MCB

Annual Report 2013

175th anniversary

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, 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.

MCB

175th anniversary

On 1st September 2013, the Mauritius Commercial Bank Ltd. celebrated the 175th year of its eventful history. During this journey that spanned over three centuries, MCB has witnessed great moments, while also facing up to difficult phases. Yet, it has always coped with challenges.

Through time, the organisation has helped individuals and institutions of different spheres to progress from ambition to achievement. In so doing, it has been influential in promoting the socio-economic development of Mauritius, while also supporting the foreign countries in which it is present.

Today, the history of MCB is only at its beginning. MCB is intent on pushing its boundaries further on the markets where it is involved, either domestically or abroad. Hence, it will ensure that it remains worthy of the confidence of its shareholders, clients and other stakeholders.

Contents


1838-1880
HARPER & Co
The Quay
Shipped, in good
in and upon the good
and now riding at

Sugar's heyday

1838 – 1880

When the 'Banque Commerciale' (original name of the Mauritius Commercial Bank) starts its operations on 1st September 1838, sugar production is firmly establishing itself as the most important economic activity on the island. The passing of the Trade Act in British parliament in 1825 puts Mauritian sugar on an equal footing with West Indian sugar for admission on the British market. As a result, local production gets added momentum. After the abolition of slavery in 1835, labour for an expanding sugar industry is sought from India: Between 1834 and 1870, some 350,000 Indian indentured labourers are brought to Mauritius.

Between 1843 and 1865, it's the heyday of sugar. Area under cultivation grows threefold between 1831 and 1860, and sugar production nearly fivefold between 1834 and 1865. In 1858, the number of sugar estates reaches an all-time peak of 259.

Trade is brisk as a result of sugar exports, immigrant arrival, imports of sugar production equipment and commodities required to feed and clothe Indian immigrants.

As from the mid-1860s, the Mauritian sugar industry starts to face both external and internal problems. Severe competition from European beet sugar, a series of natural calamities and the breakout of malaria deal a heavy blow to economic activities, and a crisis sets in. A major restructuring of the sugar industry starts taking shape through the twin process of selling off parceled out estates - known as the 'morcellement process'- and the merger of estates. In 1880, the number of sugar factories is down to 178, with the merged, better equipped estates delivering higher output more efficiently.

Throughout the period, the Mauritius Commercial Bank provides loans and advances to traders and sugar estates.

Year in review

Group Financial Summary

	2013	2012	2011	2010	2009
Income statement (Rs m)					
Operating profit	4,946	4,873	5,082	3,817	4,406
Profit after tax	4,350	4,147	4,517	3,420	4,046
Profit attributable to ordinary equity holders of the parent	4,315	4,115	4,491	3,413	3,964
Statements of financial position (Rs m)					
Total assets	216,563	191,410	172,689	162,739	150,476
Total loans (net)	150,914	137,641	122,440	109,442	96,859
Total deposits	166,113	150,877	136,210	132,484	121,241
Shareholders' funds	29,432	26,136	23,729	20,319	18,574
Tier 1 capital	27,586	24,485	21,772	18,851	17,517
Risk-weighted assets	212,034	193,208	163,397	146,928	135,222
Performance ratios (%)					
Return on average total assets	2.1	2.3	2.7	2.2	2.8
Return on average equity	15.5	16.5	20.4	17.6	22.7
Return on average Tier 1 capital	16.6	17.8	22.1	18.8	24.6
Non-interest income to operating income	36.1	36.2	37.7	35.6	39.0
Loans to deposits ratio	93.4	93.4	92.3	84.9	82.7
Cost to income ratio	45.3	46.1	42.6	46.5	42.1
Capital adequacy ratios (%)					
Capital & reserves/Total assets	13.6	13.7	13.7	12.5	12.3
BIS risk adjusted ratio	13.9	13.6	15.0	14.9	15.1
of which Tier 1	13.0	12.7	13.3	12.8	13.0
Asset quality					
Non-performing loans (Rs m)	7,779	6,277	4,346	4,336	4,809
NPL ratio (%)	5.0	4.5	3.4	3.9	4.8
Allowance for loan impairment losses (Rs m)	4,232	3,271	3,276	3,054	3,377
Provision coverage ratio (%)	54.4	52.1	75.4	70.4	70.2

Note: June 2012 figures for capital base and risk-weighted assets have been restated

During FY 2012/13, our financial position stayed generally healthy despite the challenging context…

Key Financials of MCB Group

Sustained profitability

4.9% ▲
Rs 4.3 bn
Attributable profit

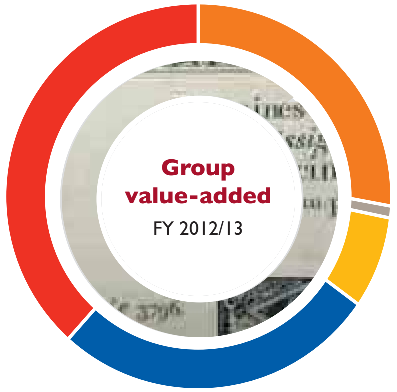
10.1% ▲
Rs 11.0 bn
Operating income

- Local (54%)
- Foreign (46%)

Balance sheet growth

10.1% ▲
Rs 155.1 bn
Gross loans

10.1% ▲
Rs 166.1 bn
Deposits



- Employees (29%)
- Corporate social responsibility (1%)
- Government (11%)
- Providers of capital (17%)
- Expansion and growth (42%)

Wealth created Rs 8.7 billion

Good stock profile

4.3% ▲
Rs 6.10
Dividend per share

4.8% ▲
Rs 18.15
Earnings per share

Year in review

… underpinned by the deployment of key strategic intents…

FY 2012/13 was another year of progress for MCB. While improving its value proposition and reinforcing in-house capabilities, it further diversified its revenue streams. Of note also, the last financial year was marked by MCB setting out its proposal to separate its banking and non-banking activities.

Furthermore, MCB fostered its social and environmental engagement via the implementation of a wide range of initiatives by the MCB Forward Foundation as well as the pursuit of the 'Initiative 175' programme, which fosters the adoption of environment-friendly behaviours and practices.

Strategic orientations

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

What we've done

Entrenched market expansion and diversification

- Consolidation and broadening of our domestic banking position on the retail and corporate markets
- Deepened involvement in sub-Saharan Africa and beyond: e.g. greater participation in big-ticket structured trade, commodities and project financing, major increase in our 'Bank of Banks' client portfolio size, proactive development of risk participation and syndication agreements with top tier international banks; widening of market footprint in the global business area
- Reinforced operations and increased market presence in the field of non-banking financial services

Key underpinnings

Enriched customer value proposition and experience

- Extension and modernisation of channel capabilities
- Enhancement of the range of products and services in respect of the instant issue of everyday banking solutions to in-branch customers, mobile payments, cards, trade settlements and investment amongst others
- Widening of Internet Banking functionalities
- Conduct of targeted promotional campaigns and business-related events, towards bolstering customer proximity

Reinforced in-house capabilities

- Implementation of Electronic Document Management System to pave the way for a more effective capture and treatment of customer-related information
- Enhanced e-learning solution deployed organisation-wide
- Leadership programme for top, senior and middle management
- Improvement of our SWIFT messaging platform
- Further refinement of our risk management processes

… with our achievements providing us with due recognition and accolades

The Banker Top 1000 Banks
(July 2013)

672nd
Among the Top 1000 Banks
(in terms of Tier I Capital)

20th
In Africa

1st
In East Africa

Only Mauritian Bank to figure in the Top 25 African Banks

- **Best Emerging Markets Bank 2013 (Country winner - Mauritius)** in the *Global Finance Magazine*
- **Best Local Bank in Mauritius** in the *EMEA Finance African Banking Awards 2012*
- **Best Risk Management Disclosures Award** in the *PricewaterhouseCoopers Corporate Reporting Awards 2013*
- **Performance Excellence Award** attributed by *Citibank, Commerzbank, J.P. Morgan and Wells Fargo* for straight-through processing rate for payments and transfers
- A **leading regional bank** in terms of profitability in the *Eco Austral Magazine*

Bank of the Year for Mauritius

In 2012, MCB was, for the fourth time in the last five years, rewarded by '*The Banker Magazine*'

Corporate Information

About MCB Group

Key Facts and Figures

Stock Information

- Highest market capitalisation of around USD 1.6 billion on the local stock exchange, representing a share of some 24%
- Over 18,000 local and foreign shareholders (ratio of 79:21)

Market Positioning

- Some 915,000 individual and institutional customers
- Domestic market shares: some 40% in respect of credit to the economy and local currency deposits; over 50% of cards issued
- Network of around 1,600 correspondent banks worldwide; over 50 regional clients being serviced via our 'Bank of Banks' axis
- Broad involvement in the non-banking field

Channel Capabilities

- Entire local network of 40 branches/bank kiosks redesigned as per world-class 'store' concept
- 162 strategically-located ATMs (representing 36% of national park), including 10 Forex ATMs
- Above 6,300 point-of-sale terminals, many of which are multi-currency and wireless
- Secure and extensive functionalities provided by our Internet Banking service (some 85,000 registered customers)
- Wide range of mobile services: SMS Banking (around 140,000 subscribers), Airtime refill through mobile phones, Mobile Banking and Mobile Payments

WorkForce

- Some 2,955 employees across the Bank and its subsidiaries

Our organisation at a glance

Established in 1838, the Mauritius Commercial Bank Ltd. (MCB) is the leading banking institution in Mauritius and is an increasingly prominent financial services player in the region. Listed since 1989 on the Official Market of the Stock Exchange of Mauritius, MCB is the largest company thereon.

Leveraging its sound business model, MCB pursues ambitious, yet prudent, strategic orientations. It constantly adapts to the ever-changing operating environment through innovation and the provision of state-of-the-art and comprehensive solutions to its clients. MCB is today an integrated financial group offering a wide range of products and services, including retail and business/corporate banking, global business, factoring, leasing, and various investor-related solutions.

MCB is a 'sustainable' organisation that adopts wide-ranging initiatives for promoting social welfare, natural resource protection and energy saving.

A reference player in Mauritius

Reflecting its influential role in underpinning the socio-economic progress of Mauritius, MCB actively promotes the advancement of the country's citizens and duly supports the development of companies across economic sectors by means of adapted offerings.

Testifying to its consistent achievements, MCB was, for the fourth time during the last five years, proclaimed 'Bank of the Year' for Mauritius in 2012.

Moody's Ratings

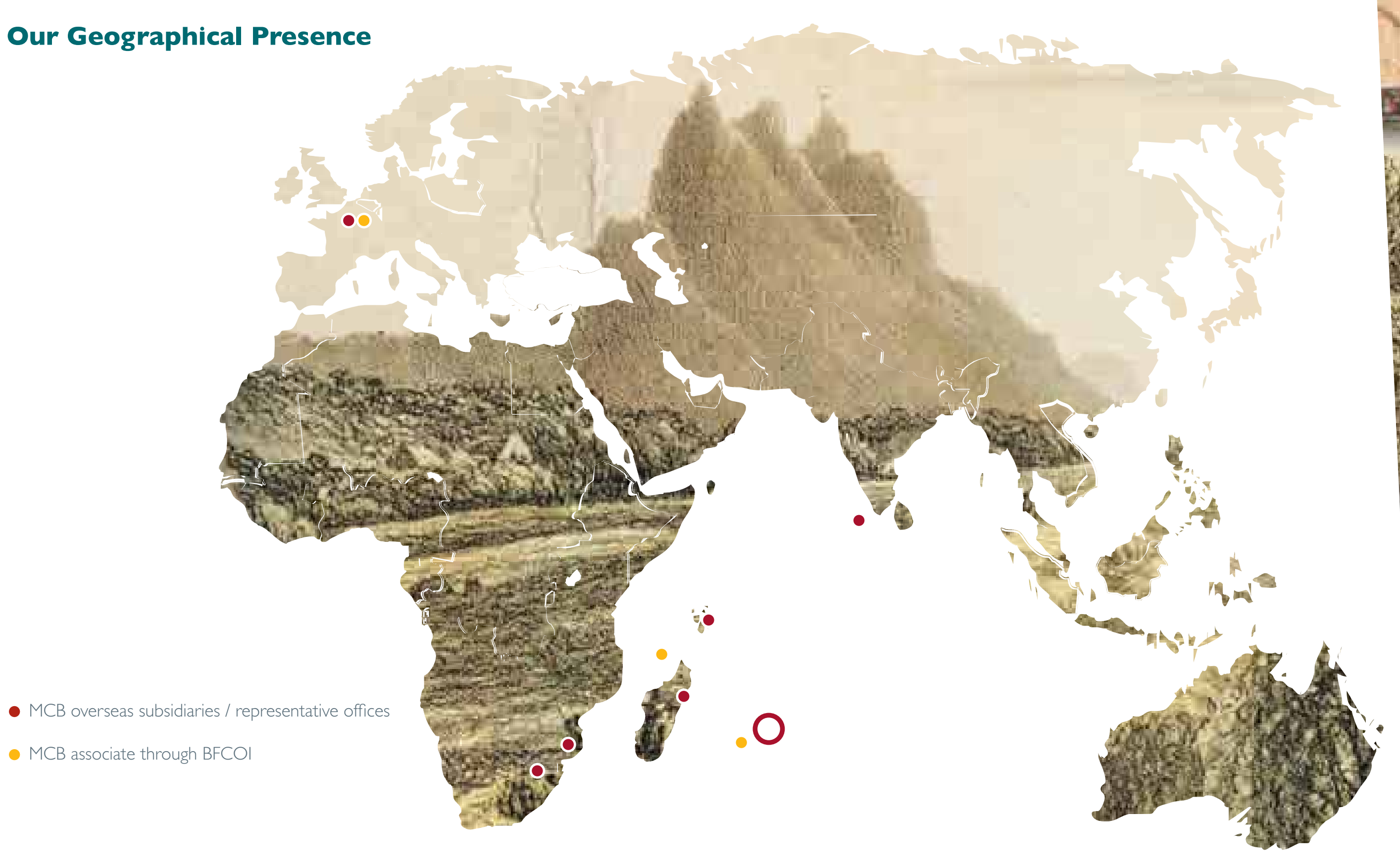
• Foreign Currency Deposit	Baa1/P-2
• Foreign Currency Issuer	Baa1
• Local Currency Deposit	Baa1/P-2
• Bank Financial Strength	D+
• NSR Senior Debt – MTN Program (foreign currency)	Aa3.za
• NSR Subordinated Debt – MTN Program (foreign currency)	A3.za

Widening involvement beyond domestic shores

Having initiated its foreign expansion strategy in the early 1990s, MCB is now present in eight foreign countries, namely Madagascar, Seychelles, Mozambique and Maldives through dedicated subsidiaries as well as Réunion Island, Mayotte and France through its associate, while having representative offices in Johannesburg and Paris.

Beyond its physical presence, MCB is actively involved in sub-Saharan Africa, especially via its 'Bank of Banks' initiative and through participation in major cross-border deals and transactions. It is also geared to tap into global business avenues, while prospecting for unchartered market opportunities internationally.

Our Geographical Presence



Our Foreign Subsidiaries

MCB Seychelles	MCB Madagascar	MCB Moçambique	MCB Maldives
No. of outlets: 7	No. of outlets: 6	No. of outlets: 2	No. of outlet: 1
No. of employees: 154	No. of employees: 106	No. of employees: 58	No. of employees: 23
Total assets: Rs 5.8 billion	Total assets: Rs 3.4 billion	Total assets: Rs 1.8 billion	Total assets: Rs 3.1 billion

OUR VISION

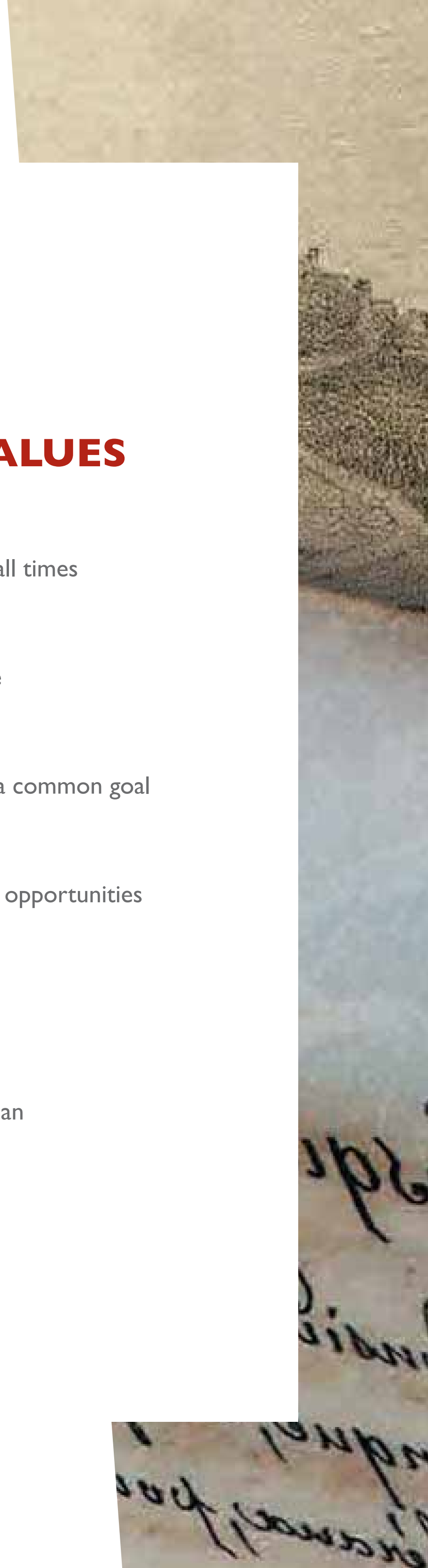
Everyday, we will help make something happen

Our Strategies for Growth

Consolidate our position on the local front	Grow our international footprint	Bolster our non-bank activities
By refining our value proposition for our different customer segments through adapted products and services	By expanding our operations in presence and untapped markets, consolidating our involvement with regional and international stakeholders and pursuing our 'Bank of Banks' strategy	By broadening our existing value proposition and by leveraging the Group's brand franchise, referral and distribution capacity to promote non-bank financial products and services

Our key enablers

- Strong brand image and solid franchise
- Ambitious market diversification and sensible risk management
- Adequate financial soundness position in support of activity growth
- High-quality customer service; modern and extensive channel capabilities
- Innovative and customised client solutions provided by multiple business segments
- Judicious business alliances and partnerships
- 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

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 Capital Partners Ltd. (96%)
  - MCB Structured Solutions (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. (27.76%)
    - Caudan Development Ltd. (21.55%)
- 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 MCB Ltd.

Proposed Restructuring of the Organisation

As communicated in March 2013, MCB is currently embarked on separating its banking and non-banking operations. While details of the proposed structure are still being worked upon, with discussions being held with the regulatory authorities, the reorganisation will lead to MCB Group Limited, a newly incorporated entity, to act as the new listed holding company. The subsidiaries and associates thereof will be organised according to three distinct segments, namely Banking, Non-Banking Financial and Other Investments. Shares in MCB Group Limited will be issued to shareholders in exchange for their shares in MCB Ltd. Their underlying interests in the organisation will thus remain the same.

MCB Group Limited			
Banking		Non-Banking Financial	Other Investments
MCB Limited	MCB Seychelles Limited	MCB Capital Markets Limited	Fincorp Investment Limited
	MCB Madagascar SA	MCB Equity Fund Limited	MCB Properties Limited
	MCB Moçambique SA	MCB Factors Limited	International Card Processing Services Limited
	MCB (Maldives) Private Limited	Credit Guarantee Insurance Co. Limited (Associate)	MCB Forward Foundation
	BFCOI (Associate)		Blue Penny Museum

Note: An information memorandum will be sent to shareholders once details of the restructuring exercise are finalised

Funding our Growth Trajectory

As part of the Group's proposed restructuring and to provide adequate capacity for future growth, MCB has been implementing a plan to increase its funding resources and strengthen its capital base. In August 2013, MCB raised Rs 4.5 billion in Tier 2 capital through a public issue of subordinated notes listed on the Stock Exchange of Mauritius. In September 2013, MCB agreed a USD 150 million financial facility package with African Development Bank, including a USD 120 million senior line of credit and a USD 30 million subordinated loan. Of note, MCB is planning to increase the size of its Medium Term Note Programme listed on the Bond Exchange of South Africa from ZAR 1 billion to ZAR 2 billion.

Our Business Segments and Entities

Banking

Local activities

Retail

Backed by its wide-ranging channel network and enriched value proposition, MCB caters for the day-to-day needs and requirements of various customer segments, including the high net worth clients. Besides, MCB seeks to assist small and medium enterprises across various economic sectors to realise their needs and aspirations, while acting as an ideal coach for supporting their initiation and development.

Corporate

MCB provides companies across established and emerging economic sectors with flexible and innovative financial solutions as well as dedicated advice to meet their business development ambitions, thus helping to transform opportunities into winning strategies and supporting clients in their growth endeavours.

Cards

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

Foreign involvement

International activities catered for from Mauritius

Through its International Strategic Business Unit, MCB leverages its customised solutions, network of international correspondents and access to global finance to widen its market footprint in sub-Saharan Africa and beyond. 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. For its part, taking advantage of MCB's status as a Foreign Institutional Investor vis-à-vis the Securities and Exchange Board of India, the Global Business Unit offers various solutions to meet client needs worldwide, notably offshore companies, funds and trusts.

Overseas entities

MCB leverages its network of foreign banking subsidiaries, associate and representative offices to provide clients with personal and corporate banking, financing and card solutions which are adapted to local market realities, whilst capitalising on core capabilities and internal synergies within the Group.

Non-Banking Financial

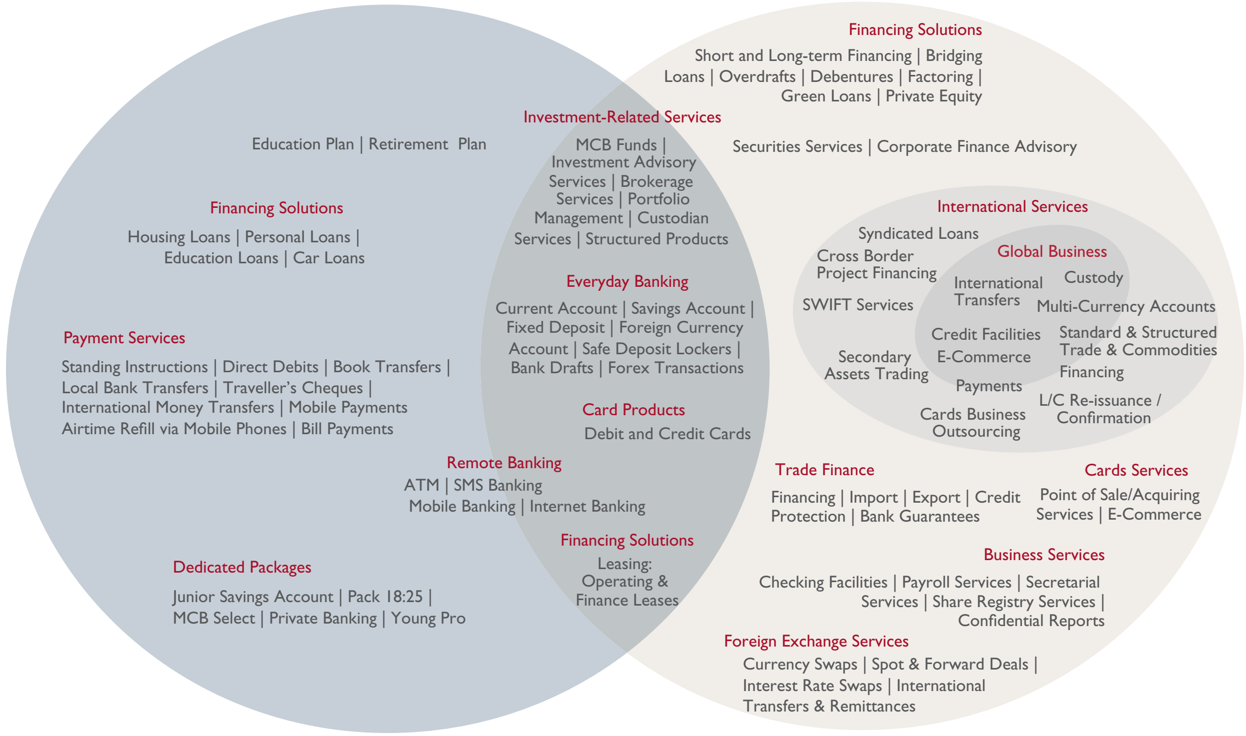
MCB has entrenched its participation in the non-banking field. In addition to leasing and factoring, a comprehensive range of investor services are offered by MCB Capital Markets Ltd. The latter accompanies clients over the lifetime of their investments by providing fast and flexible solutions through speciality-driven subsidiaries.

Other Investments

Beyond the direct banking and non-banking financial services spheres, MCB is engaged in investment and commercial undertakings through dedicated subsidiaries, while having appropriate structures to promote its actions in the corporate social responsibility and philanthropic fields.

Our Tailored Financial Solutions

Individuals **Corporate & Institutions**




Anglo-Ceylon and General Estates
1880-1920
ONE RUPEE INDIA 1916
Overland 75

Restructuring of the sugar industry

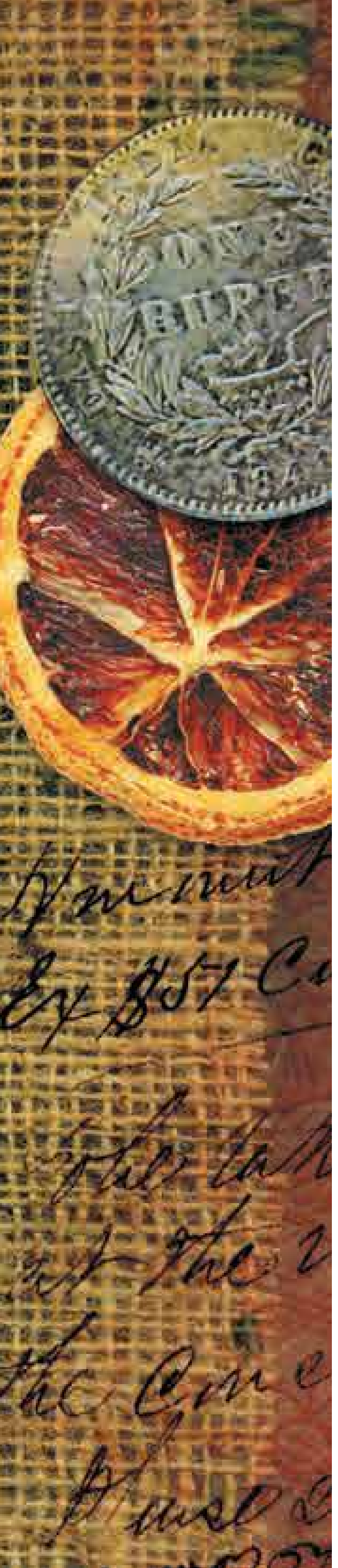
1880 – 1920

The centralisation of sugar milling and the parceling of lands lead to a separation between sugar cane cultivation and sugar milling. Modernisation of factories and better yields raise the average output of sugar factories from 1,320 tonnes in 1893 to 4,000 tonnes in 1923.

There is also a change in ownership patterns of sugar cane plantations and of estates incorporating factories. Large estates are created through the acquisition of neighbouring ones while limited liability companies increasingly take over family ownership. Small planters become more prominent with their share of the acreage under sugar cane increasing from 20% in 1892 to 45% in 1920.

Declining sugar prices put several estates, which had invested heavily in land acquisition and the modernisation of factories, in a difficult financial situation. Natural calamities strike again; the most destructive one being the 1892 cyclone which is followed by two other strong ones and a severe drought. At the end of the 19th and the beginning of the 20th century, the lack of capital is recurrent and the Mauritius Commercial Bank is faced with increased demands from the trading and sugar communities.

As from 1863, India gradually becomes the main market for Mauritian sugar. However, with the disruption of the beet sugar industry in Europe caused by the outbreak of World War I in 1914, Britain decides to buy all of the island's sugar production. The price of sugar soars and even triples between 1913 and 1919. Strangely enough, the war brings economic respite to the country.



MCB board and management

Board of Directors

President
J. Gérard HARDY

Vice President
E. Jean MAMET

Members
Priscilla BALGOBIN-BHOYRUL
Jean-Philippe COULIER
Jean-François DESVAUX DE MARIGNY *(Executive)(as from April 2013)*
Philippe A. FORGET *(Executive)(until March 2013)*
Gilles GUFFLET
Navin HOOLOOMANN, C.S.K.
Jean Pierre MONTOCCHIO
Pierre Guy NOEL *(Executive)*
Iqbal RAJAHBALEE
Antony R. WITHERS *(Executive)*
Margaret WONG PING LUN

Secretary to the Board
MCB Registry & Securities Ltd.
(as from May 2013 in replacement of Jean-François DESVAUX DE MARIGNY)

Committees of the Board

Supervisory and Monitoring Committee
Members
J. Gérard HARDY *(Chairperson)*
E. Jean MAMET
Jean-François DESVAUX DE MARIGNY* *(as from April 2013)*
Philippe A. FORGET *(until March 2013)*
Pierre Guy NOEL
Antony R. WITHERS

Audit Committee
Members
Gilles GUFFLET *(Chairperson)*
Priscilla BALGOBIN-BHOYRUL
Jean-Philippe COULIER
Margaret WONG PING LUN

Secretary
Jean-François DESVAUX DE MARIGNY *(until March 2013)*
MCB Registry & Securities Ltd. *(as from June 2013)*

Risk Monitoring Committee
Members
E. Jean MAMET *(Chairperson)*
Jean-Philippe COULIER
Pierre Guy NOEL
Iqbal RAJAHBALEE
Antony R. WITHERS
Alternate to Chief Executive (Group) and Chief Executive (Banking):
Jean-François DESVAUX DE MARIGNY *(as from April 2013)*
Philippe A. FORGET *(until March 2013)*

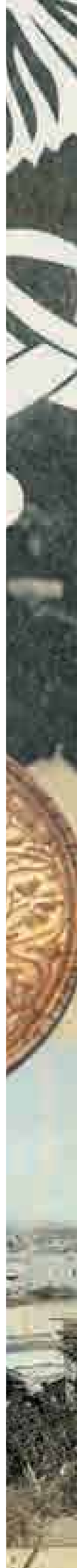
Secretary
Denis MOTET

Nomination and Remuneration Committee
Members
J. Gérard HARDY *(Chairperson)*
Navin HOOLOOMANN, C.S.K.
Jean Pierre MONTOCCHIO*
Pierre Guy NOEL
Iqbal RAJAHBALEE

Conduct Review Committee
Members
Margaret WONG PING LUN *(Chairperson)*
Gilles GUFFLET
J. Gérard HARDY

Secretary
Jean-François DESVAUX DE MARIGNY

* *Also acts as Secretary*



MCB board and management

General Management

Chief Executive (Group)
Pierre Guy NOEL

Chief Executive (Banking)
Antony R.WITHERS

Deputy Chief Executive (Banking)
Jean-François DESVAUX DE MARIGNY *(as from April 2013)*

Philippe A. FORGET *(until March 2013)*

Chief Managers

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

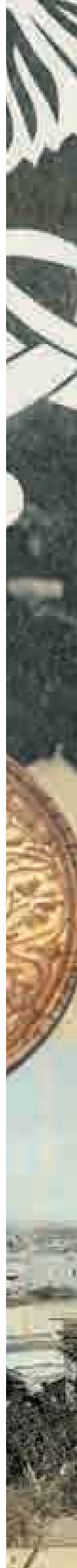
Managers

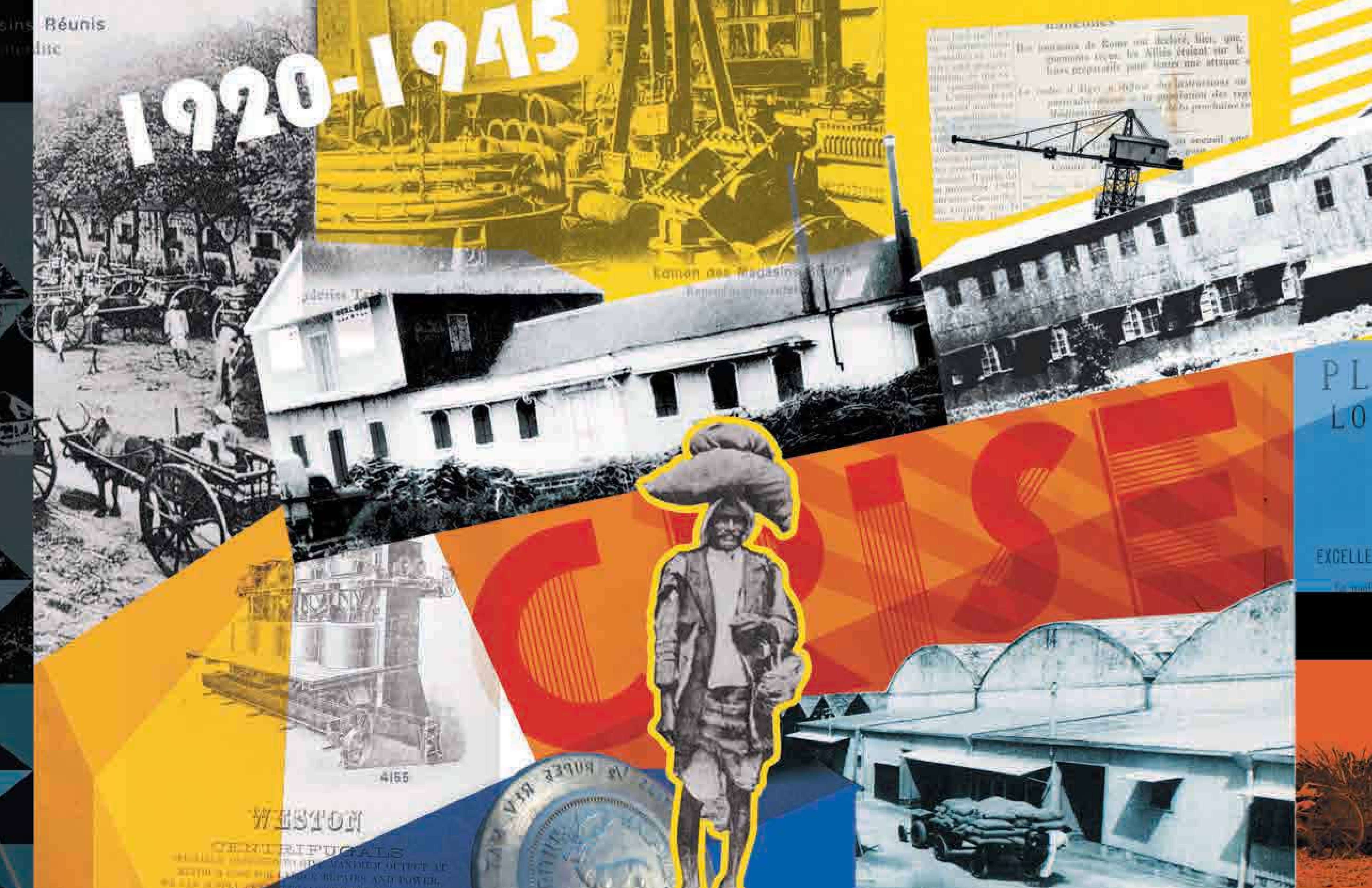
Jocelyn AH-YU	Managing Director - MCB Seychelles
Koomaren CUNNOOSAMY	Team Leader - Corporate
Pratik GHOSH	Head - Global Business
Kent GRAYSON	Head - Organisation & Systems
Vicky HURYNAG	Head - Strategy, Research & Development
Vinoba Devi LALLAH	Head - Banking Products *(until August 2013)*
Roselyne LEBRASSE-RIVET	Head - Legal / Group InHouse Lawyer
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*	Head - Banking Products *(as from March 2013)*
André WONG TING FOOK	Head - Accountancy

Advisers
Angelo LETIMIER

Jacques TENNANT *(until February 2013)*

* *Manager of MCB Factors until March 2013*




1920-1945
CRISE
4155
WESTON
CENTRIFUGALS

Difficult times

1920 – 1945

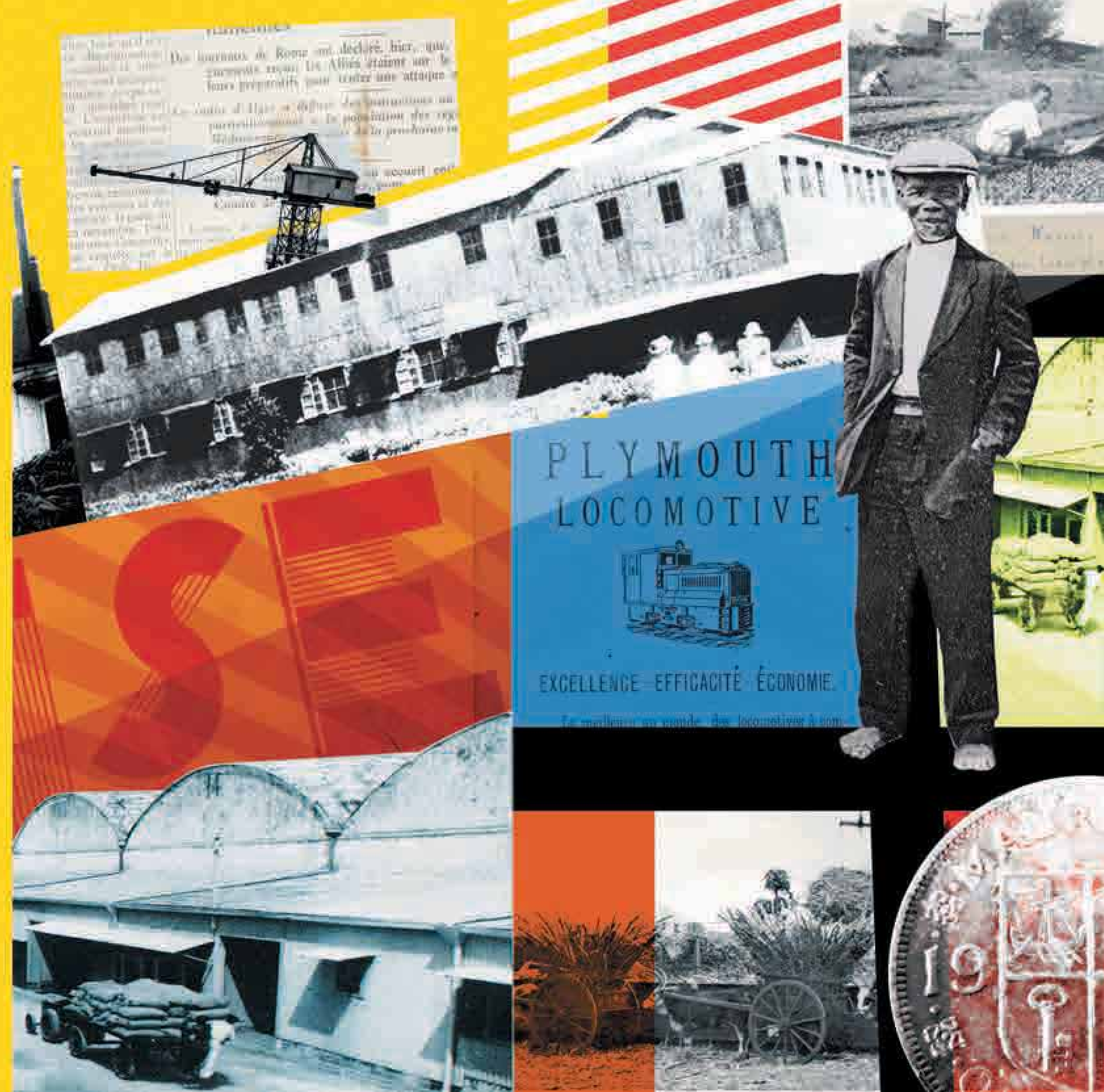
This period opens with the abolition of indentured labour in 1922 and a definite stop to the immigration of Indian labour in 1924.

World War I is a boon for sugar: in 1920, the price reaches Rs 1,014/tonne - four times that of 1914. However, overproduction in other sugar producing countries soon causes prices on the world market to tumble dramatically. In 1921, Mauritian producers receive only Rs 241 for each tonne.

Acreage under sugar cane also contracts, mainly because new lands brought into cultivation in the times of soaring prices are abandoned. The worst affected are the small and medium planters. Despite this, sugar production is maintained at a more or less steady level on account of a stepping up, on the larger estates, of productive capacity and efficiency through mechanisation.

The agricultural crisis is amplified by the Great Depression of the 1930s. The price of sugar reaches its lowest at Rs 110/tonne in 1936. Up to the end of the World War II, the island is faced with high unemployment, a reduction in wages and other austerity measures as well as social and labour unrest.

During the war years, food supply to the island is disrupted. As from 1942, a proportion of sugar cane land is converted to other crop cultivation to alleviate food shortage. The end of world conflict is a relief to all Mauritians, a number of whom had participated in the war. 1945 brings no respite to Mauritians though as three violent cyclones devastate people's lives, destroying homes, fields and infrastructure. Sugar production is at its lowest since 1897.



Report of the directors

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 2013.

Overview

The 175th anniversary of MCB provides an opportunity to reflect on its rich history that has nurtured arguably the strongest brand in the country, with increased prominence beyond. Throughout its existence, MCB has remained true to its philosophy of enabling progress for its stakeholders through effective partnerships while actively contributing to the socio-economic development of Mauritius and countries in which it operates. Building its business model on an innovative culture, high service quality and a diligent diversification strategy, MCB has continuously adapted its offerings to an increasingly sophisticated clientele, individuals and corporates alike, alongside providing adequate returns to its shareholders. Indeed, aided by a dedicated and competent workforce, MCB has successfully embraced change in a fast-evolving environment, thus allowing it to duly tap into emergent opportunities and effectively ride the waves in challenging times as evidenced by its performance in the current difficult context.

In fact, MCB maintained its generally appreciable financial credentials in FY 2012/13 in the face of adverse pressures on activity growth and credit quality amidst persistently soft operating conditions. Significant uncertainties continued to prevail on the global scale despite a relative lessening of extreme risks following policy actions in the US and euro area, which, combined with country-specific vulnerabilities, exerted a restraining impact on the Group's operations across all markets. Conspicuously, growth of the Mauritian economy decelerated further and private investment has remained subdued. In addition, the money and foreign exchange markets were characterised by unfavourable conditions whereas intense competition prevailed in specific segments. Nonetheless, the Group's attributable profits posted an increase of some 5% to reach Rs 4,315 million despite being weighed down by a significant rise in impairment charges, mostly explained by provisions made to cater for some non-performing exposures within the Bank's Global Business portfolio. Earnings per share therefore stood at Rs 18.15, up from Rs 17.32 in the previous year. Considering the adverse circumstances, these achievements are deemed to be satisfactory and highlight the successful execution of business development initiatives undertaken over time to widen and reinforce the revenue base through a sensible market diversification strategy and upgraded value proposition anchored on adapted and enriched financial solutions, high service quality as well as enhanced customer and business relationship management. Specifically, much comfort can be derived from the progress achieved in further entrenching MCB's footprint beyond local shores particularly in sub-Saharan Africa. Actually, in spite of the hike in impairment charges, foreign-sourced activities accounted for 46% of Group attributable profits during the last financial year. In the same vein, it is encouraging to see important business growth among several entities involved in the non-banking activities despite continuing dampened investor sentiment.

To underpin its expansion thrust, MCB continues to lay due emphasis on reinforcing its internal capabilities. Hence, efforts have been maintained to strengthen human capital notably through tailored training programmes and the roll-out of an online learning platform while further investments in technology have been undertaken to support the launch of innovative products, such as the mobile payments application, as well as to promote higher efficiency in processes. Moreover, sound risk management practices are fostered to ensure an orderly and balanced growth in activity. In this respect, MCB has, during the year, maintained appreciable financial soundness metrics as confirmed by internal stress tests carried out to assess the adequacy of capital resources. Tellingly, the on-going restructuring exercise coupled with the recent mobilisation of funding resources, through the issue of the subordinated notes locally and the financing package from the African Development Bank, testify to MCB's endeavour to endow itself with the necessary means to effectively pursue its strategic orientations and realise its growth ambitions.

In line with its solid fundamentals, the MCB share price pursued a generally upward trajectory in FY 2012/13. It mirrored the observed market trends whereby, barring a decline around May and June 2013, the SEMDEX adopted an upward movement amidst net purchases by foreigners. Whilst being consistent with the evolution of the main global indices in late 2012 and early 2013 when investor confidence somewhat improved following policy measures undertaken in the US and euro area, the sustained rising trend since June 2013 is somewhat in contrast to market volatility observed in emerging markets in the wake of the hint by the US Federal Reserve that it could gradually reduce its bond buying programme. On the whole, the MCB share price rose by 10.1% over the last financial year to close at Rs 186.00 with an all-time high of Rs 196.25 achieved on 6 June 2013. As at 26 September 2013, the MCB share price was trading at Rs 192.50, representing a market capitalisation of some USD 1.6 billion, the largest on the local bourse with a share of 24.3%. Further reflecting strong investor confidence in MCB, a two-fold oversubscription was recorded in respect of the initial offer of Floating Rate Subordinated Notes in August last. Also underscoring its overall standing, alongside featuring at the 672nd spot worldwide, MCB remains the only Mauritian bank to be among the Top 25 African banking institutions and is the top bank in East Africa according to the latest Top 1000 Banks listing of The Banker magazine. Besides, MCB has reinforced its positioning as a socially responsible entity through a number of initiatives, mainly undertaken by MCB Forward Foundation, to promote social welfare while pursuing its 'Initiative 175' programme aimed at protecting the natural environment and saving energy.

Report of the directors

Activities and Results

The Group sustained a satisfactory performance during FY 2012/13 with generally positive evolution, albeit to varying degrees, in the activities and results of the main business lines amidst the testing operating environment.

Supported by continued growth in the loan portfolio on the back of ongoing efforts to broaden the market base especially at the regional level and following a drop in interest expense, net interest income of both the Group and the Bank increased by some 10% to reach Rs 7,047 million and Rs 6,333 million respectively. These results are all the more encouraging when considering the dampening effect of soft economic conditions on demand for credit, pressures on margins arising from heightened competition and particularly low yields on Treasury Bills.

Boosted by a significant rise in revenues associated with cross-border trade finance activity, net fee and commission income went up by some 18% to Rs 2,629 million for the Group and Rs 2,190 million for the Bank. Conversely, reflecting a 4% drop in profit on exchange in line with unfavourable conditions in foreign exchange markets, 'other income' of the Group declined by 3.5% to reach Rs 1,347 million with a virtually flat evolution registered at Bank level when excluding BFCOI's exceptional dividend income received in FY 2011/12.

As a result, operating income of the Group increased appreciably by 10.1% to Rs 11,023 million with a similar underlying growth at Bank level on a comparable basis. With the growth in Group operating costs being contained at 8.3% on the strength of close monitoring of expenses and efficiency gains realised, this contributed to a fall in the cost to income ratio which reached 45.3%.

Net income from associates rose to Rs 257 million largely on account of improved performance at the level of our associate, BFCOI. On the other hand, as a notable drag on results in the last financial year, allowance for credit impairment doubled, essentially linked to the Bank's Global Business exposure.

On the whole, Group attributable profits rose by around 5% to reach Rs 4,315 million in FY 2012/13 while results at Bank level were virtually unchanged when excluding receipt of the exceptional dividend income from BFCOI in the preceding year.

Results of MCB Group held up fairly well, to a large extent, due to sustained business growth as testified by a further rise in total assets from Rs 191.4 billion as at June 2012 to Rs 216.4 billion one year later. Besides, financial soundness metrics were kept at fairly comfortable levels even if a relative deterioration was observed in terms of asset quality.

Dividends and Capital Resources

An interim dividend of Rs 2.75 per share was declared and paid in December 2012 while a final dividend of Rs 3.35 per share was declared in June 2013 and paid in July last. Dividend per share for the year therefore stood at Rs 6.10, representing a rise of 4.3% as compared to FY 2011/12. As such, total dividends paid out for the year under review amounted to Rs 1,450 million with undistributed profits of Rs 2,865 million carried to reserves. Adequate capitalisation levels were maintained with Group shareholders' funds increasing by 12.6% to reach Rs 29.4 billion as at June 2013. For its part, the risk-adjusted capital adequacy ratio, computed under Basel II definitions, stood at an appreciable 13.9% for the Group.

Group Restructuring

MCB has an ambitious strategic agenda based on consolidating its domestic banking position, diversifying its business into non-banking financial activities and expanding its international footprint, towards taking advantage of growth opportunities in existing and new markets. On 28 March 2013, the Bank issued a Communiqué setting out its proposal to separate its banking and non-banking operations and raise capital in order to position the organisation for future growth. An information memorandum providing details on the restructuring exercise will be sent to shareholders in advance of a Special Meeting to be convened in that respect.

The key objectives of the proposed restructuring are as follows:

- Increasing financial and operational flexibility through the operation of standalone and individually capitalised legal entities;
- Strengthening risk management through the ring-fencing of capital in banking operations;
- Optimising capital allocation across the Group and monitoring the return on capital for individual business segments; and
- Increasing visibility on the financial performance of these business segments.

As part of the restructuring and to drive its business growth ambitions while preparing itself for forthcoming regulatory requirements for additional capital buffers in the wake of Basel III notably, MCB recently mobilised notable funding resources and strengthened its capital base through a Rs 4.5 billion public issue of subordinated notes listed on the Stock Exchange of Mauritius and a financing facility package worth USD 150 million from African Development Bank which includes USD 30 million in the form of subordinated debt. In the same breath, MCB is planning to double the size of its Medium Term Note Programme listed on the Bond Exchange of South Africa to ZAR 2 billion.

