbrokers.mu

MCB CAPITAL PARTNERS LTD.
4th Floor Travel House
Sir William Newton Street
Port Louis – Republic of Mauritius
Telephone: (230) 202 5063 – Telefax: (230) 213 5961
Email address: mcbcp@mcbcm.mu
Website: www.mcbcapitalpartners.mu

MCB INVESTMENT MANAGEMENT CO. LTD.
6th Floor Travel House
Sir William Newton Street
Port Louis – Republic of Mauritius
Telephone: (230) 202 5515 – Telefax: (230) 210 5260
Email address: mcbim@mcbcm.mu
Website: www.mcbim.mu

MCB FACTORS LTD.
MCB Centre
9-15 Sir William Newton Street
Port Louis – Republic of Mauritius
Telephone: (230) 202 6150 – Telefax: (230) 208 5082
Email address: mcb.factors@mcb.mu
Website: www.mcb.mu/mcb-factors

FINCORP INVESTMENT LTD.
9-15 Sir William Newton Street
Port Louis – Republic of Mauritius
Telephone: (230) 202 5000 – Telefax: (230) 208 0248

FINLEASE CO. LTD.
5th Floor Travel House
Corner Royal & Sir William Newton Streets
Port Louis – Republic of Mauritius
Telephone: (230) 202 5504 – Telefax: (230) 208 9056
Email address: finlease@mcb.mu
Website: www.finlease.mu

INTERNATIONAL CARD PROCESSING SERVICES LTD.
Anse Courtois
Pailles – Republic of Mauritius
Telephone: (230) 286 7950 – Telefax: (230) 286 0232
Email address: roshan.kulpoo@mcb.mu

MCB FORWARD FOUNDATION
9-15 Sir William Newton Street
Port Louis – Republic of Mauritius
Telephone: (230) 202 5000 – Telefax: (230) 208 4910
Email address: mcb.forwardfoundation@mcb.mu

BLUE PENNY MUSEUM
Le Caudan Waterfront
Port Louis – Republic of Mauritius
Telephone: (230) 210 8176 and (230) 210 9204
Telefax: (230) 210 9243
Email address: bluepennymuseum@mcb.mu
Website: www.bluepennymuseum.com

FOREIGN BANKING SUBSIDIARIES

THE MAURITIUS COMMERCIAL BANK (MADAGASCAR) SA
HEAD OFFICE – ANTANANARIVO
Rue Solombavambahoaka Frantsay 77
Antsahavola – B.P. 197 – Antananarivo 101 – Republic of Madagascar
Telephone: (261) 20 22 272 62 – Telefax: (261) 20 22 322 82
Swift Code: MCBLMGMG
Email address: mcb.int@mcbmadagascar.com
Website: www.mcbmadagascar.com
General Manager: Marc de Bollivier

THE MAURITIUS COMMERCIAL BANK (MALDIVES) PRIVATE LTD.
H.Sifa Building, Boduthakurufaanu Magu - Malé - Republic of Maldives
Telephone: (960) 330 5656 – Telefax: (960) 330 5757
Swift Code: MCBLMVMV
Email address: contact@mcbmaldives.com
Website: www.mcbmaldives.com
Managing Director: Moossa Mohammad

THE MAURITIUS COMMERCIAL BANK (MOÇAMBIQUE) SA
HEAD OFFICE – MAPUTO
400 Ave Friedrich Engels
C.P 1568 – Maputo – Republic of Mozambique
Telephone: (258) 21 49 99 00 and (258) 21 48 19 00
Telefax: (258) 21 49 86 75
Swift Code: MCBLMZMA
Email address: contact@mcbmozambique.com
Website: www.mcbmozambique.com
General Manager: Peter Higgins

THE MAURITIUS COMMERCIAL BANK(SEYCHELLES) LTD.
HEAD OFFICE – VICTORIA
Caravelle House – Manglier Street
P.O Box 122 – Victoria – Mahé – Republic of Seychelles
Telephone: (248) 4284 555 – Telefax: (248) 4322 676
Swift Code: MCBLSCSC
Email address: contact@mcbseychelles.com
Website: www.mcbseychelles.com
Managing Director: Jocelyn Ah-Yu

Administrative information

LOCAL ASSOCIATES

PROMOTION AND DEVELOPMENT LTD.
8th Floor Dias Pier Building
Le Caudan Waterfront
Port Louis – Republic of Mauritius
Telephone: (230) 211 9430 – Telefax: (230) 211 0239
Email address: corporate@promotionanddevelopment.com
Website: www.promotionanddevelopment.com

CAUDAN DEVELOPMENT LTD.
8th Floor Dias Pier Building
Le Caudan Waterfront
Port Louis – Republic of Mauritius
Telephone: (230) 211 9430 – Telefax: (230) 211 0239
Email address: corporate@promotionanddevelopment.com
Website: www.caudan.com

CREDIT GUARANTEE INSURANCE CO. LTD.
Suite 245 – Barkly Wharf
Le Caudan Waterfront
Port Louis – Republic of Mauritius
Telephone: (230) 213 2741 – Telefax: (230) 213 2689
Email address: customer.relations@cgi.mu
Website: www.cgi.mu