Prospects

The operating context of MCB Group is not likely to materially improve in the period ahead. Although tail risks have somewhat diminished, the global economy is still marred by enduring uncertainties amidst continued woes in the euro area, mixed signals as to the unwinding of the stimulus programme in the US and slower growth in emerging markets. The delicate external environment should again impair the growth pattern across markets of MCB Group, with the economic performance of specific countries depending on the seriousness of their inherent structural difficulties. In particular, operations in Mauritius are expected to be dampened by restrained growth and lingering sluggishness in private investment unless there is a marked shift in the economic reform agenda with the adoption of far-reaching measures to boost the country's competitiveness. Nonetheless, alongside maintaining market vigilance, MCB seeks to actively pursue its business development drive, backed by strengthened in-house capabilities and enhanced customer service quality. In particular, MCB is resolutely geared to further expand its outbound operations with a key focus being to strengthen its market positioning in sub-Saharan Africa in view of appealing prospects therein. In support of its growth ambitions, MCB endeavours to promptly complete the Group restructuring exercise it has embarked upon, while adequately leveraging the sizeable funding resources mobilised recently, which should also enable it to be in tune with forthcoming regulatory developments, notably linked to Basel III. With foreign-sourced activities underpinning growth in operating income, an improvement in results is foreseeable for FY 2013/14.

Report of the directors

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 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 Management 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.

Acknowledgements

On behalf of the Board and our own, we wish to express our appreciation to the Group's Management and staff for their hard work and commitment in assisting MCB in furthering its expansion in the face of numerous challenges. At the same time, we extend our warm welcome to the new members who have joined the Board during the financial year and look forward to benefiting from their wide-ranging experience.

Furthermore, we wish to put on record our indebtedness to the significant contribution that Mr. Philippe A. Forget has provided to foster the progress of MCB before retiring this year. Joining the Bank in 1978, he moved up the ladder before being appointed Assistant General Manager in 1996 and Deputy Chief Executive (Banking) in April 2006. He was also a member of the Board since December 2005. During his stint at the Bank, he has been closely linked to a host of landmark initiatives that have transformed the organisation.

We would also like to extend our gratitude to Mrs. Vinoba Devi (Salonee) Lallah who retired recently. While forming part of MCB since 1976, she headed the Banking Products Strategic Business Unit as from 2009. She played an important role in improving the quality of our back-office banking operations to better support our front-line activities.

J. Gérard HARDY
President

Pierre Guy NOEL
Chief Executive (Group)


1945-1968
THE LAST
PASSENGER TRAIN
Les glaces 'LYONS'
se font chez nous

Post-war population boom and Welfare State

1945 – 1968

The post-war period sees the setting up of the Welfare State and attempts at bringing the unemployment rate down.

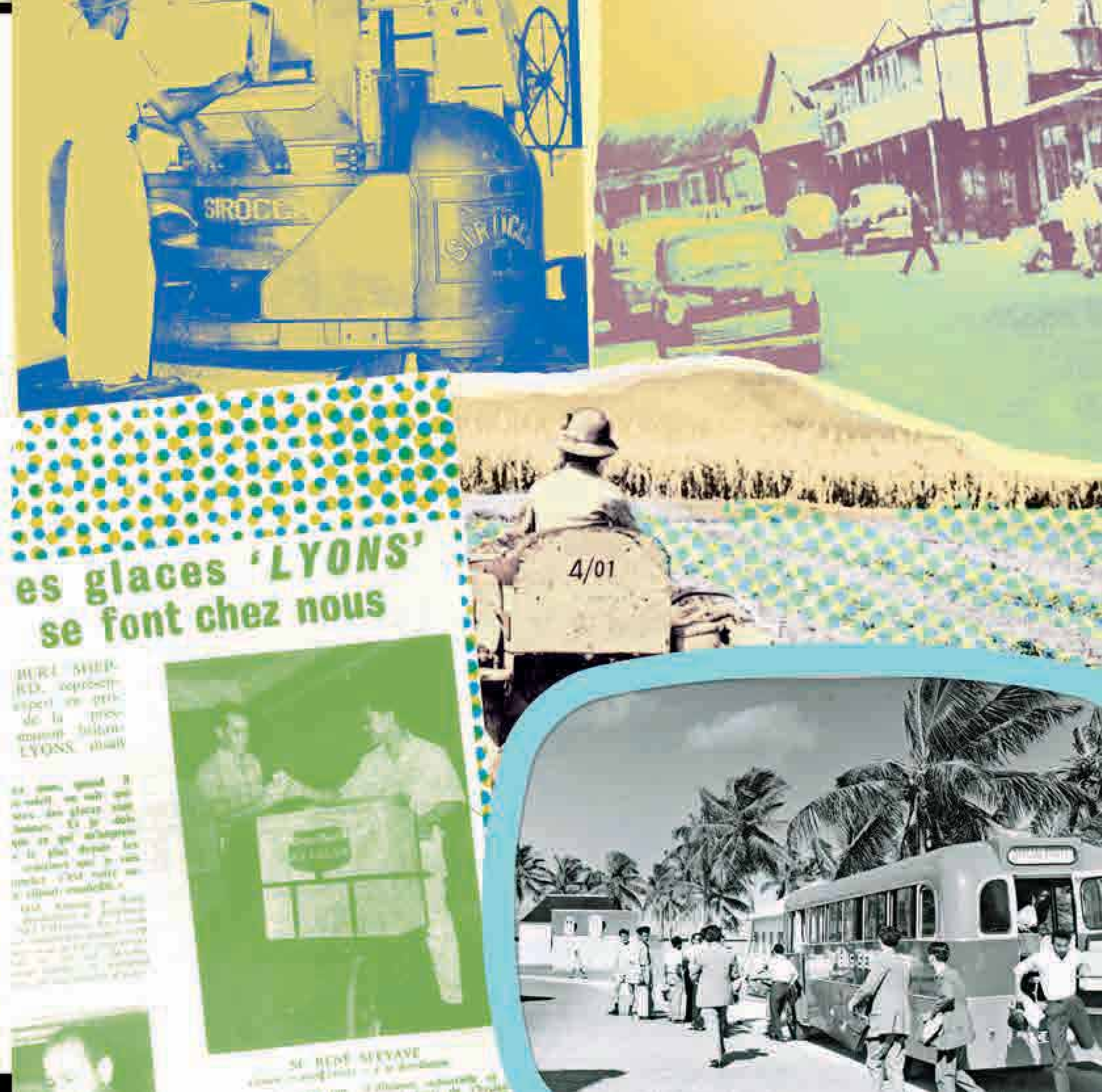
Development and welfare plans are implemented with a view to improving the standard of living and conditions of the population; focus is on maternal and child health, eradication of malaria and education. Improved living conditions and eradication of malaria result in a baby-boom which in turn poses the challenge of full employment in an island totally dependent on sugar.

The sugar industry alone is unable to bring the high unemployment figures down in a significant way. Public works are undertaken to provide jobs pending the creation of more productive sectors. Import substitution industries as well as the non-sugar agricultural sector are promoted. Emigration becomes official policy.

After the war, expansion of the sugar industry is rapid: between 1946 and 1953, the price of sugar climbs by 88%, area under sugar cane cultivation by 26% and sugar production by 76%. Growth slows down after the mid-1950s but sugar still retains its high attractiveness as an economic activity compared to non-sugar agriculture. Although tea, aloe fibre and tobacco production progress, they fail to really take off.

Non-agricultural activities like tourism and import substitution make a promising start with the construction of the first beach hotels and Mauritian entrepreneurs setting up production companies in fields such as cosmetics, broiler breeding and metal furniture manufacture by taking advantage of the Development Certificate scheme.

It is during this period that the Mauritius Commercial Bank Finance Corporation is created to provide loans for the acquisition of industrial and agricultural equipment and the construction of factories and hotels.



Company secretary's certificate

In our capacity as Company Secretary, we hereby certify that, to the best of our 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).

MCB Registry & Securities Ltd.
Company Secretary

26 September 2013

Statement of compliance

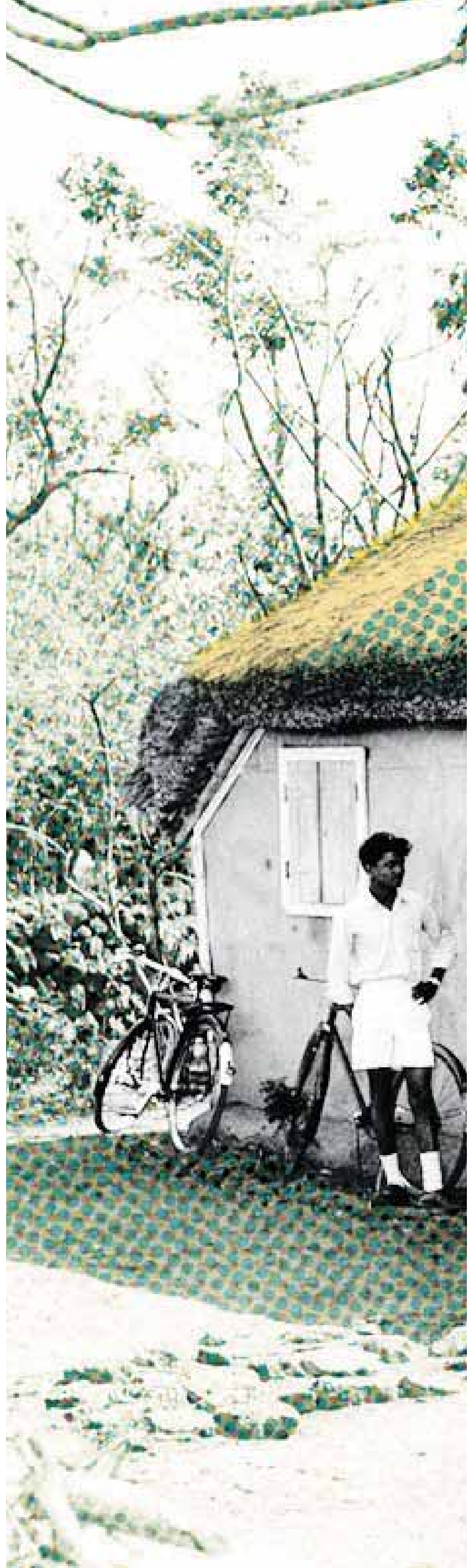
(Section 75(3) of the Financial Reporting Act)

Name of Public Interest Entity: The Mauritius Commercial Bank Ltd.
Reporting Period: 1 July 2012 to 30 June 2013

We, the Directors of the Mauritius Commercial Bank Ltd., confirm that, to the best of our knowledge, the Company has complied with the obligations and requirements under the Code of Corporate Governance in all material aspects.

J. Gérard HARDY President	Jean-François DESVAUX DE MARIGNY Director

26 September 2013



Corporate governance report

Introduction

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 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. Fundamentally, while setting the stage for the organisation to duly meet up with evolving regulatory requirements, the adherence by MCB to good governance principles provides a core foundation to effectively respond to challenges posed by the economic and market environments. In this respect, alongside appropriate ring-fencing of the Group's activities, upholding advocated standards of transparency, accountability and integrity remains a key element of the on-going restructuring exercise aimed at promoting a flexible structure in support of MCB's growth ambitions.

The Board and Senior Management of 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 policies and establishing systems of control emanating directly from the Board, which manifestly identify and manage the risks inherent to the businesses of MCB. To this end, the Board has approved the Group Risk Policy notably relating to credit risk, operational risk and market risk. Specifically, 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.

Besides being compliant with the Basel II Standardised Approach for credit and market risks, the Bank has, through its three-year forecast for capital consumption and liquidity, fine-tuned its Internal Capital Adequacy Assessment Process (ICAAP) towards ensuring that the regulatory and internal capital targets set are aligned with the Bank's risk appetite and the environment in which the business segments operate. The Bank has also adopted a formal disclosure policy as defined in the Basel II framework.

Of note, MCB is keeping track of the requirements of the draft Guideline on Scope of Application of Basel III and Eligible Capital, currently being finalised by BoM, with impact assessments being undertaken to ensure it stands ready for compliance with the new rules.

It is worth highlighting that, whilst seeking to optimise 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 revised Mauritius Bankers Association Code of Ethics and of Banking Practice issued in 2013 and subscribes to the Code of Corporate Governance for Mauritius, which was issued in October 2003.

At Board level, in line with the BoM Guideline on Corporate Governance, a mechanism is in place to evaluate the performance of Board members, with the process being reviewed and periodically refined. Besides, the Bank conducts an induction programme for newly appointed directors. The latter are provided with a documentation pack, containing information relative to the role of the Board, the Board Committees and related charters, their responsibilities and legal obligations as directors, the Constitution of the Bank, the Code of Corporate Governance, and other relevant laws and regulations. In addition, the new directors are acquainted to the main functions and strategic orientations of the main lines of business by members of Management.

The directors continuously review the implications of corporate governance best practices and are of the opinion that the Bank complies with the requirements of the Code of Corporate Governance in all material aspects.

Corporate governance report

Board Governance Structure

Board of Directors

In accordance with the constitution of MCB, 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 Company's constitution provides that the minimum number of directors shall be twelve and the maximum number eighteen.

	Supervisory and Monitoring Committee (SMC)	Audit Committee (AC)	Risk Monitoring Committee (RMC)	Nomination and Remuneration Committee (NRC)	Conduct Review Committee (CRC)
Mandate	The SMC is responsible for setting the development strategy and objectives of MCB whilst monitoring and measuring the latter's performance against such strategy. It oversees the overall management of MCB in accordance with set policies.	The AC is responsible for overseeing the financial reporting process to ensure the balance, integrity and transparency of the financial information published by MCB.	The RMC is responsible for establishing the risk appetites and tolerance of MCB. It also monitors risk portfolios, set against the agreed risk in compliance with the Basel recommendations.	The NRC is responsible for making recommendations in respect of nominations of directors, chief executives and senior officers, who, when appointed, will form part of the General Management. It also reviews the remuneration policies for directors, chief executives and members of the General Management.	The CRC is responsible for monitoring and reviewing related party transactions, their terms and conditions, and ensuring the effectiveness of established procedures and compliance with the Bank of Mauritius Guidelines.
Composition as per Charter	Shall consist of the following:- • Board President • Board Vice-President • Chief Executive (Group) • Chief Executive (Banking) • Deputy Chief Executive (Banking)	Shall comprise between four and six members, with a majority of independent non-executive directors from whom the Chairperson shall be nominated.	Shall consist of the following:- • A minimum of two and a maximum of three non-executive directors • Chief Executive (Group) • Chief Executive (Banking) The Deputy Chief Executive (Banking) acts as alternate in the absence of any one of the Chief Executives.	Shall consist of four to five members, with a majority of independent non-executive directors.	Shall consist of three non-executive directors.

Note: The depicted Governance structure refers to the one prevailing prior to the restructuring exercise. In view of the latter, a new framework will be put in place, details of which will be communicated through an information memorandum to shareholders once finalised.

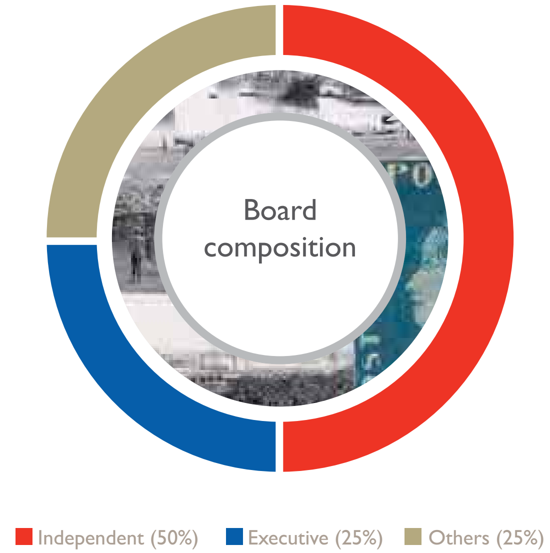
Board of Directors

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 preferably 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.

The Board presently comprises 12 directors: 3 executive and 9 non-executive, of whom six are independent including the President.



Committees of the Board

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. The composition of the committees appears on Page 25 on the Annual Report.

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 key responsibilities/activities of each of the Board Committees are described hereafter.

Corporate governance report

Supervisory and Monitoring Committee

Chaired by the President of the Board, who is an independent non-executive director, the committee's composition is consistent with its Charter as highlighted in the Board Governance structure. It usually meets on a weekly basis.

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 (i) 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 (ii) the nomination and remuneration of directors.

Its main 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 for 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 committee currently consists of four non-executive directors, of whom three are independent including the Chairperson. It meets at least four times a year corresponding to the Bank's quarterly reporting cycle. 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 their 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 Group Risk and Group Internal Audit. Separate sessions are also regularly held with the external auditors, without Management being present.

Risk Monitoring Committee

Consisting of five members including three non-executive directors, of whom two are independent, the committee meets on a regular basis. The Head of Group Risk acts as Secretary.

The main responsibilities of the Risk Monitoring Committee include:
- monitoring the credit risk and market risk portfolios of the Bank, as well as the operational risk tolerance in compliance with the Basel II Accord;
- overseeing the credit concentration risk, in respect to the related guideline, applicable as from 2009 and subsequently revised in 2011 and September this year;
- monitoring the quality of assets by segment and by product;
- scrutinising the risk profile of large exposures;
- monitoring 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 as part of the ICAAP;
- ensuring that the Group's security structure is adequate and that appropriate levels of protection for people and the Bank's assets are established;
- ensuring that the confidentiality, integrity, availability and protection of the Group's information assets are under constant review and that related information systems software and hardware devices are adequate and effective;
- ascertaining that adequate measures are taken to ensure compliance with all relevant laws, regulations, codes of conduct and standards of good governance; and
- monitoring the foreign country exposure limits once these have been approved by the Board following the recommendations of the Country Risk Committee.

The committee receives regular reports and recommendations following work done by the Group Risk Strategic Business Unit, the Executive Credit Committee, the Assets and Liability Committee, the Operational Risk and Compliance Committee, the Security Business Unit 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 consists of five members namely the Chief Executive (Group) and four non-executive directors of whom three are independent including the Chairperson. The committee meets at least twice a year and on an ad hoc basis when required.

Its main responsibilities include:
- ascertaining whether the potential directors, chief executives and senior officers 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);
- reviewing the composition of the Board Committees, including those of wholly-owned subsidiaries;
- 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; and
- reviewing the proposals received for the subsidiaries' boards and making recommendations thereon/ratifying them.

Conduct Review Committee

Consisting of three non-executive directors, the committee meets four times a year.

Its main responsibilities include:
- ensuring that related party transactions' policies and procedures have been established by Management to comply with the requirements of the Bank of Mauritius 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.

Corporate governance report

Directorate

Directors' Profiles

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

J. Gérard HARDY - Age 69

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.

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 and Chairperson of the Risk Monitoring Committee.

Directorship in other listed companies
United Basalt Products Ltd.

E. Jean MAMET - Age 70

Priscilla BALGOBIN - BHOYRUL - Age 38

Holds an LLB (Honours) from the London School of Economics and Political Science and a Higher Diploma in Law from City University, UK. She was called to the Bar of England and Wales in 1998 and is a member of the Middle Temple. Since November 1999, she has been practising at the Mauritian Bar, specialising mostly in civil, commercial, banking and industrial law matters. She has occupied various positions within local and international organisations. Amongst others, she is the National President of the World Jurist Association and a member of the Public Bodies Appeal Tribunal.

She was first appointed to the Board at the shareholders' meeting of December 2012. She is currently a member of the Audit Committee.

Directorship in other listed companies
Mauritius Union Assurance Company Ltd.

Holds a 'DESS' in Law from Paris II and a Diploma in Political Science from IEP, Paris. During his career, he has accumulated extensive experience in the banking sector, having worked for the Société Générale Group for some 40 years. Over this period, he has shouldered an array of high-level responsibilities within the Group, acting as Director, Chief Executive Officer and Chief Operating Officer in its various offices based worldwide. Before his retirement from Société Générale in early 2013, he was the Vice Chairman and Managing Director of the National Société Générale Bank in Cairo, Egypt.

He was first appointed to the Board at the shareholders' meeting of December 2012. He is currently a member of the Audit Committee and the Risk Monitoring Committee.

Jean-Philippe COULIER - Age 64

Corporate governance report

Directorate

Directors' Profiles (Cont'd)

Jean-François DESVAUX DE MARIGNY - Age 59

Fellow of the Institute of Chartered Accountants in England and Wales, he joined MCB in 1986 after several years of experience as an auditor in Europe. He was involved in the launching of Stock Exchange of Mauritius in 1989. He has participated in the development of MCB's regional network and is a director of a number of subsidiaries and associates of the Group. Appointed as Deputy Chief Executive (Banking) in March 2013, he is a member of the Supervisory and Monitoring Committee. He also acts as secretary to the Conduct Review Committee as well as alternate to the Chief Executive (Group) and Chief Executive (Banking) on the Risk Monitoring Committee.

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 since 1974. During his career, he has shouldered an 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 and has also served on several committees of Coopers & Lybrand International. Following the merger that created 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.

Gilles GUFFLET - Age 68

Navin HOOLOOMANN, C.S.K. - Age 54

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 Nomination and Remuneration Committee.

Notary Public since 1990, he drew up the new Constitution of the Bank and has been a member of 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.

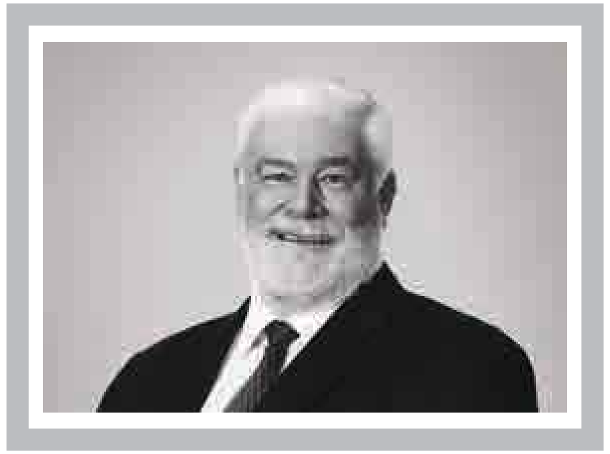
Directorship in other listed companies
Caudan Development Ltd.
Fincorp Investment Ltd.
Promotion & Development Ltd.
New Mauritius Hotels Ltd.
Rogers & Co Ltd.
ENL Land Ltd.
Les Moulins de la Concorde Ltée

Jean Pierre MONTOCCHIO - Age 50

Corporate governance report

Directorate

Directors' Profiles (Cont'd)



Pierre Guy NOEL - Age 57

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 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 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.

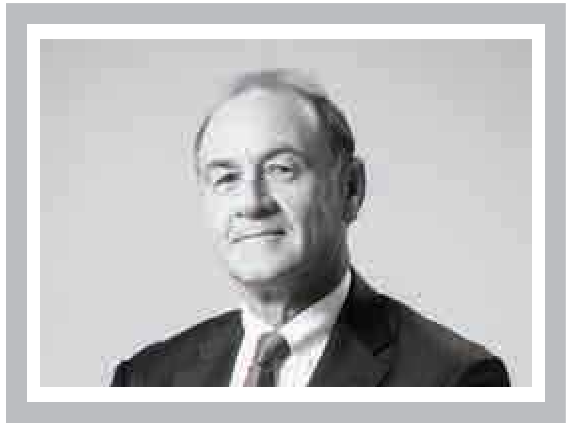
He was first appointed to the Board at the shareholders' meeting of December 2005. He is a member of the Supervisory and Monitoring Committee, the Nomination and Remuneration Committee and of the Risk Monitoring Committee.

Holds an LLB and LLM from the London School of Economics and Political Science. He is a Senior Counsel, with over 25 years of practice at the Mauritius Bar, during which he, amongst others, advised on a variety of cross-border transactions in the financial services industry. He is a founder of the Mauritius offshore industry and served as the first Executive Director of the former Mauritius Offshore Business Activities Authority. He was appointed as the first Chief Executive of the Financial Services Commission, the non-bank regulatory body. Iqbal served for more than 10 years at the Attorney General's Office, which he left as Assistant Solicitor General. He is often called upon by the Government to advise on financial law matters and was responsible for drafting numerous pieces of legislation, notably the Trusts Act, the Securities Act, the Financial Services Development Act and the Insurance Act. Iqbal has led several Government delegations in relation to issues such as international taxation and trading agreements.

He was first appointed to the Board at the shareholders' meeting of December 2012. He is a member of the Risk Monitoring Committee and the Nomination and Remuneration Committee.

Directorship in other listed companies
Ciel Investment Ltd.

Iqbal RAJAHBALEE - Age 59



Antony R. WITHERS - Age 59

Holds an MA in Economics from Christ's College, Cambridge and was also awarded an MBA by IMD, in Lausanne, Switzerland. As Chief Executive (Banking) since April 2006, he heads the banking operations of the Mauritius Commercial Bank Ltd. 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 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.

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.

Margaret WONG PING LUN - Age 59

Corporate governance report

Board and Committee Attendance

		Board of Directors	Board Committees: Supervisory and Monitoring	Board Committees: Audit	Board Committees: Risk Monitoring	Board Committees: Nomination and Remuneration	Board Committees: Conduct Review
	Number of meetings held	12	39	4	2	5	4
	Meetings attended						
Executive	Pierre Guy NOEL	12	33	-	2	5	-
Executive	Antony R. WITHERS	12	32	-	1	-	-
Executive	Philippe A. FORGET *(until March 2013)*	8	22	-	1	-	-
Executive	Jean-François DESVAUX DE MARIGNY *(as from April 2013)*	3	11	-	-	-	-
Independent	J. Gérard HARDY	9	32	-	-	5	4
Independent	Priscilla BALGOBIN-BHOYRUL *(as from December 2012)*	7	-	2	-	-	-
Independent	Jean-Philippe COULIER *(as from December 2012)*	6	-	2	1	-	-
Independent	Gilles GUFFLET	6	-	4	-	-	4
Independent	Navin HOOLOOMANN[1], C.S.K.	12	-	2	-	3	-
Independent	Iqbal RAJAHBALEE *(as from December 2012)*	6	-	-	-	2	-
Others	Herbert COUACAUD, C.M.G. *(until December 2012)*	4	-	-	-	1	-
Others	Anil C. CURRIMJEE *(until December 2012)*	3	-	-	-	2	-
Others	E. Jean MAMET[1]	8	32	1	2	-	-
Others	Jean Pierre MONTOCCHIO[2]	10	-	-	1	5	-
Others	Margaret WONG PING LUN	11	-	4	-	-	4

Chairperson   Vice Chairperson

[1] *Member of the Audit Committee until December 2012*
[2] *Member of the Risk Monitoring Committee until December 2012*

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 2013	Number of shares: Direct	Number of shares: Indirect
J. Gérard HARDY	5,000	-
E. Jean MAMET	149,000	68,523
Priscilla BALGOBIN-BHOYRUL	500	-
Jean-Philippe COULIER	500	-
Jean-François DESVAUX DE MARIGNY	286,307	267,307
Gilles GUFFLET	500	-
Navin HOOLOOMANN, C.S.K.	55,910	959,029
Jean Pierre MONTOCCHIO	1,000	18,197
Pierre Guy NOEL	1,088,964	28,302
Iqbal RAJAHBALEE	500	-
Antony R. WITHERS	90,000	-
Margaret WONG PING LUN	500	12,900

Transactions in MCB shares during the year	Number of shares: Purchased	Number of shares: Sold
Priscilla BALGOBIN-BHOYRUL	500	-
Jean-Philippe COULIER	500	-
Jean-François DESVAUX DE MARIGNY	7,546	-
Pierre Guy NOEL	35,053	-
Iqbal RAJAHBALEE	500	-
Antony R. WITHERS	20,000	-

Interests in Fincorp Investment Ltd.	Number of shares: Direct	Number of shares: Indirect
E. Jean MAMET	15,000	-
Jean-François DESVAUX DE MARIGNY	-	88,225
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	2,826	-	**2,826**
E. Jean MAMET	2,035	140	**2,175**
Priscilla BALGOBIN-BHOYRUL *(as from December 2012)*	304	-	**304**
Herbert COUACAUD, C.M.G. *(until December 2012)*	281	19	**300**
Jean-Philippe COULIER *(as from December 2012)*	415	-	**415**
Anil C. CURRIMJEE *(until December 2012)*	282	-	**282**
Gilles GUFFLET	924	-	**924**
Navin HOOLOOMANN, C.S.K.	585	-	**585**
Jean Pierre MONTOCCHIO	674	110	**784**
Iqbal RAJAHBALEE *(as from December 2012)*	393	-	**393**
Margaret WONG PING LUN	832	15	**847**
Total Non-Executive	***9,551***	***284***	**9,835**
Jean-Francois DESVAUX DE MARIGNY *(as from April 2013)*	2,050	-	**2,050**
Philippe A. FORGET *(until March 2013)*	17,708	-	**17,708**
Pierre Guy NOEL	21,968	-	**21,968**
Antony R.WITHERS	20,933	-	**20,933**
Total Executive	**62,659**	**-**	**62,659**
Total (Non-Executive and Executive)	**72,210**	**284**	**72,494**

Net fees from companies where executive directors serve as representatives of 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:

	2013 Rs '000	2012 Rs '000
Executive (Full-time)	72,408	60,851
Non-Executive	1,039	3,037
	73,447	**63,888**

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 and Jean-François DESVAUX DE MARIGNY appear in the Directors' Profiles section.

Gilbert GNANY - Age 51

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 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 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 56

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 was the Chief Human Resources Executive until he joined the Bank in August 2008 as Head of Human Resources.

Alain LAW MIN - Age 54

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 Select Banking BU, the Business Banking BU and the Bank's remote delivery channels. Prior to his current position, he launched the leasing, factoring and private banking services of 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 45

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 MCB in July 2003, coming from Ernst & Young and is currently Head of Corporate.

Corporate governance report

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 2013	Direct	Indirect	Direct	Indirect
Gilbert GNANY	99,822	-	17,000	-
Eddy JOLICOEUR	14,015	-	-	-
Alain LAW MIN	153,934	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 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 35 to the Financial Statements sets out on- and off-balance sheet exposures to related parties as at 30 June 2013.

Aggregate exposure of related parties, excluding exposure of the Bank to subsidiary companies, amounted to Rs 7,650 million (on-balance sheet) and Rs 644 million (off-balance sheet), which represented respectively 4.9% and 1.2% of Group loans and Group contingent liabilities as at 30 June 2013.

Exposure of the Bank's top six related parties as at 30 June 2013 were Rs 2,035 million, Rs 1,629 million, Rs 1,011 million, Rs 886 million, Rs 690 million and Rs 678 million. These balances represented 9.8%, 7.8%, 4.9%, 4.3%, 3.3% and 3.3% respectively of the Bank's Tier 1 capital.

None of the loans granted to related parties was non-performing as at 30 June 2013, except for an exposure of Rs 690 million on a group of companies where one of our directors has a minority stake. This group of customers has entered into a scheme of arrangement with its creditors. Interest on this group's debts has been suspended and expected losses have been provided for in the accounts.

Directors of MCB Subsidiaries

The board composition of the Bank's subsidiaries during FY 2012/13 is given hereafter, with the names of corresponding chairpersons as at 30 June 2013 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 *(until March 2013)*
Raoul GUFFLET
Peter HIGGINS

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

Alternate:
Pierre Guy NOEL *(to Bertrand DE CHAZAL and E. Jean MAMET)*

MCB Capital Markets Ltd.

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

MCB Investment Services Ltd.

Pierre Guy NOEL
Gilbert GNANY
Joël LAMBERT
Vimal ORI
Akesh UMANEE

MCB Registry & Securities Ltd.

Gilbert GNANY
Jean-François DESVAUX DE MARIGNY
Marivonne OXENHAM

** Incorporated in Seychelles*

MCB Stockbrokers Ltd.

Gilbert GNANY
Jeremy PAULSON-ELLIS
Shivraj RANGASAMI *(as from November 2012)*

MCB Capital Partners Ltd.

Gilbert GNANY
Raoul GUFFLET
Garry SHARP
Bernard YEN

MCB Investment Management Co. Ltd.

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

MCB Structured Solutions Ltd.*

Pierre Guy NOEL
Gilbert GNANY

MCB Factors Ltd.

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

** Incorporated in January 2013*

MCB Properties Ltd.

Jean-François DESVAUX DE MARIGNY
Philippe A. FORGET *(until March 2013)*
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 *(until March 2013)*
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:
Jean-François DESVAUX DE MARIGNY *(to Angelo LETIMIER)*
Philippe A. FORGET *(to Pierre Guy NOEL) (until March 2013)*

Blue Penny Museum

Philippe A. FORGET
Jean-François DESVAUX DE MARIGNY
J. Gérard HARDY
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 is committed to promoting an open and constructive dialogue with its shareholders whilst ensuring their information needs are promptly attended to. In this respect, shareholders as well as other stakeholders are kept abreast of developments at the level of MCB Group through appropriate communication channels. In addition to 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**, provides for an adapted and comprehensive self-service interface. Through the latter, shareholders have the possibility to post their queries while having access to relevant information such as updated MCB's share price as well as interim and audited financial statements with the key features of the organisation's financial performance being highlighted in the quarterly Group Management Statement. Besides, MCB encourages shareholders to attend the Annual Meeting which provides them with a forum to express their views and to receive direct feedback from Board members.

Material Clauses of the Constitution

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

Shareholders Agreements

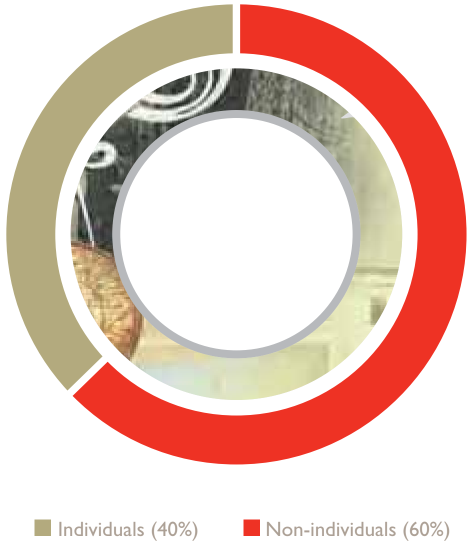
There is currently no shareholders agreement affecting the governance of the Company by the Board.

Shareholding Profile

Ownership of ordinary share capital by size and type of shareholding as well as the ten largest shareholders as at 30 June 2013 are illustrated in the following table:

Largest shareholders	Number of shares owned	*% Holding*
National Pensions Fund	8,584,518	*3.43*
The Anglo-Mauritius Assurance Society Ltd.	7,198,062	*2.87*
Promotion and Development Ltd.	5,000,000	*2.00*
State Street Bank and Trust Co. (A/C The Africa Emerging Markets Fund)	4,261,201	*1.70*
SSLN c/o SSB Boston Old Mutual Life Assurance Co. (South Africa) Ltd.	4,121,535	*1.65*
La Prudence Mauricienne Assurances Limitée	4,035,561	*1.61*
SSL c/o SSB Boston Investec Africa Fund	3,916,137	*1.56*
SSB (A/C SQM Frontier Africa Master Fund, Ltd.)	3,475,400	*1.39*
Pictet et Cie. (A/C Blakeney LP)	3,413,464	*1.36*
POLICY Ltd.	3,234,640	*1.29*

Size of shareholding	Number of shareholders	Number of shares owned	*% Holding*
1-500 shares	11,951	1,360,205	*0.54*
501-1,000 shares	1,462	1,086,955	*0.43*
1,001-5,000 shares	2,317	5,562,664	*2.22*
5,001-10,000 shares	730	5,196,967	*2.08*
10,001-50,000 shares	1,189	27,566,896	*11.01*
50,001-100,000 shares	292	21,216,935	*8.47*
Above 100,000 shares	376	175,817,377	*70.22*
MCB Ltd. (Treasury shares)	1	12,567,596	*5.02*
Total	**18,318**	**250,375,595**	***100.00***



Corporate governance report

Share Price Statistics and Performance

Share price statistics	2013	2012	2011	2010	2009
Investor data					
Earnings per share* (Rs)	**18.15**	17.32	18.91	14.38	16.71
Earnings yield (%)	**9.8**	10.2	10.1	10.1	13.3
Price earnings ratio (times)	**10.2**	9.8	9.9	9.9	7.5
Net asset value per share (Rs)	**123.76**	109.98	99.89	85.61	78.29
Dividends per share (Rs)	**6.10**	5.85	5.75	5.25	5.25
Dividend yield (%)	**3.3**	3.5	3.1	3.7	4.2
Dividend cover (times)	**3.0**	3.0	3.3	2.7	3.2
Market data					
Market price per share (Rs):					
High	**196.25**	189.00	191.00	151.00	172.00
Low	**160.00**	162.00	137.00	119.00	82.00
Average	**175.76**	168.17	161.81	136.45	125.41
Closing (Year end)	**186.00**	169.00	188.00	142.00	126.00
Value of shares traded (Rs m)	**3,620**	2,938	3,357	3,311	3,906
Market capitalisation as at 30 June (Rs m)	**46,570**	42,313	47,071	35,553	31,547
Market capitalisation as a % of total market	**23.9**	25.2	24.8	23.6	24.1

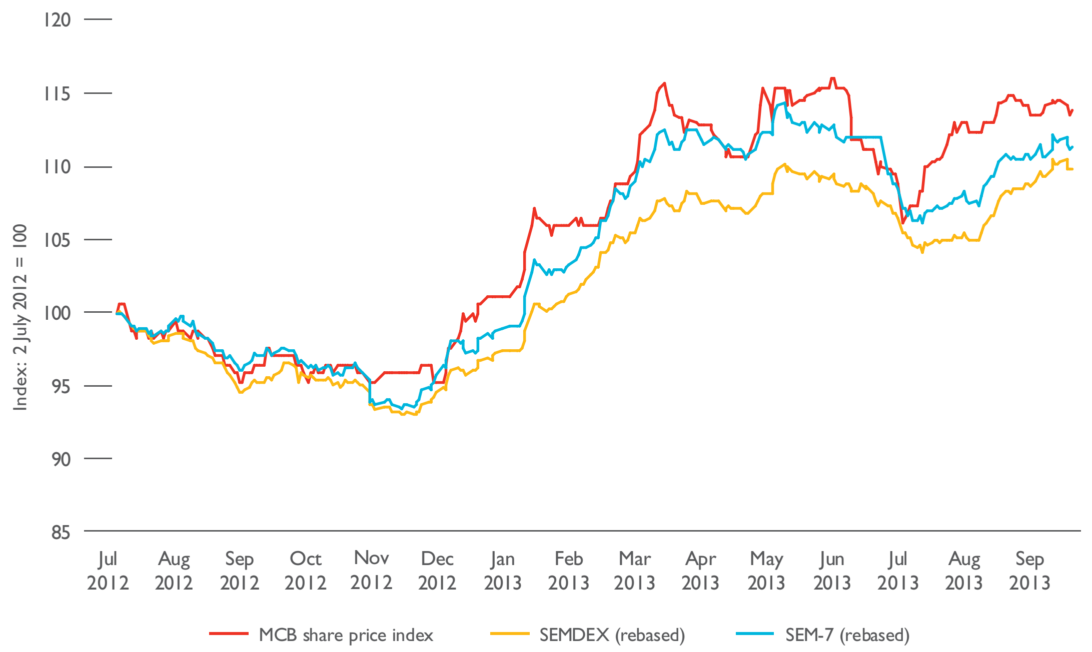
** Net results used for the calculation of EPS include non-recurrent items*

Global equity indices sustained a generally upward trend especially in late 2012 and early 2013 with policy actions undertaken both in the US and the euro area upholding a relative optimism in the markets despite the persistence of subdued economic conditions. In June 2013, however, the announcement by the US Federal Reserve that it could soon begin to taper its bond-buying programme was followed by a bearish evolution of world stock markets. Specifically, the comments about a gradual reduction in the extent of quantitative easing by the Fed triggered notable capital outflows from emerging economies, thus exerting some pressures on their stock exchanges. More recently, stock markets worldwide were marked by some volatilities, linked to economic concerns and uncertainties over the course of policy orientations in major economies.

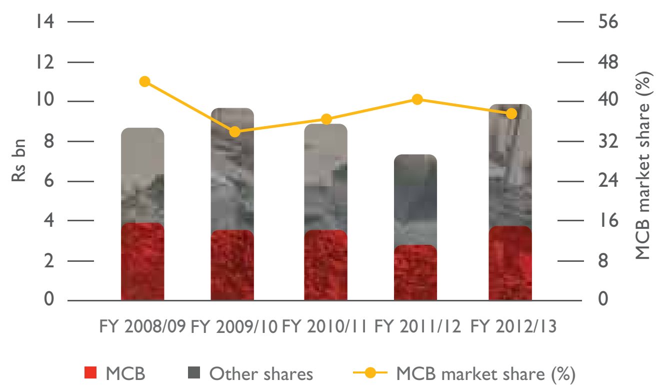
In line with international trends, the local bourse, under pressure since mid-2011, rebounded as from November 2012, partly supported by net purchases by foreign investors. Hence, notwithstanding a downward adjustment in May/June 2013, the SEMDEX increased by some 8% over the last financial year whilst the SEMTRI, the total return index, grew by 10.5% in rupee terms over the same period. Of note, further gains have been registered in recent weeks in broad contrast to movements observed in a few other emerging markets abroad. Backed by its solid financial credentials and strong investor confidence, the MCB share price again outperformed the market and increased by 10.1% during FY 2012/13 with an all-time high of Rs 196.25 being achieved on 6 June 2013. In the process, MCB consolidated its leadership position on the stock exchange as testified by a market capitalisation of Rs 46.6 billion as at 30 June 2013, representing a market share of around 24%. Further evidence of the institution's goodwill was reflected by the offer of the MCB Floating Rate Subordinated Notes which was over-subscribed by more than 100 per cent. The Notes, each with a principal amount of Rs 1,000, are listed on the Official Market of the Stock Exchange of Mauritius since 22 August 2013 and were trading at Rs 1,030.61 as at 26 September with an effective yield to maturity of 5.59%.

Looking ahead, whilst the local stock market should remain subject to international conditions such as the pace of economic recovery and the impact of the US Federal Reserve tapering, the extent of market volatility is also likely to be influenced by the overall competitiveness and resilience of the Mauritian economy.

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



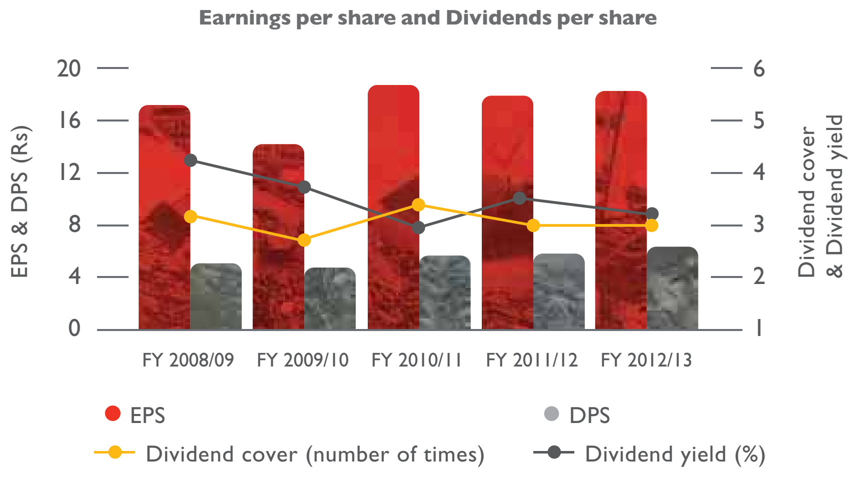
Value of shares traded



Note: Value of shares traded excludes one-off transactions

Dividend Policy

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 over the past five years are depicted in the following illustration.



Shareholders' Diary

November 2013	Declaration of interim dividend and release of first quarter results to 30 September 2013
December 2013	Special Meeting of shareholders*
December 2013	Annual Meeting of shareholders
December 2013	Payment of interim dividend
February 2014	Release of half-year results
May 2014	Release of results for the 9-month period to 31 March 2014
June 2014	Declaration of final dividend
July 2014	Payment of final dividend
September 2014	Release of full-year results to 30 June 2014

** Relative to the restructuring exercise and subject to regulatory approvals*

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 and equity are 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 Employee Share Option Scheme (ESOS), introduced in 2006, aims to align the interests of employees with those of the organisation and shareholders. By providing employees with the opportunity to participate in the growth and prosperity of the Bank through an acquisition of a stake therein, this scheme acts as an additional lever to promote a performance culture alongside upholding motivation and commitment across the organisation. Under ESOS, employees of the Bank are granted non-transferable options to buy MCB shares up to a maximum of 25% of their annual performance bonus. The options, which can be exercised over a period of one year through 4 specific windows, carry a retention period of 3 years. The option price 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 detailed in the following table, 615,428 options were granted in October 2012, of which 164,834 have been exercised in the first three windows.

	Management	Other employees	TOTAL
Number of options granted in October 2012	**129,387**	**486,041**	**615,428**
Initial option price (Rs)	164	148	**-**
Number of options exercised to date	73,474	91,360	**164,834**
Value (Rs '000)	12,050	13,521	**25,571**
Percentage exercised	56.8	18.8	**26.8**
Number of employees	13	349	**362**
Available for the 4th window and expiring in mid-October 2013	**55,913**	**394,681**	**450,594**

Auditors' Fees and Fees for Other Services

	Group		Bank	
	2013	2012	2013	2012
	Rs '000	Rs '000	Rs '000	Rs '000
Audit fees paid to:				
BDO & Co	**17,567**	16,761	**15,698**	14,950
Other firms	**4,615**	4,582	**-**	-
Fees for other services provided by:				
BDO & Co	**2,404**	1,828	**2,300**	1,725

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 performance under various sustainability headings with respect to the internal and external stakeholders with whom we interact.

Our Approach

At MCB level, we recognise that we have a responsibility to act in a way that fosters the trust and confidence of our multiple stakeholders. In fact, while operating within the confines of the legal and regulatory requirements, the organisation is intent on promoting sustainable business value creation, alongside fostering its public accountability. As such, as a core tenet of its strategic and business development ambitions, MCB is committed to making a sound and sustained contribution to the welfare of its shareholders, clients, staff and the population in general by contributing to the promotion of social welfare and the protection of the environment. In this spirit, the organisation continues to nurture open, transparent and long-lasting relationships with its numerous stakeholders with a view to judiciously responding to their reasonable needs and expectations. Underpinning its wide-ranging stakeholder engagement, the philosophy and practices guiding the conduct of affairs are entrenched in an appropriate operational and governance framework, backed by systems and procedures to assist in effectively upholding the principles and activities of the organisation.

Our Engagement

From a general perspective, MCB 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, MCB has adopted the Equator Principles which stand as the governing principle of the Bank's Environmental and Social Policy in support of its 'responsible financing'. In addition to underlying policies and systems that have been entrenched over time, MCB has adopted various initiatives during FY 2012/13 towards furthering its holistic stakeholder engagement as per specific areas of intervention.

Corporate governance report

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

- Enhancement of revenue generation capacity of the organisation via the adoption of ambitious, yet judicious, strategic orientations in Mauritius and abroad, backed by improved physical capabilities and operational set-ups, better customer service, and adequate recourse to funding resources
- Maintenance of open lines of communication to provide coherent, pertinent and updated information pertaining to MCB's strategic direction, corporate accomplishments and financial performances by means of carefully-selected channels, platforms and reports

Deepening customer relationships

Our pledges

- To build comprehensive and quality relationships with clients across diversified market segments, thus upholding their trust in the organisation
- To timely and extensively engage with clients in order to find ways and means to meet their targets and realise their ambitions throughout the different stages of their life cycles, while supporting them in good and bad times

Examples of engagement

- Anchoring a customer-centric business development approach by enhancing the quality of the value proposition, on the basis notably of a widening of the range of financial solutions as well as the refinement and customisation of the products and services offered in line with market specificities
- Continuous improvement of channel capabilities and service standards with a view to providing increasingly personalised and simplified banking experiences
- Upholding and strengthening of overall client relationships, notably 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

Upholding human resource development and staff welfare

Our pledges

- To instill a high performance culture among staff – backed by the endorsement of core values in alignment with the strategic objectives of the organisation – so as to contribute to the improved operational effectiveness and efficiency of the organisation as well as to foster the attainment of customer service excellence
- To provide fair treatment with regard to staff recruitment and the management of human resources, whilst adhering to the equal opportunity principles
- To foster general staff welfare, by catering for their health and safety as well as promoting a better work-life balance

Examples of engagement

- Further optimisation of the overall HR performance management system
- More active implementation of the talent management framework at the Bank; execution of a Leadership Development Programme for top, senior and middle management; major investment made in Skillsoft Leadership Advantage, a software solution providing e-learning training
- Fostering of continuous learning at MCB Development Centre; implementation of a quality management system at the building, which has culminated into the award of ISO 9001:2008 in December 2012
- Promotion of flexible working arrangements at different levels; organisation of fitness classes and conduct of training on 'Health and Safety Awareness'
- Improvement in the HR value proposition to the business through the HR Business Partnering model, with the function gearing up its capacity to participate more actively in human resource strategy elaboration and planning as well as to facilitate the implementation of the different supportive initiatives

Training statistics for FY 2012/13

	Internal	External providers
Total man hours of training	13,180	48,481
Total number of participants	340	2,624
Average hours of training per participant	*38.8*	*18.5*

Fostering economic growth and prosperity

Our pledges

- To assist in the advancement of individuals and corporates in the countries in which MCB operates, thus supporting the socio-economic prosperity of these nations
- To play an influential role in supporting the economic growth and spearheading 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 Mauritian economy and contribute to the take-off of upcoming segments, alongside underpinning the development of SMEs

Fostering economic growth and prosperity (Cont'd)

Examples of engagement

- Financing of key projects having a major part in shaping the economic landscape of Mauritius as well as ventures within emerging economic segments, reflecting the confidence of MCB in their potential despite the difficult economic climate; the wide-ranging involvement of MCB gauged by its leading market share of more than 40% regarding credit to the private sector
- Assisting the growth endeavours of SMEs, backed by an enhanced range of solutions and the provision of dedicated advice; of note, MCB was ranked first among 14 banks in the country in respect of credit facilities approved under the Government-backed SME Financing Scheme, with a corresponding market share of around 59% posted during the December 2011 – June 2013 period

Promoting social progress and environment protection

Our pledges

- To uphold 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 initiatives by MCB Forward Foundation, in accordance with 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 protect the environment by means of: (i) the pursuit of the internally-generated 'Initiative 175' programme; and (ii) the undertaking of sponsorship activities spanning the fields of education and sports notably

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

During the last financial year, in line with one of its missions, which is 'We will do what we can to make the world a better, greener place', MCB has, via specific entities and programmes, further entrenched its social and environmental engagement.

Support through MCB Forward Foundation

The CSR activities of the Bank are channelled through the MCB Forward Foundation. The latter, as a dedicated vehicle, is responsible for the design and implementation of specific initiatives that contribute to embed our engagement with the communities in which we live.

Consistent with the Government's measure requiring companies to set up an annual CSR Fund representing 2% of their chargeable income derived during the preceding year, MCB Forward Foundation was entrusted with a fund of Rs 59 million for FY 2012/13, representing the relevant contribution by MCB Ltd. and its local subsidiaries. An amount of Rs 46 million was spent on a total of 55 projects over the year under review after allowing for relevant administrative costs. Of these, 21 projects were selected from the 109 projects received following the launch of an 'Appel à Projets'. In particular, towards fostering community empowerment and as a major achievement, the Foundation was engaged in consolidating its 'Ecole des Parents' programme to the attention of the 80 families of children involved in the MCB Football Academy. Notably, aided by relevant stakeholders, these parents were provided with the necessary social and personal skills pertaining, amongst others, to conflict management as well as dealing with violence.

In order to ensure the smooth and value-added execution of the projects being catered for, the Foundation took due advantage of MCB's network of branches, which allowed staff to better and more comprehensively reach out to the community. Besides, it empowered several fund beneficiaries in their day-to-day operations, with NGOs leveraging workshop sessions meant, for instance, to address challenges they are facing in respect of adherence to good governance principles and ethics management amongst others.

The following table provides a breakdown of expenditure by activity as incurred by the Foundation. The aggregate amount relates only to endeavours approved by the National CSR Committee, with the Bank's involvement as a socially responsible institution encompassing 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	15,541
Welfare of children	14,027
Education	4,414
Environment	3,170
Leisure & sports	435
Socio-economic development	5,079
Social housing	952
Non-communicable diseases	512
Catastrophe	46
Health	1,809
Total	**45,985**

Corporate governance report

Key projects funded by MCB Forward Foundation

Absolute poverty & community empowerment

- 'MCB Football Academy' – Participation of 360 children in the 63rd FIFA Congress organised in Mauritius
- 'Young Entrepreneur of Rodrigues' – Setting up of rainwater harvesting system at the hydroponic green house meant for the empowerment of the unemployed
- 'Association A.I.L.E.S' (Aides, Infos, Liberté, Espoir et Solidarité) – Increased access to treatment services and prevention sessions to reduce the transmission of HIV/AIDS amongst substance abusers

Welfare of children

- 'Ruth School' – Setting up of a multi-sensory room for children with special educational needs
- 'Association Ki Fer Pa MWA' – Enhancement of the oral and written skills of vulnerable children through theatre workshop and psychological support
- 'Oasis de Paix' – Setting up of a digital language lab

Education

- 'Aid Action' – Empowerment of school drop-outs through painting and artistic workshops
- 'Fondation Spectacles et Culture' – Social development of vulnerable children through musical learning
- 'MCB Rodrigues Scholarship' – Awarded to two students to pursue post-secondary studies at the University of Mauritius

Environment

- 'Bel Ombre Foundation' – Encouragement of entrepreneurship through the Plankton Community Recycling Plant project
- 'Eco-Sud' – Sustainable management of Pointe d'Esny Lagoon and Blue Bay Marine Park
- 'Mission Verte' – Empowerment of vulnerable groups through the creation of products made from recycled glass
- 'Mauritius Wildlife Foundation' – Reconstruction of the Native Mauritian Habitat by using giant tortoises

Health

- 'Haemophilia Association of Mauritius' – Setting up of a treatment care centre where clotting factor concentrate will be available

Socio-economic development

- 'Leonard Cheshire Home' – Purchase of fowler beds for the disabled elderly
- 'S.O.S Femmes' – Support to the shelter for victims/survivors of domestic violence

Non-communicable diseases

- 'Link to Life' – Provision of tests to women suffering from breast cancer

Leisure & sports

- 'Trust Fund for Excellence in Sports' – Scholarships awarded to three sportsmen at national level

Other initiatives

During the last financial year, in addition to fostering its environmental stewardship via actions undertaken under 'Initiative 175' (see following pages for more details), MCB provided wide-ranging support to education and sports in the country through sponsorship of the events below.

- '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 2013' organised by the Rajiv Gandhi Science Centre – competition open to primary and secondary schools in Mauritius and Rodrigues, whereby participants were asked to submit projects on scientific and technological themes
- 'SEM Young Investor Award' organised by the Stock Exchange of Mauritius for secondary school students and attracting 171 teams of 5 students each
- 'National Spelling Bee Competition' organised by the English Speaking Union in Mauritius and Rodrigues for secondary school students
- Sport competitions include: 5th edition of the MCB European Tour Championship in respect of golf; MCB Rodrigues Youth Championship in athletics for children aged 9-15; MCB Junior Open Badminton; Judo MCB National Championship; Ladies Golf Union; and MCB U-17 Cup football tournament

MCB Registry & Securities Ltd.
Company Secretary

'Initiative 175' programme : Reflecting on past and recent achievements

Description and Orientations

On the occasion of the 175th anniversary of MCB in September 2013, it is deemed opportune to reflect on its accomplishments following the launch of its 'Initiative 175' programme back in 2009.

In line with its commitment for sustainable development and the country's 'Maurice Ile Durable' proposal, the internally-generated 'Initiative 175' programme of MCB seeks to uphold the healthiness of the natural environment in the country, while promoting energy saving and renewable energy production. In this respect, MCB has, over the past few years, taken a series of concerted and proactive actions towards encouraging the adoption of sound practices and behaviours by its employees, clients, shareholders and the public at large, thus contributing to make them more aware on the environmental question. Building on this momentum, the Bank intends to sustain and step up its efforts going forward to better embed its corporate responsibility in a socio-economic environment marked by mounting pressures and evolving exigencies.

The main actions undertaken under 'Initiative 175' over the past few years and during FY 2012/13:

Encouraging environment-friendly investments

- Adoption by the Bank, in May 2012, of the Equator Principles which stand as a governing principle of the Bank's Environmental and Social (E&S) Policy, in support of its 'responsible financing'. Indeed, the E&S Policy sets out the principles to be endorsed as well as the roles and responsibilities of the Bank, whereby the latter should ensure that the social and environmental impacts of any project – i.e. one to which loans of an aggregate amount greater than or equal to USD 2 million and with a maturity of at least 24 months – are being systematically identified, evaluated and managed
- Financing of 'green' projects to help businesses save energy and reduce carbon emissions, with the Bank drawing some 70% of the EUR 40 million line of credit granted by Agence Française de Développement (AFD) to 4 participating banks in 2009; of note, MCB is currently finalising a second line of credit with the AFD to finance 'green' projects
- Dedicated 'green' offers attached with housing loan solutions over the years; reduction of 50% in respect of commissions applied to letters of credit for the import of genuine energy saving goods and equipment as from March 2009
- Launch of a 'rainwater harvesting scheme' in February 2013, with the product seeking to encourage customers to collect rainwater for domestic uses, thus assisting in relieving pressures on the country's water distribution system

Fostering energy-efficient buildings

- Construction of an eco-friendly and energy-efficient MCB building at St Jean; the building, which was inaugurated in October 2011, is the first in Mauritius and the Southern Hemisphere to qualify for the BREEAM certification, which is a world leading environmental assessment method and rating system for buildings; of note, the photovoltaic (PV) farm placed at MCB St Jean and covering some 3,000 m^2 started production of electrical power in February 2012 by using solar energy
- Bank-wide energy audits conducted over time for increased energy efficiency; upon completion of phase 3 of the exercise initiated since March 2011, carbon footprint measurement has now been carried out for all of our branches

Paving the way for reduced paper utilisation

- Pricing of balance enquiries and mini-statements at ATMs since July 2009, thus encouraging clients to consult details of their accounts directly on the screen as well as helping to reduce paper consumption and attendant littering
- Customers called upon, since 2009, to consider receiving their statement of accounts on a semester basis (instead of quarterly or monthly basis) as well as to opt for Internet Banking so as to further cut down paper use and apply 'greener' ways of managing their accounts; E-statements sent to customers who choose to receive their statement of accounts and credit card statements through email since 2011, thus helping to reduce paper consumption and promote ecological welfare
- Phased implementation of an Electronic Document Management System during FY 2012/13, with the latter providing the necessary arrangements for the processes being used for the capture of customer information and the treatment of relevant documentation to be widely automated, thus engendering a major reduction in paper use at the Bank

Promoting the awareness of the general public

- Financing of 'UnisVert' in June 2009, a series of 26 mini-documentaries that were broadcast on prime-time television and eventually distributed to secondary on DVDs, with the aim being to raise awareness about the ecosystem as well as encourage the population to be more nature-conscious and to adopt a more ecologically responsible behaviour
- Production and broadcast of daily prime-time TV programme, named 'Eco TV', between December 2010 and January 2012 and as from February 2013, to show the simple things that can be done to protect the environment and reduce pollution
- Organisation, in collaboration with the Ministry of Education, of 'Make a Wish' competition in April 2012 and in February 2013, whereby primary schools are invited to submit projects on how to embellish school premises and protect the environment, with the best projects receiving cash prizes that enable them to put their endeavours into practice
- Launch of the first directory on the 'green' business services in Mauritius some years back, with our 'Green Directory' thereafter re-edited and available for download from MCB's website since June 2012
- Distribution of 50,000 re-usable bags to customers in hypermarkets and supermarkets around the island as well as throughout the branch network in April 2012 in order to help to do away with polluting plastic bags
- Free distribution of 100,000 economic light bulbs in 2009 to customers opening up savings accounts or taking personal loans
- Exclusive sponsorship of a free public exhibition of worldwide landscape pictures by the famous photographer, Yann Arthus-Bertrand in April 2010, depicting the ecological realities and challenges of our planet

Sensitisation of staff and business units at the Bank

- Placement of specific paper bins in all business units at MCB for the collection of waste paper in 2011 with a view to collecting paper for recycling; boxes placed at the Head Office canteen to gather used batteries and mobiles in March 2011
- Sensitisation of staff on environment issues by key NGOs such as the Mauritian Wildlife Foundation, Mission Verte, Vallée de Ferney Conservation Trust, and Reef Conservation
- Organisation of an induction course called 'Sustainable organisation and responsible employee' since February 2011 to educate new staff on the Bank's initiatives in this respect and how employees can contribute to that effect
- Purchase of an ecodigester in May 2013 which allows the canteen to recycle its organic wastes
- Distribution of over 2,000 endemic plants with air-cleansing capacities to staff in June 2009

Estimated benefits from specific actions undertaken as per 'Initiative 175'

Estimated annual environment benefits of projects financed under the AFD line

Details	Amount
Electricity saved	57,887 MWh
Clean water saved	1,028,691 cubic metres
Wastewater reduced	886,827 cubic metres
Liquefied petroleum gas saved	635,030 litres
Diesel saved	951,109 litres
Heavy fuel oil saved	298,600 litres
CO_2 emission reductions	133,115 metric tons

Reduced paper utilisation at MCB (Oct 2010-Jun 2013)

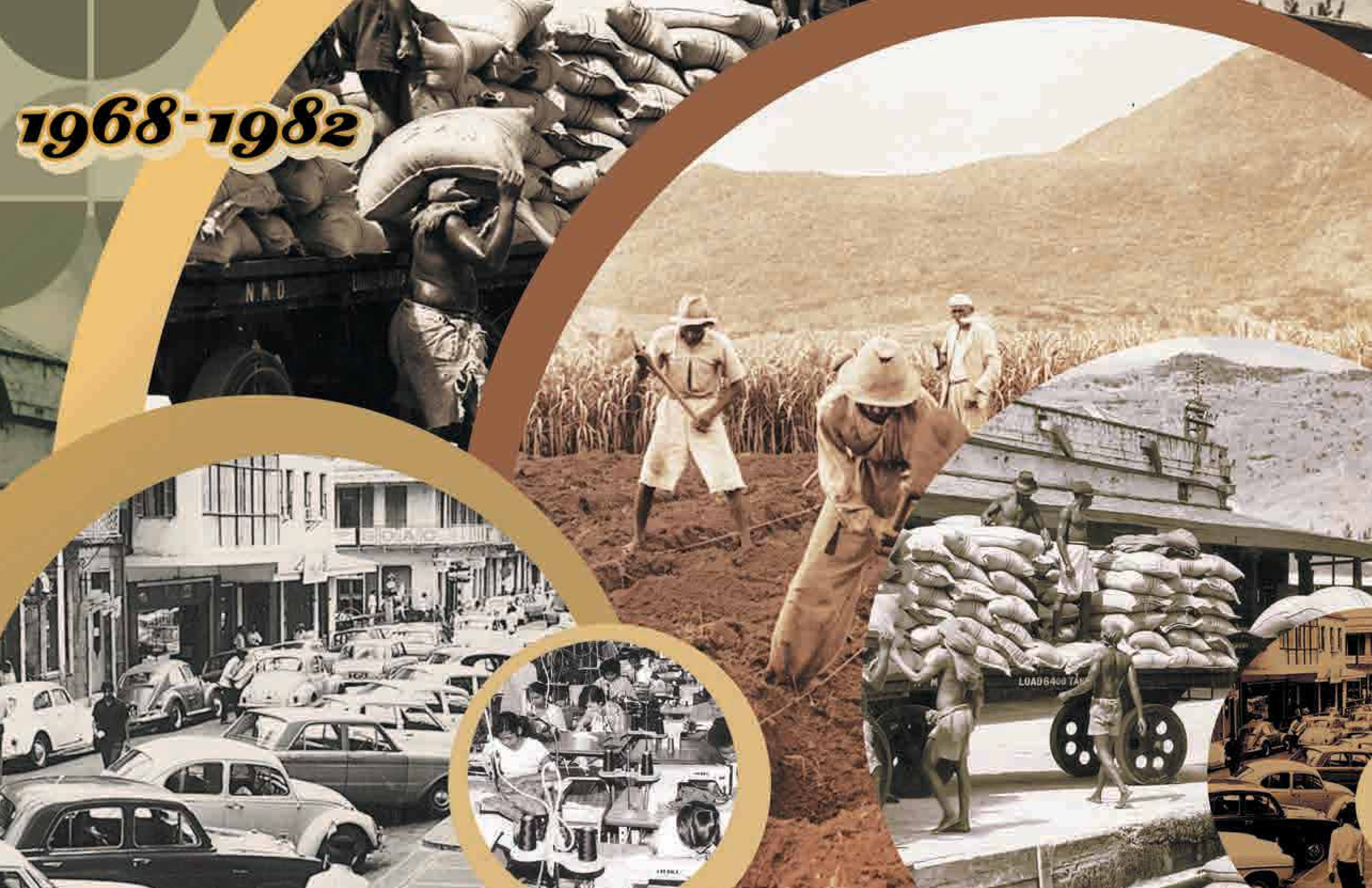
Key Statistics

- **4,152,728** A4 paper saved as a result of:
  - Elimination of redundant internal reports
  - Statements sent to customers now printed double-sided
  - Customers' statements of accounts and other correspondences sent by email instead of by post
    - > 44,857 customers subscribed for email facility
    - > 691,141 emails sent
- Overall savings of **Rs 13.5 million** (cost of paper + postage fees)

Power consumption and savings at MCB St Jean

Period	CEB kWh	PV kWh	PV electricity contribution	PV savings Rs
2012 (Apr-Dec)	2,720,075	383,381	12%	2,235,111
2013 (Jan-Jul)	1,447,398	329,518	19%	1,921,089
Total	**4,167,473**	**712,899**	**15%**	**4,156,200**

1968-1982



Economic diversification

1968 – 1982

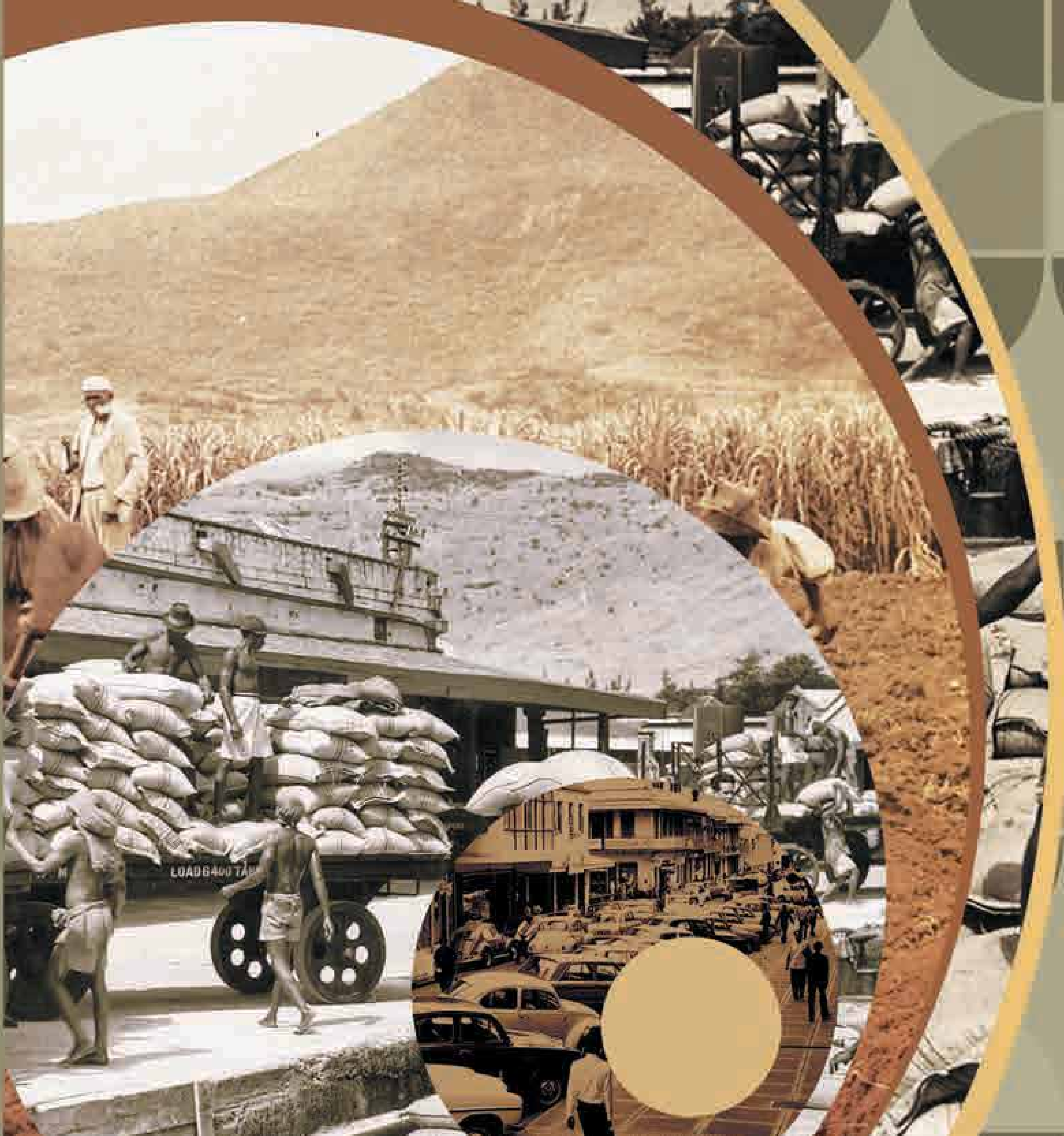
When Mauritius becomes an independent state on 12th March 1968, it needs to address a few pressing challenges: bring population growth under control, reduce the 20% unemployment rate and decrease the island's over-dependence on sugar which constitutes over 95% of its exports.

Three successive development plans aiming at creating productive jobs and giving a new orientation to the economy through diversification are adopted between 1972 and 1982. Unemployment and underemployment are deemed to be the most acute social, economic and political problem. The progress of the first plan is checked by local and external factors such as destructive cyclones and the first oil crisis. Adjustments are made in the following years in an attempt to reach full-employment at the beginning of the 1980s.

The diversification strategy adopted rests on the setting up of an Export Processing Zone and the growth of the tourism industry. These two booming sectors, which attract foreign and local investments and are backed by the Mauritius Commercial Bank, employ an increasing proportion of the active labour force and add to export earnings. The Sugar Protocol signed in 1975 and the Multi Fibre Agreement give preferential access to trading partners, particularly the European Union.

High sugar prices and bumper crops in the early 1970s lead to an economic boom but the second half of the 1970s is burdened with high inflation rates and deteriorating balances of trade and of payments, mainly on account of a drop in sugar prices, increased consumption of imported goods and a sharp rise in oil prices.

Two devaluations of the Rupee, in 1979 and 1981, as well as a structural adjustment programme and an austerity plan prescribed by the World Bank and the International Monetary Fund mark the end of this period.



Management discussion and analysis

Achievements and Prospects

During the last financial year, MCB was confronted by particularly challenging conditions across different markets. Overall, activity growth was restrained by the testing economic climate locally and abroad, with operations being further impacted by country-specific difficulties. Especially, the demand for credit in Mauritius was affected by sluggish private sector investment, while margins were subject to pressures wielded by the heightened competitive landscape in specific segments as well as unfavourable conditions within the money and foreign exchange markets. Furthermore, MCB witnessed a significant rise in allowance for credit impairment, mainly reflecting increased provisions to cover for some non-performing exposures of its Global Business portfolio. Yet, taking advantage of its sound business model, MCB posted a circumstantially resilient financial performance on the back of a sustained growth in its balance sheet. Indeed, while results of the Bank improved moderately after excluding the exceptional net dividend income of Rs 755 million received from our Reunion-based associate, BFCOI, during the preceding year, profit attributable to the equity holders of the Group increased by some 5% to stand at Rs 4.3 billion during FY 2012/13, representing earnings per share of Rs 18.15. To a notable extent, this achievement was underpinned by our market diversification strategy, particularly in the region. Against this backdrop, the contribution of foreign-sourced earnings to total Group profit increased to 46% during the last financial year, despite strains emanating mainly from the inhibited results of some foreign subsidiaries and heightened impairment charges. In respect of its financial soundness, while being adversely hit by the stressed operating environment, notably at the level of asset quality, MCB's metrics remained at generally healthy levels.

MCB pursued multiple strategic orientations in support of its expansion thrust both locally and internationally. On the domestic front, the organisation provided increasingly personalised and simplified banking experiences to its retail customers, while remaining the trusted partner of companies spanning various economic sectors. Furthermore, MCB entrenched its market presence beyond domestic shores by widening its footprint across sub-Saharan Africa and the region. This achievement has been enabled by: (i) increased participation in big-ticket structured trade, commodities and project financing transactions; (ii) a significant growth in our 'Bank of Banks' client portfolio size towards handling trade finance, payments and cards outsourcing operations on behalf of banking peers, as well as undertaking internal audit and project management related assignments as per their requirements; and (iii) the proactive development of risk participation and syndication agreements concluded with top tier international banks. Moreover, the Global Business unit maintained its expansion, especially by further developing its business relationships with industry players. As regards the non-banking field, MCB sustained the growth in its activities by leveraging its array of solutions and its diversified market positioning.

Overall, alongside laying due emphasis on risk management, MCB upheld its business development drive across geographies on the back of a further improvement of the quality of its customer relationships. Hence, while enhancing the deployment of its delivery channels, MCB further broadened and refined the range of its products and services. Amongst others, besides unveiling 'Instakit', which is a free service allowing the instant issue of a panoply of everyday and self-service banking solutions to a retail customer entering a branch for account opening, MCB launched the 'Juice' mobile payments platform, which allows customers to transfer money to telephone numbers, pay merchants and, as a landmark move, effect card-less ATM withdrawals. Besides, in the wake of China's emergence as an economic powerhouse, the Bank unveiled a growing suite of Renminbi solutions for facilitating payment clearing and trade settlements for importers and exporters. In the same vein, MCB launched the first UnionPay International card in Africa. Elsewhere, to better support the deployment of its strategic intents, MCB reinforced its market visibility in Mauritius and abroad. In addition to conducting promotional campaigns and participating in selected roadshows and conferences, it organised high-profile networking and business showcasing events, examples being (i) the first edition of the annual-to-be 'Investor Insight', which brought together local and international speakers to share their views on the global economy and investment opportunities, and (ii) the fourth 'Africa Forward Together' seminar which welcomed 55 delegates from 41 banks spanning 17 countries. Moreover, MCB sponsored various events, notably the MCB European Tour Championship which is considered as the most prestigious golf contest held in Mauritius.

To uphold the foundations for sustained business growth, MCB strived to achieve improved operational efficiency levels. For instance, to foster the engagement and high-quality performance of the workforce, a Leadership Development Programme was launched for top, senior and middle management, while major investment was made in a key software providing e-learning solutions. Reflecting the quality of staff training, the MCB Development Centre was the first training institution in Mauritius to obtain the ISO 9001:2008 certification. As for systems and processes, the range of initiatives deployed include: (i) implementation of a world-class Electronic Document Management System to better automate and manage business processes as well as provide a solid foundation to onboard new customers more easily, and (ii) the enhancement of our SWIFT service through an upgraded messaging platform to improve the quality and greater security of messaging services.

Reflective of its achievements, MCB's market capitalisation today amounts to around USD 1.6 billion, which represents a share of some 24% at the Official Market of the Stock Exchange of Mauritius. Moreover, MCB maintained its leading domestic banking position, with the organisation being, for the fourth time in the last five years, proclaimed 'Bank of the Year' for Mauritius in 2012 by The Banker magazine. Interestingly, as per the latter's latest Top 1000 Banks ranking, MCB stood as the only Mauritian Bank in the Top 25 African Banks as well as the top Bank in East Africa, while occupying the 672nd spot worldwide. Furthermore, it is worthwhile to note that, as a vote of confidence by investors in MCB's strategic orientations, financial heft, track record and business model, our initial offer of Floating Rate Subordinated Notes on the Official Market of the Stock Exchange of Mauritius was oversubscribed by more than 100%, thus enabling us to raise Rs 4.5 billion therein. Beyond its market-based and commercial activities, MCB further entrenched its stakeholder engagement during the last financial year by deploying wide-ranging initiatives for social welfare promotion, natural resource protection and energy preservation.

Looking ahead, the revenue generation capacity of the organisation is likely to remain subject to multiple challenges in Mauritius and abroad. Notably, the evolution of private investment and the expansion of the Mauritian economy are expected to bear the brunt of lingering global economic vulnerabilities and uncertainties for some time yet, while stiffer competitive pressures also warrant our attention. Nevertheless, while remaining watchful of the operating environment and monitoring the risk profile of its activities, MCB will step up its efforts to foster sustained and orderly business development. In this respect, while consolidating its leading position domestically and furthering its non-bank activities, MCB will, true to its vision to becoming a reference player in regional financial services intermediation, seek to bolster its involvement in sub-Saharan Africa, especially in view of the latter's encouraging economic prospects. MCB will seek to establish its footprint in under-tapped areas of the African continent alongside venturing in unchartered territories beyond, while taking advantage of appealing global business avenues. All in all, to underpin the smooth execution of its strategic orientations, MCB will remain vigilant to the regulatory developments and will adequately gear up its operations to effectively face up to the potential implications on its activities.

Fundamentally, MCB will anchor its business development on a further strengthening of its internal capabilities, delineated in terms of the quality of its human capital and effectiveness of its operational set-up. In the latter respect, the proposed restructuring plan of MCB will facilitate the organisational adaptation to a changing operating environment. Specifically, it will confer to the entities under the three new distinct business clusters – namely banking, non-banking financial and other investments – greater autonomy in the management of their day-to-day operations and the deployment of their market strategies. Furthermore, while being partly linked to capital-raising plans in view of the organisation restructuring and evolving regulatory developments, the sizeable funding resources secured by MCB on the local bourse as well as the USD 150 million financing package obtained from African Development Bank – comprising a USD 120 million seven-year multi sector line of credit and USD 30 million ten-year subordinated debt – will help the institution to fuel its market development and diversification ambitions.

After celebrating its 175th anniversary in September 2013, MCB is committed to continuously uphold the healthy business development principles that have spearheaded its success over time, while adapting to change. Above all, the focus will be on maintaining excellence in the quality of services offered to customers towards enabling them to realise their ambitions. Ultimately, MCB will drive shareholder value maximisation, while, at the same time, contributing to promote socio-economic progress in Mauritius and other presence countries.

Review of the Operating Environment

Legal and Institutional Environment

The banking sector in Mauritius has been characterised by several moves on the legal and institutional front, with the objective being to uphold its stability and soundness. In general, initiatives have been undertaken to reinforce the regulatory oversight and enhance the enabling environment underpinning healthy expansion in activity levels. MCB remains attentive to regulatory developments, with necessary preemptive actions being taken to ensure adherence to advocated rules and sustain growth in activity. In the process, the Bank is engaged in appropriate forums to provide ongoing feedback to the authorities on proposed regulatory changes towards ensuring that the industry's and country's specificities are taken into consideration.

On the legal front, the Banking Act 2004 was amended in April 2013 to provide for a banking institution to restructure its business with the approval of the Bank of Mauritius (BoM) or where it is required to do so by the latter. The regulatory reform is in line with the aim of the Central Bank to ensure that operators simplify their structures and separate banking from non-banking activities. As highlighted in the latest BoM Financial Stability Report, this measure seeks to limit the risks of contagion to banks as well as enhance market discipline and transparency, thus benefiting depositors and shareholders and strengthening the financial system as a whole. Earlier, as part of the Economic and Financial Measures (Miscellaneous Provisions) Act 2012, the Banking Act 2004 was revised at various levels, notably to enhance the protection of customers of financial institutions through adequate complaints processes. The Bank of Mauritius Act 2004 has also been amended, thus providing the Central Bank with the powers to: (i) purchase and sell Government securities that are traded on the Stock Exchange of Mauritius towards promoting the development of primary and secondary markets for these instruments; (ii) impose an administrative penalty on financial institutions not complying with any instructions or guidelines issued or requirement levied by BoM under the banking laws; and (iii) regulate and limit the quantum of fees or charges in respect of services offered by financial institutions, with a Banking Services Review Panel to be set up for dealing with any financial institution which is dissatisfied with the decision taken by the Central Bank. Other noteworthy provisions relate to the following: (i) any bank that fails to meet the agreed lending targets in relation to the scheme managed by BoM for the promotion of small and medium enterprises (SMEs) is authorised to on-lend the difference between its actual lending and the assigned target to another bank which has met the established requirements; and (ii) the Monetary Policy Committee shall take into account the views of the Central Bank, Ministry of Finance and such other institution/organisation as it considers appropriate in the discharge of its functions, so as to improve the coordination of monetary and fiscal policy. Furthermore, the current special levy on profitable banks will be applicable until the year of assessment starting January 2014, with the applicable rates to be, as it stands, halved for every subsequent year of assessment.

At another level, in addition to revising the Guidance Notes on Anti-Money Laundering and Combating the Financing of Terrorism for Financial Institutions, the Guideline on Credit Concentration Risk has been amended in September 2012, with the aggregate large exposures limit of industry operators moving from 800% to 600% of the capital base of the bank or group as from January 2014, before being further lowered the following year as indicated by BoM. Moreover, the Central Bank issued a Guideline on Mobile Banking and Mobile Payment Systems in February 2013 and a Guideline on Complaints Handling Procedures in August 2013. The latter sets out the minimum criteria to be observed by financial institutions for the handling of customer complaints. In addition, towards bolstering the intrinsic capabilities of banks to confront shocks and tackling the source of vulnerabilities in the financial system, a number of papers have been prepared by BoM for consultation with industry operators before their eventual finalisation and implementation. For instance, BoM issued a Draft Guideline on Scope of Application of Basel III and Eligible Capital in May last, in respect of which discussions are still ongoing. The document sets out the rules text and timelines to implement some of the elements related to the strengthening of the capital framework. It formulates the characteristics that an instrument must have in order to qualify as regulatory capital, and the various adjustments that have to be made in determining the regulatory capital of a bank. It also lays down the transitional arrangements for implementing certain elements of the Basel III capital framework, as well as the limits and minima of the different components of capital. In addition, BoM lately circulated the following draft consultative papers for comments by banking operators: (i) specific macro-prudential measures to be adopted by banks, in relation notably to their market exposures and portfolio provisioning, and (ii) a framework to be put in place by the Central Bank for dealing with domestic systemically important banks.

Elsewhere, BoM imposed a cap of 3% on the spread of the major currencies being traded by banks – namely USD, GBP and EUR – which, however, had limited impact on MCB whose exchange rate margins on most transactions remained within this threshold. Regarding the operational framework, marking the end to the era of physical/manual clearing of cheques, the Clearing House at BoM has moved forward to the full truncation of cheques as from February 2013, thus contributing to bring enhanced efficiency in their processing, notably in terms of speed and security. Besides, after having been appointed as the settlement bank for COMESA, BoM has started live operations in respect of the Regional Payment and Settlement System as from October 2012. Moreover, BoM signed a Memorandum of Understanding (MoU) with the Reserve Bank of India in December 2012 and the Registrar of Financial Institutions of Malawi in January 2013 to establish frameworks to support supervisory cooperation and information sharing.

For its part, the non-banking field continued to be characterised by regulatory changes and other moves aimed at improving the regulatory oversight of related activities and support business development in various areas. Notably, the Private Pension Schemes Act was proclaimed in November 2012, whereby all private pension schemes set up in Mauritius are now regulated and supervised by the Financial Services Commission (FSC). Besides, the Financial Services Act 2007 was revised, with a key amendment being the extension in the definition of 'consumer of financial services', which now includes a beneficiary under the Private Pension Schemes Act and any other person entitled to benefit from financial services under the relevant Acts. Besides, 'global headquarters administration' and 'global treasury activities' have been included in the definition of financial business activities. Of note also, FSC signed an MoU with the European Securities and Market Authority in May 2013 to provide convenient access by Mauritian alternative investment funds and fund providers in the European Union under the requirements of the latter's Alternative Investment Fund Managers Directive. Furthermore, with a view to promoting mutual assistance and to facilitating information exchange, FSC signed MoUs with Cyprus Securities and Exchange Commission in December 2012 and with Maldives' Capital Market Development Authority in January 2013.

In respect of the financial services industry in general, while engaging with operators to ensure that they exercise increased vigilance in their operations, particularly against the backdrop of alleged financial scams, BoM and FSC pursued their respective financial literacy programmes, with the objective being to further promote consumer understanding and awareness of the operation of the financial system, notably in respect of the benefits and risks of various market instruments and solicitations. In a different light, the Mauritian Government signified the interest of the country to enter into an Intergovernmental Agreement and a Tax Information Exchange Agreement with the US Internal Revenue Service (IRS). The objective is to become compliant with the Foreign Account Tax Compliance Act (FATCA) of the US and minimise the compliance burden on Mauritian financial institutions. Of note, the FATCA requires US individuals to report their financial accounts held overseas and foreign financial institutions to report to the US IRS about their US clients.

Management discussion and analysis

Macroeconomic Overview

General Evolution and Prospects

During the last financial year, the economic environment of MCB remained broadly challenging. In particular, MCB was confronted by the repercussions of global economic and financial instabilities on the markets in which it is involved as well as inherent country-specific difficulties in some respects. On a more favourable note however, in addition to the resilience of specific market segments, the generally appreciable macroeconomic performance depicted by sub-Saharan Africa paved the way for the generation of noteworthy business development opportunities.

International backdrop

In spite of emerging and developing countries faring relatively well, world economic growth faded by a notable margin and attained 3.1% in 2012 as per the International Monetary Fund (IMF), reflecting mainly the deterioration of the euro area crisis as well as the persistence of dampened financial and real sector conditions across various advanced economies. The expansion of the global economy is likely to remain subdued this year, considering the protracted euro area recession and a relative weakening of activity levels in several key emerging market economies, though they should still perform quite well. Moreover, even if they have been somewhat attenuated in recent times pursuant to policy decisions in the euro area and the US, key downside risks to the global growth outlook subsist. Notably, the possibility of a longer-than-expected growth slowdown in emerging economies cannot be discounted, given domestic capacity constraints, slowing credit growth, and weak external conditions.

Performance of sub-Saharan Africa

While somewhat decelerating in line with the testing global landscape, economic growth in sub-Saharan Africa stayed relatively appreciable in 2012. In particular, the region benefited from the offshoots of prudent macroeconomic management and broadly favourable commodity prices. For this year, even if some of its largest economies, such as Nigeria and South Africa, are struggling with domestic problems and relatively weak external demand, the region should pursue its expansion path. Indeed, output growth, on average, is expected to accelerate to reach around 5% in 2013, underpinned largely by solid investment and exports outcomes, on the back essentially of the construction and agricultural sectors faring generally well and new extractive industry capacity coming on stream. Nonetheless, middle-income countries are projected to grow at a relatively slower pace on average than the other country groups, notably on account of their closer links with the afflicted euro area.

Real GDP growth (%)	2010	2011	2012(e)	2013(f)
Sub-Saharan Africa	5.4	5.4	4.9	5.1
Oil-exporting countries	6.6	6.1	6.4	6.6
Middle-income countries	4.0	4.7	3.3	3.6
Low-income countries	6.4	5.6	5.7	6.3
Fragile countries	4.2	2.4	7.0	6.8
MCB presence countries				
Mauritius	4.2	3.6	3.4	3.2
Madagascar	0.4	1.8	1.9	2.6
Maldives	7.1	7.0	3.5	3.8
Mozambique	7.1	7.3	7.5	8.4
Seychelles	5.6	5.0	2.8	3.2

(e) estimates (f) forecasts

Sources: IMF World Economic Outlook - April 2013; Regional Economic Outlook (Sub-Saharan Africa) - May 2013; WEO - July 2013 Update; Statistics Mauritius; MCB Staff estimates

Overview of our presence countries

Notwithstanding the prevalence of buoyant activities in relation to mining and some other sectors, Madagascar again posted a weak growth performance in 2012, pinned down by the difficult political environment. Although a gradual improvement is foreseen this year, the forecast is subject to the political crisis being suitably settled and the macroeconomic reform agenda being strengthened. As for the Seychelles, while remaining vulnerable to global developments and domestic shocks, its macroeconomic performance has been generally sound last year, with growth being mainly upheld by a robust expansion in tourist arrivals. Looking ahead, the country's economic prospects are quite favourable, with support likely to spring from traditional sectors such as tourism and fishing as well as the telecoms and IT industries. With respect to Maldives, economic growth decelerated in 2012, with the repercussions of fragile global conditions on tourist arrivals being only partially offset by notably good performances in respect of construction and fisheries-related manufacturing. Real GDP growth is foreseen to register a modest recovery in 2013, reflecting the difficult economic environment internationally. For its part, the Mozambican economy registered a relatively strong growth in 2012, helped by the start-up of coal production as well as appreciable activity levels in relation to agriculture, construction and financial services. Notwithstanding the impact of untoward climatic factors on agricultural output, real GDP growth is anticipated to stay solid this year, buttressed mainly by a further boost in coal exports and the execution of large infrastructure projects.

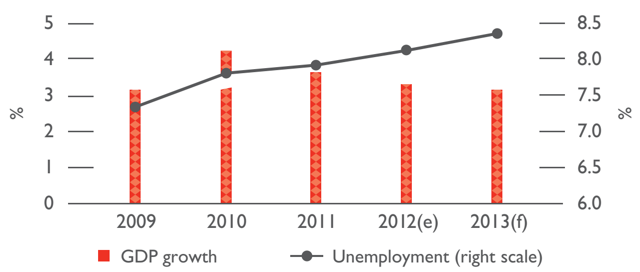
Performance of the Mauritian Economy

In spite of displaying some resilience to the challenging international context, the Mauritian economy has remained in a generally difficult territory lately in the wake of protracted exogenous pressures and inherent growth-hindering constraints. Noticeably, such dynamics have translated into a non-negligible deceleration of the country's real GDP growth trajectory. Although the tail risks to the global outlook have somewhat lessened from earlier highs, apprehensions over the short to medium term performance of the domestic economy remain on the cards. Indeed, whilst the fiscal sector should stay in a relatively favourable zone, the real and external sectors warrant scrutiny, at the level notably of output generation, employment creation as well as trade in goods and services.

Economic growth

Despite being supported by the appreciable performances exhibited by the financial and business services, as well as the seafood and ICT sectors owing to their harnessed competitive breakthroughs, real GDP growth decelerated to attain 3.4% in 2012. To a notable extent, this outcome was attributable to difficulties in key export markets and the lacklustre evolution of domestic investment. Soft economic conditions continue to prevail in 2013 amidst persisting global economic vulnerabilities. Hence, the growth performance of Mauritius is set to remain under pressure in spite of the statistical impact of a tempered output base engendered by the cumulative effect of years of below-par activity levels as well as the support stemming from some key pillars and upcoming sectors. Indeed, while being subject to downside risks emanating principally from the wobbly world economy, real GDP growth is anticipated to stand at slightly above the 3% mark. Specifically, in addition to the curtailed evolution of net exports of goods and services amidst the delicate external environment, current trends in gross domestic fixed capital formation (GDFCF) should act as a further drag on the economy's expansion. Reflecting the challenging economic conditions, tempered business confidence levels, generally slow capital formation and the persistence of labour market rigidities, the nationwide unemployment rate stood at 8.1% in 2012 and is likely to increase further in 2013, thus representing the fifth consecutive year of worsening. In particular, the relatively elevated joblessness rates for women and the youth represent a major cause for concern.

Real GDP growth and unemployment



(e) estimates (f) MCB forecasts

Sources: Statistics Mauritius & MCB Staff estimates

In general, the economic growth performance of Mauritius can be viewed as being below-par when compared to our medium-term targets, with the actual output falling short, again, of its potential level. Fundamentally, the vulnerability of Mauritius to exogenous shocks is being amplified by the persistence of idiosyncratic hindrances to the country's productivity and competitiveness levels. In fact, such a situation can, to a non-negligible extent, be associated with the view that the impetus of the current national reform process has somewhat stalled in recent times. Against this backdrop, it appears essential that the national reform agenda be comprehensively revitalised by means of a wide-ranging and flexible pro-growth approach. The chief priority is to re-ignite private sector investment and enhance the country's external competitiveness with a view to upgrading the country's long-term potential growth rate. Specifically, the policy orientations that can be contemplated for unlocking growth opportunities for Mauritius can be delineated as follows: (i) enhancing the country's productivity and global competitiveness apparatus, (ii) widening the country's economic space, by notably diversifying export markets and broadening our regional and international exposure, and (iii) extending and entrenching our connectivity to foreign centres of economic gravity.

Economic sectors

Our productive sectors have been marked by mixed fortunes in 2012, with the operating environment not expected to materially change this year. While some industries are performing relatively well on the strength of their market development breakthroughs, others are being mainly confronted by strains linked to the vagaries of the global economy in terms of value creation, revenue generation and further capacity building for improved competitiveness. Yet, in some instances, business operators have, to some extent, coped with the challenging operating context and supported their revenue generation capabilities by leveraging diversified business lines (e.g. sugar companies turning towards the property development and energy segments) and entrenching their foreign involvement (e.g. tourism and textile operations in the region).

Selected real growth rates (%)	2010	2011	2012[1]
Sugarcane	-6.4	+3.5	-7.3
Other agriculture & fishing	+2.4	+4.4	+3.7
Manufacturing	+1.9	+0.7	+2.2
Sugar	*-4.0*	*+3.8*	*-6.3*
Food (excl. sugar)	*+4.1*	*-1.4*	*+7.6*
Textile	*+0.0*	*+3.0*	*-1.1*
Other	*+2.0*	*+0.6*	*+0.0*
Electricity, gas, steam & air conditioning supply	+4.6	+4.4	+4.5
Construction	+4.3	-2.0	-3.0
Wholesale & retail trade	+3.7	+3.3	+3.5
Transportation & storage	+3.4	+2.5	+2.1
Accomodation & food service activities	+6.0	+3.5	+0.0
Information & communication	+10.9	+9.0	+8.6
Financial & insurance activities	+4.5	+5.6	+5.7
Monetary intermediation	*+4.4*	*+6.3*	*+6.3*
Insurance, reinsurance & pension	*+4.5*	*+4.5*	*+4.6*
Real estate activities	+2.7	+2.9	+2.8
Professional, scientific & technical activities	+6.5	+7.3	+7.8

[1] *Revised estimates*

Source: Statistics Mauritius

With regard to established sectors, the sugar industry posted a notable drop of more than 7% in real value added in 2012, owing mainly to a decline in production, partly attributable to a re-orientation of its activities. For this year, a moderately positive growth outcome for the industry is being foreseen, with production likely to rise to 420,000 tonnes of refined and special sugars as per recent estimates. In respect of the tourism industry, despite inroads made in respect of emerging markets, the demand for the Mauritian destination is being held back by dampened private expenditure and economic uncertainty, mostly in advanced economies, as well as stiff competition springing particularly from countries of the region. Besides, in spite of some progress made, the perceived sub-optimal tapping into of airline connectivity capabilities is deemed to be weighing in the balance. As such, after staying relatively flat at 965,441 last year on the back principally of large declines registered with respect to traditional European markets, tourist arrivals are, given recent trends, anticipated to grow only moderately to stand at below the 1 million mark in 2013. In addition to this volume effect, the evolution of gross tourism receipts remains tempered by price discounting measures put in place by operators, some episodes of adverse currency dynamics and the fact that spending per capita is being pressurised by difficult conditions in our source markets. As regards textile, after engendering a contraction in the industry's real value added last year, dampened private demand abroad should restrain its growth performance in 2013, despite the sector taking advantage of increased market diversification and productive efficiency gains. The country's expansion has also been inhibited by the performance of the construction sector. After registering a negative growth last year, the latter is expected to contract by an important margin in 2013, with the soft economic environment and project implementation bottlenecks hampering the initiation as well as the smooth execution of capital projects within the private and public sectors. Furthermore, while being subject to pressures on its activity levels, the domestic oriented manufacturing industry posted an upturn in 2012, partly attributable to wide-ranging measures adopted by the authorities to gear up the intrinsic capabilities of SMEs. For 2013, these dynamics should continue to support the expansion of the sector, even if subdued economic activity levels as well as long-standing sector-specific susceptibilities associated with productivity and competitiveness issues would weigh in the balance.

From a more positive angle, notwithstanding the prevalence of supply-side constraints, a noteworthy expansion trajectory by the seafood sector has been sustained on the strength of capacity building moves and market development headway. Moreover, the main drivers of the services/tertiary industry continue to post relatively appreciable outcomes. Thus, in spite of the difficult economic backdrop, human resource constraints as well as limits to the speed and reliability of connectivity despite recent progress, the ICT sector witnessed a robust expansion rate last year and should continue to fare well in 2013, after leveraging enhanced market penetration across geographies and taking advantage of the competitiveness benefits stemming from the sound operating models used by key players. These dynamics should also assist in sustaining an appreciable growth path for the 'professional, scientific and technical activities' and 'financial and insurance activities' segments, though the latter remains exposed to unresolved threats over the potential revision of our Double Taxation Avoidance Agreement treaty with India, despite notable efforts deployed by the authorities in an attempt to remedy the situation. For its part, notwithstanding strains related to the testing economic climate, the trade sector expanded by a fairly appreciable 3.5% last year, with the segment on course to grow by a non-negligible margin in 2013, to some degree underpinned by rising household spending in the wake of the implementation of the PRB report.

Investment and savings

Of particular concern to the banking sector and as a major drag-down influence on the evolution of nationwide output, private sector investment declined by nearly 2% last year on the back of soft economic conditions, heightened uncertainty levels and the restrained revenue generation capacity of enterprises amongst others. For its part, the expansion of capital spending by the Government turned out to be less important than initially anticipated as a result of notable delays observed in the materialisation of several infrastructure projects. Consequently, the country's GDFCF contracted, causing its ratio to GDP to pursue the downtrend being engaged into for some years now to attain 23.0% in 2012. For 2013, the situation on the investment front is not likely to improve. In fact, on account mainly of persisting economic challenges and the completion of some large-scale ventures, private investment is projected to contract again.