FOREIGN ASSOCIATE

BANQUE FRANÇAISE COMMERCIALE OCÉAN INDIEN

HEAD OFFICE – RÉUNION
60 Rue Alexis de Villeneuve – B.P 323 – 97466 Saint Denis
Telephone: (262) 262 40 55 55 – Telefax: (262) 262 21 21 47
Swift Code: BFCORERX
Email address: reunion@bfcoi.com
Website: www.bfcoi.com

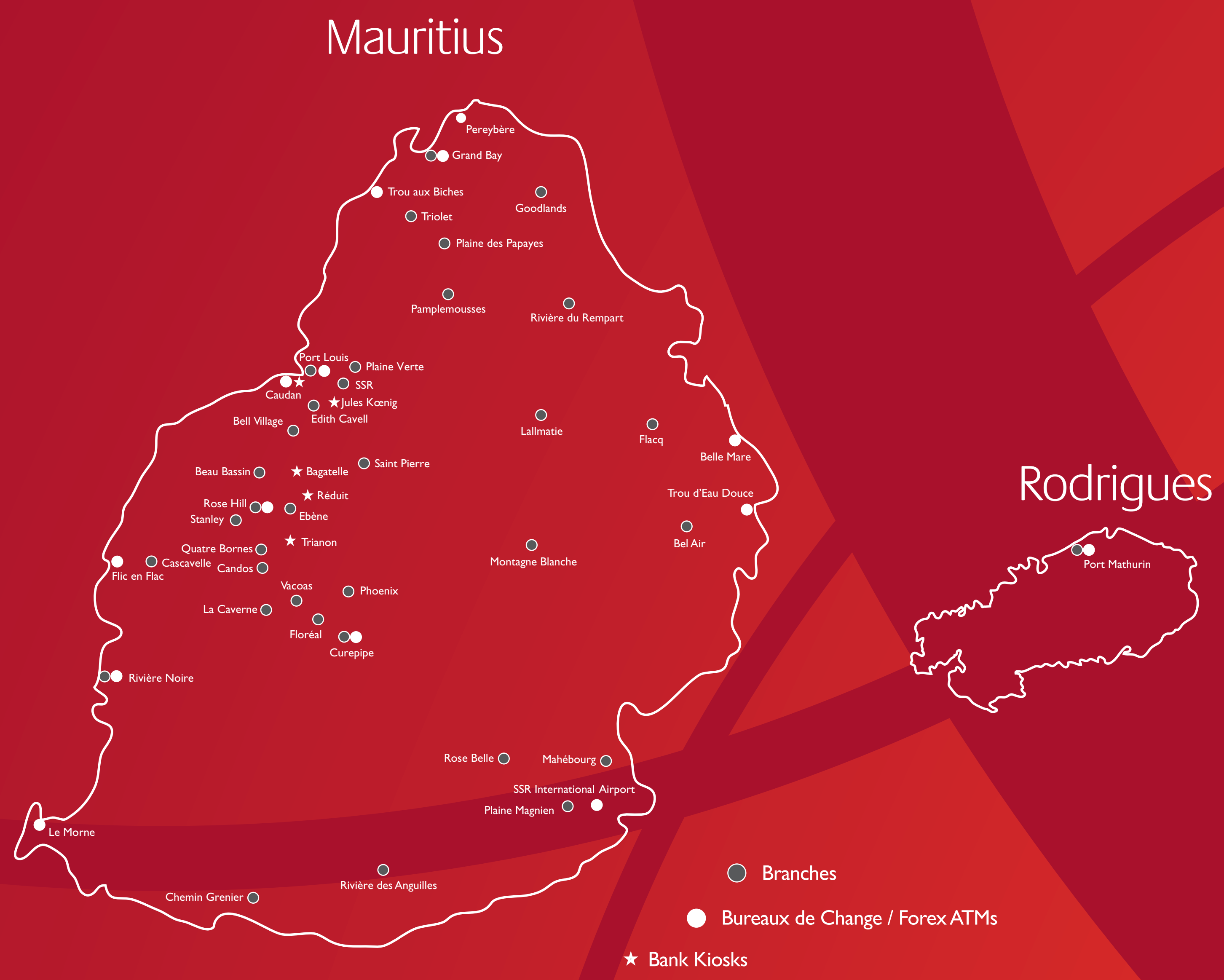
PARIS BRANCH – FRANCE
29 Boulevard Haussmann – 75009 Paris
Telephone: (33) 1 41 45 95 95 – Telefax: (33) 1 41 45 99 88
Swift Code: BFCOFRPP
Email address: paris@bfcoi.com
Website: www.bfcoi.com

MAYOTTE
Route de l'Agriculture – B.P 222 – 97600 Mamoudzou
Telephone: (269) 269 61 10 91 – Telefax: (269) 269 61 17 40
Swift Code: BFCOYTYT
Email address: mayotte@bfcoi.com
Website: www.bfcoi.com

REPRESENTATIVE OFFICES

PARIS – FRANCE
29 Boulevard Haussmann – 75009 Paris
Telephone: (33) 1 41 45 95 95 – Telefax: (33) 1 41 45 99 88
Email address: fdesvaux@bfcoi.com

JOHANNESBURG – SOUTH AFRICA
123 Jan Smuts Avenue – Parkwood
Johannesburg 2193
Telephone: (27) 11 880 8472 – Telefax: (27) 11 447 4727
Email address: jan.morren@mcb.mu



www.mcbgroup.com