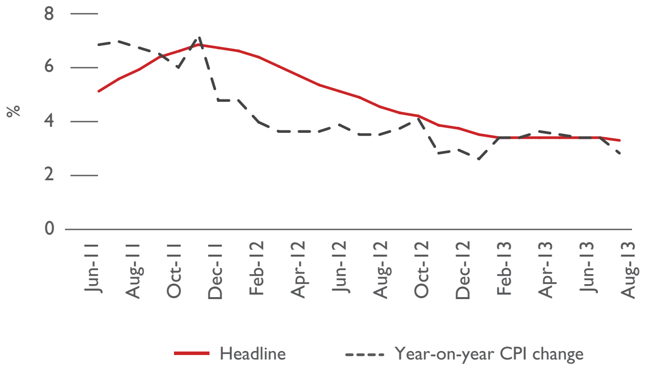
Management discussion and analysis

Subsequently, its share of GDP would oscillate around the 16% mark, thus representing the fifth consecutive year of decline. At the public sector level, while initially hyped to provide an importantly positive contribution to the expansion of the national economy following the enunciation of sizeable infrastructure-related projects, related investment is now predicted to fall by a notable extent this year. Actually, while being only partially offset by greater-than-earmarked investment in land drainage, a much lower-than-earlier-expected portion of undertakings announced in the context of the Public Sector Investment Programme 2013-2017 is likely to materialise. This is essentially due to project implementation bottlenecks emanating mainly from instances of administrative impediments as well as the prevalence of legal issues at the tendering/procurement stages of specific projects. All in all, the national investment ratio is projected to decline further and stand at below 22% of GDP in 2013. The outcome is several percentage points below the levels advocated to enhance the country's competitiveness and economic growth pattern. At another level, against the backdrop of the weakening national investment ratio, the country's resource gap is foreseen to narrow further in 2013, but should remain fairly high on account of a relatively low savings ratio amidst pressures on household and corporate savings linked to the sub-optimal economic climate.

Inflation

Helped by the statistical effect of a wider base attributed to sharp price increases recorded at the end of 2010 and early 2011, headline inflation pursued a downward trajectory during the early part of FY 2012/13 before stabilising at around 3.6% since February 2013, reflecting the impact of price hikes in administered items, such as alcoholic and non-alcoholic beverages, tobacco and gasoline. On the whole, the evolution of the consumer price index has been contained by general rupee strength in specific periods, with further relief coming from the downtrend of some commodity prices on the international scene during prolonged periods owing to the soft global economic climate, even though they remained quite elevated in some instances. The positive evolution of headline inflation has enabled BoM to maintain an accommodative monetary stance. After keeping its benchmark rate unchanged on successive occasions, the Monetary Policy Committee cut its key Repo Rate by 25 basis points to 4.65% in June 2013 as a response principally to the difficult economic environment. The latter factor could continue to weigh in policy decisions moving forward, the more so that inflation is likely to remain at manageable levels in coming months, even if pressures potentially emanating from price increases of administered products and demand-pull forces linked to salary adjustments as well as possible adverse currency dynamics cannot be discounted.

Inflation trends



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

Sources: Statistics Mauritius & Bank of Mauritius

Public finance

A source of satisfaction to the Mauritian economy relates to further headway made in consolidating public finances in recent times, as gauged by the budget deficit for 2012 being contained at 1.8% of GDP notwithstanding adverse pressures stemming from the testing operating environment. This is much lower than initial estimates, even though part of the better outcome is explained by under-spending in capital outlays linked to some delays in the implementation of specific large-scale projects. Looking ahead, the budget deficit is expected to be maintained at a relatively low level in the short term at least. Commendably, on excluding interest payments, the structural primary balance is estimated to remain in positive territories, thereby favourably impacting upon the debt dynamics and auguring well for meeting the enunciated target of bringing total public sector debt to 50% of national income by 2018. Latest figures show that the country's public sector debt stood at 53.9% of GDP as at June 2013 as compared to 54.4% of national output one year ealier. Overall, whilst the progress achieved in addressing the fiscal imbalance is encouraging from a macroeconomic management perspective insofar as it creates the fiscal space to strengthen the country's underlying foundations, there are still areas that warrant our attention given their generally challenging fiscal implications, notably pertaining to project implementation capacity and the efficiency of public sector organisations.

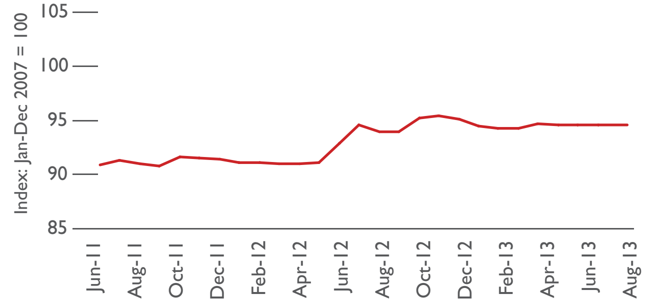
External front

The country remains subject to high external imbalances as evidenced by the substantial gap in the external trade balance with the deficit therein estimated to have worsened to about Rs 81 billion last year. In fact, import growth was compounded by a significant rise in the bill relating to machinery and equipment as well as still elevated oil and food prices on world markets. Besides, whilst benefiting from a strong performance in the seafood sector, the evolution of exports was somewhat restrained by the difficult external context. Despite a relative drop in the first semester, the trade deficit in 2013 is projected to stay elevated, with growth in exports of goods anticipated to be held back by moderate increases in receipts from sugar and textiles even though it is expected to be supported by another strong performance in the seafood industry. On the other hand, whilst the indicator is likely to be somewhat impacted by restraints in respect of the purchase of construction-related items and capital goods, especially in the wake of the country's sub-optimal economic climate, imports should be upheld by the purchase of marine vessels, appreciable consumption growth amidst salary adjustments in the public sector, and by still high commodity prices in some instances. As a result mainly of the large merchandise account imbalance, the current account deficit as a percentage of GDP exceeded the 10% mark last year and is expected to remain at worrying levels in 2013. Yet, the country's balance of payments has remained in a surplus position this year owing to sizeable inflows on the capital and financial account. Whilst viewed positively, the outcome on the balance of payments should be critically assessed in light of the vulnerability to the country's sustainable economic development engendered by persistently high current account deficits. This situation calls for far-reaching measures to enhance the underlying competitiveness of Mauritius and bolster its intrinsic production capabilities, while the evolution of the local currency warrants due attention. Indeed, even if it lost some general grounds on an annual average basis in the last financial year, the rupee is, using IMF methodologies, still deemed to be somewhat overvalued relative to the country's underlying fundamentals and in comparison to the currency movements of our main competitors.

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

	Value as at		Annual average	
	29-Jun-12	28-Jun-13	FY 2011/12	FY 2012/13
USD	31.35	31.35	29.68	31.23
GBP	48.92	47.75	46.99	48.97
EUR	39.42	40.86	39.72	40.38

MERI2



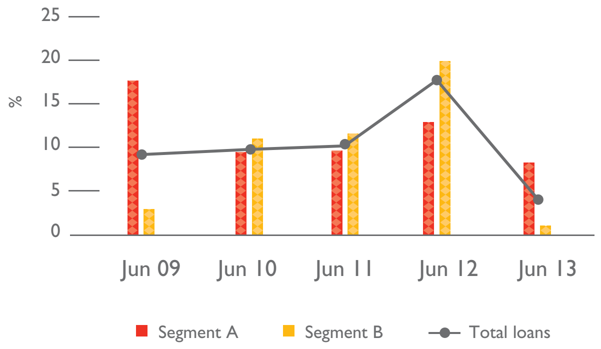
Notes:
(i) The MERI2, which is a weighted average of bilateral exchange rates for the Mauritian rupee, is based on the currency distribution of merchandise trade and tourism earnings
(ii) An increase/decrease in the index indicates a depreciation/appreciation of the rupee

Source: Bank of Mauritius

Market Environment

The overall activity level in the banking sector was somewhat restrained by the testing economic environment and slow-moving domestic investment with further pressures on performances of commercial banks emanating from prevailing unfavourable conditions in the money and foreign exchange markets. That said, the retail segment sustained an appreciable growth momentum amidst stiff competition among banks. Although the difficult operating context exerted notable strains on several banks through adverse impact on credit quality and profitability, the banking system as a whole maintained generally healthy financial soundness metrics, with continued emphasis being laid upon diligent risk management in contrast to the potentially negative perception that might have been engendered by the alleged financial scams.

Banking sector loans: year-on-year growth



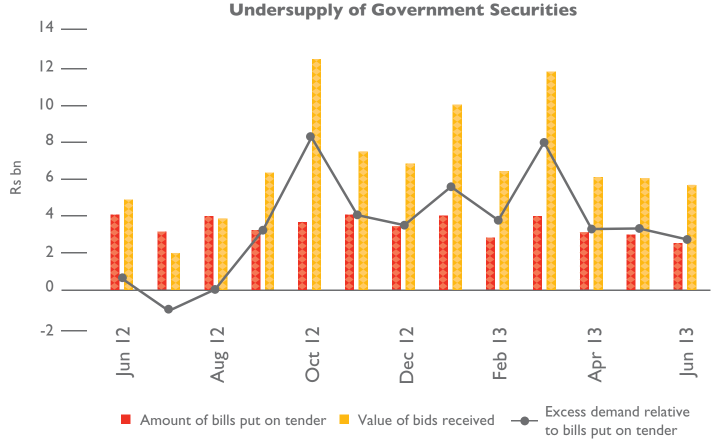
Demand for credit experienced a marked deceleration as gauged by a decline to 4.0% in the growth of total gross loans which reached Rs 564.5 billion in June 2013. In particular, Segment B advances in relation to activities that give rise to foreign-sourced income expanded by a mere 0.8% during the last financial year. This drop was mainly prompted by a sharp decline in foreign bills discounted while, notwithstanding further inroads made by operators in Africa, foreign currency loans outside Mauritius increased at reduced pace on account of a restrained evolution in cross-border exposures to Asia, notably India. In the same vein, credit to the Global Business Licence holders fell over the financial year amidst uncertainties surrounding the DTAA between India and Mauritius. This contributed to growth in credit to the economy dropping by a noteworthy margin to 6.4%, with expansion in Segment A advances slowing down to 8.3%. Domestic credit growth was mainly pinned down by declines in outstanding loans and advances to several sectors including infrastructure, manufacturing and traders, partly reflecting the difficult operating context. On the other hand, lending to the household segment maintained its strong growth momentum, underpinned by sustained increases in both consumer and mortgage loans. Significant contribution also stemmed from the construction sector as a result of disbursements made to support the unfolding of commercial and residential projects. Albeit to a lower extent, notable increases were registered in respect of agriculture and fishing in line with capacity building and restructuring initiatives therein as well as in public non-financial corporations, transport and tourism mainly on account of rises in their foreign currency loans. In this respect, it is worth mentioning that, as part of the Special Foreign Currency Line of Credit offered by BoM to commercial banks for on-lending to their clients in export oriented industries to correct possible currency mismatch between revenue and debt servicing, some EUR 40.3 million have hitherto been made available essentially to tourism operators. From another angle, SMEs continued to benefit from the Government-backed SME Financing Scheme in force since December 2011 with related outstanding loans amounting to Rs 1.0 billion as at June 2013, above 50% of which was accounted for by MCB.

Credit to the economy (June 2013)

Sectors	Rs m	Mix %	Y.o.y. change %
Agriculture and fishing	17,136	6.0	9.3
Export oriented industry	5,666	2.0	(8.6)
Domestic oriented industry	12,686	4.5	(0.9)
Tourism	45,940	16.2	6.0
Transport	5,743	2.0	43.0
Construction	71,989	25.3	16.4
of which Housing	*42,604*	*15.0*	*13.3*
Traders	27,646	9.7	(3.7)
Information & Communication Technology	1,376	0.5	11.2
Financial & business services	25,253	8.9	1.2
Infrastructure	4,529	1.6	(15.2)
Global Business Licence holders	25,578	9.0	(6.9)
Personal & professional	28,576	10.0	22.2
Public nonfinancial corporations	5,643	2.0	15.2
Others	6,672	2.3	(9.2)
Total	**284,430**	**100.0**	**6.4**

Of interest, the last financial year saw a few companies resorting to the bond market as an alternative to raise funding, inter alia, aimed at financing major capital expenditure and restructuring their existing debts, with the offers being consistently oversubscribed. The notable success of these initiatives can, to some extent, be associated with the high liquidity situation in the financial system. As a matter of fact, excess cash reserves over the required minimum cash balances in the banking sector reached more than Rs 5 billion in June 2013. This situation has been compounded by persisting undersupply of Treasury Bills as well as the net intervention of BoM on the domestic foreign exchange market to build up foreign exchange reserves under the Operation Reserves Reconstitution programme. Against this backdrop, the Bank rate treaded downwards despite a relative rise since end of May last, thereby wielding some pressures on interest margins of banks in view of the higher average deposit rate. In the foreign exchange market, margins have also been somewhat dented, among other things, by heightened competition among commercial banks and from other players as well as the introduction of a cap of 3% on the spread with respect to the three major currencies.

Undersupply of Government Securities



Evolution of key interest rates (%)

	As at		Weighted average	
	30-Jun-12	30-Jun-13	FY 12	FY 13
Repo rate	4.90	4.65	5.30	4.89
Lending rate	8.53	8.26	9.10	8.43
Deposits rate	3.65	3.28	4.12	3.51
Bank rate	3.39	2.74	4.18	2.90

As regards sources of funds, after contracting slightly in the preceding year, total deposits went up by 11.3% over the year to stand at some Rs 691 billion as at June last. This rise was driven mainly by an upturn of some 14% at the level of foreign currency deposits, which account for nearly two thirds of total deposits in the banking sector. In spite of the low interest environment and restrained nationwide income generation, rupee deposits sustained its appreciable expansion trend to grow by 7.3%, supported largely by an important increase in savings deposits. As opposed to a significant rise in FY 2011/12, total borrowings witnessed a modest rise of 1.8% with an important shift nonetheless observed towards borrowings from banks abroad for on-lending following a surge therein.

Deposits in the banking sector (June 2013)

Types of deposits	Rs m	Mix %	Y.o.y change %
Rupee	269,004	39.0	7.3
Savings	*152,975*	*22.2*	*11.7*
Demand	*39,868*	*5.8*	*5.4*
Time	*76,160*	*11.0*	*0.3*
Foreign currency	421,524	61.0	13.9
Total	**690,529**	**100.0**	**11.3**

While pursuing its strategic intents across different markets, the banking sector has upheld the general soundness of its financial position. Indeed, according to the BoM Financial Stability Report of August 2013, stress tests carried out by the Central Bank and the IMF indicated that the Mauritian banking system is well-capitalised and resilient against a range of shocks to its credit portfolios. For instance, reflecting the capacity of banks to provide adequate protection against potential shocks to their activities, the overall capital adequacy ratio stood at a comfortable average rate of 17.4% as at March 2013, which is much higher than the minimum regulatory requirement of 10%. On the other hand, on account of the subdued economic climate domestically and, to some extent, difficulties faced by operators abroad, the non-performing loan (NPL) ratio worsened. However, supported by prudent portfolio management, impaired loans have been upheld at levels that still imply relatively good asset quality in the banking sector. Furthermore, the funding and liquidity positions of banks are viewed to have been well managed. In this respect, while concomitantly acceding to wholesale markets on the international front, operators kept on relying mainly on customer deposits as a stable source of funding to finance their core lending activities. Finally, banks continued to depict appropriate levels of profitability in spite of facing up to the challenging operating environment.

Selected financial stability indicators

Core set of financial soundness indicators (%)	Mar 12	Jun 12	Sep 12	Dec 12	Mar 13
Capital-based					
Regulatory capital to risk-weighted assets	16.0	16.4	17.2	17.1	17.4
Regulatory Tier 1 capital to risk-weighted assets	14.5	15.0	15.7	15.5	15.9
Asset quality					
Non-performing loans to total gross loans	3.0	3.8	3.8	3.6	3.9
Earnings and profitability					
Return on assets	1.5	1.5	1.5	1.4	1.2
Return on equity	20.3	19.6	19.6	18.0	15.7
Liquidity					
Liquid assets to total assets	19.1	14.8	16.4	19.1	19.1
Liquid assets to short-term liabilities	28.8	22.6	25.1	27.5	27.9
Sensitivity to market risk					
Net open position in foreign exchange to capital	3.0	3.8	3.0	2.1	2.2

Source: Bank of Mauritius, Financial Stability Report - August 2013

Looking ahead, the market development potential of banks could be impacted by the generally subdued economic climate in Mauritius, with due attention being warranted in respect of the evolution of private sector investment in view of its recent lacklustre trends as well as the performance of export oriented industries in light of the lingering global economic vulnerabilities. However, the banking sector is still anticipated to duly cope with the challenging context, with industry players leveraging their generally sound business models and fundamentals, while also, in some instances, benefiting from their expansion thrusts beyond domestic shores.

Management discussion and analysis

Review of MCB Operations

Banking

Local Activities

Corporate

During FY 2012/13, MCB Corporate Banking continued to face up to difficult market conditions owing to the persistently testing and uncertain economic environment. Noticeably, in the wake of the subdued evolution of private sector investment, the market was characterised by adverse pressures on the demand for credit, while repercussions on the earnings of businesses stemming from the soft economic climate impacted asset quality across some sectors. Whilst facing up to the difficult context, MCB Corporate Banking registered a rise in its gross operating margin on the back of its sensible market positioning and strengthened operating capabilities. Indeed, net interest income increased amidst a resilient growth in the average loan book, while an expansion in fee and commission income was noted in line with the market diversification thrust. All in all, the unit consolidated its position as a trustworthy partner to key projects shaping the Mauritian economy, thus furthering its prominent involvement in the economic growth and development of the country.

While tapping into the potential of emerging and niche market segments, MCB Corporate Banking was actively involved in financing key ventures undertaken by customers within established economic sectors. Conspicuously, the unit assisted in the deployment of key undertakings across the hospitality industry and the property development sector. Furthermore, using the concessional lending facility made available to selected banks by Agence Française de Développement, MCB established itself as a prime provider of 'Green Loans' to various enterprises (see Box for more details). Overall, alongside maintaining its market vigilance, MCB anchored its business development drive on a consistent improvement of the quality of the customer value proposition. Indeed, reflecting its endeavour to continuously refine its value proposition in tune with market realities, the features of its credit protection offer were enhanced to better serve businesses in mitigating risks to their activities. Besides, MCB reinforced its internal capabilities, as gauged by the continued investment in human capital and enhancements made to its cross-selling framework.

Looking ahead, the economic environment in the country should continue to warrant attention in the short to medium term against the backdrop of global instabilities. As such, the environment in which MCB Corporate Banking operates is not expected to materially improve in the foreseeable future, with key challenges for market development subsisting at different echelons. Nonetheless, while adhering to evolving regulatory developments and ensuring that the quality of its portfolios is duly preserved by means of reinforced credit management amongst others, the unit is intent on actively pursuing its business expansion. In fact, it will remain on the look-out for interesting growth opportunities and further diversify its revenue streams. In support of its business development moves, MCB Corporate Banking will leverage its unique selling propositions to differentiate itself from its competitors and will enrich the quality of its customer relationships, by notably widening the range of its products and services. It will, also, gear up its operational efficiency by fostering process improvements across the value chain and further developing the quality of its human capital, with due emphasis to be laid on talent management.

Did you Know...

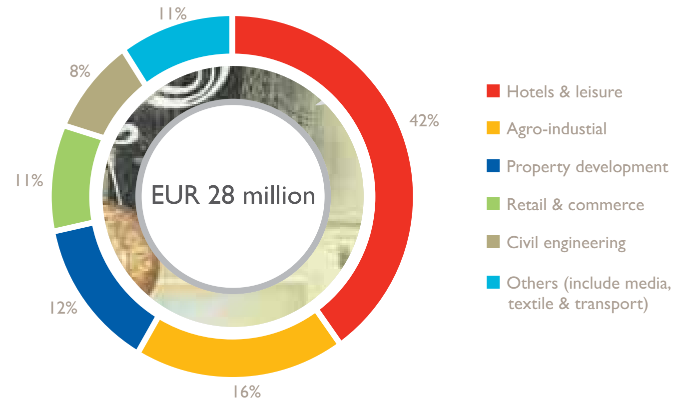
MCB set up an Industrial Loans Division (presently Corporate Banking) in 1973 in order to support the development of emerging and risky economic sectors.

Provision of '*Green Loans*' by MCB

Agence Française de Développement (AFD) made available to four Mauritian banks, including MCB, a concessional EUR 40 million credit line in 2009 to promote environment-friendly projects. Pursuant to this solution, MCB offered preferential credit facilities, named *'Green Loans'*, to help firms protect the environment, save energy and reduce carbon emissions in their operations. Upon the termination of this line of credit, MCB has established itself as the most active drawer among the participating banks. Total loan disbursements to 35 clients aggregated to EUR 28 million as at June 2013, representing some 70% of AFD's lending facility.

The illustration portrays the distribution of MCB's '*Green Loans*' across beneficiary economic sectors.

Share of '*Green Loans*' disbursed by economic sector (June 2013)



Retail

During the year under review, MCB Retail was confronted by a challenging operating context. Indeed, the testing economic climate and heightened strategic moves by competitors exerted pressures on the demand for credit within the traditional and niche market segments. Yet, MCB Retail registered a solid growth in its gross operating margin. Revenue generation was underpinned by resilient expansions in credit to the 'housing' and 'personal and professional' sectors. Besides, an appreciable performance was registered in respect of MCB's Private Banking segment, as testified by the major rise in assets under management. Besides, the level of credit impairment was effectively managed, with reinforced risk management techniques assisting in striking an adequate balance between the risk-return profile of related activities.

Alongside benefiting from the execution of targeted promotional and sponsorship campaigns – relating notably to the regular organisation of commercial activities with third party vendors to promote specific offerings – business development endeavours were underpinned by further improvement in the quality of customer relationships. Indeed, MCB Retail made additional headway towards providing clients with banking experiences that are simpler, faster as well as more flexible and autonomous. In particular, in addition to enhancing the deployment and customer-centricity of delivery channels (see following pages for more details) in alignment to market specificities, MCB Retail further bolstered its value proposition, notably with the launch of the 'Instakit' service. As a market first in the Mauritian banking landscape, the latter allows a customer entering a branch for account opening to gain speedy access to a panoply of everyday banking solutions (see Box for more details). To sustain its growth momentum, MCB Retail anchored its market drive on key internal enablers. Besides enhancing the quality of human capital on the back of adapted training programmes, initiatives in favour of customer acquisition and retention were reinforced. Amongst others, a Customer Relationship Management tool, which is accessible to front-liners and assists the latter in their client interactions, was widely put to use.

Did you Know...

MCB was the first local bank to set up rural operations in the country in 1955.

Overview of the 'Instakit' service

The 'Instakit' is a free service and is available across MCB's entire branch network.

It allows an in-branch retail customer to be instantly provided with ready-to-use solutions, comprising (i) a pre-printed debit card which has been activated and a PIN code, (ii) access to the Internet Banking platform, (iii) SMS Banking for balance verification and funds transfer amongst others, and (iv) SMS Refill for recharge of pre-paid mobile credit.

In respect of the sub-segments of MCB Retail, the Bank increased its involvement with the up-market customer segments. Indeed, MCB Select, which caters for the needs of professionals, managers and executives, widened its market involvement by leveraging its enriched value proposition, anchored on more personalised and customised services. For its part, the Private Banking unit further entrenched its market positioning in relation to high net worth customers. The business segment supported its expansion drive on the basis of its tailored and innovative offerings, a key showcase being its portfolio and wealth management solutions. Of note, its range of services was widened during the last financial year following the launch of 'Exceptions' which is a premium package that includes a bouquet of privileges to customers. Moreover, the Private Banking unit benefited from a more active market presence. Indeed, besides taking advantage of MCB's harnessed relationships with leading international investment and fund management specialists, the unit pursued its brand and business relationship building by sponsoring high-profile events, including the Mauritius Regatta 2013 which involved the participation of world-renowned skippers. For its part, the Business Banking unit widened its client base relative to SMEs after refining its product and service offerings to meet evolving market exigencies as well as bolstering client proximities. Of note, specific seminars were organised to provide guidance to SMEs in respect of 'innovation' and 'self-leadership'. They were conducted by well-known international speakers and attended by around 500 persons in all. In addition, a series of business meetings were held to shed light on matters relating to working capital and asset management for instance.

Moving ahead, MCB Retail is committed to improving its market credentials in response to the challenging economic environment and evolving socio-economic landscape, marked by the increased sophistication and complexity of client needs and aspirations amidst the rise of social media and higher customer preferences for the utilisation of technological tools. As such, underpinned by an upgrade in its operational efficiency in relation to people, systems and processes, MCB Retail will further enhance its value proposition and the quality of its service. A key axis in support of such endeavours relates to the adoption of necessary infrastructures for the effective deployment of an integrated and customer-centric multi-channel distribution strategy.

Our Channel Capabilities: Orientations and Accomplishments

Strategic intents

To foster increasingly simplified and personalised banking experiences for its clients, MCB is geared towards providing the latter with the homogeneity, speed, convenience and flexibility they need when undertaking their transactions. In this spirit, MCB has embraced excellence in multi-channel banking as an influential axis of its customer relationship management and business development drive. Specifically, to foster greater customer satisfaction across different market segments, MCB is committed to reinforce its internal capabilities and to set up the necessary physical arrangements so as to foster the modernisation and effective deployment of its range of channel offerings, while striving to achieve seamless multi-channel integration.

Recent initiatives and achievements

Achieving in-channel excellence across customer touch-points

Modernisation, broadening and segmentation of the range of channel offerings

- Presently, our branch network consists of 40 modern outlets. In recent times, all of our branches have been redesigned as per world-class 'department store' standards, thus paving the way for enriched customer experience levels via the provision of a more convivial and open banking environment.

- In order to gratifyingly respond to the specificities and exigencies of different customer segments, our branches are strategically located around the country, with differentiated formats being adopted. Conspicuously, in order to cater for the pressing needs of the high-income clientele, the 'lounge' concept is being implemented in five flagship branches, whereby customers are attended in a discreet and privileged setting. In fact, this branch model has been further entrenched during FY 2012/13, with the Grand-Bay and Floreal branches having been relocated to the 'La Croisette' and 'Floreal Square' shopping malls respectively, where more personalised banking services are offered, notably for the up-market customer segments. At another level, MCB relies widely on digital signage to boost its promotional presence and brand visibility. In this spirit, the number of digital screens, which display information on MCB's corporate profile and its range of solutions, increased over time and presently stands at some 240 across the branch network.

- The broadening of our delivery options can be testified by our ATM park reaching 162 (including 10 Forex ATMs) lately, representing a market share of around 36%. Besides, the network of merchant terminals expanded to some 6,300. During the last financial year, MCB has introduced multi-currency and wireless terminals, while even offering Dynamic Currency Conversion on all terminals and ATMs.

Number of transactions ('000)			
	FY 2010/11	FY 2011/12	FY 2012/13
Automated Teller Machines	33,781	34,287	34,299
Merchant Point of Sale	9,987	12,008	13,907
Internet Banking	645	821	1,205

Note: The restrained evolution of ATM transactions 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

Migration of solutions towards online channels

- Reflecting the increasing market interest garnered by our mobile services, latest available data show that the total number of registered users for mobile Internet Banking and SMS Banking rose considerably to reach some 5,500 and 140,000 respectively of late. Furthermore, MCB broadened its mobile banking platform by recently launching the 'Juice' mobile payments service, comprising Mobile Banking and Mobile Payments Applications.
- Following the recent unveiling of its 'Instakit' service, the instant issue of debit cards as well as Internet Banking and SMS Banking activations allows MCB's retail customers who are opening up accounts in branches to experience and learn about the utilisation of these channels first-hand, while still in-branch.
- Our Internet Banking service allows customers of different business segments to effect their transactions in an atmosphere of trust, privacy and confidentiality. In recent periods, its functionalities have been widened, with latest additions allowing customers to view their investment portfolios online.
- MCB has, over time, increased its visibility in the social media. Our Fan Page on Facebook hosts regular popular contests, while the MCB Channel on YouTube contains promotional videos.

Fostering seamless multi-channel integration

- Recent inroads achieved recently include: (i) via our Internet Banking platform, customers can subscribe to mobile banking services, and (ii) customers can undertake card-less ATM withdrawals through their mobile application.
- Dedicated projects are underway to improve client relationship management to achieve greater customer centricity, while improving segmented customer experience across channels and enhancing channel collaboration.

Management discussion and analysis

Cards

During the year under review, MCB Cards registered another double digit growth in its gross operating margin. In fact, while being confronted by the adverse market impact of tempered economic activity levels – in respect of the tourism sector for instance – and bearing up with the heightened competitiveness climate, the unit sustained its business development on the basis essentially of its broadened and refined value proposition as well as its reinforced in-house competencies.

Alongside further promoting its established solutions, MCB Cards pursued its market development drive by widening its product range and providing its customers with increasingly convenient services to meet their differentiated requirements. The last financial year saw the introduction of two brand new cards to target high net worth customers, namely the World MasterCard and MasterCard Platinum, which provide a bouquet of exclusive benefits and experiences. Besides, the MCB SmartPay offers credit facilities to clients who have the opportunity to manage their finances by dividing their purchases into smaller instalments as per their needs and budgets. Lately, adding to the panoply of its mobile services and delivering on the Bank's commitment to pioneer the use of technology to offer innovative services to meet the needs of its customers, MCB Cards launched the 'Juice' palette of solutions (see Box for details) and unveiled the MCB UnionPay card, which stands as the first of its kind in Africa. Strikingly, instead of carrying cash for travel or business purposes, clients can already load their prepaid cards in Renminbi or US dollar, thus getting access to over 8 million ATMs and retailers in China where UnionPay is dominant, and further worldwide. Moreover, several promotional events were organised to foster greater brand visibility. The end-of-year campaign, which offered clients the opportunity to win a trip to Disneyland Paris in the wake of the latter's 20th anniversary, successfully met the twin objectives of increased issue and usage of debit and credit cards. In addition, as the privileged partner of MasterCard International which is an official sponsor for the UEFA Champions League football competition, MCB Cards offered a package for 2 persons to be present at the final at the Wembley Stadium. Presently, as the Official Mauritian Bank of the FIFA World Cup™ 2014 in association with Visa, MCB provides the opportunity for the clients that use its cards to attend the final in Rio de Janeiro.

Did you Know…

MCB launched the country's first ATM in 1987 and the first credit card in 1988.

Zoom on the 'Juice' mobile service

The 'Juice' mobile payments platform of MCB provides customers with the latitude to make payments, transfer money as well as withdraw cash at ATMs instantly and securely by means of a mobile phone that is connected to the Internet. The main 'Juice' features are: (i) Juice transfer: Send money instantly to other people; (ii) Juice payment: Use the mobile phone to make immediate person-to-merchants payments for goods and services purchased from accredited providers; (iii) Juice cash: Withdraw cash from Juice-enabled agents (e.g. accredited shops and other merchants) by transferring the equivalent amount to be cashed out to the agent's mobile number; and (iv) Juice ATM: Customers to use their Juice app to send money to persons who can then withdraw the cash transferred by keying in relevant codes at MCB ATMs without using a card.

Looking ahead, backed by bolstered capacities and increased customer proximity, MCB Cards is dedicated to further expand its market involvement, by notably prospecting untapped business development areas locally and abroad. In the latter respect, building on the experience and expertise gathered, MCB Cards seeks to more actively deploy its strategic orientations across relevant markets, thus pursuing its diversification thrust.

Management discussion and analysis

Foreign Involvement

International activities catered for from Mauritius

During the year under review, MCB reinforced its business deployment impetus beyond domestic shores, with a focus on sub-Saharan Africa given its appealing economic potential. Indeed, MCB has pursued its strategic orientations to expand its international operations, helped by the achievement of increased field visibility, the fostering of enhanced business relationship management, and the gearing up of internal capabilities. Looking ahead, in light of the favourable economic outlook of sub-Saharan Africa, MCB will seek to broaden and deepen its regional involvement, while also prospecting business development avenues into unchartered territories. This will be enabled by deal origination as well as the proactive leveraging of access to funding resources across relevant markets.

Notwithstanding an operating context marked by subdued global economic growth and adverse socio-political conditions prevailing in some of MCB's presence and non-presence countries, the International Strategic Business Unit (SBU) recorded a double-digit growth in its gross operating margin during FY 2012/13. The solid performance of the unit reflects the success of a series of key moves already underway which bore fruition in further entrenching the Group's brand franchise, strategic positioning and credentials internationally over the past financial year. Specifically, amidst heightened market solicitations, the 'Bank of Banks' endeavour gained additional traction in establishing MCB as the regional platform for handling trade finance, payments and cards outsourcing operations on behalf of its regional banking counterparts, with inroads also made in terms of consultancy services. Illustratively, the initiative recorded increases of more than 60% and 30% in client portfolio size and related revenues respectively during FY 2012/13, propelled by direct taking of bank risks, increased diversification of exposures and strengthened relationships with correspondent banks. Additionally, MCB has been particularly active in the syndicated loan market through deals in African countries, as well as in the secondary market for the purchase and sale of risks, enabled by risk participation and syndication agreements concluded with top tier international banks. Regarding structured trade and commodities financing, notable inroads have been made into selected markets in East and West Africa and in respect of business deals with targeted international oil companies and regional traders. Concerning structured project financing, double-digit growth was registered on the back of the adoption of a customer-centric approach and diversified exposures across a wide variety of sectors in Africa and the region, as well as the partaking in a few landmark transactions in Africa, one of which being a pan-African big-ticket telecommunication project currently bridging 12 countries.

Overall, the business growth momentum was supported by the furtherance of promotional and market development endeavours. Prominent amongst these initiatives, features the hosting of the annual 'Africa Forward Together' seminar for the fourth consecutive year (see Box for more details). Concurrently, the International SBU made significant strides in enhancing the visibility of the Group's value proposition on the regional and international marketplace by capitalising on cross-selling opportunities across business segments and client groups, actively conducting business prospecting missions and road trips in targeted markets, as well as co-sponsoring two high-profile conferences on African trade and commodities financing. More recently, MCB participated, for the first time, as an exhibitor at the SWIFT International Banking Operations Seminar 2013 held in Dubai, which offered us a perfect platform to showcase our comprehensive proposition to serve financial institutions across the world.

Did you Know...

In 1991, when it kick-started its regional market diversification, MCB was amongst the first companies incorporated in Mauritius to expand beyond its local shores.

Spotlight on the 'Africa Forward Together' seminar

The annual 'Africa Forward Together' seminar, which is organised and hosted by MCB in Mauritius since 2009, is a pioneering and distinctive market-presence enhancing initiative in support of the Group's regional diversification strategy.

The event showcases the internal capabilities and product offerings of the Group, especially the 'Bank of Banks' value proposition, whilst contributing towards further entrenching MCB brand awareness and reinforcing business relationships, as evidenced by the ensuing materialisation of major trade-related deals and new avenues for business partnerships. The seminar also represents a nexus for regional industry peers to share market insights, as well as engage in constructive dialogue on the future of the African financial services sector, its opportunities, challenges and business outlook, in a bid to advance a collective vision of heightened cooperation and regional networking.

Since its inception and over the four consecutive editions, the 'Africa Forward Together' seminar has brought together 160 delegates from 81 financial service providers spanning 23 countries. For the 2012 edition alone, MCB welcomed 55 banking professionals from 41 banks covering 17 countries.

Furthermore, in line with its vision of cementing its positioning as a reference player in the region's financial services intermediation sector, MCB pursued its regional expansion strategy during the past financial year by consolidating its involvement in its presence countries. The International SBU, true to its calling to act as the coordinating unit spearheading projects for MCB's overseas subsidiaries, has supported the latter in fostering the replication of MCB products and services.

This translated into: (i) the move by MCB Maldives to brand new premises located in a prime spot on the Male waterfront, which will further enhance customer banking experience and service delivery; (ii) the revamping of branches, as well as the opening of a new branch and installation of new ATMs in Seychelles, bringing the number of branches and ATMs therein to 7 and 14 respectively; (iii) the extension of the range of card services offered in Madagascar, enabled by a Visa Acquiring licence, as well as the issuance of new Visa Classic and Gold Chip Cards in Seychelles; (iv) the successful conduct of corporate and product campaigns; and (v) participation in local business forums and events.

With respect to the operational processes of the subsidiaries, considerable headway was made during the year towards effective harmonisation in alignment with those of the Head Office. For instance, in Mozambique, the roll-out of the 'Tchincha' programme enabled the entity there to successfully migrate to a new platform offering core banking and Internet Banking functionalities. Other technological upgrades relate *inter alia* to the implementation of an automated cheque clearing system and accounting package in Seychelles, as well as the introduction of bulk payroll functionalities on Internet Banking and a customer complaint system in Maldives. Major enhancements were also brought to telecommunication capabilities for more optimal use of Head Office applications by overseas subsidiaries. Moreover, no efforts were spared to judiciously exploit the synergistic potential amongst the Group's local operations and outbound entities. This is exemplified by the conduct of the 'Subsidiaries Week', which provided the management teams of foreign subsidiaries with a forum to discuss their strategic priorities with the heads of the Group's key functions. All these business realisations have been achieved thanks to significant resources devoted to staff development and competency enhancement, particularly via a comprehensive programme of generic and targeted in-house and external training courses, together with an intensification of successful staff exchange programmes and hands-on experiences involving overseas subsidiaries and MCB Head Office.

For its part, the Global Business unit at MCB was confronted by the testing world economic climate during FY 2012/13, notably in India, its main target market where real and financial sector woes contributed to dampen investor confidence at some levels. Besides, the operating environment was marked by lingering uncertainties linked to the potential amendment of the Double Taxation Avoidance Agreement (DTAA) between India and Mauritius. Yet, alongside leveraging the image and reputation of Mauritius as an offshore jurisdiction of good repute and substance, the unit sustained its business expansion during the year under review by widening and diversifying its market-related initiatives, with the latter leading to a sustained rise in the average balances for advances and deposits. Despite such dynamics, the financial performance of the unit was detrimentally impacted by heightened impairment charges. That said, the Global Business unit has, during the year under review, further developed and nurtured its business relationships with Management Companies, funds, trusts and other key players within the global business industry. In addition, the unit diversified its portfolio by forging a growing number of business deals with Indian mid- to large-cap companies across a diverse range of sectors by means of participation in secondary markets and syndications with international and Indian banks. Towards uncovering latent business opportunities, the unit geared up its capabilities and bolstered its field presence through involvement in selected international conferences and roadshows as well as the regular organisation and sponsorship of high-profile networking events.

Looking ahead, comforted by its recent achievements and commitment to excellent customer service and continuous business process improvement, MCB is well geared towards furthering its regional diversification strategy. The forthcoming execution of major initiatives at the level of the International SBU should ensure that MCB maintains its growth momentum in respect of its international activities, underpinned by the adoption of sound risk management practices and the exercise of due diligence, given the individual complexity of the different environments in which it operates. For its part, alongside reinforcing its market vigilance given the challenging global economic climate notwithstanding healing signs and the fact that threats to the potential revision of the Mauritius-India DTAA have not been completely shaken off yet, the Global Business unit is intent on entrenching its position as a key partner for Management Companies, funds, trusts, and various international players, alongside diversifying its revenue streams.

Overseas entities

MCB Madagascar

The protracted political crisis has continued to affect Madagascar's economic performance, with very low growth registered during the last three years. Besides, the country faces deteriorating infrastructure, stretched public finances and increasing insecurity.

With marginal levels of investment being registered, there have been few lending opportunities for MCB Madagascar during the year. Besides, the banking sector as a whole is facing chronic excess liquidity, with abnormally low yields on Government securities.

In this difficult environment, our Malagasy subsidiary has seen its loan book contract by about 10% during calendar year 2012, with a corresponding drop in the profit level to MGA 4.1 billion for the year. This negative trend has continued in 2013 with net results down to just MGA 1.4 billion for the first six months. Contribution to Group profits is down by 38% to Rs 41 million for the year to 30 June 2013.

While there seems to be some hope ahead with the forthcoming elections, it is thought that a return to economic and political stability will not be immediate. MCB remains attentive to developments therein and stands ready to seize the opportunities for growth as and when they arise again.

MCB Moçambique

The Mozambican economy registered its third year of strong expansion in 2012, uplifted by coal production, agriculture and construction. Although crops were affected by severe floods in early 2013, the overall positive trend is expected to persist in the next two years, with further boost in exports and the implementation of major infrastructure projects.

In this favourable environment, MCB Moçambique has not done as well as it could be envisaged, with many of the major projects being funded outside the local banking sector. Besides, MCB Moçambique is constrained by its small branch network, which rather limits its capacity to grow its retail customer base. That said, it underwent a major change in its IT platform, which was successfully migrated to Temenos T24 during the year.

Net profit for calendar year 2012 was down by 28% to around MZN 55 million, while results for the first half of 2013 were more encouraging, with profits of MZN 31 million being realised. Contribution to Group results for the year to 30 June 2013 was Rs 54 million, down from Rs 74 million in the previous year.

The short term outlook for Mozambique remaining very positive, MCB Moçambique is well poised to capitalise on the expected major investment flows in the country and their effect on activity growth in the corporate sector.

MCB Seychelles

After having successfully overcome the balance of payments and debt crisis of 2008, growth of the economy seems to have stabilised around the 3% mark. Relatively better economic performances are being expected in the next two years, fuelled by a resilient tourism industry and the good performance of the fishing and communications sectors.

MCB Seychelles has continued to grow its loan portfolio at a satisfactory pace, with an expansion of 16% achieved for 2012, while further strengthening its brand in both the retail and corporate segments. Results for the year ended 31 December 2012 were up by 56% to SCR 44 million. The current calendar year has also started well and overall contribution of our Seychelles activities to Group results reached Rs 122 million for the year to 30 June 2013, representing a rise of 30% over the preceding year.

MCB Maldives

After posting two consecutive years of impressive growth, the Maldivian economy slowed down in 2012, largely on account of an under-par performance of the tourism industry, which accounts for around 30% of GDP. A slow recovery is expected over the next two years, with a growth rate of 3.8% being forecast for 2013. However, the main challenges facing the Maldivian economy reside in a very high fiscal deficit coupled to a weak balance of payments. These challenges and the corresponding fall in foreign exchange reserves need to be urgently addressed.

MCB Maldives has continued to grow at a satisfactory pace, albeit more slowly than in previous years. Loan portfolio has expanded by 8% during calendar year 2012 and profit for that period reached MVR 38 million, a 12% rise over 2011. Performance for the six months to 30 June 2013 was encouraging, despite increased impairment charges, with a net profit of MVR 17 million achieved for that period adding up to an overall contribution of Rs 86 million towards MCB consolidated results for the year under review.

Banque Française Commerçiale Océan Indien (BFCOI)

The economic environment in Réunion Island, where BFCOI has the bulk of its activities, has not materially improved in recent periods. Public investment, which is a major source of employment and economic growth on the island, has dropped substantially over the last few years, following policy decisions taken in the wake of the difficult global economic and financial environment. Consequently, BFCOI's loan book has stagnated over the period under review.

Moreover, with the chronically high loans to deposits ratio that characterises the banking sector in Réunion Island, the global rise in medium-term funding cost has led to a drop in operating income for BFCOI. Results for calendar year 2012 were down by 15% to EUR 11.1 million, while the bank fared marginally better in 2013, with a net profit of EUR 6.6 million for the first six months. Contribution to Group profits was Rs 238 million for the year to 30 June 2013, up from Rs 164 million in FY 2011/12.

Non-Bank Financial

MCB Capital Markets Ltd.

MCB Capital Markets Ltd. (MCBCM) is the holding company for the entities of MCB Group involved in the investment business. The consolidation of the structure has started to reap positive results, with revenues generally growing across the subsidiaries of the company. In fact, despite facing up to the ramifications of the lingering vulnerabilities and uncertainties that have characterised the economic landscape in Mauritius and abroad, MCBCM sustained its market expansion, backed by the successful execution of various development initiatives. Notably, the Fixed Income Fund and Retirement Plan launched in April and July 2012 respectively registered a good performance, raising over Rs 400 million and Rs 35 million respectively as to date, while the value proposition was enriched following the launch of 'Crescendo', which is a five-year MUR-denominated investment product that provides the comfort of recovering 100% of capital invested and a minimum guaranteed return of 7% at maturity. Overall, total income amounted to Rs 130.5 million (2012: Rs 165.6 million) during FY 2012/13, contributing to the consolidated profit after tax of MCBCM attaining Rs 13.9 million during the period. This represents a rise of some 7% over the preceding year on a comparable basis, after accounting for discontinued operations relating to the disposal of GHF Futures Ltd. in FY 2011/12. Looking ahead, while exercising due vigilance in view of market uncertainties, MCBCM is expected to sustain its revenue growth, backed by a reinforced presence across relevant markets, strengthened human capital and the harnessing of synergies with the various business segments of MCB.

At the operational level, the year under review has witnessed the following: (i) as a newly-created subsidiary of MCBCM, MCB Structured Solutions Ltd., was incorporated in January 2013, with the sole purpose of serving as an investment vehicle for the capital-guaranteed products of MCB, the first one being 'Crescendo', which raised over Rs 300 million in subscriptions as at close of the last financial year, and (ii) MCB Investment Management Co. Ltd. (MCBIM) absorbed the activities of MCB Fund Managers Ltd. and now directly manages MCB Funds, after obtaining a Collective Investment Scheme Manager licence from the Financial Services Commission in October 2012.

MCB Investment Management Co. Ltd.

It has been another eventful year for MCBIM, which concentrated on the strengthening of the scale of its operations, the fine-tuning of its internal control mechanisms and the refinement of its overall investment process. The company, whose client base is spread mainly across institutional bodies and retail funds, reported profit after tax of Rs 25.1 million, with funds under management increasing by 14% to reach Rs 11.4 billion (2012: Rs 10.0 billion) for the period.

In the coming years, MCBIM will continue to put adequate emphasis on the pursuit of sound investment strategies and the search for diversified business growth areas, underpinned by the judicious exploration of a wider range of investment avenues and a broadening of the range of funds. As mentioned before, the company now directly manages the MCB Funds following its amalgamation with MCB Fund Managers Ltd. This consolidation should, over time, pave the way for streamlined operations, greater economies of scale, an enhanced segregation of duties, and a more efficient risk management and compliance monitoring.

MCB Registry & Securities Ltd.

The company duly coped with the difficult operating environment and acquired new mandates, especially during the last quarter of FY 2012/13. Besides, in line with the 'Initiative 175' programme of MCB, the company successfully implemented the 'Green' project it had embarked on earlier, providing its clients (i.e. issuers) with the possibility to communicate with their shareholders through email.

Revenue increased by 8% to Rs 18.3 million (2012: Rs 16.9 million), while profit after tax attained Rs 0.3 million. Revenue generated is projected to rise further in the coming years, supported by the new mandates secured and an expected increased solicitation from issuers launching new financial products on the relevant markets.

MCB Stockbrokers Ltd.

The year under review was marked by the restructuring of the activities of MCB Stockbrokers Ltd. (MCBSB) which is now positioned as a one-stop-shop for investment products, thus marking a major shift from a classical stockbroking company to a brokerage and investment provider. To that effect, the company has been designated as the principal distributor of the wide array of retail and institutional MCB Funds, including the MCB Education Plan and the MCB Retirement Plan, since November 2012. The reorganisation of MCBSB ensures that clients have a single point of contact for all their investment needs, including the local and foreign stocks, funds, investment plans and structured products proposed by MCBCM. Overall, as a result of its restructuring, the company bolstered its revenue. Nonetheless, in view mainly of higher payroll costs associated with its capacity building – which translated into the appointment of a new Managing Director, a reinforced sales team, and additional human resources at the trading desks and the back office – the company registered a loss after tax of Rs 3.2 million in FY 2012/13 as compared to Rs 2.0 million one year earlier. Over the coming years, the restructuring of operations and activities undertaken is expected to contribute in bolstering revenue generation by a notable extent.

MCB Capital Partners Ltd.

MCB Capital Partners Ltd. (MCBCP) manages the unlisted investments of MCB Equity Fund Ltd. Total assets under management, on a fair value basis, remained at Rs 1.9 billion in FY 2012/13, mainly attributable to the slow growth rates registered across various sectors of activity. Revenue during the year dropped by 6% to reach Rs 22 million, whilst administration costs went down by 9% to Rs 20.2 million. As such, profit for the year amounted to Rs 1.7 million (2012: Rs 1.7 million).

The outlook for the future MCBCP is positive. In particular, the company is expected to reap the benefits of its active market diversification. Already, it is increasingly positioning itself in East Africa and has been successful in building up a good network of business relationships across the countries of the region.

MCB Investment Services Ltd.

MCB Investment Services Ltd. (MCBIS) acts as a shared services company for the subsidiaries of MCBCM, providing legal, finance, IT and strategic management services. In line with its strategic orientation, the team has been further strengthened with the creation of a new Corporate Finance and Advisory Service unit. The aim of the latter is to assist and advise clients in their growth plans in the region and in respect of financing requirements by taking advantage of MCB Group's existing network of business-related contacts, technical expertise as well as human and physical resources, with corporate finance fees being earned on these transactions. Lately, the team has been actively involved as the Lead Arranger for the issue of the MCB Floating Rate Subordinated Notes and has also assisted a number of clients in their financial restructuring exercises. In the same vein, MCBIS was instrumental in structuring the 'Crescendo' product.

Total revenue generated by MCBIS grew to Rs 18.9 million for FY 2012/13, while expenses rose to Rs 26.6 million, mainly attributable to increased headcount, thus resulting into a net loss of Rs 6.4 million. With the creation of a broader and multi-disciplinary team, the company is expected to boost its revenue generation capacity over the next few years.

MCB Equity Fund Ltd.

During the last financial year, the evolution of investments incurred by the MCB Equity Fund Ltd., be it locally or overseas, remained relatively sluggish as the result of persisting economic difficulties. Against this backdrop, the Fund registered a profit of Rs 7.7 million during that period, which compares to an equivalent outcome of Rs 48.1 million realised during the preceding year, even though it can be highlighted that the latter result included a gain of Rs 33.9 million from a successful exit from an investment in the hospitality sector. For FY 2012/13, total income stood at Rs 36.6 million, down from Rs 47.8 million a year before. Management fees payable remained stable at Rs 24.4 million, whilst no exits or further capital calls have been made during the period under review. Most of the investee companies of the Fund required further operational and financial strengthening during the period under review, thus deferring exit possibilities for the moment.

MCB Factors Ltd.

MCB Factors Ltd. provides a full sales ledger administration service to its customers as well as funding against assignment of their trade receivables. On the domestic market, both recourse and non-recourse factoring are proposed, the latter implying protection against debtors' insolvency. Besides, local importers and exporters are now offered import and export factoring solutions. The year under review has seen an appreciable growth in the assignment of invoices to the company, contributing to the profit of MCB Factors Ltd. to attain Rs 38 million. This performance was mainly underpinned by a continuous improvement of customer service, the diversification of the range of invoice finance products, the broadening of markets served, and the enhancement of risk management.

Credit Guarantee Insurance Co. Ltd.

This associate, in which MCB has a 40% stake, is a joint venture with La Prudence Holding and provides credit insurance services to its customers by ensuring protection in respect of their trade receivables. The company is achieving a steady growth in its turnover and results, the latter reaching about Rs 5 million for the year to 30 June 2013.

Other Investments

Fincorp Investment Ltd.

This subsidiary, a quoted company on the Stock Exchange of Mauritius, in which MCB has a 57.6% stake, has on its books the following main investments: Finlease, the leasing arm of 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 35% in Medine Ltd.

Finlease has, once again, performed very well, even though the rate of progress achieved has slowed down with respect to the two previous years. With the lease portfolio growing by 8.7% to Rs 2.8 billion during the year and margins increasing slightly due to a drop in the cost of funding, operating income and profit after tax grew by 10.2% and 17.2% respectively to reach Rs 210 million and Rs 74 million, a very commendable achievement.

The operations of PAD continued to be affected by the tepid market conditions prevailing in the property sector. Results attributable to PAD's shareholders amounted to a loss of Rs 8 million, similar to last year's.

Consolidated results of the Fincorp Group reached Rs 28 million for the year, up from Rs 19 million in FY 2011/12 and representing a contribution of Rs 17 million to MCB Group profits.

MCB Properties Ltd.

This company, which owns several properties, some of which house banking premises of MCB, made a profit of Rs 1 million for the year, representing net rentals receivable.

International Card Processing Services Ltd. (ICPS)

ICPS, which is an 80:20 joint venture between MCB and Hightech Payment Services (HPS) from Morocco, 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, while being engaged in POS and ATMs management as well as transactions switching/processing for banks in Mauritius and Africa. Overall, its services allow banks outsourcing their card processing needs to achieve economies of scale and to provide their customers with the relevant card solutions in a most efficient and timely manner. Furthermore, ICPS is actively involved in developing and providing several training and consultancy services for banks and IT companies in the field of card business as well as card IT security (Payment Card Industry certification-PCI) and EMV (Chip technology).

During FY 2012/13, ICPS maintained its profitability performance on the basis of its sustained market diversification efforts. In terms of business development, ICPS has rolled out key projects for MCB Group, including (i) pre-personalised debit cards as well as EMV MasterCard chip debit cards for the up-market customer segments in Mauritius, (ii) EMV Visa and MasterCard ATM/POS acquiring for MCB Madagascar, and (iii) issuance of the Chip consumer credit Card by MCB Seychelles. At another level, a noteworthy ongoing project of MCB relates to the migration of the ATM and POS network in Mauritius to the new ICPS Platform, which will provide an enhanced array of services on related devices. Furthermore, it is worth noting that ICPS has again been granted 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.

Looking ahead, against the backdrop of the promising market outlook essentially in the region, ICPS is intent on further broadening its business development, with due focus on extending its business reach beyond MCB's foreign subsidiaries and better tapping into the potential of African countries. Notably, in support of these strategic intents, the company is considering to move to a 24/7 service mode in order to better respond to client needs.

MCB Forward Foundation

Officially launched in September 2010, MCB Forward Foundation aims to more efficiently serve the local communities amidst which 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 2012/13, MCB Group contributed 2% of its book profits derived from the preceding year to MCB Forward Foundation on an annual basis, representing a sum of Rs 59.1 million. A full report on the Foundation's activities during the year can be found in the Corporate Governance Report on Pages 73 and 74.

Blue Penny Museum

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

Financial Review

Performance against Objectives

Objectives for FY 2012/13	Performance in FY 2012/13	Objectives for FY 2013/14
Return on average equity (ROE)		
Barring unforeseen developments, notably in impairment charges, ROE to stay around the same level (17.8%) as in FY 2011/12.	Group ROE, based on Tier 1 capital, fell to 16.6% amidst persistently subdued economic conditions and a substantial rise in impairment charges.	In view of the current economic environment, ROE should stay around the same level.
Return on average assets (ROA)		
ROA to be maintained at the current level. (FY 2011/12: 2.3%)	The above-mentioned factors also led to a drop in ROA which, nonetheless, remained at a circumstantially satisfactory level of 2.1%.	ROA to be maintained above the 2% level.
Operating income		
Net interest income is forecast to follow the trend in loan portfolio growth, with a rate increase of just over 10%.	In line with a growing loan portfolio, net interest income of the Group expanded by 10.4% despite particularly low yields on Government securities.	Net interest income to rise within a range of 8-10%, on the back of a sustained strong growth in loan book, with a slight drop in margins caused by a shift in the currency split of the Balance Sheet away from the rupee.
Non-interest income, on the back of a strong contribution from cross-border and international operations, is expected to grow by about 10%.	Notwithstanding a decline in profit on foreign exchange dealings, non-interest income grew by nearly 10% on the back of an 18% increase in net fee and commission income which has notably been upheld by trade finance activity outside Mauritius.	The rate of increase of non-interest income is expected to slow down to about 6%. While the momentum gathered in collecting fee and commission income from our international operations is expected to continue, treasury profits are not expected to grow during the year.
Operating expenses		
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%.	Reflecting diligent cost monitoring and enhanced operational efficiency, growth in operating expenses of MCB Group was contained to 8.3%.	Operating expenses are expected to increase by around 10-11%, spurred by a rise in staff expenses and system costs.
Cost to income ratio		
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. (FY 2011/12: 46.1%)	The cost to income ratio decreased to 45.3% on the strength of a resilient growth in operating income.	On current estimates, and in view of the slowdown in local revenue growth, cost to income ratio will probably edge up slightly in FY 13/14.

Management discussion and analysis

Performance against Objectives

Objectives for FY 2012/13	Performance in FY 2012/13	Objectives for FY 2013/14
Loans and advances growth 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.	In spite of the dampening effect of slow-moving private investment, the average loan book of the Bank posted a growth of some 13%, boosted by a significant rise at Segment B* level. As such, loans and advances of the Group expanded by 10.1% from FY 2011/12.	Growth in the average loan book is expected to stay about the same in percentage terms as that of FY 2012/13, with the strong performance of our international business more than offsetting the below par increase in the local corporate portfolio.
Deposits growth 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%.	In line with industry trends, average deposits at Bank level grew by close to 10%, supported by increases in both foreign currency and rupee denominated deposits. Group deposits to customers were also some 10% up on the previous year.	With the excess liquidity situation persisting in the rupee market and funding of our foreign currency book to be reliant on some level of wholesale funding, more than was previously the case, deposits are not expected to grow by more than 8 to 9%.
Asset quality 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 (FY 2011/12: 4.5%). However, impairment charges may well increase from current levels.	Bearing the brunt of the challenging context and impaired loans, more specifically in the Global Business segment of the Bank's portfolio, gross NPL ratio of the Group deteriorated to 5.0% while standing at 3.0% on a net basis. Concurrently, impairment charges more than doubled from FY 2011/12 to just over Rs 1 billion for the year.	Barring unexpected circumstances, the ratios of non-performing loans should not continue to rise and it is forecast that impairment charges will show a marked drop in FY 2013/14.
Capital management With no forecasted change in the Group's policy on capitalisation, current capitalisation ratios (FY 2011/12: BIS – 13.6%, Tier 1 – 12.7%) should be maintained over the year.	The Group capital adequacy ratio was maintained at an appreciable level of of 13.9% with Tier 1 ratio standing at 13.0%.	In the wake of the current restructuring exercise, which includes the raising of Tier 2 subordinated bonds, Group overall ratio is expected to rise to above 15%, with the Tier 1 element staying around current levels.

** Refers to the provision of international financial services that give rise to foreign-sourced income*

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

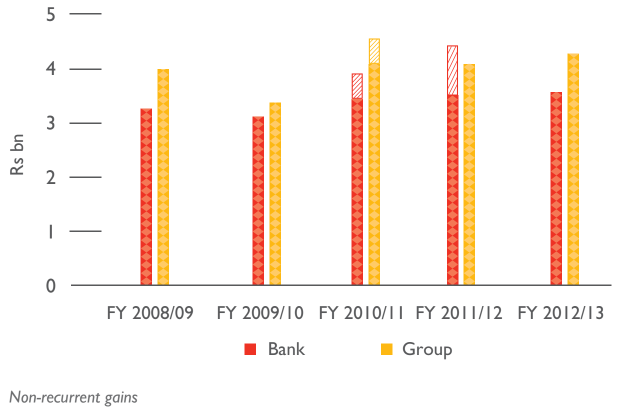
Objectives for FY 2012/13	Performance in FY 2012/13	Objectives for FY 2013/14
Retail Despite continued pressures likely to emerge from the challenging economic environment and heightened competition in the industry, average loan book of the retail segment is expected to increase by around 9%, supported 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.	Underpinned by continued growth in housing loans and enhanced value proposition at different levels, the average loan portfolio of the retail segment expanded by a resilient 8% in the face of testing market conditions and stiff competition. Correspondingly, net interest income on advances and gross operating earnings rose by a similar margin.	Although tough market conditions are likely to prevail, average retail loans are projected to rise by 12% on the back of multi-pronged business development initiatives and the ongoing thrust to improve the customer experience. This should contribute to increases of around 9% in its net interest income on advances and gross operating margin respectively.
Corporate 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.	Whilst being pinned down by the low private investment level, average corporate loan exposures grew by 6% in line with notable disbursements made in respect of hospitality and property development ventures, thereby contributing to net interest income and gross operating margin edging up by 4% and 3% respectively.	The difficult economic environment in Mauritius should continue to restrain growth in corporate advances. However, on the basis of its market positioning, MCB is confident in increasing the associated loan portfolio by some 5%, thus contributing to further increases in interest margin on advances as well as gross operating earnings.
International 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.	Reflecting headway made by MCB in terms of market penetration in the region, loans in this segment (inclusive of global business activities) surged by some 50%, leading to a similar rise in net interest income on advances. With a notable growth also registered in fee-based income, which accounts for a significant proportion of the revenue in this segment, operating income went up by nearly 30%. However, operating margin in net terms has been adversely affected by a hike in impairment.	As MCB maintains its thrust to further deepen and widen its involvement through adapted product and service offerings, average advances in this segment is expected to maintain its growth momentum and rise by another 50%, contributing to net interest income and gross operating margin increasing by above 20% and beyond 15% respectively.

Review by Financial Priority Area

Analysis of Results

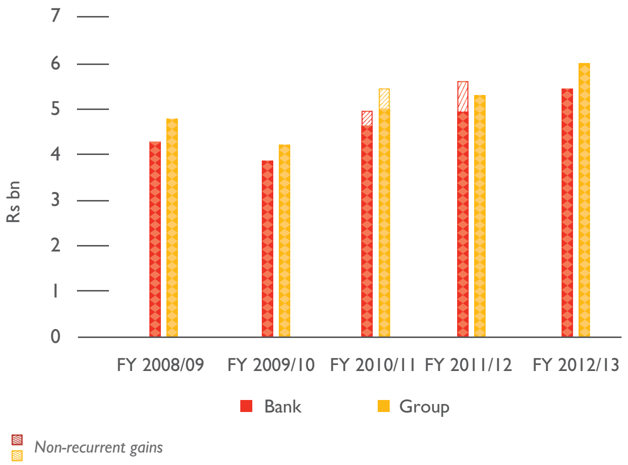
The tough operating environment faced by MCB during the last financial year was reflected by heightened pressures on activity growth as well as a surge in provisions mainly to cater for the deterioration in the credit quality of its Global Business portfolio. In spite of such circumstances, Group attributable profits increased by around 5% to reach Rs 4,315 million in FY 2012/13. At Bank level, results expanded by nearly 2% after excluding the exceptional net dividend income of Rs 755 million received from our Réunion-based associate, BFCOI in the preceding financial year. This resilient performance testifies to the judiciousness of past and ongoing strategic initiatives aimed at bolstering our revenue streams across markets and geographies. Overall, alongside entrenching its established footprint in the retail and corporate markets domestically, MCB actively pursued its business diversification endeavours. Hence, besides achieving an appreciable overall growth in its non-banking activities despite market uncertainties, MCB further embedded its status as a prominent financial services player in the region, while venturing into other territories beyond. This contributed to our foreign-sourced income rising to 46% of the total profit of the Group, despite some foreign banking subsidiaries posting dampened financial performances and heightened impairment charges faced by the Bank.

Profit attributable to shareholders

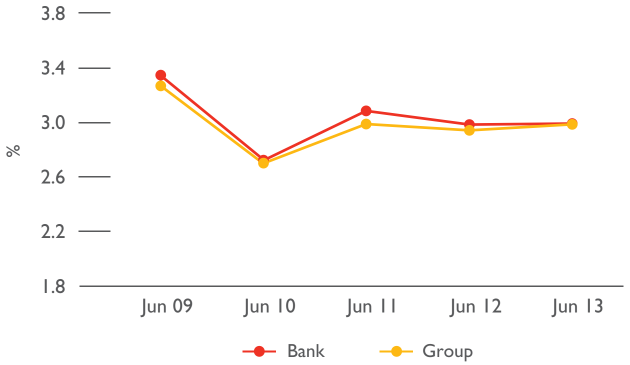


On the strength of sustained increases in core earnings, Group operating income rose by some 10% to reach Rs 11,023 million, with a similar growth noted at Bank level when excluding non-recurrent items. With the rise in operating costs kept under check, operating profit before impairment went up by around 12%, leading to the recurring earning power – taken as the ratio of pre-provision profit excluding net income from sale of securities and non-recurrent items to average assets – being maintained at an appreciable level of 2.9%.

Operating profit before provisions



Pre-provision profit to average assets



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

Taking into account a doubling of impairment charges which exceeded Rs 1 billion for both the Group and the Bank, an underlying growth of nearly 2% was recorded in operating profit. For its part, share of profit of associates recovered from the previous year's drop and increased by around Rs 95 million to attain Rs 257 million following an upturn in BFCOI's contribution. Profit before tax reached Rs 5,203 million for the Group and Rs 4,458 million for the Bank while income tax expenses, inclusive of the special levy applicable to banks in Mauritius, stood at Rs 854 million and Rs 696 million respectively.

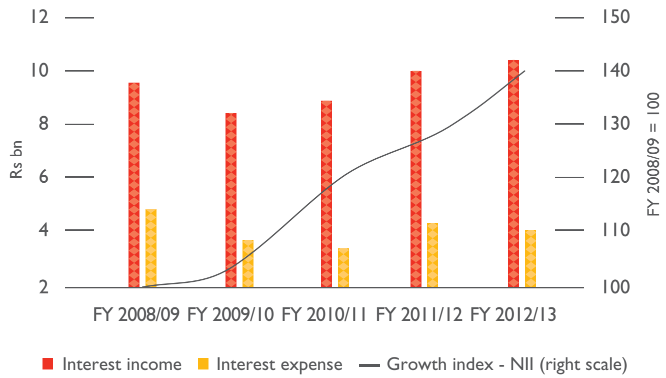
Adverse developments in the operating context have exercised significant pressures on key financial soundness metrics, with some deterioration notably in respect of asset quality. Nonetheless, backed by a sensible business model and diligent risk management, MCB sustained generally healthy financial fundamentals in FY 2012/13.

Revenue Growth

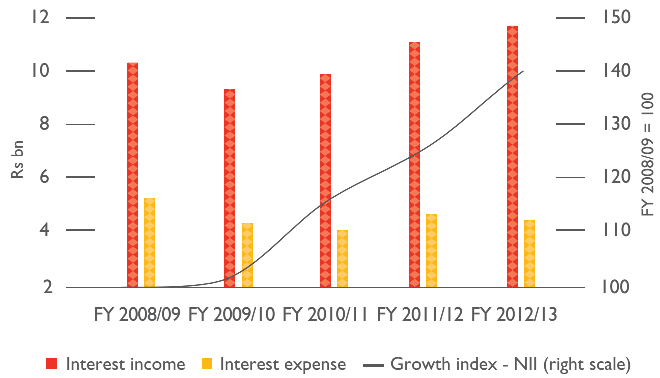
Net interest income

With the loan portfolio sustaining a resilient growth in the face of subdued market conditions and intense competition, interest income at Bank level increased by 4.7% to Rs 10,545 million in FY 2012/13 despite a fall in revenue from Treasury Bills amidst consistently low yields thereon. Robust growth was particularly observed in relation to Segment B operations as MCB pursued its international expansion strategy. On the other hand, notwithstanding an increase in total deposits, interest expense declined by 2.5% to Rs 4,211 million against the backdrop of lower interest rates on average. As a result, net interest income of the Bank rose by 10.2% to reach Rs 6,333 million, translating into a growth of 10.4% to Rs 7,047 million at Group level for the year under review. As such, net interest margin as measured by net interest income to average earning assets stayed at around 4% while the ratio for net interest income to average assets was maintained at some 3.5%.

Net interest income - Bank



Net interest income - Group

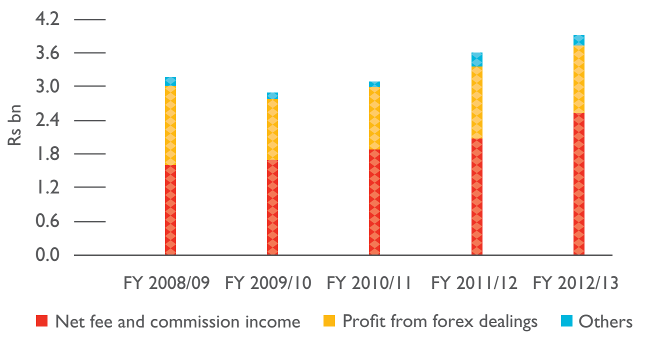


Management discussion and analysis

Non-interest income

In line with ongoing market and product diversification endeavours, net fee and commission income posted growth rates of 17.6% and 18.1% at Bank and Group level respectively. This outcome was, to a large extent, supported by strong growth in revenues derived from international trade financing while also benefiting from notable increases in respect of guarantees and card-related activities. On the other hand, 'other income' for the Group declined slightly whereas a flat evolution was registered at Bank level – on excluding the receipt of exceptional dividend income from BFCOI in FY 2011/12 – mostly due to an underperformance in relation to profit on exchange. Indeed, the latter has been undermined by generally unfavourable conditions in foreign exchange markets across presence countries. On the whole, Group non-interest income registered a satisfactory expansion of nearly 10% to reach Rs 3,976 million in FY 2012/13.

Breakdown of non-interest income - Group



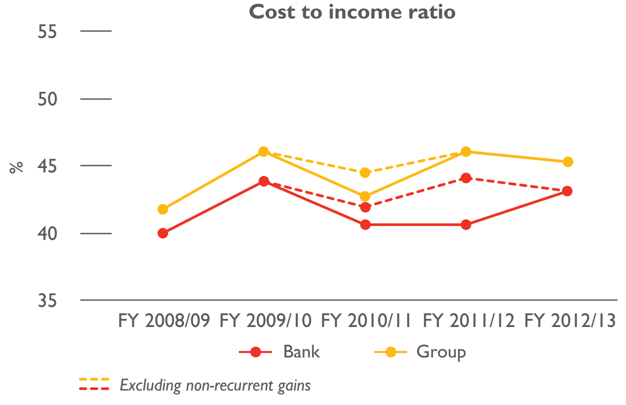
Note: Figures for FY 2010/11 exclude non-recurrent gains

Cost Control

The completion of major undertakings in prior years, tight cost control and efficiency gains have combined to cause a slowdown in operating costs which increased by 7.3% to Rs 4,159 million for the Bank and by 8.3% to Rs 4,996 million for the Group during the period under review. In particular, after significant hikes in previous years, depreciation charges edged up only slightly. Conversely, expenses growth was fuelled by continuous initiatives to invest in human capital and technology.

On the back of a circumstantially satisfactory evolution of operating income and with the rise in operating costs being contained, the cost to income ratio, excluding the non-recurrent dividend income from BFCOI in FY 2011/12, improved from 44.2% to 43.0% at Bank level with the corresponding ratio at Group level falling to 45.3% in FY 2012/13.

Cost to income ratio



Credit Exposure

Although being restrained by generally dampened economic activity, total loans and advances of the Group expanded by some 10% to reach Rs 155.1 billion as at end June 2013, with a similar growth being registered in the Bank's credit exposure which reached Rs 145.9 billion. The appreciable expansion in the loan book is in tune with enhanced value proposition across segments and the active execution of the market diversification strategy. Reflecting the latter, Segment B loans grew by around 16%, boosted by a surge in credit to entities outside Mauritius including regional short term financing of trade-related operations. At domestic level, Segment A loans rose by 7.6% in spite of the slack evolution of private investment, largely due to a relatively buoyant retail segment as testified by an increase of 9.8% in housing loans. Whilst decelerating by a notable margin on a point-to-point basis, growth in advances to corporate customers in Mauritius were upheld by disbursements to the hospitality and property development projects.

June 2013	Exposures		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***
Loans to customers							
Agriculture and fishing	8,109	*(6.5)*	54	*0.7*	61	*0.8*	*112.3*
Manufacturing	11,156	*7.8*	535	*4.8*	378	*3.4*	*70.6*
of which EPZ	*2,507*	*(23.7)*	*183*	*7.3*	*124*	*4.9*	*67.8*
Tourism	31,245	*10.4*	521	*1.7*	230	*0.7*	*44.2*
Construction	15,947	*27.1*	2,146	*13.5*	636	*4.0*	*29.7*
Traders	18,134	*(2.9)*	894	*4.9*	507	*2.8*	*56.7*
Financial and business services	16,715	*18.8*	153	*0.9*	128	*0.8*	*83.9*
Personal and professional	27,284	*6.5*	2,229	*8.2*	1,255	*4.6*	*56.3*
of which credit cards	*744*	*19.2*	*50*	*6.7*	*68*	*9.2*	*137.3*
of which housing	*16,128*	*8.0*	*741*	*4.6*	*192*	*1.2*	*25.9*
Global Business Licence holders	7,194	*(34.1)*	847	*11.8*	736	*10.2*	*86.9*
Others	16,472	*77.2*	400	*2.4*	289	*1.8*	*72.3*
Loans to banks	2,889	*17.2*	-	-	10	0.3	-
Total	**155,145**	***10.1***	**7,779**	**5.0**	**4,232**	**2.7**	**54.4**

June 2013	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	104,036	*7.6*	5,792	*5.6*	3,020	*2.9*	*52.1*
Segment B	41,853	*15.7*	1,339	*3.2*	1,038	*2.5*	*77.5*
Total	**145,889**	**9.8**	**7,132**	**4.9**	**4,059**	**2.8**	**56.9**

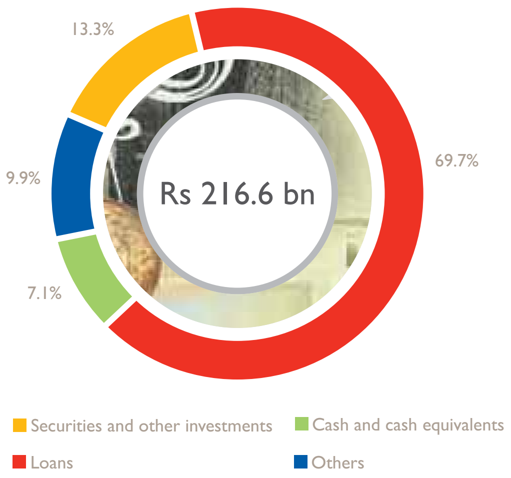
Group credit exposures as at 30 June	2011	2012	2013
On-balance sheet	**Rs m**	**Rs m**	**Rs m**
Lending	125,716	140,912	155,145
Loans to customers	*123,169*	*138,447*	*152,256*
Loans to banks	*2,547*	*2,466*	*2,889*
Trading	4,140	4,495	4,341
Investments	20,156	19,092	24,483
	150,012	**164,499**	**183,970**
Off-balance sheet	**Rs m**	**Rs m**	**Rs m**
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	33,143	39,134	48,028
Commitments	3,922	4,742	5,238
Other	1,316	1,484	1,824
Contingent liabilities	**38,382**	**45,360**	**55,090**

Management discussion and analysis

Other Assets

Reflective of the high liquidity situation prevailing in the market, cash and cash equivalents as well as investment in Government securities at Bank level recorded increases hovering around 50%, thus contributing to corresponding growth rates in excess of 40% for the Group. In line with the rise in deposits, mandatory balances with Central Banks grew by 5.9% and 8.7% to reach Rs 8.0 billion and Rs 9.9 billion at Bank and Group level respectively. As a result, liquid assets, including placements, to deposits ratio of MCB went up to 25.5% for the Bank and to 26.7% for the Group.

Assets mix (MCB Group)



Credit Quality

The increasing trend in non-performing loans, which had first been witnessed last year, has unfortunately continued this year. While the worsening quality of the retail portfolio, reflecting the tough economic environment, seems to have abated, there has been a further deterioration of the property segment of our loan book. Furthermore, some of the Indian exposures of our Global Business portfolio have become non-performing, with appropriate provisions being made in the accounts. In fact, this sector essentially accounts for the increase in non-performing loans and for 60% of our specific impairment charges for the year at the Bank's level.

Indeed, specific impairment charges have more than doubled to reach Rs 965 million for the Bank and Rs 988 million for the Group, the latter figure representing 0.6% of the loan portfolio at 30 June 2013. This percentage is thought to be on the high side, when compared to international standards and when considering MCB's track record of late. However, there are good reasons to believe that this year's weak performance, affected by 'one-off' cases, will not recur in the near future and that next year will see a decline in impairment rates.

The ratio of non-performing loans (NPLs) to total loans has risen to 5.0% for the Group and 4.9% for the Bank as at 30 June 2013, up from around 4.5% last year. The net NPL ratios (net NPL as a percentage of loans minus provisions) have increased marginally to 3.0% and 2.9% for the Group and the Bank respectively, a level consistent with recognised norms. The cover ratio of NPLs by specific provisions stands at around 43% as at 30 June 2013 and the uncovered portion is more than adequately catered for by collateral, suitably discounted to reflect current market conditions and recovery time.

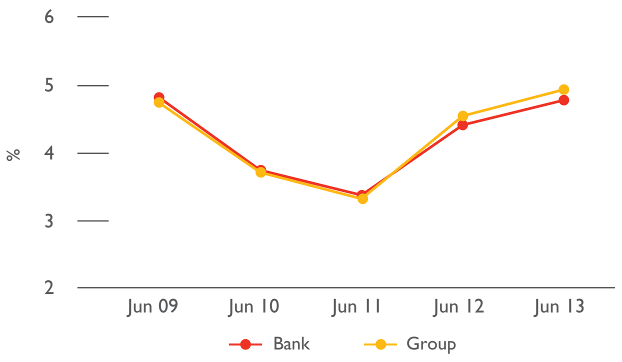
Additionally, the Bank, in conformity with the Bank of Mauritius Guideline on Credit Impairment Measurement and Income Recognition, gives due weight to the varying degrees of risk attached to the different components of its loan portfolio. Loans are thus analysed by sectors, each sector having similar 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 91 million during the year.

The trend in NPLs will obviously depend on local and international economic parameters but, in any event, current high levels of risk management will be maintained by MCB Group with a view to reducing impairment charges in the short term.

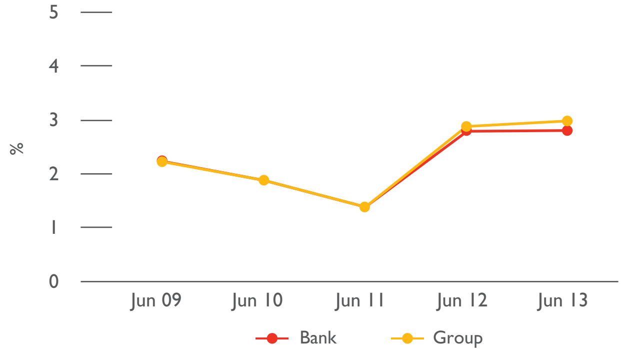
Provisioning and asset quality	Group			Bank		
Movement in allowances for credit impairment (Rs m)	**2011**	**2012**	**2013**	**2011**	**2012**	**2013**
Provisions at start	3,054	3,276	3,271	2,925	3,157	3,140
Provisions made during the year*	656	517	1,165	627	478	1,093
*of which specific charge**	*573*	*408*	*1,070*	*548*	*374*	*1,001*
Provisions released during the year	(112)	(57)	(57)	(103)	(31)	(29)
Amounts written off	(322)	(464)	(148)	(293)	(464)	(145)
Provisions at end	3,276	3,271	4,231	3,157	3,140	4,059
Key ratios (%)						
Income Statement charge (specific) to total loans	0.2	0.3	0.6	0.2	0.3	0.7
Total provision to non-performing loans	75.4	52.1	54.4	77.9	53.4	56.9
Total provision to total loans	2.6	2.3	2.7	2.7	2.4	2.8

Include interest suspense

NPLs to gross loans



Net NPLs to net loans



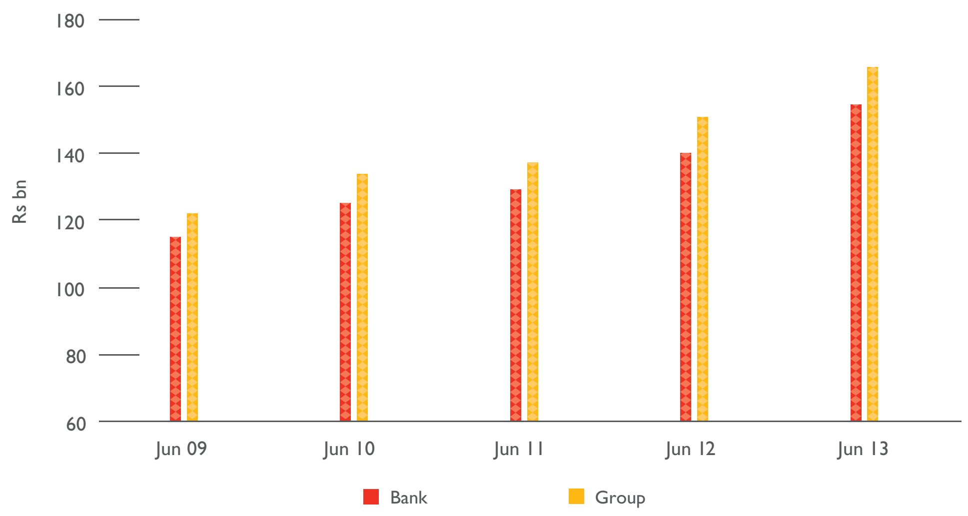
Management discussion and analysis

Funding

Deposits and borrowings

Total deposits at Bank level went up by 9.6% to reach Rs 154.3 billion as at June 2013, supported by a growth of 15.6% in foreign currency deposits as well as a rise of 7.2% in rupee denominated deposits. Growth in the latter was fuelled by a 10% increase in savings deposits – the mainstay thereof with a share of slightly below 70% – despite restrained national income growth and the low interest environment. Demand deposits rose by 5% whereas time deposits declined by around 3% over the last financial year. Consistent with the evolution at Bank level, Group total deposits witnessed a growth of 10.1% to Rs 166.1 billion. The year under review has also seen a surge of 80% in other borrowed funds of the Group on the basis of increasing recourse to LC refinancing lines to cater for mounting trade financing deals especially in the region. Of note, the Bank's funding base should be bolstered by the recent approval by African Development Bank for a financing package to MCB as well as the raising of the Floating Rate Subordinated Notes on the local stock exchange.

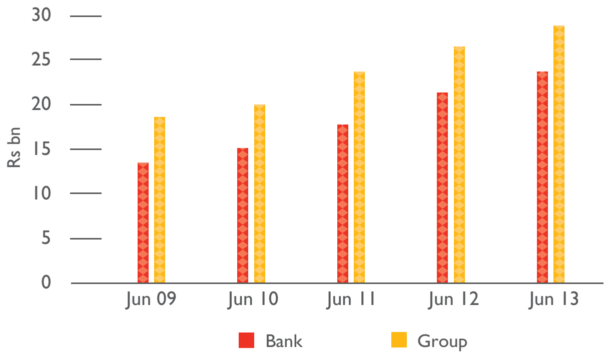
Deposits



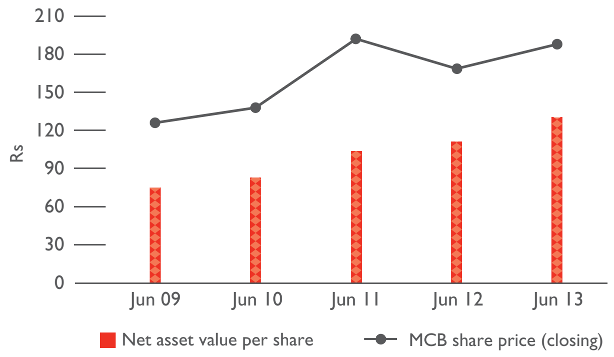
Capital resources

Group shareholders' funds increased by 12.6% to reach Rs 29.4 billion as at 30 June 2013 on account of an increase of 14.6% in retained earnings after factoring in dividend payments of Rs 1.5 billion, thus contributing to the net asset value per share rising from Rs 110 to Rs 124. Accordingly, the share price continues to trade at a significant premium, somewhat reflecting the perceived potential of the Group from the market standpoint to upholding continuous value creation for its shareholders. On the whole, the Group maintained fairly comfortable capitalisation levels as gauged by the risk-weighted capital adequacy ratio standing at 13.9% which is likely to increase moving forward in light of the recent capital raising initiatives. In fact, MCB will seek to ensure that adequate buffers are kept at all times to effectively support its expansion strategy and will remain attentive to forthcoming changes on the regulatory front linked to Basel III provisions.

Shareholders' funds



MCB share price v/s Net asset value



Pierre Guy NOEL
Chief Executive (Group)

Antony R. WITHERS
Chief Executive (Banking)


L'ILE MAURICE
PORT STRATEGIQUE
ET PLATEFORME
LOGISTIQUE
DE L'OCEAN INDIEN
1982-1995
Inde :
VISA
THE MAURITIUS COMMERCIAL BANK LIMITED
Business Card

Booming years

1982 – 1995

This period can be divided into three distinct phases. The first phase is one of structural adjustment under World Bank and IMF surveillance. During the second phase, the tourism industry and the Export Processing Zone (EPZ) experience rapid expansion, propelling economic growth, with real GDP expanding by nearly 9% in 1986. Towards the end of the 1980s, the EPZ supersedes the sugar industry as the first pillar of growth whilst the tourism industry is identified as the third pillar. This phase also holds warning signs of impending profound change. Finally, the third phase sees a confirmation of the threats to preferential trade as the gradual dismantling of the Sugar Protocol and the Multi Fibre Agreement is announced.

The sugar industry and the textile and clothing industry need to adjust to free trade prospects. Diversification of the country's economic base, modernisation, productivity and competitiveness become the order of the day. In this context, impetus is given to the services sector with the objective of turning Mauritius into a hub for value-added activities. Economic ties with India, South East Asia and Africa are strengthened.

The emergence of the financial services sector and offshore banking as well as the widening of stock market operations aim at creating a financial hub in this part of the world. Similarly, the decision to open a freeport stems from the desire to build a regional centre for commercial activities. To support this strategy and also to help set up another industry in its own right, attention is given to a better structuring of the development of information and communication technology services.

Once more, as in previous periods, MCB offers support to emerging and established sectors alike. Its own services are modernised through wide-scale computerisation.

Risk management report

Risk Management Philosophy

The mission of risk management at 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

Adequate capital levels

- Organic growth through retained earnings
- Judicious exploration of funding sources to support strategic objectives
- Good capital cushion to withstand potential shocks

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

Generally satisfactory asset quality

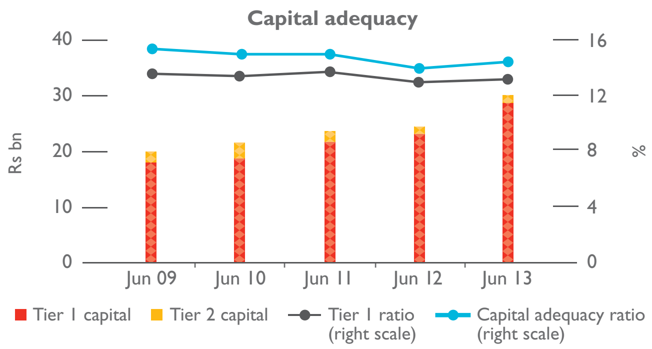
- Non-performing loan ratios at manageable levels
- Prudential market penetration
- Healthy loan portfolio through fitting credit discipline
- Efficient and cost effective debt collection and recovery

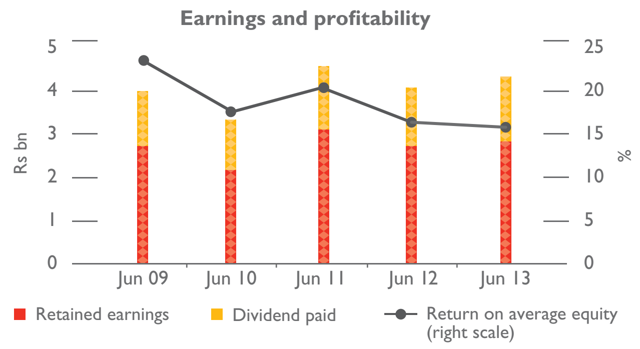
Risk-return profile and shareholder value

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

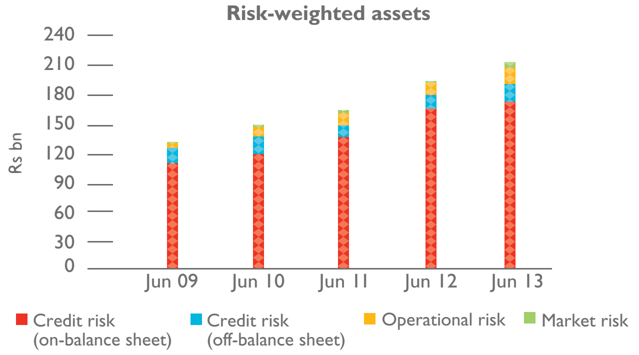
Key Financial Soundness Indicators

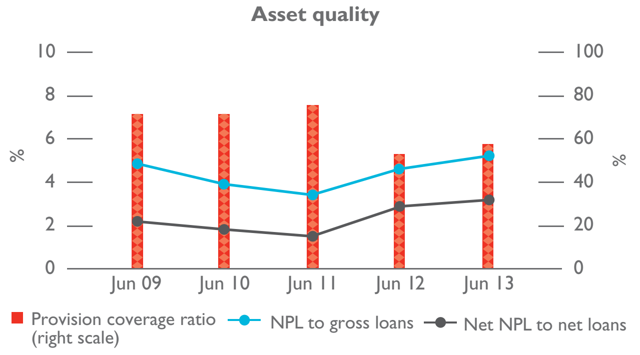
Sufficient capital levels are maintained, supported by appreciable levels of retained earnings.



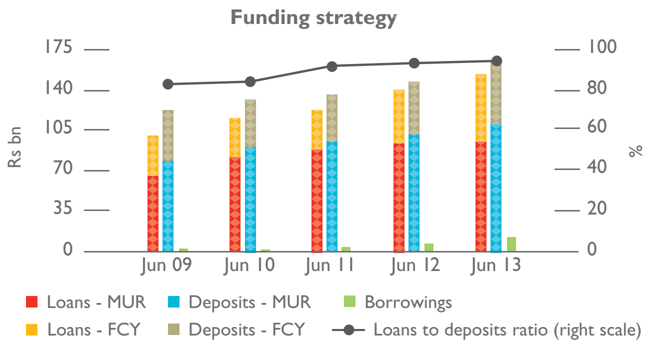


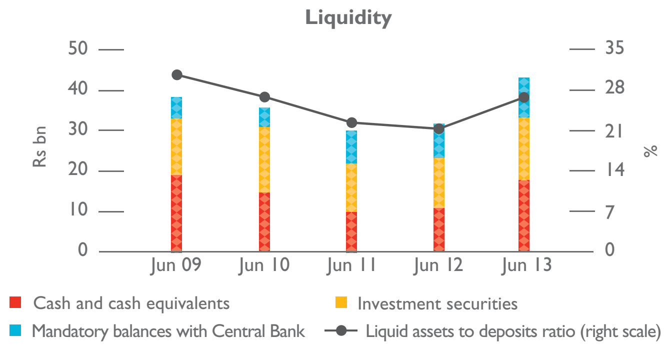
Reflecting business expansion, assets sustained their growth over time, while their quality remained within manageable levels despite pressures emanating from the challenging operating context.





Adequate funds are made available to meet obligations on a timely basis, endorsed by sound funding strategies.





Risk management report

Introduction

Summary of Developments

During FY 2012/2013, MCB Group effectively coped with challenges flowing from a persistently testing economic environment and its cohort of market fragilities. Fundamentally, MCB maintained 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 domestically and increased credit risk on foreign sourced activities, asset quality remained within manageable levels. Overall, in the face of the adverse market environment, the capacity of MCB to support its business development drive has remained anchored on its sensible business model, underpinned by the continuous reinforcement of the risk management process. In this respect, the Group further improved the credit quality management of its loan portfolios, with additional 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. Moreover, to achieve a superior risk-return relationship, 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, capacity building measures have been put in place to enhance the management of risk, as depicted below.

- MCB is in the final 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 the Basel II Standardised Approach. It is expected that, in adopting better risk management techniques already embedded in an integrated risk software, the Bank will further improve its capacity to perform capital stress-testing and scenario analyses as well as 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 MCB's liquidity risk positions.
- With a view to securing adequate resources for funding its business development ambitions in line with the set risk appetite and towards gearing up its in-house capabilities to effectively meet up with evolving regulatory developments, the Internal Capital Adequacy Process of MCB has been further refined. Essentially, enhancements have been brought to the process guiding the determination and monitoring of MCB's risk appetite. The underlying goal of the latter process is to formulate a three year forecast for capital consumption and liquidity, while ensuring that the targets set by MCB are aligned with the risk profiles generated and the environment in which the business segments operate.
- 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.

Lately, as part of its capital raising initiatives to notably compensate for the impact of its proposed restructuring, MCB raised Rs 4.5 billion worth of Floating Rate Subordinated Notes on the Stock Exchange of Mauritius and obtained a USD 30 million ten-year subordinated debt from the African Development Bank as part of an overall financing package. The latter, which will allow MCB to increase its foreign currency lending to clients operating in the region and in mainland Africa, also includes a USD 120 million seven-year multi-sector line of credit.

Risk Metrics

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

Credit Risk

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 an increasingly testing operating context, as well as to contain the level of loan losses despite the subdued performances posted by various sectors of the Mauritian economy. Despite somewhat increasing, the non-performing loan ratios have been kept within manageable levels of 5.0% and 3.0% in gross and net terms respectively as at 30 June 2013. Also, of note, MCB's portfolio of credit exposures remained well diversified across lines of business and economic sectors. On the whole, the credit risk-weighted assets rose by 10.2% to Rs 195.5 billion in FY 2012/13.

Market Risk

The trading exposures of MCB have been confined to within 5% of its total assets as at 30 June 2013, with the main source of market risk arising from foreign exchange risk. The aggregate net open foreign exchange position stood at Rs 1.5 billion at the financial year end, representing a drop of 33.5% from FY 2011/12.

Operational Risk

The charge for operational risk capital increased by 10.9% to Rs 1.5 billion as at 30 June 2013, resulting primarily from the increase in weighted gross income on the back of the overall expansion of business activities across the Group.

Liquidity Risk

Liquidity management at 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. MCB's holdings of liquid assets remained fairly stable, with liquid assets (consisting of cash, balances with BoM, placements, Treasury Bills and Government securities) representing 26.7% of deposits as at 30 June 2013, thus providing adequate buffer against unforeseen short-term liquidity pressures.

Capital Management

Supported by appreciable levels of retained earnings, exposures across markets are generally assigned comfortable capital levels. The capital base of the Group grew by 12.5% to reach Rs 29.6 billion as at 30 June 2013. On the other hand, risk-weighted assets increased by 9.7% to Rs 212 billion at the end of FY 2012/13, 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 1 and total capital adequacy ratios stood at 13.0% and 13.9% respectively as at 30 June 2013. The capital adequacy ratio is reasonably above the regulatory minimum of 10%.

Risk management report

Capital adequacy ratio 13.9% 2012: 13.6% = Capital base Rs 29.6 bn 2012: Rs 26.3 bn; +12.5% / Risk-weighted assets Rs 212.0 bn 2012: Rs 193.2 bn; +9.7%

Capital base Rs 29.6 bn 2012: Rs 26.3 bn; +12.5% = Tier 1 capital Rs 27.6 bn 2012: Rs 24.5 bn; +12.7% + Tier 2 capital Rs 2.0 bn 2012: Rs 1.8 bn; +10.9%

Risk-weighted assets Rs 212.0 bn 2012: Rs 193.2 bn; +9.7% = Credit risk Rs 195.5 bn 2012: Rs 177.4 bn; +10.2% + Operational risk Rs 15.0 bn 2012: Rs 13.6 bn; +10.9% + Market risk Rs 1.5 bn 2012: Rs 2.3 bn; -33.5%

Looking Ahead

To support the effective deployment of its strategic intents within the environment in which it operates, MCB will ensure that its risk metrics continue to be managed with acceptable and suitable thresholds, backed by the continuous enhancement of its risk management strategy. Basically, MCB will ensure that it adequately gears up its policies and practices to meet up with evolving developments on the regulatory front, notably those triggering heightened prudential standards for capital requirements, leverage and liquidity applicable to the banking industry as a whole. At the same time, MCB will stay vigilant to the repercussions of the challenging economic and competitive climate so as to preserve its financial soundness.

Specifically, while ensuring that relevant ratios remain above regulatory thresholds in the wake especially of the forthcoming requirements linked to Basel III, MCB is intent on keeping capitalisation levels that provide it with ample buffers against potential shocks and suitable resources in order to duly underpin its business development ambitions. In particular, while continuing to monitor the utilisation of capital and maintaining the risk profile of its portfolio within the set risk appetite, MCB will support its capital position by notably leveraging on earnings resulting from the active deployment of its diversified business development thrusts, while remaining on the look-out for alternative funding resources as may be required.

Risk Appetite and Strategy

The Board of Directors seeks to ensure that the business strategies of 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, 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 towards 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 MCB is guided by four key principles as delineated in the following illustration.

Risk Management Principles

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 MCB's approach to the pricing of risk:

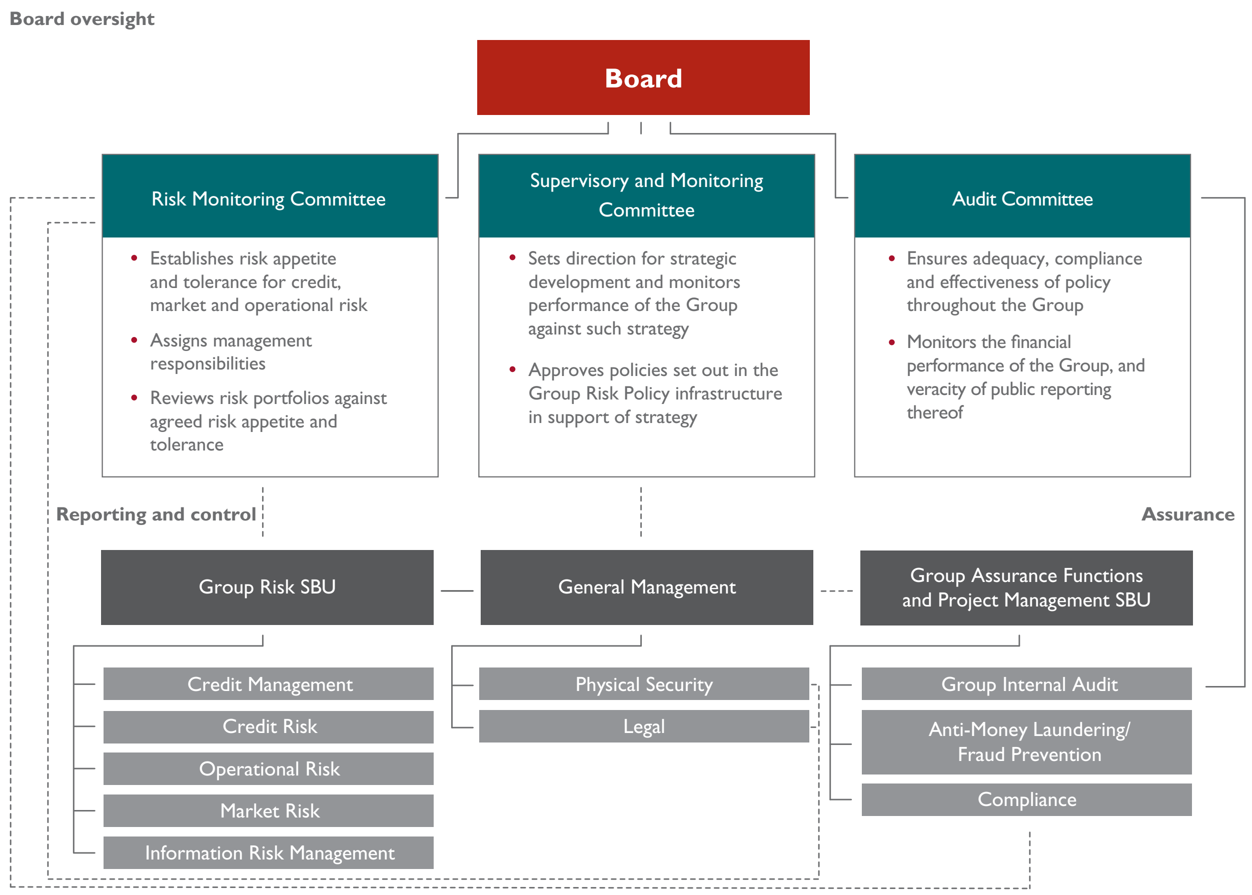
- The price that is charged to clients is reasonable in relation to the relative riskiness of the exposure. In applying this principle while ensuring sustainable returns, the Bank uses the risk-based profitability metric, referred to as the return on risk-adjusted capital (RORAC), which provides the 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.

Risk management report

Governance and Structure

In line with the corporate governance structure adopted by 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



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. Three out of five members of the RMC are non-executives, thereby strengthening 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 in line with regulatory requirements.

Management of Key Risks

Credit Risk

Credit risk is defined within 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 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 MCB. The Board delegates its authority to the RMC for the setting of the overall direction and policy for managing credit risk at the enterprise level. The RMC works towards determining the risk appetite for various countries, sectors and counterparties taking into account factors such as prevailing economic conditions, whilst also monitoring 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, develop risk-response strategies and optimise 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 the Bank's 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

Risk management report

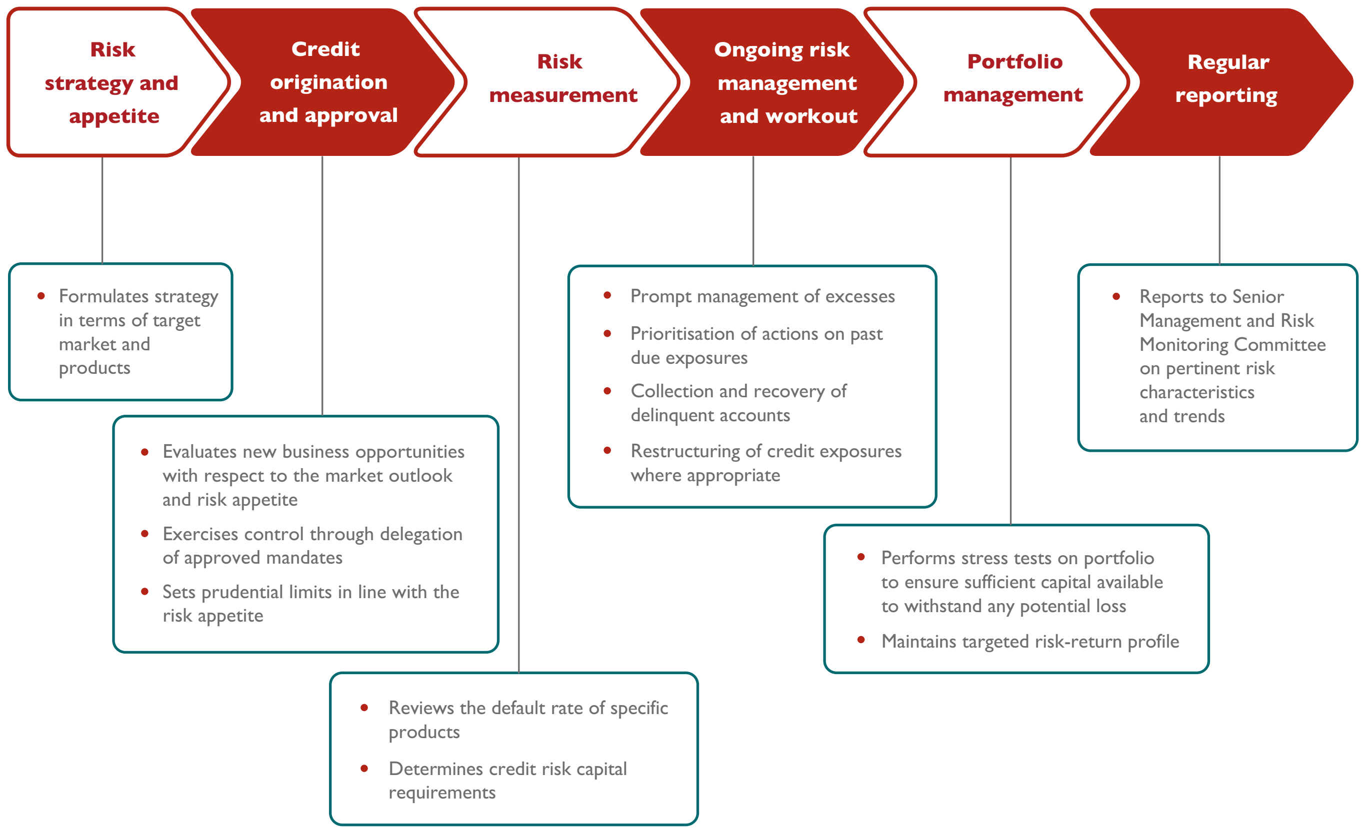
exposures, the frequency of which is increased in accordance to the size and likelihood of potential credit losses to ensure the timely detection of possible problem loans. Exposures showing signs of deterioration are placed on a watch list and are referred to a dedicated team for closer scrutiny where 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 BoM.

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

Risk exposure to banks

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 MCB cut across the entire credit cycle, as depicted in the following diagram.



Risk management report

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. This is achieved by channelling risk capital away from low-return to high-return business areas, in a manner commensurate with the risks shouldered.

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 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.

Retail

Retail credit comprising mainly residential mortgages, unsecured loans and credit cards are managed on a portfolio basis and assessed based on credit scoring models supplemented by risk acceptance criteria. To ensure the robustness and adequacy of the scoring models, the Credit Risk BU independently conducts formal validation of those models at least annually. In collaboration with the Retail SBU, the Group Risk SBU regularly analyses default trends, identifies the underlying root causes and subsequently channels recommendations to Senior Management, with the aim being to eventually fine-tune the relevant credit scoring parameters.

Corporate

Large corporate credits are assessed using the Moody's Financial Analyst software which evaluates the counterparty's financial standing and specific non-quantitative factors such as industry risk, access to funding, market standing and management strength. The ratings generated by this software are typically used to measure the risk profile of the corporate banking customer segment which consumes a sizeable proportion of MCB's capital resources and also to set tolerance limits for the enhanced management of excesses. The counterparty risk rating assigned to smaller business borrowers is primarily based on the counterparty's financial position and strength.

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 MCB include security/collateral, netting, guarantees and political risk covers, all of which contribute to a reduction in MCB's credit risk exposures.

Concentration

MCB focuses on the diversification of its lending portfolio by setting industry sector 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.

Overall, it is the policy of MCB to limit credit risk exposures and concentrations within the constraints of its capital base, whilst complying with the Guideline on Credit Concentration Risk set by BoM. The regulatory limits that have prevailed until now are as follows:

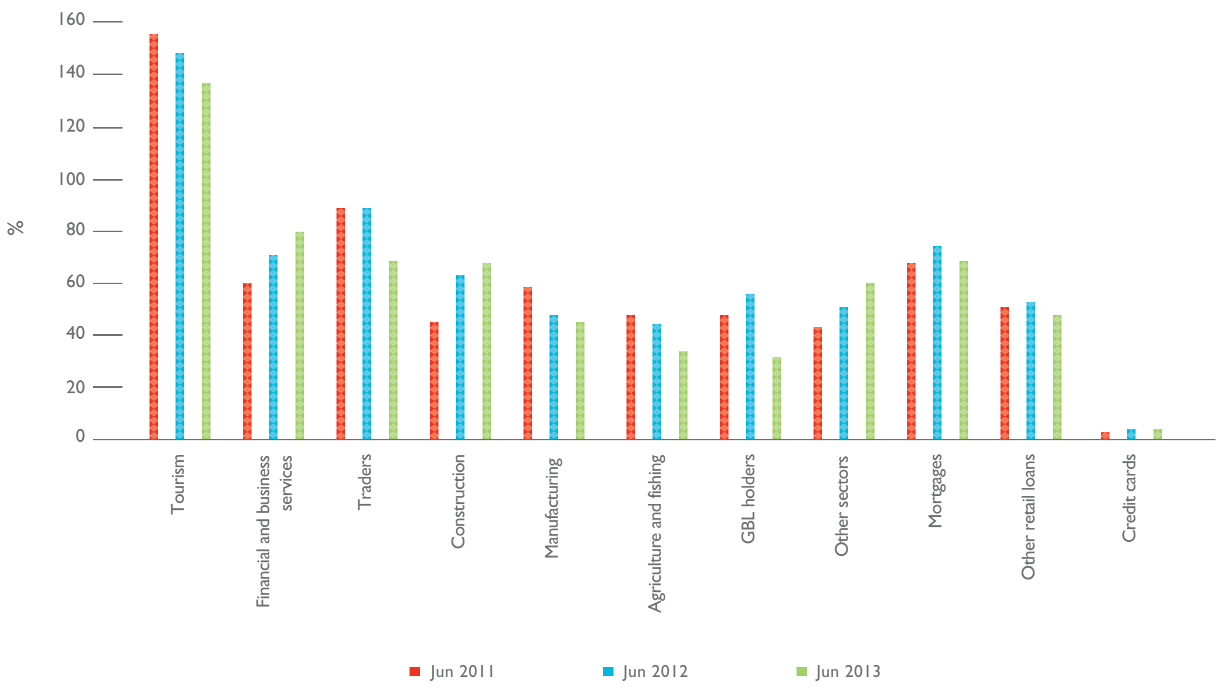
- credit exposure to any single customer shall not exceed 25% of the Bank's/Group's capital base;
- credit exposure to any group of closely-related customers shall not exceed 40% of the Bank's/Group's capital base; and
- the aggregate large credit exposures to all customers and groups of closely-related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

Of note, as per the revised BoM Guideline on Credit Concentration Risk issued in September 2013, the aggregate large credit exposure limit will be lowered to 600% of the Bank's/Group's capital base as from January 2014 before moving further down to 400% with effect from January 2015 as indicated by BoM. Considering that our aggregate large credit exposure ratio currently stands at some 218% amidst an internal prudential threshold hitherto set at 600%, the above developments are not likely to adversely impact the operations of MCB, with the organisation remaining committed to keep a vigilant eye on its credit concentration over time towards duly meeting the regulatory requirements.

The Bank regularly monitors the credit concentration risk aggregating to more than 15% of its capital base, classified by industry sector, to ensure that its risk-bearing capacity is not jeopardised. Furthermore, MCB will remain attentive to any regulatory developments notably pertaining to sectoral exposures. Of note, BoM has engaged with commercial banks towards the finalisation of the macro-prudential policy measures being proposed for selected economic sectors. Specifically, these requirements relate to the determination of exposure limits to be adopted by banks in respect of the relevant industries, while also containing additional rules in terms of the loan to value ratio, risk-weighted assets and portfolio provisions.

The Bank's credit exposure as a proportion of its capital base by industry sector over the past 3 years is provided in the following diagram.

Credit exposure to capital base



At a more disaggregated level, the following table provides information on our large credit exposures as at 30 June 2013, relating to exposures to customers or groups of closely-related customers that are over 15% of the capital base of the Bank.

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Gross exposure as at 30 June 2013	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	32.9	2.6	*14.8*
Total large credit exposures	48.3	4.1	*23.2*

Country Risk

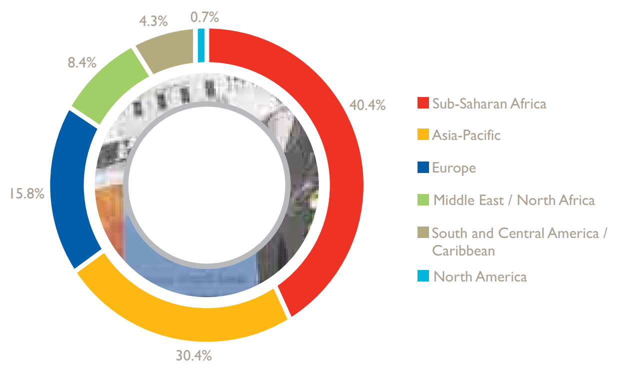
Country risk arises when the Group is unable to receive payments from customers as a result of political or economic events in a particular country. These events include political and social unrest, nationalisation and expropriation of assets, government repudiation of external indebtedness, foreign 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 following chart shows the country risk exposures of MCB by rating.

Country risk exposure by rating

The distribution of risk-weighted assets by country other than Mauritius is provided in the following pie chart.

Total risk-weighted exposures by country (excluding Mauritius)



Operational Risk

Operational risk is defined within 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 MCB, an overarching framework is in place for fostering the systematic and consistent management of operational risk. The set-up consists of policies, standards, 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 business support and control functions.

Governance

A fitting governance structure is an evident prerequisite for managing operational risk effectively. With regard to 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 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 is 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 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. In addition, an overview of both Operational Risk and Business Continuity Management is provided to new staff at the onset of their career through induction courses.

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

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.

The Basic Indicator Approach used across MCB Group provides a conservative and efficient approach for the calculation and reporting of the operational risk capital charge.

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Management and Monitoring

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 appropriate policies, processes and systems throughout the Bank that lead to adequate 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 or outsourcing solutions where appropriate.

Business Continuity Management

Business continuity management within MCB refers to the ongoing process through which the key requirements for continuity in the Bank's business operations are assessed for the identification of the underlying weaknesses and the implementation of appropriate strategies and recovery plans towards minimising the impact of disruptive events on operations. Continuity and recovery plans, consisting of documented and communicated procedures for the key systems and core services of the Bank, 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 standards, 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 sources of market risk to which MCB is exposed are set out below:

- Interest rate risk – the risk arising from changes in interest rates, or the prices of interest rate related securities and derivatives, on the Bank's earnings or economic value of equity.
- Foreign exchange risk – the risk arising from the unanticipated changes in exchange rates between two currencies.
- Liquidity risk – the risk arising from an unexpected shortfall in available monetary assets.
- Funding/liability risk – the risk that a particular maturing liability or class of liabilities may not be able to be refinanced (without additional relative cost) over any given period of time.

Governance and Risk Appetite

Operating within the Board risk appetite and prudential guidelines set by BoM, the Asset and Liability Committee (ALCO) is responsible for managing the overall mix of assets and liabilities within the separate (domestic and foreign currency) and consolidated balance sheets of MCB by notably setting and reviewing liability allocation objectives and targets to sustain both the diversification and 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. Besides, the Group Market Risk Policy, as approved by the Supervisory and Monitoring Committee and reviewed periodically, 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.

Measurement and Management

The Market Risk BU is primarily responsible for exercising overall control and monitoring of market risk (including credit and operational risk arising from market risk activities) within MCB while also assisting with the provision of financial position and market risk analysis information to the ALCO. MCB incurs market risk both as an active risk arising from the bank activities in financial market trading and passive risk incurred in the Bank's Statements of Financial Position as a result of its general banking book activities. Of note though, exposure to interest rate risk is limited by the application, in most cases, of floating interest rates linked to an index whilst the risk associated with maturity mismatch should be viewed in the light of the overall stickiness of deposits with savings and current account balances considered as being non-volatile and granular.

Besides complying with the various regulatory limits and reporting requirements relating to market and liquidity risk, MCB adopts a host of internal limits and targets fixed by ALCO which include:

- specific risk targets set as a monitoring benchmark for certain categories of market/liquidity risk in the financial position such as loan to deposit ratio, liquid assets ratio and repricing and maturity mismatch indicators;
- 'hard' limits for active risk, including trading, transactional, and periodic individual stop loss limits;
- valuation and daily settlement limits, as ratified by the Executive Credit Committee, for counterparty credit risk; and
- a range of sensitivity measures such as duration and basis point value for interest rate risk in the trading book.

The measurement of market risk within MCB also relies on the Value at Risk (VaR) analysis, which 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, MCB 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 MCB to assess its vulnerability to extreme movements in market prices and economic shifts.

Information Risk Management

The Information Risk Management (IRM) function of the Bank aims at protecting the organisation's sensitive information assets. The Business Unit actively contributes to the Bank's security framework by managing its logical access control framework, performing information risk assessments and monitoring its technical infrastructure for security events. In line with the initiatives put in place, the BU has enhanced its partnership with other support functions with a view to better identifying, assessing, controlling and monitoring security events in accordance with its mission to protect the confidentiality, integrity and availability of information assets and systems. Additionally, the year under review has also seen an increased focus from IRM on the education of the organisation's system and application users on the appropriate security behaviours to adopt through specialised and targeted security awareness sessions. Finally, IRM has pursued its efforts to improve its processes while remaining consistent with applicable industry standards and best practices, policies, regulations and partner requirements. Such efforts culminated into a thorough review of all the Business Unit's activities to ensure they are more closely aligned with its core mission. This initiative will help IRM bring added value to the organisation by better adapting its control frameworks to the business specificities, while also maintaining an acceptable risk level and more proactively identifying security occurrences requiring an enhanced control framework.

Physical Security

In line with the Bank's strategy to provide a secure banking experience on top of outstanding service quality, MCB pursued its efforts in upgrading and enforcing standards to protect its employees, customers and other assets. The Bank's security programme is regularly reviewed and updated in the light of relevant developments on the local front and overseas, with enhanced preventive measures incorporated, where necessary, in related practices and procedures of the physical security manual whilst ensuring their alignment with advocated standards and the Bank's objectives. Besides, due emphasis is constantly being laid upon regular audits and adequate training for a diligent adherence to established control and security policies. Apart from general security awareness campaigns, presentations have been to delivered to MCB staff on specific topics, *inter alia,* pertaining to fire fighting as well as health and safety procedures. Moreover, alongside exerting a close monitoring of outsourced services for compliance with set standards, the Bank continues to leverage technological advances to complement its pool of trained security officers. In this respect, the CCTV system across the network and access control to restricted areas were reassessed and upgraded in the last financial year.

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

Legal

Besides performing the verification of all litigation, arbitration hearings, including any institutional and legal procedures where the Bank is involved, the Legal SBU has a distinctive role of providing full-fledged in-house counselling on legal matters and advocacy for the Bank in instances involving the rights and duties of the Bank's entities. By so doing, the unit contributes to uphold the Bank's image, goodwill and interests. The year under review has seen the Legal SBU reinforcing its internal capabilities in order to more effectively

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respond to the increasing volume of solicitations for advice on an array of business deals and transactions that are marked by ever-growing degrees of technical complexity. As part of on-going efforts to up-skill staff, continuous on-the-job coaching and mentoring has been performed in order to ensure effective broadening of competencies in the legal specialty in alignment with best practice service standards. Moreover, the Legal SBU conducted targeted and specialised training sessions in legal matters with its internal collaborators at the Bank towards assisting them in improving their level of vigilance in the course of their normal business dealings and activities, especially in light of recent cases of financial fraud and Ponzi Schemes in the country. Steering onward, the Legal SBU is intent on maintaining its focus on capacity building and reinforcing its support to Business Units at the Bank towards helping to foster the continuous enhancement of the corporate image of MCB.

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 this combined assurance model. 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 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 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 are as follows: (i) the use of Mauritius Qualifications Authority approved control self-assessments programmes, (ii) heavy reliance on data analytics via a world-wide recognised audit software, (iii) implementation of audit work programmes addressing as far as possible identified residual audit risks, and (iv) automation of some audit related administrative tasks relating to time sheets, reports and working papers.

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, on a needs basis, a summarised implementation status of the main issues to the Executive Directors for discussion and, more importantly, with a view to reaching consensus on corrective actions to be taken. Quarterly or more frequent meetings are scheduled with the Audit Committee. The annual audit plan, the actual status of audit assignments, identified audit 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. Mindful of this and of the significantly enhanced scope and dimension of our Audit Function over the last couple of years, this exercise was again deemed necessary during the last financial year. Worth noting, MCB's compliance with the International Standards for the Professional Practice of Internal Audit issued by the above mentioned institute has been confirmed by an internationally recognised auditing firm. 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.

Looking ahead, the Group Internal Audit BU will capitalise on its past and current achievements to pursue its efforts to become more effective and efficient in its operations, alongside being attentive to the evolving and more demanding expectations of internal stakeholders – notably in respect of MCB's ambition to further its 'Bank of Banks' initiative on the African scale – and external parties. As such, the function will support its actions by leveraging a well-designed recruitment strategy (targeting incumbents with noteworthy international auditing exposure) and a savvy usage of technology. Besides, without falling into the common traps of assurance fatigue and pure check-list based auditing, the function will, in the quest for more impactful risk management, be engaged in the mobilisation of internal stakeholders, with secondments and the guest audit concept remaining a key feature of strategic undertakings.

Compliance

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 the ongoing observance of relevant laws, rules and standards of good market practices. The aim is to shield the organisation from legal and regulatory sanction, financial or reputation losses. The Board, through the RMC, and the General Management are responsible to ensure that adequate systems and procedures have been established and that sufficient resources are 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 MCB does business, by maintaining close working arrangements with the business lines with the view to, *inter alia,* ensuring adherence to legal and regulatory requirements and/or enabling early identification of breaches of relevant 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 regulatory and supervisory bodies by keeping productive and value adding dialogue with them in order to uphold 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 also to keep non-compliance incidents at bay. Initiatives that were taken as part of this endeavour included the following: (i) promoting awareness of Management and staff on requirements arising out of new or amendments to laws/regulations; (ii) undertaking proactive reviews with the aim of ensuring ongoing adherence to the principles of good corporate governance; (iii) shoring up the manner in which the Bank performs its business to mitigate the risk of money laundering and financing of terrorism; (iv) designing a set of policies to promote strong ethical behaviours by staff; and (v) exercising oversight over customer related complaints. Overall, the aim is to ensure fair treatment of customers and identify potential breaches of the Bank's standards of ethics and behaviour. The Compliance BU also performs some 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 MCB since March 2010. As such, the Compliance BU has been able to leverage 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.

- Assessing Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) procedures of some 53 correspondent banks and providing AML/CFT certifications to some 60 other correspondent banks, in accordance with international standards;
- Conducting (with the help of a major international firm) an impact assessment of FATCA for MCB Group;
- Implementing new and/or improving existing compliance policies such as the Unrelated Party Policy, Gifts and Entertainment Other Benefits Policy;
- Promoting the Bank's ethical standards with the implementation of key indicators of adherence to such standards in templates used for staff performance appraisal;
- 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; and
- Training of staff through classroom sessions and/or e-learning sessions on topical subjects.

With regard to the AML/CFT obligations of the Bank, the Compliance function is duty-bound to ensure that 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, thus helping in the identification of counterparties or customers subject to economic and financial sanctions by the international community.

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 Requirements

Capital Structure

Internal Capital Adequacy Assessment Process

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. MCB has always held capital reasonably above regulatory requirements, while it intends to perpetuate this philosophy and ensure that it remains well capitalised in an ever changing operating environment. Target capital is determined by our strategy and risk appetite, after factoring in the regulatory and market environment. Our internal capital adequacy framework aims to meet the following: (i) maintain sufficient capital to satisfy the Board's risk appetite across all risk areas and support MCB's growth strategy; (ii) provide protection to depositors against losses arising from risks inherent in the business; and (iii) maintain sufficient capital to meet regulatory requirements across each regulated entity.

MCB is required by 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. MCB and each of its regulated banking entities were in compliance with all prescribed capital ratios throughout the financial period under review. MCB adopts the Basel II Standardised Approach to the measurement of credit and market 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.

A key tool for capital planning is the annual Internal Capital Adequacy Assessment Process (ICAAP), through which the Group assesses its forecast capital supply and demand relative to its regulatory and internal capital targets, under various scenarios – including stress circumstances of differing scope and severity – over a 3-year horizon. Overall, the purpose of the ICAAP document at MCB is to provide an informative description of the methodology and procedures that MCB uses to assess and mitigate its risks and to ensure that the Bank has adequate capital to support its risks beyond the core minimum requirements. It delineates the process through which MCB assesses the extent to which it holds sufficient capital in order to duly support its business activities. In fact, the Group seeks to pay sustainable dividends over time, in line with its capital management objective and long-term growth prospects.

The ICAAP framework at MCB gives effect to the BoM Guideline on Supervisory Review Process issued in April 2010. The document, which is approved by the Board and RMC, is reviewed periodically to ensure that the Bank remains well capitalised after considering all material risks.

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 MCB's 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, while contributing to the competitive positioning of MCB.

Risk management report

Adherence to Basel II

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.

Three pillars of Basel II

Pillar I	Pillar II	Pillar III
Minimum capital requirements • Credit risk • Operational risk • Market risk	**Supervisory review process** • Regulatory compliance • Transparency and accountability	**Market discipline** • Meaningful disclosure

- **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 MCB determined in accordance with the requirements of 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 for computing risk-weighted assets.

MCB Bank	**Jun 11**	**Jun 12**	**Jun 13**
Capital base	**Rs m**	**Rs m**	**Rs m**
Paid up or assigned capital	2,504	2,504	2,504
Share premium	78	90	112
Statutory reserve	2,582	2,593	2,616
Other disclosed free reserves including undistributed balance in Income Statement	9,652	12,164	15,222
Current year's retained profit	2,512	3,058	2,289
Other intangible assets	(919)	(819)	(692)
Deferred tax	13	64	50
Treasury shares	(367)	(365)	(360)
Core capital	**16,055**	**19,289**	**21,741**
50% of investment in unconsolidated banking and financial subsidiary companies	(442)	(442)	(442)
50% of investments in capital of other banks and financial institutions	(440)	(431)	(516)
Net core capital (A)	**15,173**	**18,416**	**20,783**
General banking reserve	534	534	534
Portfolio provision	813	917	1,007
Reserves on revaluation of securities not held for trading	829	671	787
Subordinated debt	1,023	0	0
Supplementary capital	**3,199**	**2,121**	**2,328**
50% of investment in unconsolidated banking and financial subsidiary companies	(442)	(442)	(442)
50% of investments in capital of other banks and financial institutions	(440)	(431)	(516)
Net supplementary capital (B)	**2,317**	**1,248**	**1,370**
Capital base (A + B)	**17,490**	**19,664**	**22,153**
Total risk-weighted assets	**145,871**	**175,267**	**192,030**
CAPITAL ADEQUACY RATIOS (%)			
BIS risk adjusted ratio	12.0	11.2	11.5
of which Tier 1	10.4	10.5	10.8

MCB Group	**Jun 11**	**Jun 12**	**Jun 13**
Capital base	**Rs m**	**Rs m**	**Rs m**
Tier 1 capital	21,772	24,485	27,586
Tier 2 capital	2,747	1,776	1,970
Capital base	**24,519**	**26,261**	**29,555**
Total risk-weighted assets	**163,397**	**193,208**	**212,034**
CAPITAL ADEQUACY RATIOS (%)			
BIS risk adjusted ratio	15.0	13.6	13.9
of which Tier 1	13.3	12.7	13.0

Note: June 2012 figures relating to capital base and risk-weighted assets have been restated

Risk management report

As highlighted in the Cautionary Statement issued in March 2013, the proposed restructuring of MCB is *per se* expected to result into a reduction of approximately Rs 3 billion in its capital base. As mentioned before, to compensate for this capital shortfall and to support its future expansion, MCB has raised Rs 4.5 billion worth of Floating Rate Subordinated Notes on the Stock Exchange of Mauritius and obtained a USD 30 million subordinated debt from the African Development Bank as part of a larger financing package. These instruments qualify as Tier 2 Capital under the Guideline on Eligible Capital dated April 2008 and issued by BoM. They will be subject to the transitional arrangements under the Draft Guideline on Scope of Application of Basel III and Eligible Capital dated May 2013 and issued by BoM, whereby their recognition as Tier 2 Capital will be capped at 90% from the date the Draft Guideline becomes effective, with the cap reducing by 10% per annum until the Notes are redeemed.

On a Proforma basis, the capital adequacy ratios of MCB Bank and MCB Group based on figures as at 30 June 2013 are provided in the following table, taking into account the issue of Notes on the domestic stock exchange and the subordinated debt obtained from African Development Bank, prior to and post the restructuring exercise.

MCB Bank	Jun 13	Pre-restructuring	Post-restructuring
	Rs m	Rs m	Rs m
Tier 1 Capital	20,783	20,783	17,535
Tier 2 Capital	1,370	6,770	6,966
Capital base	**22,153**	**27,553**	**24,501**
Capital adequacy ratio (%)	11.5	14.3	12.9
MCB Group	**Jun 13**	**Pre-restructuring**	**Pre-restructuring**
	Rs m	Rs m	Rs m
Tier 1 Capital	27,586	27,586	27,586
Tier 2 Capital	1,970	7,370	7,370
Capital base	**29,555**	**34,955**	**34,955**
Capital adequacy ratio (%)	13.9	16.5	16.5

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

Risk-Weighted Assets

MCB Bank	Jun 13 Amount	Jun 13 Weight	Jun 13 Weighted assets	Jun 12 Weighted assets	Jun 11 Weighted assets
Risk-weighted on-balance sheet assets	Rs m	%	Rs m	Rs m	Rs m
Cash items	2,730	0 - 20	86	77	66
Claims on sovereigns	16,490	0 - 100	388	471	286
Claims on central banks	10,219	0 - 100	0	0	0
Claims on banks	14,164	20 - 100	7,672	5,274	3,564
Claims on non-central government public sector entities	38	0 - 100	38	38	35
Claims on corporates	109,780	100	109,504	98,659	87,345
Claims on retail segment	10,804	75	7,638	7,175	6,955
Claims secured by residential property	10,611	35 - 100	3,776	3,453	2,995
Fixed assets/other assets	10,246	100	10,246	10,343	10,207
Past due claims	11,727	50 - 150	16,480	17,089	10,936
Total			**155,828**	**142,580**	**122,390**

MCB Bank	Jun 13 Nominal amount	Jun 13 Credit conversion factor	Jun 13 Credit equivalent amount	Jun 13 Weight	Jun 13 Weighted amount	Jun 12 Weighted amount	Jun 11 Weighted amount
Non-market related off-balance sheet risk-weighted assets	Rs m	%	Rs m	%	Rs m	Rs m	Rs m
Direct credit substitutes	6,060	100	5,577	0 - 100	5,577	6,108	3,039
Transaction-related contingent items	27,636	50	13,765	0 - 100	12,033	9,870	6,700
Trade related contingencies	12,854	20	2,569	0 - 100	2,296	1,370	2,153
Outstanding loans commitment	5,022	20 - 50	2,511	100	2,511	2,260	1,917
Total					**22,417**	**19,608**	**13,809**

MCB Bank	Jun 13 Nominal amount	Jun 13 Credit conversion aactor	Jun 13 Potential future exposure	Jun 13 Current exposure	Jun 13 Credit equivalent amount	Jun 13 Weighted assets	Jun 12 Weighted assets	Jun 11 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	831	0 - 1.5	4	32	36	35	33	0
Foreign exchange contracts	19,370	1 - 7.5	262	89	352	251	169	75
Total						**286**	**202**	**75**

MCB Group	Jun 13 Amount	Jun 13 Weight	Jun 13 Weighted assets	Jun 12 Weighted assets	Jun 11 Weighted assets
Risk-weighted assets	Rs m	%	Rs m	Rs m	Rs m
On-balance sheet	218,435	0 - 150	171,832	156,403	136,066
Off-balance sheet	73,395	0 - 100	23,673	20,997	15,061
Total			**195,505**	**177,400**	**151,127**

Risk management report

MCB's overall credit quality remained within manageable levels against a backdrop of persisting economic uncertainties and increased credit risk on specific foreign-sourced activities, while total risk-weighted assets increased by 9.7% at Group level in FY 2012/13 compared to FY 2011/12. 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, 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 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 2013	
On-balance sheet	**Eligible collateral**
	Rs m
Corporate	241
Retail	801
	1,041
Off-balance sheet	**Eligible collateral**
	Rs m
Direct credit substitutes	9
Transaction-related contingent items	106
Trade-related contingencies	9
	125
Total	**1,166**

Operational Risk Capital

The Bank shifted to the Basic Indicator Approach in determining the required operational risk capital in FY 2011/12, 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 BoM and relates to the industry-wide level of required capital.

MCB Bank	**Weighted gross income**				
	Standardised approach		**Basic indicator approach**		
	Beta Factor (β)	**Jun 11**	**Alpha Factor (α)**	**Jun 12**	**Jun 13**
Line of business	**%**	**Rs m**	**%**	**Rs m**	**Rs m**
Trading and sales	β = 18	(86)			
Commercial banking	β = 15	654			
Retail banking	β = 12	518			
Agency services	β = 15	10			
			α = 15	1,284	1,427
Total yearly weighted gross income		**1,097**		**1,284**	**1,427**

	Standardised approach	**Basic indicator approach**	
	Jun 11	**Jun 12**	**Jun 13**
	Rs m	**Rs m**	**Rs m**
Capital charge for operational risk (Bank)	951	1,165	1,301
Capital charge for operational risk (Group)	1,118	1,355	1,503

Market Risk Capital

MCB currently adheres to the Standardised methodology as outlined by BoM in its Guideline on Measurement and Management of Market Risk. According to the Standardised methodology, which is closely aligned to Basel II Standardised Measurement Method, a bank is required to hold additional capital whenever its overall position in trading book activities exceeds 5% or more of its total assets. Furthermore, a bank is encouraged to hold a capital buffer that adequately covers the interest rate risk exposures arising from non-trading activities. As at 30 June 2013, MCB's trading book exposures were below the 5% significance level and consisted mainly of foreign exchange risk. Separate interest rate risk gap analysis schedules are prepared and submitted to BoM quarterly for the Bank's main currencies (MUR, USD and EUR). As at 30 June 2013, the Bank held a capital buffer commensurate with the aggregate banking book interest rate risk both from an earnings and economic value perspective as defined by the Guideline. The following table provides the comparative figures for the aggregate net open foreign exchange position.

Market risk	**Jun 11**	**Jun 12**	**Jun 13**
Aggregate net open foreign exchange position	**Rs m**	**Rs m**	**Rs m**
Bank	89	1,224	493
Group	1,090	2,257	1,500

Risk management report

Supervisory Review Process

As mentioned before, the ICAAP 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.

Stress Testing

Enabling conditions have been created at 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 during different phases, notably (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 BoM. A sample of stress tests which are conducted regularly at MCB is provided hereafter.

Scenario 1: External risks – Eurozone crisis

- 25% of exposure to 'Export Oriented Industries' turns impaired
- 15% of exposure to 'Tourism' turns impaired
- 10% of exposure to 'Sugar and other Agriculture' turns impaired
- Specific provision of 20% is made

Scenario 2: Concentration of risks – Corporate counterparties

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

Scenario 3: Concentration risks – Bank counterparties

- The Bank's exposure to top 3 banks becomes past due for more than 90 days. No specific provision

Scenario 4: Country risks

- Default on payment obligation from a government-owned entity in an African country

Scenario 5: Worst case – Combination of scenarios 1, 3 and 4

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. Other scenarios include simulating shocks on real estate to estimate impacts on expected losses and to assess whether the Bank's general provisioning is sufficient to withstand such shocks.

Risk management report

Basel III rules

In December 2010, the Basel Committee on Banking Supervision published the Basel III framework to strengthen global capital standards, with the aim of promoting a more resilient banking sector. In May 2013, BoM issued a draft Guideline on Scope of Application of Basel III and Eligible Capital for consultation. This document sets out the rules text and timelines to implement some of the elements related to the strengthening of the capital framework. It formulates the characteristics that instrument must have in order to qualify as regulatory capital, and the various adjustments that have to be made in determining the regulatory capital of a bank. In specific, the Basel III capital framework revises the criteria for the eligibility of capital instruments. It also introduces two capital buffers aimed at addressing pro-cyclicality and raising the resilience of the banking system, namely the capital conservation buffer and the countercyclical buffer. The objective is to build capital buffers that can be used in times of stress and to achieve the broader macro prudential aim of protecting the banking system from periods of excessive credit growth.

The following diagram, which is based on the draft BoM Guideline on Scope of Application of Basel III and Eligible Capital, provides an overview of the transitional arrangements for implementing certain elements of the Basel III capital framework in Mauritius as well as the limits and minima of the different components of capital. The timetable set out in the diagram is only indicative, being based on an application date as per the draft Guideline, which is yet to be finalised.

Phase-in arrangements of capital requirements for banks operating in Mauritius

Basel III timetable							
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Leverage ratio	Parallel run 2014 - 2017					Migration to Pillar I	
Minimum CET I CAR	5.5%	6.0%	6.5%	6.5%	6.5%	6.5%	6.5%
Capital conservation buffer				0.625%	1.25%	1.875%	2.50%
Minimum CET I CAR plus capital conservation buffer	5.5%	6.0%	6.5%	7.125%	7.75%	8.375%	9.0%
Phase-in of deductions from CET I		20%	40%	60%	80%	100%	100%
Minimum Tier I capital	6.5%	7.5%	8.0%	8.0%	8.0%	8.0%	8.0%
Minimum total capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Minimum total CAR plus conservation buffer	10.00%	10.00%	10.00%	10.625%	11.25%	11.875%	12.50%
Capital instruments that no longer qualify as Tier I capital or Tier 2 capital	Phased out over a 10-year horizon						
Liquidity coverage ratio			Introduce minimum standard				
Net stable funding ratio						Introduce minimum standard	

BoM has set up a working group for discussion on the Basel Committee on Banking Supervision proposals on capital and liquidity. For its part, MCB will remain vigilant to the new standards established in the Basel III framework, while monitoring any further regulatory developments that call for additional buffers especially in the wake of the recent draft consultation paper circulated by BoM with respect to the framework for dealing with domestic systemically important banks. All in all, towards positioning itself for the far-reaching consequences of ongoing regulatory reforms, MCB will constantly review its risk management capabilities and judiciously manage its capital resources to ensure that appreciable financial soundness metrics are maintained in order to support sustained businesses growth, while meeting up with the requirements of BoM at all times.

E. Jean MAMET
Director
Chairman Risk Monitoring Committee

Pierre Guy NOEL
Chief Executive (Group)


2013

Mauritius in a globalised environment

1995 – 2013

The creation of the offshore sector in the mid-1990s signals the start of the integration of Mauritius into the globalised environment as the country moves steadily towards becoming a service-based economy.

Manufacturing, be it sugar or textile and clothing, is faced with trade liberalisation and sees its weight in the economy decline. At the beginning of the period, employment figures and contribution to GDP of the export oriented enterprises are declining. The sugar industry is faced with the prospect of a 36% decrease in the price of its exports to the EU during the first decade of the 21st century. A sugar industry reform programme geared to strengthening the competitiveness of the sugarcane sector and the economy at large is established. It also seeks to facilitate structural change and economic diversification.

At the beginning of the century, official policy is to move towards a liberalised and open economy with the financial support of bilateral and multilateral funding agencies. The Integrated Resort Scheme (IRS), business process outsourcing and the seafood hub are among the new economic development opportunities identified. The decision is also taken to diversify the financial services and give a new boost to their growth. This diversification strategy is supported by MCB through financing and dedicated services.

Mauritius is impacted by the 2008 world economic crisis with the growth rate going down from 5.5% in 2008 to 3.1% in 2009. Fiscal and monetary measures and sector-specific measures in sugar, textile and tourism taken to mitigate its effects contribute to holding up the economy. The onset of the 2012 crisis in the Euro Zone reinforces the will to further regional cooperation and integration and to strengthen Mauritius as a hub for investment in Africa.

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 2013 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 166 to 254 which comprise the statements of financial position at June 30, 2013 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, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 166 to 254 give a true and fair view of the financial position of the Group and of the Bank at June 30, 2013, 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, 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. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance as disclosed in the annual report and on whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosure in the annual report is consistent with the requirements of the Code.

BDO & Co
Chartered Accountants

Ameenah Ramdin, FCCA, ACA
Licensed by FRC
26th September 2013
Port Louis
Mauritius

Statements of financial position

as at 30th June 2013

	Notes	GROUP 2013 RS'000	GROUP 2012 RS'000	GROUP 2011 RS'000	BANK 2013 RS'000	BANK 2012 RS'000	BANK 2011 RS'000
ASSETS							
Cash and cash equivalents	3	**15,394,108**	10,847,018	9,011,566	**14,614,633**	9,638,627	8,257,202
Derivative financial instruments	4	**120,955**	32,057	55,357	**120,955**	32,057	55,357
Loans to and placements with banks	5(a)	**3,789,813**	2,681,856	2,738,727	**3,659,498**	2,411,236	2,268,761
Loans and advances to customers	5(b)	**148,034,666**	135,183,050	119,901,032	**138,981,434**	127,396,940	112,345,481
Investment securities	6	**22,446,957**	16,873,501	17,555,272	**17,274,855**	12,385,486	13,617,560
Investments in associates	7	**6,377,761**	6,713,495	6,740,979	**876,156**	1,644,074	879,012
Investments in subsidiaries	8	**-**	-	-	**3,679,902**	3,537,307	3,447,710
Goodwill and other intangible assets	9	**977,813**	976,858	1,079,472	**691,896**	818,676	919,264
Property, plant and equipment	10	**6,312,841**	6,316,085	5,918,072	**5,442,042**	5,543,947	5,147,598
Deferred tax assets	11	**15,534**	14,877	18,944	**-**	-	-
Other assets	12	**13,092,940**	11,771,622	9,670,058	**10,982,603**	10,188,097	8,359,351
Total assets		**216,563,388**	191,410,419	172,689,479	**196,323,974**	173,596,447	155,297,296
LIABILITIES AND SHAREHOLDERS' EQUITY							
Deposits from banks	13(a)	**1,737,230**	1,319,030	1,711,987	**3,408,512**	2,776,618	2,829,395
Deposits from customers	13(b)	**164,376,019**	149,558,227	134,497,780	**150,918,634**	138,032,675	124,849,823
Derivative financial instruments	4	**167,297**	274,868	41,619	**167,297**	274,868	41,619
Other borrowed funds	14	**13,392,661**	7,434,431	5,153,730	**13,103,722**	7,008,400	4,499,307
Subordinated liabilities		**-**	-	1,278,856	**-**	-	1,278,856
Current tax liabilities		**249,552**	240,364	323,105	**241,946**	202,738	297,809
Deferred tax liabilities	11	**91,803**	97,868	46,212	**49,654**	63,836	13,095
Other liabilities	16	**5,494,500**	4,796,441	4,335,680	**4,814,880**	4,138,499	3,660,851
Total liabilities		**185,509,062**	163,721,229	147,388,969	**172,704,645**	152,497,634	137,470,755
Shareholders' Equity							
Share capital and share premium		**2,615,838**	2,593,395	2,581,709	**2,615,838**	2,593,395	2,581,709
Retained earnings		**22,412,225**	19,565,121	16,898,668	**17,511,459**	15,221,962	12,164,060
Other components of equity		**4,764,255**	4,342,410	4,615,779	**3,852,089**	3,648,221	3,447,955
		29,792,318	26,500,926	24,096,156	**23,979,386**	21,463,578	18,193,724
Less treasury shares		**(360,057)**	(364,765)	(367,183)	**(360,057)**	(364,765)	(367,183)
Equity attributable to the ordinary equity holders of the parent		**29,432,261**	26,136,161	23,728,973	**23,619,329**	21,098,813	17,826,541
Non-controlling interests		**1,622,065**	1,553,029	1,571,537	**-**	-	-
Total equity		**31,054,326**	27,689,190	25,300,510	**23,619,329**	21,098,813	17,826,541
Total equity and liabilities		**216,563,388**	191,410,419	172,689,479	**196,323,974**	173,596,447	155,297,296
CONTINGENT LIABILITIES							
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers		**48,028,454**	39,134,200	33,143,144	**46,549,986**	37,482,964	31,627,552
Commitments		**5,237,848**	4,741,781	3,922,272	**5,022,227**	4,519,999	3,832,368
Tax assessments		**121,584**	68,042	315,356	**121,584**	68,042	315,356
Other		**1,702,432**	1,416,011	1,000,997	**1,632,122**	1,289,436	987,508
	18	**55,090,318**	45,360,034	38,381,769	**53,325,919**	43,360,441	36,762,784

These financial statements were approved for issue by the Board of Directors on the 26th September 2013.

The notes on pages 177 to 254 form part of these financial statements.
Auditors' report on pages 164 and 165.

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 2013

	Notes	GROUP 2013 RS'000	GROUP 2012 RS'000	GROUP 2011 RS'000	BANK 2013 RS'000	BANK 2012 RS'000	BANK 2011 RS'000
Interest income	19	**11,686,394**	11,120,892	9,906,889	**10,544,759**	10,067,396	8,995,292
Interest expense	20	**(4,639,343)**	(4,736,137)	(4,020,604)	**(4,211,344)**	(4,321,466)	(3,643,407)
Net interest income		**7,047,051**	6,384,755	5,886,285	**6,333,415**	5,745,930	5,351,885
Fee and commission income	21	**3,193,627**	2,684,133	2,225,100	**2,601,828**	2,204,326	1,852,414
Fee and commission expense	22	**(564,158)**	(456,891)	(343,537)	**(411,373)**	(342,108)	(263,212)
Net fee and commission income		**2,629,469**	2,227,242	1,881,563	**2,190,455**	1,862,218	1,589,202
Other income							
Profit arising from dealing in foreign currencies		**925,159**	1,429,863	1,038,326	**775,743**	1,231,954	891,404
Net gain/(loss) from financial instruments carried at fair value	23	**206,333**	(251,765)	59,086	**206,333**	(251,783)	59,115
		1,131,492	1,178,098	1,097,412	**982,076**	980,171	950,519
Dividend income	24	**37,128**	58,999	86,828	**91,482**	917,105	157,823
Net gain on sale of securities		**23,915**	33,030	102,204	**19,916**	-	5,648
Other operating income		**154,391**	126,087	138,901	**54,327**	8,847	61,389
		1,346,926	1,396,214	1,425,345	**1,147,801**	1,906,123	1,175,379
Income from out-of-court settlement		**-**	-	250,000	**-**	-	250,000
Operating income		**11,023,446**	10,008,211	9,443,193	**9,671,671**	9,514,271	8,366,466
Non-interest expense							
Salaries and human resource development	25(a)	**(2,354,046)**	(2,149,847)	(1,952,134)	**(2,030,463)**	(1,878,725)	(1,705,403)
Employee benefits	15	**(275,327)**	(200,463)	(201,443)	**(275,327)**	(200,463)	(201,443)
Depreciation		**(555,810)**	(535,666)	(412,063)	**(406,897)**	(399,238)	(285,172)
Amortisation of intangible assets		**(241,866)**	(216,043)	(209,993)	**(201,030)**	(196,879)	(189,444)
Other	25(b)	**(1,569,382)**	(1,513,482)	(1,246,038)	**(1,245,027)**	(1,199,375)	(1,024,174)
		(4,996,431)	(4,615,501)	(4,021,671)	**(4,158,744)**	(3,874,680)	(3,405,636)
Operating profit before impairment		**6,027,015**	5,392,710	5,421,522	**5,512,927**	5,639,591	4,960,830
Allowance for credit impairment	26	**(1,081,027)**	(518,809)	(315,089)	**(1,055,277)**	(509,241)	(305,405)
Impairment of intangible assets		**-**	(1,206)	(24,428)	**-**	(1,206)	(24,428)
Operating profit		**4,945,988**	4,872,695	5,082,005	**4,457,650**	5,129,144	4,630,997
Share of profit of associates		**257,262**	162,391	288,020	**-**	-	-
Profit before tax		**5,203,250**	5,035,086	5,370,025	**4,457,650**	5,129,144	4,630,997
Income tax expense	27	**(853,582)**	(888,111)	(853,365)	**(695,502)**	(669,495)	(726,653)
Profit for the year		**4,349,668**	4,146,975	4,516,660	**3,762,148**	4,459,649	3,904,344
Profit for the year attributable to:							
Ordinary equity holders of the parent		**4,315,438**	4,114,563	4,491,121	**3,762,148**	4,459,649	3,904,344
Non-controlling interests		**34,230**	32,412	25,539	**-**	-	-
		4,349,668	4,146,975	4,516,660	**3,762,148**	4,459,649	3,904,344
Earnings per share:							
Basic (Rs)	29(a)	**18.15**	17.32	18.91			
Diluted (Rs)	29(b)	**18.15**	17.31	18.90			

The notes on pages 177 to 254 form part of these financial statements.
Auditors' report on pages 164 and 165.

Statements of comprehensive income

for the year ended 30th June 2013

	GROUP 2013 RS'000	GROUP 2012 RS'000	GROUP 2011 RS'000	BANK 2013 RS'000	BANK 2012 RS'000	BANK 2011 RS'000
Profit for the year	**4,349,668**	4,146,975	4,516,660	**3,762,148**	4,459,649	3,904,344
Other comprehensive income/(expense):						
Items that may be reclassified subsequently to income statement:						
Exchange differences on translating foreign operations	**151,229**	(154,708)	24,781	**-**	-	-
Reclassification adjustments	**(3,517)**	(21,491)	(2,787)	**(3,206)**	-	-
Net fair value gain/(loss) on available-for-sale investments	**187,475**	(92,198)	236,202	**184,631**	188,580	96,239
Share of other comprehensive income/(expense) of associates	**117,024**	(14,066)	(16,795)	**-**	-	-
Other comprehensive income/(expense) for the year	**452,211**	(282,463)	241,401	**181,425**	188,580	96,239
Total comprehensive income for the year	**4,801,879**	3,864,512	4,758,061	**3,943,573**	4,648,229	4,000,583
Total comprehensive income attributable to:						
Ordinary equity holders of the parent	**4,717,335**	3,837,338	4,735,144	**3,943,573**	4,648,229	4,000,583
Non-controlling interests	**84,544**	27,174	22,917	**-**	-	-
	4,801,879	3,864,512	4,758,061	**3,943,573**	4,648,229	4,000,583

The notes on pages 177 to 254 form part of these financial statements.
Auditors' report on pages 164 and 165.

Statement of changes in equity

for the year ended 30th June 2013

	Note	Attributable to ordinary equity holders of the parent: 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 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
Profit for the year		-	-	-	4,491,121	-	-	-	-	4,491,121	25,539	4,516,660
Other comprehensive income/(expense) for the year		-	-	-	-	219,287	24,736	-	-	244,023	(2,622)	241,401
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
Profit for the year		-	-	-	4,114,563	-	-	-	-	4,114,563	32,412	4,146,975
Other comprehensive expense for the year		-	-	-	-	(121,980)	(155,245)	-	-	(277,225)	(5,238)	(282,463)
Total comprehensive income/(expense) 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
Profit for the year		**-**	**-**	**-**	**4,315,438**	**-**	**-**	**-**	**-**	**4,315,438**	**34,230**	**4,349,668**
Other comprehensive income for the year		**-**	**-**	**-**	**-**	**248,603**	**153,294**	**-**	**-**	**401,897**	**50,314**	**452,211**
Total comprehensive income for the year		**-**	**-**	**-**	**4,315,438**	**248,603**	**153,294**	**-**	**-**	**4,717,335**	**84,544**	**4,801,879**
Increase in effective shareholding of associate		**-**	**-**	**-**	**1,822**	**-**	**-**	**-**	**-**	**1,822**	**1,343**	**3,165**
Dividends	28	**-**	**-**	**-**	**(1,450,208)**	**-**	**-**	**-**	**-**	**(1,450,208)**	**(16,851)**	**(1,467,059)**
Share of transfer on disposal of property, plant & equipment by associate		**-**	**-**	**-**	**15,585**	**(15,585)**	**-**	**-**	**-**	**-**	**-**	**-**
Transfer to general banking reserve		**-**	**-**	**-**	**(6,638)**	**-**	**-**	**-**	**6,638**	**-**	**-**	**-**
Transfer to statutory reserve		**-**	**-**	**-**	**(28,895)**	**-**	**-**	**28,895**	**-**	**-**	**-**	**-**
Employee share options exercised		**-**	**22,443**	**4,708**	**-**	**-**	**-**	**-**	**-**	**27,151**	**-**	**27,151**
At 30th June 2013		**2,503,756**	**112,082**	**(360,057)**	**22,412,225**	**1,615,922**	**(100,015)**	**2,643,677**	**604,671**	**29,432,261**	**1,622,065**	**31,054,326**

The notes on pages 177 to 254 form part of these financial statements.
Auditors' report on pages 164 and 165.

Statement of changes in equity

for the year ended 30th June 2013

	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 2010		**2,503,756**	**51,214**	**(373,208)**	**9,651,949**	**236,427**	**2,554,970**	**533,580**	**15,158,688**
Profit for the year		-	-	-	3,904,344	-	-	-	3,904,344
Other comprehensive income for the year		-	-	-	-	96,239	-	-	96,239
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**
Profit for the year		-	-	-	4,459,649	-	-	-	4,459,649
Other comprehensive income for the year		-	-	-	-	188,580	-	-	188,580
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**
Profit for the year		**-**	**-**	**-**	**3,762,148**	**-**	**-**	**-**	**3,762,148**
Other comprehensive income for the year		**-**	**-**	**-**	**-**	**181,425**	**-**	**-**	**181,425**
Total comprehensive income for the year		**-**	**-**	**-**	**3,762,148**	**181,425**	**-**	**-**	**3,943,573**
Dividends	28	**-**	**-**	**-**	**(1,450,208)**	**-**	**-**	**-**	**(1,450,208)**
Transfer to statutory reserve		**-**	**-**	**-**	**(22,443)**	**-**	**22,443**	**-**	**-**
Employee share options exercised		**-**	**22,443**	**4,708**	**-**	**-**	**-**	**-**	**27,151**
At 30th June 2013		**2,503,756**	**112,082**	**(360,057)**	**17,511,459**	**702,671**	**2,615,838**	**533,580**	**23,619,329**

The notes on pages 177 to 254 form part of these financial statements.
Auditors' report on pages 164 and 165.

Statements of cash flows

for the year ended 30th June 2013

	Notes	GROUP 2013 RS'000	GROUP 2012 RS'000	GROUP 2011 RS'000	BANK 2013 RS'000	BANK 2012 RS'000	BANK 2011 RS'000
Net cash flows from trading activities	31	**5,603,623**	4,637,125	2,101,181	**5,333,790**	5,105,161	1,855,053
Net cash flows from other operating activities	32	**(3,070,715)**	1,045,486	(7,249,966)	**(2,629,665)**	(1,614)	(6,665,092)
Dividends received from associates		**28,816**	775,394	38,713	**-**	-	-
Dividends paid		**(1,425,893)**	(1,389,787)	(1,305,473)	**(1,425,893)**	(1,389,787)	(1,305,473)
Dividends paid to non-controlling interests in subsidiaries		**(16,851)**	(19,599)	(20,302)	**-**	-	-
Income tax paid		**(845,645)**	(876,410)	(795,935)	**(670,476)**	(713,825)	(673,286)
Net cash flows from operating activities		**273,335**	4,172,209	(7,231,782)	**607,756**	2,999,935	(6,788,798)
Investing activities							
Purchase of available-for-sale investments		**(82,969)**	(720,111)	(820,948)	**(35,000)**	(261,845)	(201,850)
Proceeds from sale of available-for-sale investments		**452,238**	290,285	404,527	**415,014**	185,040	-
Proceeds on disposal of shares in subsidiary		**-**	-	-	**-**	-	8,790
Investment in subsidiaries		**-**	-	-	**-**	(39,597)	(220,091)
Net cash flow on sale of joint venture		**-**	28,801	-	**-**	-	-
(Acquisition)/Disposal of non-controlling interest by local subsidiary		**-**	(52,322)	8,790	**-**	-	-
Purchase of property, plant and equipment		**(696,520)**	(1,014,548)	(1,720,661)	**(346,165)**	(809,044)	(1,525,000)
Purchase of intangible assets		**(252,260)**	(115,327)	(558,444)	**(74,250)**	(97,497)	(521,783)
Proceeds from sale of property, plant and equipment		**221,553**	71,231	65,417	**79,605**	17,866	24,426
		(357,958)	(1,511,991)	(2,621,319)	**39,204**	(1,005,077)	(2,435,508)
Net cash flows before financing		**(84,623)**	2,660,218	(9,853,101)	**646,960**	1,994,858	(9,224,306)
Financing							
Employee share options exercised		**25,509**	12,183	28,076	**25,509**	12,183	28,076
Refund of subordinated liabilities		**-**	(1,298,672)	-	**-**	(1,298,672)	-
Share buy back by subsidiary		**-**	(30,166)	-	**-**	-	-
Net debt securities issued		**354,900**	1,783,500	-	**354,900**	1,783,500	-
Net refund/(grant) of subordinated loan from/to associates/subsidiaries		**784,512**	(782,439)	(2,000)	**642,199**	(832,439)	(2,000)
		1,164,921	(315,594)	26,076	**1,022,608**	(335,428)	26,076
Increase/(Decrease) in cash and cash equivalents		**1,080,298**	2,344,624	(9,827,025)	**1,669,568**	1,659,430	(9,198,230)
Net cash and cash equivalents at 1st July 2012		**7,102,361**	4,771,949	14,764,634	**6,181,026**	4,521,596	13,719,826
Effect of foreign exchange rate changes		**260,210**	(14,212)	(165,660)	**-**	-	-
Net cash and cash equivalents at 30th June 2013	33	**8,442,869**	7,102,361	4,771,949	**7,850,594**	6,181,026	4,521,596

The notes on pages 177 to 254 form part of these financial statements.
Auditors' report on pages 164 and 165.

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

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(continued)

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(continued)

Notes to the financial statements
for the year ended 30th June 2013

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

Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12), introduces a presumption that investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are recovered entirely through sale for the purposes of measuring deferred taxes. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. This amendment is unlikely to have an impact on the Group's financial statements.

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income'(OCI) on the basis of whether they are potentially reclassifiable to Income Statement subsequently (reclassification adjustments).

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

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2013 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:

IFRS 9 Financial Instruments
IAS 27 Separate Financial Statements
IAS 28 Investments in Associates and Joint Ventures
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Measurement

1. Significant Accounting Policies (Cont'd)

(a) Basis of presentation (Cont'd)

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

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 to IFRSs 2009-2011 Cycle
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
IFRIC 21: Levies
Recoverable Amount Disclosures for Non- financial Assets (Amendments to IAS 36)
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

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.

1. Significant Accounting Policies (Cont'd)

(b) Basis of consolidation

(1) (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.

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 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. 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.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in Income Statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to Income Statement.

1. Significant Accounting Policies (Cont'd)

(b) Basis of consolidation (Cont'd)

(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 Statements reflect 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.

(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.

1. Significant Accounting Policies (Cont'd)

(c) Foreign currency translation (Cont'd)

(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 at fair value on the date a derivative contract is entered into 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. Transaction costs are charged immediately through Income Statement.

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.

(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.

1. Significant Accounting Policies (Cont'd)

(h) Sale and repurchase agreements (Cont'd)

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 fair value plus, in the case of those not at fair value through profit or loss, 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 the Statement 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.

If the Bank was to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Bank would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably measured. 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.

1. 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 fair value (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 occurring 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.

1. Significant Accounting Policies (Cont'd)

(l) Goodwill (Cont'd)

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.

(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 Statements. 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.

1. Significant Accounting Policies (Cont'd)

(n) Computer software development costs (Cont'd)

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.

(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.

1. Significant Accounting Policies (Cont'd)

(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.

(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.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

(u) Borrowings

Borrowings are recognised initially at fair value, 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 34 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 2013 Rs M	GROUP 2012 Rs M	GROUP 2011 Rs M	BANK 2013 Rs M	BANK 2012 Rs M	BANK 2011 Rs M
Neither past due nor impaired	**143,136**	128,790	115,735	**134,278**	120,602	108,821
Past due but not impaired	**5,290**	6,461	5,834	**5,290**	6,461	4,899
Impaired	**7,630**	5,885	4,346	**7,132**	5,885	4,051
Gross	**156,056**	141,136	125,915	**146,700**	132,948	117,771
Less Allowances for credit impairment	**(4,232)**	(3,271)	(3,276)	**(4,059)**	(3,140)	(3,157)
Net	**151,824**	137,865	122,639	**142,641**	129,808	114,614
Fair Value of collaterals of past due but not impaired loans	**5,290**	6,461	5,834	**5,290**	6,461	4,899
Fair Value of collaterals of impaired loans	**5,642**	3,937	2,243	**5,144**	3,937	1,948

Loans and advances negotiated

	GROUP 2013 Rs M	GROUP 2012 Rs M	GROUP 2011 Rs M	BANK 2013 Rs M	BANK 2012 Rs M	BANK 2011 Rs M
Loans and advances negotiated	**11,789**	13,920	5,989	**11,789**	13,920	5,989
Fair value of collaterals	**11,789**	13,920	5,989	**11,789**	13,920	5,989

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

	GROUP 2013 Rs M	GROUP 2012 Rs M	GROUP 2011 Rs M	BANK 2013 Rs M	BANK 2012 Rs M	BANK 2011 Rs M
Credit risk exposures relating to on - balance sheet assets are as follows:						
Cash and cash equivalents	**15,394**	10,847	9,012	**14,615**	9,639	8,257
Derivatives financial instruments	**121**	32	55	**121**	32	55
Loans and advances to banks	**3,790**	2,682	2,739	**3,659**	2,411	2,269
Loans and advances to customers	**148,035**	135,183	119,901	**138,981**	127,397	112,345
Investment securities	**22,447**	16,874	17,555	**17,275**	12,385	13,618
Other assets	**13,093**	11,772	9,670	**10,983**	10,188	8,359
Credit risk exposures relating to off - balance sheet assets are as follows:						
Financial guarantees	**48,028**	39,134	33,143	**46,550**	37,483	31,628
Loans committed and other credit related liabilities	**5,238**	4,742	3,922	**5,022**	4,520	3,832
Total	**256,146**	221,266	195,997	**237,206**	204,055	180,363

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
2013 (Rs M)	**(11.00)**	**(14.08)**	**(20.55)**	**(10.27)**
2012 (Rs M)	(18.63)	(12.93)	(18.63)	(10.20)

VaR Analysis - Foreign Exchange Risk (Bank)

	As at 30 June	Average	Maximum	Minimum
2013 (Rs M)	**(11.32)**	**(10.70)**	**(13.79)**	**(8.41)**
2012 (Rs M)	(15.65)	(10.72)	(15.65)	(7.32)

(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 2013 Rs M	GROUP 2012 Rs M	GROUP 2011 Rs M	BANK 2013 Rs M	BANK 2012 Rs M	BANK 2011 Rs M
Available-for-sale financial assets	**217**	225	207	**68**	77	63

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, 2013	EURO RS '000	USD RS '000	GBP RS '000	MUR RS '000	OTHER RS '000	TOTAL RS '000
Assets						
Cash & cash equivalents	2,873,627	290,548	2,420,188	4,704,761	4,325,509	14,614,633
Derivative financial instruments	25,518	-	-	95,437	-	120,955
Loans to and placements with banks	823,296	2,846,171	-	31	-	3,669,498
Loans and advances to customers	12,001,478	37,411,099	702,066	92,743,319	172,289	143,030,251
Investment securities	-	182,919	-	17,062,682	29,254	17,274,855
Investments in associates	2,877,657	-	-	3,500,104	-	6,377,761
Goodwill and other intangible assets	-	-	-	691,896	-	691,896
Property, plant and equipment	-	-	-	5,442,042	-	5,442,042
Deferred tax assets	-	-	-	-	-	-
Other assets	612,259	1,463,183	158,594	8,725,995	22,572	10,982,603
	19,213,835	42,193,920	3,280,848	132,966,267	4,549,624	202,204,494
Less allowances for credit impairment						(4,058,817)
						198,145,677
Subsidiaries						18,417,711
Total assets						**216,563,388**
Liabilities						
Deposits from banks	598,609	2,265,199	73,350	173,286	298,068	3,408,512
Deposits from customers	15,676,983	20,695,284	3,004,356	107,768,366	3,773,645	150,918,634
Derivative financial instruments	23,837	63,516	-	79,944	-	167,297
Other borrowed funds	3,777,756	7,456,605	-	-	1,869,361	13,103,722
Subordinated liabilities	-	-	-	-	-	-
Current tax liabilities	-	-	-	241,946	-	241,946
Deferred tax liabilities	-	-	-	49,654	-	49,654
Other liabilities	148,778	763,335	21,086	3,831,722	49,959	4,814,880
	20,225,963	31,243,939	3,098,792	112,144,918	5,991,033	172,704,645
Subsidiaries						12,804,417
Total liabilities						**185,509,062**
Net on-balance sheet position	(1,012,128)	10,949,981	182,056	20,821,349	(1,441,409)	29,499,849
Less allowances for credit impairment						(4,058,817)
Subsidiaries						5,613,294
						31,054,326
Off balance sheet net notional position	5,042,438	13,425,365	482,495	-	3,622,664	22,572,962
Credit commitments	3,580,662	33,749,021	18,844	13,551,022	672,664	51,572,213
Subsidiaries						1,694,089
						75,839,264

2. Financial Risk Management (Cont'd)

(e) Currency risk (Cont'd)

Concentration of assets, liabilities and off-balance sheet items

Bank At June 30, 2013	EURO RS '000	USD RS '000	GBP RS '000	MUR RS '000	OTHER RS '000	TOTAL RS '000
Assets						
Cash & cash equivalents	2,873,627	290,548	2,420,188	4,704,761	4,325,509	14,614,633
Derivative financial instruments	25,518	-	-	95,437	-	120,955
Loans to and placement with banks	823,296	2,846,171	-	31	-	3,669,498
Loans and advances to customers	12,001,478	37,411,099	702,066	92,743,319	172,289	143,030,251
Investment securities	-	182,919	-	17,062,682	29,254	17,274,855
Investments in associates	413,352	-	-	462,804	-	876,156
Investments in subsidiaries	-	155,095	-	3,524,807	-	3,679,902
Goodwill and other intangible assets	-	-	-	691,896	-	691,896
Property, plant and equipment	-	-	-	5,442,042	-	5,442,042
Deferred tax liabilities	-	-	-	-	-	-
Other assets	612,259	1,463,183	158,594	8,725,995	22,572	10,982,603
	16,749,530	42,349,015	3,280,848	133,453,774	4,549,624	200,382,791
Less allowances for credit impairment						(4,058,817)
Total assets						**196,323,974**
Liabilities						
Deposits from banks	598,609	2,265,199	73,350	173,286	298,068	3,408,512
Deposits from customers	15,676,983	20,695,284	3,004,356	107,768,366	3,773,645	150,918,634
Derivative financial instruments	23,837	63,516	-	79,944	-	167,297
Other borrowed funds	3,777,756	7,456,605	-	-	1,869,361	13,103,722
Subordinated liabilities	-	-	-	-	-	-
Current tax liabilities	-	-	-	241,946	-	241,946
Deferred tax liabilities	-	-	-	49,654	-	49,654
Other liabilities	148,778	763,335	21,086	3,831,722	49,959	4,814,880
Total liabilities	20,225,963	31,243,939	3,098,792	112,144,918	5,991,033	**172,704,645**
Net on-balance sheet position	(3,476,433)	11,105,076	182,056	21,308,856	(1,441,409)	27,678,146
Less allowances for credit impairment						(4,058,817)
						23,619,329
Off balance sheet net notional position	5,042,438	13,425,365	482,495	-	3,622,664	22,572,962
Credit commitments	3,580,662	33,749,021	18,844	13,551,022	672,664	51,572,213

2. Financial Risk Management (Cont'd)

(e) Currency risk (Cont'd)

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
Total assets	13,778,889	35,434,567	2,918,759	122,488,119	3,648,217	178,268,551
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	(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)
						22,630,927
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
Bank **At June 30, 2012**						
Total assets	11,671,242	35,434,567	2,918,759	123,063,652	3,648,217	176,736,437
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**						
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)

(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, 2013 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-interest bearing RS '000	Total RS '000
Cash & cash equivalents	8,263,612	829,980	-	-	-	-	5,521,041	14,614,633
Derivative financial instruments	-	-	-	-	-	-	120,955	120,955
Loans to and placements with banks	2,202,093	1,346,432	77,547	43,426	-	-	-	3,669,498
Loans and advances to customers	102,922,599	18,396,985	11,165,943	4,832,646	1,288,949	3,777,388	645,741	143,030,251
Investment securities	959,541	2,661,653	4,666,055	4,831,050	1,993,765	1,017,741	1,145,050	17,274,855
Investments in associates	-	413,352	-	-	-	-	5,964,409	6,377,761
Goodwill and other intangible assets	-	-	-	-	-	-	691,896	691,896
Property, plant and equipment	-	-	-	-	-	-	5,442,042	5,442,042
Deferred tax assets	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	10,982,603	10,982,603
	114,347,845	23,648,402	15,909,545	9,707,122	3,282,714	4,795,129	30,513,737	202,204,494
Less allowances for credit impairment								(4,058,817)
								198,145,677
Subsidiaries								18,417,711
Total assets								**216,563,388**
Liabilities								
Deposits from banks	2,059,059	458,565	223,680	423,871	31,019	14,062	198,256	3,408,512
Deposits from customers	129,312,874	4,099,718	2,266,872	2,672,474	61,797	143,410	12,361,489	150,918,634
Derivative financial instruments	-	-	-	-	-	-	167,297	167,297
Other borrowed funds	4,086,799	4,530,076	3,301,612	-	-	1,176,474	8,761	13,103,722
Subordinated liabilities	-	-	-	-	-	-	-	-
Current tax liabilities	-	-	-	-	-	-	241,946	241,946
Deferred tax liabilities	-	-	-	-	-	-	49,654	49,654
Other liabilities	746,721	-	393,445	-	-	-	3,674,714	4,814,880
	136,205,453	9,088,359	6,185,609	3,096,345	92,816	1,333,946	16,702,117	172,704,645
Subsidiaries								12,804,417
Total liabilities								**185,509,062**
On balance sheet interest sensitivity gap	(21,857,608)	14,560,043	9,723,936	6,610,777	3,189,898	3,461,183	13,811,620	29,499,849
Less allowances for credit impairment								(4,058,817)
Subsidiaries								5,613,294
								31,054,326

2. Financial Risk Management (Cont'd)

(f) Interest rate risk (Cont'd)

Interest sensitivity of assets and liabilities - repricing analysis

Bank At June 30, 2013 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-interest bearing RS '000	Total RS '000
Cash & cash equivalents	8,263,612	829,980	-	-	-	-	5,521,041	14,614,633
Derivative financial instruments	-	-	-	-	-	-	120,955	120,955
Loans to and placements with banks	2,202,093	1,346,432	77,547	43,426	-	-	-	3,669,498
Loans and advances to customers	102,922,599	18,396,985	11,165,943	4,832,646	1,288,949	3,777,388	645,741	143,030,251
Investment securities	959,541	2,661,653	4,666,055	4,831,050	1,993,765	1,017,741	1,145,050	17,274,855
Investments in associates	-	413,352	-	-	-	-	462,804	876,156
Investments in subsidiaries	-	155,095	-	-	-	-	3,524,807	3,679,902
Goodwill and other intangible assets	-	-	-	-	-	-	691,896	691,896
Property, plant and equipment	-	-	-	-	-	-	5,442,042	5,442,042
Deferred tax assets	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	10,982,603	10,982,603
	114,347,845	23,803,497	15,909,545	9,707,122	3,282,714	4,795,129	28,536,939	200,382,791
Less allowances for credit impairment								(4,058,817)
Total assets								**196,323,974**
Liabilities								
Deposits from banks	2,059,059	458,565	223,680	423,871	31,019	14,062	198,256	3,408,512
Deposits from customers	129,312,874	4,099,718	2,266,872	2,672,474	61,797	143,410	12,361,489	150,918,634
Derivative financial instruments	-	-	-	-	-	-	167,297	167,297
Other borrowed funds	4,086,799	4,530,076	3,301,612	-	-	1,176,474	8,761	13,103,722
Subordinated liabilities	-	-	-	-	-	-	-	-
Current tax liabilities	-	-	-	-	-	-	241,946	241,946
Deferred tax liabilities	-	-	-	-	-	-	49,654	49,654
Other liabilities	746,721	-	393,445	-	-	-	3,674,714	4,814,880
Total liabilities	136,205,453	9,088,359	6,185,609	3,096,345	92,816	1,333,946	16,702,117	**172,704,645**
On balance sheet interest sensitivity gap	(21,857,608)	14,715,138	9,723,936	6,610,777	3,189,898	3,461,183	11,834,822	27,678,146
Less allowances for credit impairment								(4,058,817)
								23,619,329

2. Financial Risk Management (Cont'd)

(f) Interest rate risk (Cont'd)

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
Total assets	101,958,309	17,983,866	16,494,468	8,057,341	3,830,639	3,564,623	26,379,305	178,268,551
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	9,788,254	25,770,917
Less allowances for credit impairment								(3,139,990)
								22,630,927
Subsidiaries								5,058,263
								27,689,190

Bank At June 30, 2012								
Total assets	101,958,309	17,983,866	16,494,468	8,057,341	3,830,639	3,564,623	24,847,191	176,736,437
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

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

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, 2013 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	13,356,658	829,980	-	-	-	-	427,995	14,614,633
Derivative financial instruments	27,533	62,957	4,644	-	-	-	25,821	120,955
Loans to and placements with banks	1,236,070	1,191,338	77,547	43,426	1,121,117	-	-	3,669,498
Loans and advances to customers	37,588,959	11,557,078	3,049,683	2,196,567	9,553,682	78,449,314	634,968	143,030,251
Investment securities	930,287	2,760,991	4,357,948	4,831,050	2,205,937	1,226,511	962,131	17,274,855
Investments in associates	-	-	-	-	413,352	-	5,964,409	6,377,761
Goodwill and other intangible assets	-	-	-	-	-	-	691,896	691,896
Property, plant and equipment	-	-	-	-	-	-	5,442,042	5,442,042
Deferred tax assets	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	10,982,603	10,982,603
	53,139,507	16,402,344	7,489,822	7,071,043	13,294,088	79,675,825	25,131,865	202,204,494
Less allowances for credit impairment								(4,058,817)
								198,145,677
Subsidiaries								18,417,711
Total assets								**216,563,388**
Liabilities								
Deposits from banks	2,271,377	458,565	223,680	454,890	-	-	-	3,408,512
Deposits from customers	117,822,209	10,222,570	3,547,721	6,006,546	7,277,556	6,042,032	-	150,918,634
Derivative financial instruments	58,092	50,025	8,391	392	-	-	50,397	167,297
Other borrowed funds	4,095,560	2,669,477	469,027	-	2,057,668	3,811,990	-	13,103,722
Subordinated liabilities	-	-	-	-	-	-	-	-
Current tax liabilities	-	-	241,946	-	-	-	-	241,946
Deferred tax liabilities	-	-	-	-	-	-	49,654	49,654
Other liabilities	1,543,378	-	69,966	-	323,479	-	2,878,057	4,814,880
	125,790,616	13,400,637	4,560,731	6,461,828	9,658,703	9,854,022	2,978,108	172,704,645
Subsidiaries								12,804,417
Total liabilities								**185,509,062**
Net liquidity gap								
Less allowances for credit impairment	(72,651,109)	3,001,707	2,929,091	609,215	3,635,385	69,821,803	22,153,757	29,499,849
Subsidiaries								(4,058,817)
								5,613,294
								31,054,326

2. Financial Risk Management (Cont'd)

(g) Liquidity risk (Cont'd)

Maturities of assets and liabilities

Bank At June 30, 2013 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	13,356,658	829,980	-	-	-	-	427,995	14,614,633
Derivative financial instruments	27,533	62,957	4,644	-	-	-	25,821	120,955
Loans to and placements with banks	1,236,070	1,191,338	77,547	43,426	1,121,117	-	-	3,669,498
Loans and advances to customers	37,588,959	11,557,078	3,049,683	2,196,567	9,553,682	78,449,314	634,968	143,030,251
Investment securities	930,287	2,760,991	4,357,948	4,831,050	2,205,937	1,226,511	962,131	17,274,855
Investments in associates	-	-	-	-	413,352	-	462,804	876,156
Investments in subsidiaries	-	-	-	-	37,500	155,095	3,487,307	3,679,902
Goodwill and other intangible assets	-	-	-	-	-	-	691,896	691,896
Property, plant and equipment	-	-	-	-	-	-	5,442,042	5,442,042
Deferred tax assets	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	10,982,603	10,982,603
	53,139,507	16,402,344	7,489,822	7,071,043	13,331,588	79,830,920	23,117,567	200,382,791
Less allowances for credit impairment								(4,058,817)
Total assets								**196,323,974**
Liabilities								
Deposits from banks	2,271,377	458,565	223,680	454,890	-	-	-	3,408,512
Deposits from customers	117,822,209	10,222,570	3,547,721	6,006,546	7,277,556	6,042,032	-	150,918,634
Derivative financial instruments	58,092	50,025	8,391	392	-	-	50,397	167,297
Other borrowed funds	4,095,560	2,669,477	469,027	-	2,057,668	3,811,990	-	13,103,722
Subordinated liabilities	-	-	-	-	-	-	-	-
Current tax liabilities	-	-	241,946	-	-	-	-	241,946
Deferred tax liabilities	-	-	-	-	-	-	49,654	49,654
Other liabilities	1,543,378	-	69,966	-	323,479	-	2,878,057	4,814,880
Total liabilities	125,790,616	13,400,637	4,560,731	6,461,828	9,658,703	9,854,022	2,978,108	**172,704,645**
Net liquidity gap	(72,651,109)	3,001,707	2,929,091	609,215	3,672,885	69,976,898	20,139,459	27,678,146
Less allowances for credit impairment								(4,058,817)
								23,619,329

2. Financial Risk Management (Cont'd)

(g) Liquidity risk (Cont'd)

Maturities of assets and liabilities

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-maturity items RS '000	Total RS '000
Total assets	40,343,602	9,782,940	7,490,815	8,089,798	12,629,944	76,011,714	23,919,738	178,268,551
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	69,086,214	20,350,409	25,770,917
Less allowances for credit impairment								(3,139,990)
								22,630,927
Subsidiaries								5,058,263
								27,689,190
Bank **At June 30, 2012**								
Total assets	40,343,602	9,782,940	7,490,815	8,089,798	12,629,944	76,061,714	22,337,624	176,736,437
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

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

3. Cash and Cash Equivalents

	GROUP			BANK		
	2013 RS'000	2012 RS'000	2011 RS'000	2013 RS'000	2012 RS'000	2011 RS'000
Cash in hand	**2,386,427**	1,380,140	1,470,228	**2,253,708**	1,267,257	1,352,494
Foreign currency notes and coin	**102,693**	92,819	95,397	**46,882**	40,649	63,005
Unrestricted balances with Central Banks	**2,447,674**	859,901	227,679	**2,179,531**	577,982	-
Balances due in clearing	**536,827**	504,802	446,186	**429,180**	385,541	328,931
Balances with local banks	**14,530**	14,067	14,765	**2,315**	1,468	1,646
Interbank loans	**393,681**	100,000	-	**300,000**	100,000	-
Money market placements	**5,384,962**	6,037,438	5,300,115	**5,294,329**	5,473,719	5,130,514
Balances with banks abroad	**4,127,314**	1,857,851	1,457,196	**4,108,688**	1,792,011	1,380,612
	15,394,108	10,847,018	9,011,566	**14,614,633**	9,638,627	8,257,202

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 2013			
Foreign Exchange & Interest Rate Derivatives			
Currency forwards	**2,252,406**	**28,138**	**30,727**
Cross currency interest rate swaps	**4,114,645**	**-**	**26,561**
Interest rate swaps	**831,201**	**25,518**	**23,837**
Currency swaps	**15,293,617**	**66,996**	**86,172**
Others	**81,093**	**303**	**-**
	22,572,962	**120,955**	**167,297**
Year ended 30th June 2012			
Foreign Exchange & Interest Rate 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

5. Loans

(a) Loans to and placements with banks

	GROUP			BANK		
	2013 RS'000	2012 RS'000	2011 RS'000	2013 RS'000	2012 RS'000	2011 RS'000
(i) Loans to and placements with banks						
in Mauritius	**408,211**	114,067	68,933	**302,315**	101,468	55,814
outside Mauritius	**13,312,089**	10,585,145	9,449,917	**13,072,515**	9,684,966	8,733,766
	13,720,300	10,699,212	9,518,850	**13,374,830**	9,786,434	8,789,580
Less:						
Loans and placements with original maturity less than 3 months (Note 3)	**(9,920,487)**	(8,009,356)	(6,772,076)	**(9,705,332)**	(7,367,198)	(6,512,772)
	3,799,813	2,689,856	2,746,774	**3,669,498**	2,419,236	2,276,808
Less:						
Allowances for credit impairment	**(10,000)**	(8,000)	(8,047)	**(10,000)**	(8,000)	(8,047)
	3,789,813	2,681,856	2,738,727	**3,659,498**	2,411,236	2,268,761
(ii) Remaining term to maturity						
Up to 3 months	**2,148,661**	2,080,426	1,992,011	**2,427,408**	2,208,012	2,033,245
Over 3 months and up to 6 months	**77,547**	124,210	8,333	**77,547**	124,210	8,333
Over 6 months and up to 1 year	**43,426**	100,000	336,502	**43,426**	-	136,502
Over 1 year and up to 5 years	**1,221,117**	87,014	98,728	**1,121,117**	87,014	98,728
Over 5 years	**309,062**	298,206	311,200	**-**	-	-
	3,799,813	2,689,856	2,746,774	**3,669,498**	2,419,236	2,276,808

(iii) Allowances for credit impairment

	GROUP & BANK RS'000
Portfolio Provision:	
At 30th June 2010	6,148
Provision for credit impairment for the year	1,899
At 30th June 2011	8,047
Provision released during the year	(47)
At 30th June 2012	**8,000**
Provision for credit impairment for the year	**2,000**
At 30th June 2013	**10,000**

5. Loans (Cont'd)

(b) Loans and advances to customers

	GROUP			BANK		
	2013 RS'000	2012 RS'000	2011 RS'000	2013 RS'000	2012 RS'000	2011 RS'000
(i) Loans and advances to customers						
Retail customers:						
Credit cards	**752,714**	629,732	406,037	**752,714**	629,732	406,037
Mortgages	**16,128,284**	14,689,497	12,745,729	**15,827,003**	14,456,023	12,485,446
Other retail loans	**11,865,335**	11,508,910	10,957,860	**11,139,760**	10,940,835	10,176,732
Corporate customers	**93,397,093**	91,986,503	83,472,846	**86,063,359**	85,580,648	77,605,575
Governments	**1,316,270**	1,016,197	1,051,996	**450,738**	306,003	286,020
Entities outside Mauritius	**28,796,677**	18,615,689	14,534,620	**28,796,677**	18,615,689	14,534,620
	152,256,373	138,446,528	123,169,088	**143,030,251**	130,528,930	115,494,430
Less:						
Allowances for credit impairment	**(4,221,707)**	(3,263,478)	(3,268,056)	**(4,048,817)**	(3,131,990)	(3,148,949)
	148,034,666	135,183,050	119,901,032	**138,981,434**	127,396,940	112,345,481

Finance lease receivable included in Group loans amount to Rs 2,776 million as at 30th June 2013 (2012:Rs 2,552 million, 2011:Rs 2,275 million).

(ii) Remaining term to maturity

	GROUP 2013 RS'000	GROUP 2012 RS'000	GROUP 2011 RS'000	BANK 2013 RS'000	BANK 2012 RS'000	BANK 2011 RS'000
Up to 3 months	**51,439,361**	37,670,278	38,230,132	**49,146,037**	35,987,725	36,539,652
Over 3 months and up to 6 months	**3,765,311**	6,253,132	2,200,438	**3,049,683**	5,425,794	1,685,370
Over 6 months and up to 1 year	**3,189,464**	5,295,161	4,283,737	**2,196,567**	4,259,401	2,944,529
Over 1 year and up to 5 years	**29,522,993**	27,474,156	28,690,163	**25,773,840**	24,433,684	25,735,946
Over 5 years	**64,339,244**	61,753,801	49,764,618	**62,864,124**	60,422,326	48,588,933
	152,256,373	138,446,528	123,169,088	**143,030,251**	130,528,930	115,494,430

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 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 during the year	(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 during the year	(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
At 1st July 2012	**1,510,907**	**932,967**	**2,443,874**	**1,423,193**	**908,600**	**2,331,793**
Translation differences in respect of subsidiaries	**739**	**-**	**739**	**-**	**-**	**-**
Provision for credit impairment for the year	**980,884**	**90,839**	**1,071,723**	**924,655**	**88,400**	**1,013,055**
Provisions released during the year	**(57,388)**	**-**	**(57,388)**	**(29,152)**	**-**	**(29,152)**
Amounts written off	**(147,702)**	**-**	**(147,702)**	**(145,413)**	**-**	**(145,413)**
At 30th June 2013	**2,287,440**	**1,023,806**	**3,311,246**	**2,173,283**	**997,000**	**3,170,283**
Interest suspense	**910,461**	**-**	**910,461**	**878,534**	**-**	**878,534**
Provisions and interest suspense at 30th June 2013	**3,197,901**	**1,023,806**	**4,221,707**	**3,051,817**	**997,000**	**4,048,817**

5. Loans (Cont'd)

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

(iv) Allowances for credit impairment by industry sectors

	2013					2012	2011
	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	8,109,116	54,347	23,385	37,660	61,045	76,876	80,617
Manufacturing	11,156,468	535,211	317,221	60,771	377,992	378,268	460,766
of which EPZ	*2,506,678*	*182,593*	*111,382*	*12,400*	*123,782*	*116,708*	*126,197*
Tourism	31,244,952	520,861	155,302	75,046	230,348	165,460	120,516
Transport	3,656,891	85,035	51,423	9,859	61,282	58,569	23,139
Construction	15,947,059	2,145,842	425,040	211,359	636,399	413,363	333,345
Financial and business services	16,714,928	152,982	66,711	61,668	128,379	80,266	273,558
Traders	18,133,916	893,836	393,682	113,147	506,829	569,452	566,459
Personal	26,239,232	2,148,148	975,514	226,662	1,202,176	1,100,864	1,076,937
of which credit cards	*744,451*	*49,631*	*36,850*	*31,300*	*68,150*	*52,015*	*29,984*
of which housing	*16,128,284*	*741,002*	*121,831*	*70,000*	*191,831*	*81,201*	*83,785*
Professional	1,044,851	80,793	39,872	13,037	52,909	49,316	12,877
Foreign governments	1,316,270	-	-	1,600	1,600	1,600	-
Global Business Licence holders	7,193,628	846,882	594,119	142,100	736,219	144,816	124,982
Others	11,499,062	315,258	155,632	70,897	226,529	224,628	194,860
	152,256,373	7,779,195	3,197,901	1,023,806	4,221,707	3,263,478	3,268,056
BANK							
Agriculture and fishing	7,550,531	27,930	18,249	36,300	54,549	73,119	76,306
Manufacturing	9,673,980	426,498	286,264	54,600	340,864	331,621	414,667
of which EPZ	*2,290,368*	*143,845*	*98,339*	*12,400*	*110,739*	*114,590*	*124,019*
Tourism	30,091,328	498,114	148,923	73,300	222,223	163,379	118,871
Transport	2,656,124	57,012	39,673	9,000	48,673	48,716	17,162
Construction	14,954,138	2,095,525	406,813	207,200	614,013	403,692	322,968
Financial and business services	18,091,438	109,050	61,814	61,200	123,014	79,681	270,200
Traders	15,325,767	543,229	332,264	109,000	441,264	526,106	534,240
Personal	25,481,917	2,136,443	972,260	223,400	1,195,660	1,097,107	1,075,000
of which credit cards	*744,451*	*49,631*	*36,850*	*31,300*	*68,150*	*52,015*	*29,984*
of which housing	*15,827,003*	*741,002*	*121,831*	*70,000*	*191,831*	*81,201*	*83,785*
Professional	871,549	80,383	39,872	12,800	52,672	49,077	11,290
Foreign governments	450,738	-	-	1,600	1,600	1,600	-
Global Business Licence holders	7,193,628	846,882	594,119	142,100	736,219	144,816	124,982
Others	10,689,113	310,643	151,566	66,500	218,066	213,076	183,263
	143,030,251	7,131,709	3,051,817	997,000	4,048,817	3,131,990	3,148,949

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		
	2013 RS'000	2012 RS'000	2011 RS'000
Agriculture and fishing	994,474	3,613,438	2,446,010
Manufacturing	1,501,065	1,386,435	1,321,935
of which EPZ	*178,331*	*25,100*	*104,223*
Tourism	16,322,033	13,267,279	13,877,296
Transport	110,888	1,415	160,437
Construction	1,630,730	1,163,995	1,652,880
Financial and Business Services	8,514,388	3,627,580	1,539,185
Traders	7,792,409	8,740,148	2,096,245
Global Business Licence holders	326,583	5,358,375	4,840,440
Others	685,080	3,026,078	3,221,842
	37,877,650	40,184,743	31,156,270

6. Investment Securities

	GROUP 2013 RS'000	GROUP 2012 RS'000	GROUP 2011 RS'000	BANK 2013 RS'000	BANK 2012 RS'000	BANK 2011 RS'000
At fair value through profit or loss	178	78,513	479	-	78,202	-
Held to maturity	18,105,346	12,299,890	13,414,416	15,921,035	10,774,392	12,357,018
Available-for-sale	4,341,433	4,495,098	4,140,377	1,353,820	1,532,892	1,260,542
	22,446,957	16,873,501	17,555,272	17,274,855	12,385,486	13,617,560

(a) At fair value through profit or loss

	GROUP 2013 RS'000	GROUP 2012 RS'000	GROUP 2011 RS'000	BANK 2013 RS'000	BANK 2012 RS'000	BANK 2011 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	178	311	479	-	-	-
	178	78,513	479	-	78,202	-

(b) (i) Held to maturity

	GROUP 2013 RS'000	GROUP 2012 RS'000	GROUP 2011 RS'000	BANK 2013 RS'000	BANK 2012 RS'000	BANK 2011 RS'000
Mauritius Development Loan Stocks	231,577	449,632	676,221	200,310	368,321	623,515
GOM bonds	3,550,153	3,740,666	4,608,480	3,413,044	3,734,912	4,510,645
Treasury bills	14,294,363	8,077,965	8,129,715	12,278,428	6,639,532	7,222,858
Foreign bonds	29,253	31,627	-	29,253	31,627	-
	18,105,346	12,299,890	13,414,416	15,921,035	10,774,392	12,357,018

(ii) Remaining term to maturity

2013	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	-	20,000	206,366	5,211	-	231,577
GOM bonds	51,563	73,200	304,361	2,395,840	725,189	3,550,153
Treasury bills	5,021,590	4,677,958	4,594,815	-	-	14,294,363
Foreign bonds	-	-	-	29,253	-	29,253
	5,073,153	4,771,158	5,105,542	2,430,304	725,189	18,105,346
BANK						
Mauritius Development Loan Stocks	-	20,000	180,310	-	-	200,310
GOM bonds	50,000	47,177	304,361	2,286,317	725,189	3,413,044
Treasury bills	3,641,278	4,290,771	4,346,379	-	-	12,278,428
Foreign bonds	-	-	-	29,253	-	29,253
	3,691,278	4,357,948	4,831,050	2,315,570	725,186	15,921,035

6. Investment Securities (Cont'd)

(c) Available-for-sale

	GROUP 2013 RS'000	GROUP 2012 RS'000	GROUP 2011 RS'000	BANK 2013 RS'000	BANK 2012 RS'000	BANK 2011 RS'000
Quoted						
Official list: shares	533,743	473,423	578,951	6,773	7,030	6,406
Development and Enterprise Market: shares	341,280	392,685	376,575	-	-	-
Foreign shares	745,084	534,769	335,441	686,715	494,088	310,807
Unquoted						
Shares	2,512,556	2,885,405	2,647,560	451,562	822,958	741,479
Inflation - indexed GOM bonds	208,770	208,816	201,850	208,770	208,816	201,850
	4,341,433	4,495,098	4,140,377	1,353,820	1,532,892	1,260,542

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 2013									
Banque Française Commerciale O.I.	**France**	**61,554,233**	**56,676,426**	**-**	**4,386,013**	**473,170**	**49.99**	**49.99**	**447,184**
Credit Guarantee Co Ltd	**Mauritius**	**77,939**	**52,757**	**-**	**35,383**	**4,929**	**40.00**	**40.00**	**12,000**
Promotion and Development Ltd	**Mauritius**	**10,118,439**	**1,904,856**	**1,069,727**	**530,403**	**29,286**	**46.40**	**46.40**	**-**
Caudan Development Ltd	**Mauritius**	**3,993,363**	**1,077,226**	**-**	**487,870**	**97,227**	**5.34**	**34.53**	**-**
									459,184
Subordinated loans to associates									**416,972**
									876,156
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

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

	GROUP 2013 RS'000	GROUP 2012 RS'000	GROUP 2011 RS'000
Group share of net assets	**5,903,904**	5,471,720	6,264,266
Goodwill	**56,885**	56,885	56,885
Subordinated loans to associates	**416,972**	1,184,890	419,828
	6,377,761	6,713,495	6,740,979

8. Investments in Subsidiaries

	Country of incorporation/operation	Principal activities	Stated capital RS'000	Effective holding 2013 %	Effective holding 2012 %	Effective holding 2011 %	BANK 2013 RS'000	BANK 2012 RS'000	BANK 2011 RS'000
MCB Equity Fund Ltd	Mauritius	Private Equity Fund	**2,334,637**	**100.00**	100.00	100.00	**2,334,637**	2,334,637	2,295,040
MCB (Maldives) Private Ltd	Republic of Maldives	Banking & Financial services	**307,727**	**100.00**	100.00	100.00	**347,963**	347,963	347,963
MCB Moçambique SA	Mozambique	Banking & Financial services	**130,321**	**95.00**	95.00	95.00	**260,040**	260,040	260,040
MCB Seychelles Ltd	Seychelles	Banking & Financial services	**52,113**	**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**	96.00	86.23	**71,858**	71,858	71,858
MCB Madagascar SA	Madagascar	Banking & Financial services	**169,450**	**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	3,460,652	3,421,055
Subordinated loans to subsidiaries							**219,250**	76,655	26,655
							3,679,902	3,537,307	3,447,710

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

9. Goodwill and Other Intangible Assets

(a) Goodwill

	GROUP 2013 RS'000	GROUP 2012 RS'000	GROUP 2011 RS'000
At 30th June	**52,849**	52,849	52,849

(b) Other intangible assets

	GROUP			BANK		
	2013 RS'000	**2012 RS'000**	**2011 RS'000**	**2013 RS'000**	**2012 RS'000**	**2011 RS'000**
Computer Software						
Cost						
At 1st July 2012	**2,499,337**	2,387,186	1,860,964	**2,302,259**	2,207,049	1,716,155
Additions	**252,260**	115,327	558,444	**74,250**	97,497	521,783
Scrap/Impairment	**(9,291)**	(2,287)	(30,889)	**(9,291)**	(2,287)	(30,889)
Exchange adjustment	**(10,248)**	(889)	(1,333)	**-**	-	-
At 30th June 2013	**2,732,058**	2,499,337	2,387,186	**2,367,218**	2,302,259	2,207,049
Amortisation						
At 1st July 2012	**1,575,328**	1,360,563	1,157,582	**1,483,583**	1,287,785	1,104,802
Scrap/Impairment	**(9,291)**	(1,081)	(6,461)	**(9,291)**	(1,081)	(6,461)
Charge for the year	**241,866**	216,043	209,993	**201,030**	196,879	189,444
Exchange adjustment	**(809)**	(197)	(551)	**-**	-	-
At 30th June 2013	**1,807,094**	1,575,328	1,360,563	**1,675,322**	1,483,583	1,287,785
Net book value	**924,964**	924,009	1,026,623	**691,896**	818,676	919,264
TOTAL	**977,813**	976,858	1,079,472	**691,896**	818,676	919,264

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 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)
Disposal 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**
Additions	**-**	**149,618**	**106,172**	**293,858**	**146,872**	**696,520**
Disposals	**-**	**(25,987)**	**(152,999)**	**(311,384)**	**-**	**(490,370)**
Exchange adjustment	**-**	**34,413**	**9,817**	**5,120**	**-**	**49,350**
Transfer	**-**	**22,223**	**94,123**	**33,317**	**(149,663)**	**-**
At 30th June 2013	**622**	**4,824,836**	**2,993,303**	**1,486,584**	**34,645**	**9,339,990**
Accumulated depreciation						
At 1st July 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**
Charge for the year	**24**	**78,551**	**315,638**	**161,597**	**-**	**555,810**
Disposal adjustment	**-**	**(3,413)**	**(137,553)**	**(166,207)**	**-**	**(307,173)**
Exchange adjustment	**-**	**8,765**	**1,178**	**164**	**-**	**10,107**
At 30th June 2013	**605**	**583,057**	**1,831,648**	**611,839**	**-**	**3,027,149**
Net book values						
At 30th June 2013	**17**	**4,241,779**	**1,161,655**	**874,745**	**34,645**	**6,312,841**
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

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

BANK	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 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
Additions	104,447	72,058	22,788	146,872	346,165
Disposals	(25,987)	(150,133)	(37,685)	-	(213,805)
Transfer	22,223	94,123	33,317	(149,663)	-
At 30th June 2013	4,435,299	2,700,581	772,655	34,645	7,943,180
Accumulated depreciation					
At 1st July 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
Charge for the year	70,622	277,915	58,360	-	406,897
Disposal adjustment	(3,413)	(137,310)	(31,909)	-	(172,632)
At 30th June 2013	503,524	1,653,440	344,174	-	2,501,138
Net book values					
At 30th June 2013	3,931,775	1,047,141	428,481	34,645	5,442,042
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

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		
	2013 RS'000	2012 RS'000	2011 RS'000	2013 RS'000	2012 RS'000	2011 RS'000
Cost	8,648,373	8,394,120	7,604,510	7,251,563	7,120,450	6,402,118
Accumulated depreciation	(2,886,116)	(2,635,641)	(2,255,202)	(2,360,105)	(2,134,109)	(1,823,284)
	5,762,257	5,758,479	5,349,308	4,891,458	4,986,341	4,578,834

11. Deferred Tax (Liabilities)/Assets

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

	GROUP 2013 RS'000	GROUP 2012 RS'000	GROUP 2011 RS'000	BANK 2013 RS'000	BANK 2012 RS'000	BANK 2011 RS'000
At 1st July 2012	(82,991)	(27,268)	(3,650)	(63,836)	(13,095)	9,232
Exchange adjustments in respect of foreign subsidiaries	(2,637)	703	1,835	-	-	-
Income statement credit/(charge)	9,359	(56,426)	(25,453)	14,182	(50,741)	(22,327)
At 30th June 2013	(76,269)	(82,991)	(27,268)	(49,654)	(63,836)	(13,095)
Deferred tax assets:						
Provision for credit impairment	5,867	5,754	10,046	-	-	-
Tax losses carried forward	17,046	20,069	9,297	-	-	-
Accelerated tax depreciation	(7,379)	(10,946)	(399)	-	-	-
	15,534	14,877	18,944	-	-	-
Deferred tax liabilities:						
Provisions and post retirement benefits	44,937	35,415	34,810	44,937	35,415	34,810
Provision for credit impairment	94,689	78,351	82,903	94,689	78,351	82,903
Accelerated tax depreciation	(231,429)	(211,634)	(163,925)	(189,280)	(177,602)	(130,808)
	(91,803)	(97,868)	(46,212)	(49,654)	(63,836)	(13,095)
	(76,269)	(82,991)	(27,268)	(49,654)	(63,836)	(13,095)

12. Other Assets

	GROUP 2013 RS'000	GROUP 2012 RS'000	GROUP 2011 RS'000	BANK 2013 RS'000	BANK 2012 RS'000	BANK 2011 RS'000
Mandatory balances with Central Banks	9,882,327	9,089,260	7,475,414	8,039,278	7,588,498	6,262,909
Accrued interest receivable	1,089,831	996,072	852,136	1,034,790	929,635	796,724
Employee benefits assets (see note 15)	243,422	306,900	310,938	243,422	306,900	310,938
Prepayments & other receivables	574,079	638,474	480,794	556,197	730,181	595,679
Margin deposit under Credit Support Annex	461,251	162,862	-	461,251	162,862	-
Receivable from Mauritius Union Assurance Co Ltd	75,000	100,000	125,000	75,000	100,000	125,000
Credit Card Clearing	171,287	113,962	103,442	87,828	85,100	60,561
Non-banking assets acquired in satisfaction of debts	51,433	35,369	36,851	51,433	35,369	36,851
Others	544,310	328,723	285,483	433,404	249,552	170,689
	13,092,940	11,771,622	9,670,058	10,982,603	10,188,097	8,359,351

Notes to the financial statements
for the year ended 30th June 2013 (continued)

13. Deposits

(a) Deposits from banks

	GROUP 2013 RS'000	GROUP 2012 RS'000	GROUP 2011 RS'000	BANK 2013 RS'000	BANK 2012 RS'000	BANK 2011 RS'000
Other deposits	**793,560**	657,426	710,251	**1,685,080**	1,570,820	1,271,445
Money market deposits with remaining term to maturity:						
Up to 3 months	**912,135**	620,728	624,038	**1,044,862**	629,314	1,159,512
Over 3 months and up to 6 months	**-**	-	342,431	**223,680**	153,935	363,171
Over 6 months and up to 1 year	**31,535**	40,876	35,267	**454,890**	422,549	35,267
	943,670	661,604	1,001,736	**1,723,432**	1,205,798	1,557,950
	1,737,230	1,319,030	1,711,987	**3,408,512**	2,776,618	2,829,395

(b) Deposits from customers

(i) Retail customers

	GROUP 2013 RS'000	GROUP 2012 RS'000	GROUP 2011 RS'000	BANK 2013 RS'000	BANK 2012 RS'000	BANK 2011 RS'000
Demand deposits	**12,894,812**	11,618,046	10,798,596	**12,012,604**	10,838,105	10,085,730
Savings deposits	**69,704,327**	62,519,720	57,107,927	**68,226,248**	61,394,644	55,423,216
Time deposits with remaining term to maturity:						
Up to 3 months	**4,415,706**	4,765,464	4,976,429	**4,106,179**	4,350,159	4,652,228
Over 3 months and up to 6 months	**2,742,102**	2,932,590	2,574,143	**2,339,617**	2,496,911	2,293,690
Over 6 months and up to 1 year	**5,206,746**	5,206,635	4,479,102	**4,630,251**	4,764,562	4,011,924
Over 1 year and up to 5 years	**11,138,173**	10,852,671	10,635,045	**9,037,608**	9,032,424	9,018,859
Over 5 years	**4,863**	4,489	9,106	**4,855**	4,480	9,106
	23,507,590	23,761,849	22,673,825	**20,118,510**	20,648,536	19,985,807
	106,106,729	97,899,615	90,580,348	**100,357,362**	92,881,285	85,494,753

(ii) Corporate customers

	GROUP 2013 RS'000	GROUP 2012 RS'000	GROUP 2011 RS'000	BANK 2013 RS'000	BANK 2012 RS'000	BANK 2011 RS'000
Demand deposits	**36,400,281**	30,422,843	25,522,559	**32,425,132**	27,006,803	23,155,464
Savings deposits	**6,487,055**	6,040,134	5,418,738	**5,102,968**	4,827,541	4,919,058
Time deposits with remaining term to maturity:						
Up to 3 months	**7,034,568**	7,396,667	8,166,995	**6,116,391**	6,700,517	7,626,825
Over 3 months and up to 6 months	**1,390,805**	1,096,072	1,379,672	**1,208,104**	838,812	1,078,686
Over 6 months and up to 1 year	**1,652,952**	2,068,541	1,250,281	**1,376,295**	1,739,809	1,041,605
Over 1 year and up to 5 years	**1,766,623**	1,419,144	1,728,597	**1,438,877**	1,241,330	1,410,589
Over 5 years	**2,838,248**	2,738,540	1,198	**2,838,248**	2,738,540	-
	14,683,196	14,718,964	12,526,743	**12,977,915**	13,259,008	11,157,705
	57,570,532	51,181,941	43,468,040	**50,506,015**	45,093,352	39,232,227

(iii) Government

	GROUP 2013 RS'000	GROUP 2012 RS'000	GROUP 2011 RS'000	BANK 2013 RS'000	BANK 2012 RS'000	BANK 2011 RS'000
Demand deposits	**282,121**	154,382	179,016	**3,997**	7,253	64,885
Savings deposits	**84,400**	83,418	92,059	**51,260**	50,785	57,958
Time deposits with remaining term to maturity:						
Up to 3 months	**235,605**	190,586	152,521	**-**	-	-
Over 3 months and up to 6 months	**21,681**	-	24,190	**-**	-	-
Over 6 months and up to 1 year	**74,750**	48,285	1,606	**-**	-	-
Over 1 year and up to 5 years	**201**	-	-	**-**	-	-
	332,237	238,871	178,317	**-**	-	-
	698,758	476,671	449,392	**55,257**	58,038	122,843
	164,376,019	149,558,227	134,497,780	**150,918,634**	138,032,675	124,849,823

14. Other Borrowed Funds

(a) Other borrowed funds comprise the following:

	GROUP 2013 RS'000	GROUP 2012 RS'000	GROUP 2011 RS'000	BANK 2013 RS'000	BANK 2012 RS'000	BANK 2011 RS'000
Borrowings from Central Bank	**-**	11,718	48,493	**-**	11,718	48,493
Borrowings from banks:						
in Mauritius	**555,472**	206,700	289,728	**387,736**	3,885	-
abroad	**10,976,589**	5,326,513	4,815,509	**10,855,386**	5,103,297	4,450,814
Debt securities*	**1,860,600**	1,889,500	-	**1,860,600**	1,889,500	-
	13,392,661	7,434,431	5,153,730	**13,103,722**	7,008,400	4,499,307
Other borrowed funds include borrowings with original maturity of less than 3 months as shown in note 33	**6,951,239**	3,744,657	4,239,617	**6,764,039**	3,457,601	3,735,606

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

	GROUP 2013 RS'000	GROUP 2012 RS'000	GROUP 2011 RS'000	BANK 2013 RS'000	BANK 2012 RS'000	BANK 2011 RS'000
ZAR 150 million maturing in December 2013 at an average interest rate of 6.1%	**465,150**	566,850	-	**465,150**	566,850	-
ZAR 100 million maturing in December 2014 at an average interest rate of 6.6%	**310,100**	-	-	**310,100**	-	-
ZAR 350 million maturing in December 2014 at an average interest rate of 7.4%	**1,085,350**	1,322,650	-	**1,085,350**	1,322,650	-
	1,860,600	1,889,500	-	**1,860,600**	1,889,500	-

(b) Remaining term to maturity:

	GROUP 2013 RS'000	GROUP 2012 RS'000	GROUP 2011 RS'000	BANK 2013 RS'000	BANK 2012 RS'000	BANK 2011 RS'000
On demand or within a period not exceeding 1 year	**7,408,687**	5,229,464	4,693,226	**7,234,064**	4,942,407	4,201,442
Within a period of more than 1 year but not exceeding 2 years	**2,112,175**	55,656	69,271	**2,057,668**	3,885	37,233
Within a period of more than 2 years but not exceeding 3 years	**31,207**	1,372,357	36,663	**-**	1,322,650	-
Within a period of more than 3 years	**3,840,592**	776,954	354,570	**3,811,990**	739,458	260,632
	13,392,661	7,434,431	5,153,730	**13,103,722**	7,008,400	4,499,307

15. Employee Benefits Assets

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

	GROUP & BANK				
	2013 RS'000	2012 RS'000	2011 RS'000	2010 RS'000	2009 RS'000
Present value of funded obligations	**5,172,776**	4,482,807	4,059,837	3,804,858	3,446,058
Fair value of plan assets	**(4,326,598)**	(3,824,012)	(3,786,181)	(3,346,005)	(3,031,372)
Shortfall of plan assets	**846,178**	658,795	273,656	458,853	414,686
Unrecognised actuarial losses	**(1,089,600)**	(965,695)	(584,594)	(786,972)	(758,631)
Assets shown in note 12	**(243,422)**	(306,900)	(310,938)	(328,119)	(343,945)

	2013	2012	2011
Amounts recognised as total expense:			
Current service cost	**185,293**	170,777	146,713
Interest cost	**440,099**	398,827	392,455
Expected return on plan assets	**(384,559)**	(381,048)	(354,249)
Actuarial losses recognised	**34,494**	11,907	27,099
Total included in non-interest expense	**275,327**	200,463	212,018
Less: Amount capitalised under IAS 38	**-**	-	(10,575)
	275,327	200,463	201,443
Movements in assets recognised in Statements of Financial Position:			
At 1st July 2012	**(306,900)**	(310,938)	(328,119)
Total expense as recognised in the Income Statements	**275,327**	200,463	201,443
Amount capitalised under IAS 38	**-**	-	10,575
Contributions and direct benefits paid	**(211,849)**	(196,425)	(194,837)
At 30th June 2013	**(243,422)**	(306,900)	(310,938)
Actual return/(deficit) on plan assets	**458,367**	(11,960)	365,777

The principal actuarial assumptions at end of year:

	%	%	%
Discount rate	**8.00**	10.00	10.00
Expected return on plan assets	**8.00**	10.00	10.00
Future salary increases	**6.50**	8.50	8.50
Future pension increases	**4.50**	5.50	5.50

Reconciliation of the present value of funded obligations

	GROUP & BANK				
	2013 RS'000	2012 RS'000	2011 RS'000	2010 RS'000	2009 RS'000
Present value of obligation at start of year	**4,482,807**	4,059,837	3,804,858	3,446,058	2,603,510
Current service cost	**185,293**	170,777	146,713	142,354	131,798
Interest cost	**440,099**	398,827	392,455	338,641	267,739
Benefits paid	**(167,630)**	(146,634)	(120,438)	(122,195)	(109,449)
Liability loss/(gain)	**232,207**	-	(163,751)	-	552,460
Present value of obligation at end of year	**5,172,776**	4,482,807	4,059,837	3,804,858	3,446,058

15. Employee Benefits Assets (Cont'd)

Reconciliation of fair value of plan assets

	GROUP & BANK				
	2013 RS'000	2012 RS'000	2011 RS'000	2010 RS'000	2009 RS'000
Fair value of plan assets at start of year	**3,824,012**	3,786,181	3,346,005	3,031,372	3,104,721
Expected return on plan assets	**384,559**	381,048	354,249	306,276	326,553
Employer contributions	**211,849**	196,425	194,837	186,495	126,635
Benefits paid	**(167,630)**	(146,634)	(120,438)	(122,195)	(109,449)
Asset gains/(losses)	**73,808**	(393,008)	11,528	(55,943)	(417,088)
Fair value of plan assets at end of year	**4,326,598**	3,824,012	3,786,181	3,346,005	3,031,372

Distribution of plan assets at end of year

	GROUP & BANK		
	2013 %	2012 %	2011 %
Percentage of assets at end of year			
Local equities	**24**	24	26
Local bonds	**6**	8	11
Property	**4**	5	4
Loan	**1**	2	1
Overseas bonds and equities	**46**	43	43
Other	**19**	18	15
Total	**100**	100	100

Additional disclosure on assets issued or used by the reporting entity

	GROUP & BANK		
	2013 %	2012 %	2011 %
Percentage of assets at end of year			
Assets held in the entity's own financial instruments	**5**	5	5
Property occupied by the entity	**3**	3	3
Other assets used by the entity	**17**	15	13

Expected employer contributions for 2014 is Rs 229.9 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		
	2013 RS'000	2012 RS'000	2011 RS'000	2013 RS'000	2012 RS'000	2011 RS'000
Accrued interest payable	**1,089,700**	1,050,451	842,590	**891,777**	845,381	655,593
MCB Superannuation Fund	**746,721**	633,006	498,924	**746,721**	633,006	498,924
Proposed dividend	**796,657**	772,342	772,068	**796,657**	772,342	772,068
Interest suspense, impersonal & other accounts	**3,771,883**	3,160,246	3,015,293	**3,258,259**	2,687,967	2,505,925
	6,404,961	5,616,045	5,128,875	**5,693,414**	4,938,696	4,432,510
Interest suspense shown in note 5 (b) (iii)	**(910,461)**	(819,604)	(793,195)	**(878,534)**	(800,197)	(771,659)
	5,494,500	4,796,441	4,335,680	**4,814,880**	4,138,499	3,660,851

17. Share Capital and Treasury Shares

	Number of shares		
	Share Capital	Treasury Shares	Total
At 1st July 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**
Exercise of share options	**-**	**164,344**	**164,344**
At 30th June 2013	**250,375,595**	**(12,567,596)**	**237,807,999**

The nominal value of the shares is Rs 10 each.

18. Contingent Liabilities

	GROUP			BANK		
	2013 RS'000	2012 RS'000	2011 RS'000	2013 RS'000	2012 RS'000	2011 RS'000
(a) Instruments						
Acceptances on account of customers	**203,639**	535,445	515,925	**-**	-	-
Guarantees on account of customers	**17,586,488**	15,657,807	15,340,148	**16,901,250**	15,089,948	14,870,612
Letters of credit and other obligations on account of customers	**19,253,127**	15,215,243	12,333,704	**18,687,134**	14,687,969	11,818,511
Other contingent items	**10,985,200**	7,725,705	4,953,367	**10,961,602**	7,705,047	4,938,429
	48,028,454	39,134,200	33,143,144	**46,549,986**	37,482,964	31,627,552
(b) Commitments						
Loans and other facilities, including undrawn credit facilities	**5,237,848**	4,741,781	3,922,272	**5,022,227**	4,519,999	3,832,368
(c) Tax assessments*	**121,584**	68,042	315,356	**121,584**	68,042	315,356
(d) Other						
Inward bills held for collection	**524,809**	518,458	425,880	**454,499**	391,883	412,391
Outward bills sent for collection	**1,177,623**	897,553	575,117	**1,177,623**	897,553	575,117
	1,702,432	1,416,011	1,000,997	**1,632,122**	1,289,436	987,508
	55,090,318	45,360,034	38,381,769	**53,325,919**	43,360,441	36,762,784

*In December 2011 and in December 2012, the Bank received income tax assessments relating to the years ended 30th June 2007 and 30th June 2008 respectively against which the Bank has objected.

In May and October 2012, the Bank received assessments under the Value Added Tax Act for the periods April 2006 to December 2009 and January 2010 to January 2011 respectively against which the Bank has also objected.

The above are pending in front of the Assessment Review Committee. The maximum liability that could arise from these assessments amounts to Rs 122 million, including penalties and interests.

19. Interest Income

	GROUP 2013 RS'000	GROUP 2012 RS'000	GROUP 2011 RS'000	BANK 2013 RS'000	BANK 2012 RS'000	BANK 2011 RS'000
Loans to and placements with banks	**221,429**	221,804	182,413	**170,839**	156,313	146,883
Loans and advances to customers	**10,667,191**	10,103,266	8,919,467	**9,708,287**	9,211,199	8,114,188
Held to maturity investments	**719,584**	748,335	805,009	**589,115**	654,926	734,221
Other	**78,190**	47,487	-	**76,518**	44,958	-
	11,686,394	11,120,892	9,906,889	**10,544,759**	10,067,396	8,995,292

20. Interest Expense

	GROUP 2013 RS'000	GROUP 2012 RS'000	GROUP 2011 RS'000	BANK 2013 RS'000	BANK 2012 RS'000	BANK 2011 RS'000
Deposits from banks	**2,239**	9,442	10,285	**30,536**	37,070	37,967
Deposits from customers	**4,354,699**	4,497,810	3,897,327	**3,924,629**	4,084,058	3,544,040
Debt securities	**118,303**	75,688	-	**118,303**	75,688	-
Subordinated liabilities	**-**	6,747	21,233	**-**	6,747	21,233
Other borrowed funds	**164,102**	146,450	91,759	**137,876**	117,903	40,167
	4,639,343	4,736,137	4,020,604	**4,211,344**	4,321,466	3,643,407

21. Fee and Commission Income

	GROUP 2013 RS'000	GROUP 2012 RS'000	GROUP 2011 RS'000	BANK 2013 RS'000	BANK 2012 RS'000	BANK 2011 RS'000
Retail banking fees	**220,370**	214,362	185,330	**212,009**	208,181	167,217
Corporate banking fees	**446,702**	413,252	320,942	**387,979**	364,699	281,958
Guarantee fees	**247,442**	181,886	177,876	**222,582**	177,869	172,369
Interbank transaction fees	**42,495**	33,904	35,899	**41,492**	32,709	34,448
Brokerage	**14,069**	13,213	17,502	**-**	-	-
Asset management fees	**87,349**	85,413	79,262	**-**	-	-
Rental income	**137,393**	145,955	150,075	**1,977**	1,687	1,814
Cards and other related fees	**1,082,892**	879,673	756,944	**926,821**	784,647	688,420
Trade finance fees	**744,321**	566,858	436,293	**707,795**	533,147	409,579
Others	**170,594**	149,617	64,977	**101,173**	101,387	96,609
	3,193,627	2,684,133	2,225,100	**2,601,828**	2,204,326	1,852,414

22. Fee and Commission Expense

	GROUP 2013 RS'000	GROUP 2012 RS'000	GROUP 2011 RS'000	BANK 2013 RS'000	BANK 2012 RS'000	BANK 2011 RS'000
Interbank transaction fees	**11,210**	20,653	7,968	**6,479**	5,990	2,825
Cards and other related fees	**511,708**	393,633	305,961	**392,239**	314,951	252,884
Others	**41,240**	42,605	29,608	**12,655**	21,167	7,503
	564,158	456,891	343,537	**411,373**	342,108	263,212

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

	GROUP 2013 RS'000	GROUP 2012 RS'000	GROUP 2011 RS'000	BANK 2013 RS'000	BANK 2012 RS'000	BANK 2011 RS'000
Net gain/(loss) from derivatives	**206,140**	(251,957)	59,115	**206,140**	(251,957)	59,115
Investment securities at fair value through profit or loss	**193**	192	(29)	**193**	174	-
	206,333	(251,765)	59,086	**206,333**	(251,783)	59,115

24. Dividend Income

	GROUP 2013 RS'000	GROUP 2012 RS'000	GROUP 2011 RS'000	BANK 2013 RS'000	BANK 2012 RS'000	BANK 2011 RS'000
Income from quoted investments:						
Subsidiary	**-**	-	-	**17,847**	14,873	14,873
Others	**22,226**	20,595	18,184	**5,365**	4,341	1,035
Income from unquoted investments:						
Subsidiaries	**-**	-	-	**66,451**	117,299	93,820
Associate	**-**	-	-	**-**	755,600	-
Others	**14,902**	38,404	68,644	**1,819**	24,992	48,095
	37,128	58,999	86,828	**91,482**	917,105	157,823

25. Non-Interest Expense

(a) Salaries and human resource development

	GROUP			BANK		
	2013 RS'000	2012 RS'000	2011 RS'000	2013 RS'000	2012 RS'000	2011 RS'000
Wages and salaries	**1,833,885**	1,703,589	1,576,306	**1,540,139**	1,449,502	1,350,792
Compulsory social security obligations	**54,444**	48,813	50,286	**46,257**	43,273	38,504
Equity settled share-based payments	**1,929**	2,128	4,808	**1,929**	2,128	4,808
Other personnel expenses	**463,788**	395,317	320,734	**442,138**	383,822	311,299
	2,354,046	2,149,847	1,952,134	**2,030,463**	1,878,725	1,705,403
Number of employees at the end of the year	**2,955**	2,880	2,724	**2,616**	2,562	2,380

(b) Other non-interest expense

	GROUP			BANK		
	2013 RS'000	2012 RS'000	2011 RS'000	2013 RS'000	2012 RS'000	2011 RS'000
Software licensing and other information technology cost	**218,086**	214,313	208,051	**156,988**	146,611	134,967
Others	**1,351,296**	1,299,169	1,037,987	**1,088,039**	1,052,764	889,207
	1,569,382	1,513,482	1,246,038	**1,245,027**	1,199,375	1,024,174

(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 07th November 2012.

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

	2013		2012		2011	
	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 2012	**154.88**	**530,483**	128.96	397,367	125.78	567,885
Expired during the year	**154.97**	**(519,141)**	129.02	(372,345)	125.66	(546,484)
Granted during the year	**151.36**	**615,428**	154.49	589,860	130.80	586,276
Exercised during the year	**155.36**	**(164,344)**	144.18	(84,399)	134.07	(210,310)
Outstanding and exercisable at 30th June 2013		**462,426**		530,483		397,367

The options outstanding at 30th June 2013 have an exercise price in the range of Rs 151 to Rs 169 and a weighted average contractual life of 3½ months (2012 & 2011: 3½ months).

The weighted average share price at the date the share options were exercised during F/Y 12/13 was Rs 180.60 (2012: Rs 167.66, 2011: Rs 158.87).

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 164 (2012: Rs 168, 2011 : Rs 142)

26. Allowance for Credit Impairment

	GROUP			BANK		
	2013 RS'000	2012 RS'000	2011 RS'000	2013 RS'000	2012 RS'000	2011 RS'000
Provision for bad and doubtful debts:						
Loans and advances to banks	**2,000**	-	1,899	**2,000**	-	1,899
Loans and advances to customers	**1,071,723**	488,881	397,529	**1,013,055**	449,093	375,990
Bad debts written off for which no provisions were made	**94,108**	130,215	48,188	**94,108**	129,933	48,188
Provision released during the year:						
Loans and advances to banks	**-**	(47)	-	**-**	(47)	-
Loans and advances to customers	**(57,388)**	(57,431)	(111,862)	**(29,152)**	(31,067)	(102,788)
Recoveries of advances written off	**(29,416)**	(42,809)	(20,665)	**(24,734)**	(38,671)	(17,884)
	1,081,027	518,809	315,089	**1,055,277**	509,241	305,405

27. Income Tax Expense

	GROUP			BANK		
	2013 RS'000	2012 RS'000	2011 RS'000	2013 RS'000	2012 RS'000	2011 RS'000
Income tax based on the adjusted profits	**664,635**	679,218	633,997	**510,488**	474,036	510,113
Deferred tax	**(9,359)**	56,426	25,453	**(14,182)**	50,741	22,327
Special levy on banks	**185,523**	185,948	189,036	**185,523**	185,948	189,036
Under/(Over) provision in previous years	**12,783**	(33,481)	4,879	**13,673**	(41,230)	5,177
Charge for the year	**853,582**	888,111	853,365	**695,502**	669,495	726,653

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

	GROUP			BANK		
	2013 RS'000	2012 RS'000	2011 RS'000	2013 RS'000	2012 RS'000	2011 RS'000
Profit before tax	**5,203,250**	5,035,086	5,370,025	**4,457,650**	5,129,144	4,630,997
Less profit of Associates	**(257,262)**	(162,391)	(288,020)	**-**	-	-
	4,945,988	4,872,695	5,082,005	**4,457,650**	5,129,144	4,630,997
Tax calculated at a rate of 15%	**741,898**	730,904	762,301	**668,648**	769,372	694,650
Effect of different tax rates	**61,081**	62,468	56,262	**-**	-	-
Impact of:						
Income not subject to tax	**(26,064)**	(67,703)	(87,738)	**(31,630)**	(73,408)	(81,029)
Expenses not deductible for tax purposes	**114,249**	185,632	107,427	**90,298**	152,090	89,743
Tax credits	**(235,888)**	(175,657)	(178,802)	**(231,010)**	(323,277)	(170,924)
Special levy on banks	**185,523**	185,948	189,036	**185,523**	185,948	189,036
Under/(Over) provision in previous years	**12,783**	(33,481)	4,879	**13,673**	(41,230)	5,177
Tax charge	**853,582**	888,111	853,365	**695,502**	669,495	726,653

28. Dividends

	BANK		
	2013 RS'000	2012 RS'000	2011 RS'000
Interim paid on 21st December 2012 at Rs 2.75 per share	**653,551**	617,719	593,426
Final paid on 30th July 2013 at Rs 3.35 per share	**796,657**	772,342	772,068
	1,450,208	1,390,061	1,365,494

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		
	2013 RS'000	2012 RS'000	2011 RS'000
Profit attributable to the ordinary equity holders of the parent	**4,315,438**	4,114,563	4,491,121
Weighted average number of ordinary shares (thousands)	**237,718**	237,606	237,460
Basic earnings per share (Rs)	**18.15**	17.32	18.91

(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	**4,315,438**	4,114,563	4,491,121
Weighted average number of ordinary shares basic (thousands)	**237,718**	237,606	237,460
Effect of share options in issue (thousands)	**90**	44	125
Weighted average number of ordinary shares diluted (thousands) at year end	**237,808**	237,650	237,585
Diluted earnings per share (Rs)	**18.15**	17.31	18.90

30. Commitments

(a) Capital Commitments

	GROUP			BANK		
	2013 RS'000	2012 RS'000	2011 RS'000	2013 RS'000	2012 RS'000	2011 RS'000
Expenditure contracted for but not incurred	**77,053**	112,488	461,535	**77,053**	112,488	461,535
Expenditure approved by the Board but not contracted for	**22,679**	40,668	128,299	**22,679**	40,668	128,299

(b) Securities pledged

The Bank has pledged GOM bonds as collateral for the purpose of overnight facility from the Bank of Mauritius:

	BANK		
	2013 RS'000	2012 RS'000	2011 RS'000
GOM bonds	**2,064,791**	1,789,086	1,497,368

31. Net Cash Flows from Trading Activities

	GROUP			BANK		
	2013 RS'000	2012 RS'000	2011 RS'000	2013 RS'000	2012 RS'000	2011 RS'000
Operating profit	**4,945,988**	4,872,695	5,082,005	**4,457,650**	5,129,144	4,630,997
Increase in interest receivable and other assets	**(1,281,467)**	(2,165,960)	(2,672,955)	**(857,938)**	(1,839,749)	(2,416,048)
Increase/(Decrease) in other liabilities	**633,682**	474,733	(689,464)	**652,066**	477,374	(690,338)
Income from out-of-court settlement	**-**	-	(225,000)	**-**	-	(225,000)
Net (increase)/decrease in derivatives	**(196,469)**	256,549	(59,114)	**(196,469)**	256,549	(59,114)
Decrease /(Increase) in investment securities at fair value through profit or loss	**78,335**	(78,034)	(479)	**78,202**	(78,202)	-
Employee share option expenses	**1,642**	1,921	4,688	**1,642**	1,921	4,688
Additional provision for employee benefits	**63,478**	4,038	17,181	**63,478**	4,038	17,181
Charge for credit impairment	**1,073,723**	488,881	399,428	**1,015,055**	449,093	377,889
Release of provisions for credit impairment	**(57,388)**	(57,478)	(111,862)	**(29,152)**	(31,114)	(102,788)
Exchange (profit)/loss	**(393,300)**	147,841	(183,877)	**(400,323)**	143,193	(170,969)
Depreciation	**555,810**	535,666	412,063	**406,897**	399,238	285,172
Amortisation of intangible assets	**241,866**	216,043	209,993	**201,030**	196,879	189,444
Profit on disposal of property, plant and equipment	**(38,356)**	(6,499)	(3,650)	**(38,432)**	(4,409)	(4,841)
Impairment of intangible assets	**-**	1,206	24,428	**-**	1,206	24,428
Profit on disposal of available-for-sale investments	**(23,921)**	(33,042)	(102,204)	**(19,916)**	-	-
Profit on disposal of joint venture/subsidiary	**-**	(21,435)	-	**-**	-	(5,648)
	5,603,623	4,637,125	2,101,181	**5,333,790**	5,105,161	1,855,053

32. Net Cash Flows from Other Operating Activities

	GROUP			BANK		
	2013 RS'000	2012 RS'000	2011 RS'000	2013 RS'000	2012 RS'000	2011 RS'000
Net increase in deposits	**14,504,931**	14,914,074	4,192,299	**13,517,853**	13,130,075	2,733,365
Net increase in loans and advances	**(14,641,310)**	(15,827,750)	(13,659,061)	**(13,818,659)**	(15,611,913)	(11,165,655)
(Increase)/Decrease in held to maturity investment securities	**(5,714,884)**	1,073,001	2,237,181	**(5,146,643)**	1,582,626	1,852,257
Net increase/(decrease) in other borrowed funds	**2,780,548**	886,161	(20,385)	**2,817,784**	897,598	(85,059)
	(3,070,715)	1,045,486	(7,249,966)	**(2,629,665)**	(1,614)	(6,665,092)

33. Analysis of Net Cash and Cash Equivalents as shown in the Statements of Cash Flows

	GROUP			BANK		
	2013 RS'000	2012 RS'000	2011 RS'000	2013 RS'000	2012 RS'000	2011 RS'000
Cash and cash equivalents (see note 3)	**15,394,108**	10,847,018	9,011,566	**14,614,633**	9,638,627	8,257,202
Other borrowed funds (see note 14(a))	**(6,951,239)**	(3,744,657)	(4,239,617)	**(6,764,039)**	(3,457,601)	(3,735,606)
Net cash and cash equivalents	**8,442,869**	7,102,361	4,771,949	**7,850,594**	6,181,026	4,521,569
Change in year	**1,340,508**	2,330,412	(9,992,685)	**1,669,568**	1,659,430	(9,198,230)

34. 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 2013

	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	**16,226,947**	14,761,130	-	523,468	330,944	278,597	332,808	
Expenses	**(10,199,932)**	(9,203,499)	-	(352,737)	(267,398)	(194,804)	(181,494)	
Operating profit before impairment	**6,027,015**	5,557,631	-	170,731	63,546	83,793	151,314	
(Allowance)/Release for credit impairment	**(1,081,027)**	(1,059,503)	-	(1,114)	(2,854)	13,359	(30,915)	
Operating profit	**4,945,988**	4,498,128	-	169,617	60,692	97,152	120,399	
Share of profit of associates	**257,262**	19,198	238,064	-	-	-	-	
Profit before tax	**5,203,250**	4,517,326	238,064	169,617	60,692	97,152	120,399	
Income tax expense	**(853,582)**							
Profit for the year	**4,349,668**							
Other segment items:								
Segment assets	**209,192,280**	200,553,210	-	5,811,755	3,365,314	1,817,788	3,109,105	(5,464,892)
Investments in associates	**6,377,761**	3,460,211	2,917,550	-	-	-	-	-
Goodwill and other intangible assets	**977,813**							
Deferred tax assets	**15,534**							
Total assets	**216,563,388**							
Segment liabilities	**184,371,050**	176,815,757	-	5,408,392	2,806,843	1,625,409	2,495,427	(4,780,778)
Unallocated liabilities	**1,138,012**							
Total liabilities	**185,509,062**							

* Note: Figures for Banque Française Commerciale Ocean Indien have been aggregated under this heading, Reunion being this bank's main place of business.

34. Operating Segments (Cont'd)

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	15,201,239	13,885,349	-	405,844	373,505	307,729	228,812	
Expenses	(9,808,529)	(8,969,599)	-	(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)/Release 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.

34. 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	13,807,334	12,676,512	-	398,171	358,228	214,669	159,754	
Expenses	(8,385,812)	(7,646,839)	-	(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)/Release 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.

34. Operating Segments (Cont'd)

Year ended 30th June 2013

	GROUP RS'000
External gross income:	
The Mauritius Commercial Bank Ltd	**14,294,388**
MCB Madagascar SA	**330,944**
MCB Moçambique SA	**278,597**
MCB Seychelles Ltd	**523,468**
MCB (Maldives) Private Ltd	**332,808**
Fincorp Investment Ltd	**417,657**
Others	**432,294**
Eliminations	**(383,209)**
	16,226,947

	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	**9,671,671**	6,333,415	2,190,455	91,482	1,056,319
MCB Madagascar SA	**210,275**	134,705	56,487	-	19,083
MCB Moçambique SA	**213,729**	107,610	37,725	-	68,394
MCB Seychelles Ltd	**385,276**	239,840	87,265	211	57,960
MCB (Maldives) Private Ltd	**220,768**	160,015	48,181	-	12,572
Fincorp Investment Ltd	**170,484**	38,606	125,998	198	5,682
Others	**380,277**	32,860	176,840	29,535	141,042
Eliminations	**(229,034)**	-	(93,482)	(84,298)	(51,254)
	11,023,446	7,047,051	2,629,469	37,128	1,309,798
Segment assets	**184,191,745**	179,850,312		4,341,433	
Investments in associates	**6,377,761**				
Goodwill and other intangible assets	**977,813**				
Deferred tax assets	**15,534**				
Unallocated assets	**25,000,535**				
Total assets	**216,563,388**				

34. 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	**(1,175,679)**
	15,201,239

	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**				

34. 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	(415,243)
	13,807,334

	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. 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 2012	6,462,214	70,348	922,853
Net movements during the year	359,694	(22,045)	(142,680)
Balances at 30th June 2013	**6,821,908**	**48,303**	**780,173**
Leases receivable			
Balance at year end:			
30th June 2011	-	-	38,437
30th June 2012	-	-	521
30th June 2013	**-**	**-**	**365**
Deposits			
Balance at year end:			
30th June 2011	804,249	167,633	22,240
30th June 2012	640,279	210,698	36,245
30th June 2013	**620,684**	**177,832**	**90,730**
Off Balance sheet items			
Balance at year end:			
30th June 2011	1,581,705	400	136,881
30th June 2012	1,060,275	250	444,861
30th June 2013	**306,964**	**250**	**337,585**
Interest income			
For the year ended:			
30th June 2011	215,290	2,208	43,243
30th June 2012	296,526	2,937	83,856
30th June 2013	**441,218**	**1,775**	**2,696**
Interest expense			
For the year ended:			
30th June 2011	25,704	4,249	1,222
30th June 2012	19,695	4,906	747
30th June 2013	**12,246**	**3,237**	**1,116**
Other income			
For the year ended:			
30th June 2011	20,372	297	3,499
30th June 2012	40,281	380	12,043
30th June 2013	**24,172**	**430**	**3,545**

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.

35. Related Party Transactions (Cont'd)

(a) The Group (Cont'd)

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 4.1M, Rs 3.9M and Rs 6.1M respectively for 2013, 2012 and 2011 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 30.0 M
MCB Madagascar	5 % of operating income	Rs 9.0 M
MCB Moçambique	5 % of operating income	Rs 9.0 M
MCB Maldives	5 % of operating income	Rs 10.7 M

IT and Systems support to three of the above companies is provided by BFCOI who has claimed EUR 358,000, EUR 294,000 and EUR 91,000 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.

During the year 55,587 share options were exercised by key management personnel, including executive directors, for an amount of Rs 9.1 million (FY 2011/12: Nil).

(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 2011	1,739,041	1,972,885	519,933
30th June 2012	1,859,396	2,292,558	467,320
30th June 2013	**2,393,033**	**2,384,060**	**530,862**

35. Related Party Transactions (Cont'd)

(b) The Bank (Cont'd)

(ii) Income and expenses:

	Interest income RS'000	Interest expense RS'000	Other income RS'000
For the year ended:			
30th June 2011	89,926	38,256	79,269
30th June 2012	110,888	40,639	95,610
30th June 2013	**116,827**	**38,141**	**86,127**

(c) Key Management Personnel compensation

	GROUP & BANK		
	2013 RS'000	2012 RS'000	2011 RS'000
Remuneration and other benefits relating to Key Management Personnel, including Directors, were as follows:			
Salaries and short term employee benefits	126,153	134,052	124,022
Post employment benefits	15,390	10,957	12,637
	141,543	145,009	136,659

36. Events After The Reporting Period

As part of its capital-raising plans, MCB had made an offer to the public for the issue of Rs 3 billion worth of Floating Rate Subordinated Notes due in 2023, with an option to issue up to Rs 4.5 billion, in case of oversubscription. The offer closed on 19th July 2013 and applications were received for a total of Rs 6.3 billion from which MCB decided to retain the maximum amount of Rs 4.5 billion. These notes are quoted on the Official Market of the Stock Exchange of Mauritius and are presently available to individual and institutional investors for secondary trading. Besides, MCB lately obtained a USD 30 million ten-year subordinated debt from the African Development Bank. This facility forms part of a wider package of USD 150 million granted by the latter to allow MCB to increase its foreign currency lending to clients operating in the region and in mainland Africa.

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 2013

		2013			2012			2011		
	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		**14,614,633**	**5,211,617**	**9,403,016**	9,638,627	2,372,896	7,265,731	8,257,202	1,746,075	6,511,127
Derivative financial instruments	37(a)	**120,955**	**80,487**	**40,468**	32,057	19,913	12,144	55,357	15,543	39,814
Loans to and placements with banks	37(b)	**3,659,498**	**-**	**3,659,498**	2,411,236	626	2,410,610	2,268,761	54,168	2,214,593
Loans and advances to customers	37(c)	**138,981,434**	**101,015,795**	**37,965,639**	127,396,940	93,876,606	33,520,334	112,345,481	87,813,319	24,532,162
Investment securities	37(d)	**17,274,855**	**16,365,917**	**908,938**	12,385,486	11,658,712	726,774	13,617,560	13,158,114	459,446
Investments in associates	37(e)	**876,156**	**15,620**	**860,536**	1,644,074	15,620	1,628,454	879,012	15,620	863,392
Investments in subsidiaries	37(f)	**3,679,902**	**2,640,961**	**1,038,941**	3,537,307	2,653,460	883,847	3,447,710	2,563,863	883,847
Goodwill and other intangible assets		**691,896**	**691,896**	**-**	818,676	818,676	-	919,264	919,264	-
Property, plant and equipment	37(g)	**5,442,042**	**5,442,042**	**-**	5,543,947	5,543,947	-	5,147,598	5,147,598	-
Other assets	37(h)	**10,982,603**	**9,967,707**	**1,014,896**	10,188,097	9,591,670	596,427	8,359,351	8,090,784	268,567
Total assets		**196,323,974**	**141,432,042**	**54,891,932**	173,596,447	126,552,126	47,044,321	155,297,296	119,524,348	35,772,948
LIABILITIES AND SHAREHOLDERS' EQUITY										
Deposits from banks	37(i)	**3,408,512**	**23,751**	**3,384,761**	2,776,618	45,829	2,730,789	2,829,395	62,433	2,766,962
Deposits from customers	37(j)	**150,918,634**	**116,244,368**	**34,674,266**	138,032,675	110,435,022	27,597,653	124,849,823	103,878,920	20,970,903
Derivative financial instruments	37(a)	**167,297**	**50,814**	**116,483**	274,868	108,587	166,281	41,619	17,243	24,376
Other borrowed funds		**13,103,722**	**391,614**	**12,712,108**	7,008,400	15,602	6,992,798	4,499,307	48,493	4,450,814
Subordinated liabilities		**-**	**-**	**-**	-	-	-	1,278,856	-	1,278,856
Current tax liabilities		**241,946**	**241,946**	**-**	202,738	202,738	-	297,809	297,809	-
Deferred tax liabilities		**49,654**	**57,317**	**(7,663)**	63,836	63,836	-	13,095	13,095	-
Other liabilities	37(k)	**4,814,880**	**4,172,110**	**642,770**	4,138,499	3,862,772	275,727	3,660,851	3,483,029	177,822
Total liabilities		**172,704,645**	**121,181,920**	**51,522,725**	152,497,634	114,734,386	37,763,248	137,470,755	107,801,022	29,669,733
Shareholders' Equity										
Share capital and share premium		**2,615,838**	**2,615,838**	**-**	2,593,395	2,593,395	-	2,581,709	2,581,709	-
Retained earnings		**17,511,459**	**17,511,459**	**-**	15,221,962	15,221,962	-	12,164,060	12,164,060	-
Other components of equity		**3,852,089**	**3,667,197**	**184,892**	3,648,221	3,460,265	187,956	3,447,955	3,396,017	51,938
		23,979,386	**23,794,494**	**184,892**	21,463,578	21,275,622	187,956	18,193,724	18,141,786	51,938
Less treasury shares		**(360,057)**	**(360,057)**	**-**	(364,765)	(364,765)	-	(367,183)	(367,183)	-
Total equity		**23,619,329**	**23,434,437**	**184,892**	21,098,813	20,910,857	187,956	17,826,541	17,774,603	51,938
Total equity and liabilities		**196,323,974**	**144,616,357**	**51,707,617**	173,596,447	135,645,243	37,951,204	155,297,296	125,575,625	29,721,671
CONTINGENT LIABILITIES										
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers		**46,549,986**	**15,449,432**	**31,100,554**	37,482,964	17,926,441	19,556,523	31,627,552	15,221,779	16,405,773
Commitments		**5,022,227**	**3,345,412**	**1,676,815**	4,519,999	4,005,052	514,947	3,832,368	3,706,749	125,619
Tax assessments		**121,584**	**121,584**	**-**	68,042	68,042	-	315,356	315,356	-
Other		**1,632,122**	**917,793**	**714,329**	1,289,436	732,559	556,877	987,508	720,878	266,630
	37(l)	**53,325,919**	**19,834,221**	**33,491,698**	43,360,441	22,732,094	20,628,347	36,762,784	19,964,762	16,798,022

37. Segmental Reporting - Bank (Cont'd)

Income statements
for the year ended 30th June 2013

	Note	2013 BANK RS'000	2013 Segment A RS'000	2013 Segment B RS'000	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
Interest income	37(m)	**10,544,759**	**8,565,536**	**1,979,223**	10,067,396	8,564,081	1,503,315	8,995,292	7,796,804	1,198,488
Interest expense	37(n)	**(4,211,344)**	**(3,440,999)**	**(770,345)**	(4,321,466)	(3,685,691)	(635,775)	(3,643,407)	(3,292,312)	(351,095)
Net interest income		**6,333,415**	**5,124,537**	**1,208,878**	5,745,930	4,878,390	867,540	5,351,885	4,504,492	847,393
Fee and commission income	37(o)	**2,601,828**	**1,549,724**	**1,052,104**	2,204,326	1,466,221	738,105	1,852,414	1,229,392	623,022
Fee and commission expense	37(p)	**(411,373)**	**(392,153)**	**(19,220)**	(342,108)	(336,118)	(5,990)	(263,212)	(255,957)	(7,255)
Net fee and commission income		**2,190,455**	**1,157,571**	**1,032,884**	1,862,218	1,130,103	732,115	1,589,202	973,435	615,767
Other income										
Profit arising from dealing in foreign currencies		**775,743**	**596,843**	**178,900**	1,231,954	1,062,675	169,279	891,404	830,294	61,110
Net gain/(loss) from financial instruments carried at fair value	37(q)	**206,333**	**190,479**	**15,854**	(251,783)	(225,389)	(26,394)	59,115	59,115	-
		982,076	**787,322**	**194,754**	980,171	837,286	142,885	950,519	889,409	61,110
Dividend income	37(r)	**91,482**	**40,488**	**50,994**	917,105	42,706	874,399	157,823	64,788	93,035
Net gain on sale of securities		**19,916**	**19,916**	**-**	-	-	-	5,648	5,648	-
Other operating income		**54,327**	**54,327**	**-**	8,847	8,847	-	61,389	5,849	55,540
		1,147,801	**902,053**	**245,748**	1,906,123	888,839	1,017,284	1,175,379	965,694	209,685
Income from out-of-court settlement		**-**	**-**	**-**	-	-	-	250,000	250,000	-
Operating income		**9,671,671**	**7,184,161**	**2,487,510**	9,514,271	6,897,332	2,616,939	8,366,466	6,693,621	1,672,845
Non-interest expense										
Salaries and human resource development	37(s)	**(2,030,463)**	**(1,899,820)**	**(130,643)**	(1,878,725)	(1,747,179)	(131,546)	(1,705,403)	(1,593,501)	(111,902)
Employee benefits		**(275,327)**	**(262,170)**	**(13,157)**	(200,463)	(189,361)	(11,102)	(201,443)	(187,918)	(13,525)
Depreciation		**(406,897)**	**(393,864)**	**(13,033)**	(399,238)	(386,611)	(12,627)	(285,172)	(274,681)	(10,491)
Amortisation of intangible assets		**(201,030)**	**(194,607)**	**(6,423)**	(196,879)	(190,754)	(6,125)	(189,444)	(183,869)	(5,575)
Other	37(t)	**(1,245,027)**	**(1,167,652)**	**(77,375)**	(1,199,375)	(1,138,735)	(60,640)	(1,024,174)	(969,481)	(54,693)
		(4,158,744)	**(3,918,113)**	**(240,631)**	(3,874,680)	(3,652,640)	(222,040)	(3,405,636)	(3,209,450)	(196,186)
Operating profit before impairment		**5,512,927**	**3,266,048**	**2,246,879**	5,639,591	3,244,692	2,394,899	4,960,830	3,484,171	1,476,659
Allowances for credit impairment	37(u)	**(1,055,277)**	**(383,911)**	**(671,366)**	(509,241)	(417,657)	(91,584)	(305,405)	(251,523)	(53,882)
Impairment of intangible assets		**-**	**-**	**-**	(1,206)	(1,206)	-	(24,428)	(24,428)	-
Profit before tax		**4,457,650**	**2,882,137**	**1,575,513**	5,129,144	2,825,829	2,303,315	4,630,997	3,208,220	1,422,777
Income tax expense	37(v)	**(695,502)**	**(631,580)**	**(63,922)**	(669,495)	(596,032)	(73,463)	(726,653)	(661,520)	(65,133)
Profit for the year		**3,762,148**	**2,250,557**	**1,511,591**	4,459,649	2,229,797	2,229,852	3,904,344	2,546,700	1,357,644

37. Segmental Reporting - Bank (Cont'd)

Statements of comprehensive income
for the year ended 30th June 2013

	2013 BANK RS'000	2013 Segment A RS'000	2013 Segment B RS'000	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
Profit for the year	**3,762,148**	**2,250,560**	**1,511,588**	4,459,649	2,229,797	2,229,852	3,904,344	2,546,700	1,357,644
Other comprehensive income:									
Items that may be reclassified subsequently to income statement:									
Reclassification adjustment	**(3,206)**	**(3,206)**	**-**	-	-	-	-	-	-
Net fair value gain/(loss) on available-for-sale investments	**184,631**	**(261)**	**184,892**	188,580	624	187,956	96,239	44,301	51,938
Other comprehensive income for the year	**181,425**	**(3,467)**	**184,892**	188,580	624	187,956	96,239	44,301	51,938
Total comprehensive income for the year	**3,943,573**	**2,247,093**	**1,696,480**	4,648,229	2,230,421	2,417,808	4,000,583	2,591,001	1,409,582

37. Segmental Reporting - Bank (Cont'd)

(a) Derivative financial instruments

	2013			2012			2011		
	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	28,138	14,602	13,536	10,522	3,927	6,595	12,211	8,723	3,488
Cross currency interest rate swaps	-	-	-	-	-	-	-	-	-
Interest rate swaps	25,518	25,518	-	1,879	-	1,879	-	-	-
Currency swaps	66,996	40,367	26,629	19,656	15,986	3,670	43,146	6,820	36,326
Others	303	-	303	-	-	-	-	-	-
	120,955	80,487	40,468	32,057	19,913	12,144	55,357	15,543	39,814
(ii) Fair value liabilities									
Currency forwards	30,727	17,710	13,017	11,466	10,956	510	7,616	2,875	4,741
Cross currency interest rate swaps	26,561	-	26,561	32,865	-	32,865	-	-	-
Interest rate swaps	23,837	-	23,837	-	-	-	-	-	-
Currency swaps	86,172	33,104	53,068	230,537	97,631	132,906	34,003	14,368	19,635
	167,297	50,814	116,483	274,868	108,587	166,281	41,619	17,243	24,376

(b) Loans to and placements with banks

	2013 BANK	2013 Segment A	2013 Segment B	2012 BANK	2012 Segment A	2012 Segment B	2011 BANK	2011 Segment A	2011 Segment B
Loans to and placements with banks									
in Mauritius	302,315	302,315	-	101,468	101,468	-	55,814	55,814	-
outside Mauritius	13,072,515	-	13,072,515	9,684,966	626	9,684,340	8,733,766	-	8,733,766
	13,374,830	302,315	13,072,515	9,786,434	102,094	9,684,340	8,789,580	55,814	8,733,766
Less:									
Loans and placements with original maturity less than 3 months	(9,705,332)	(302,315)	(9,403,017)	(7,367,198)	(101,468)	(7,265,730)	(6,512,772)	(1,646)	(6,511,126)
	3,669,498	-	3,669,498	2,419,236	626	2,418,610	2,276,808	54,168	2,222,640
Less allowances for credit impairment	(10,000)	-	(10,000)	(8,000)	-	(8,000)	(8,047)	-	(8,047)
	3,659,498	-	3,659,498	2,411,236	626	2,410,610	2,268,761	54,168	2,214,593

(i) Remaining term to maturity

	2013 BANK	2013 Segment A	2013 Segment B	2012 BANK	2012 Segment A	2012 Segment B	2011 BANK	2011 Segment A	2011 Segment B
Up to 3 months	2,427,408	-	2,427,408	2,208,012	626	2,207,386	2,033,245	-	2,033,245
Over 3 months and up to 6 months	77,547	-	77,547	124,210	-	124,210	8,333	8,333	-
Over 6 months and up to 1 year	43,426	-	43,426	-	-	-	136,502	45,835	90,667
Over 1 year and up to 5 years	1,121,117	-	1,121,117	87,014	-	87,014	98,728	-	98,728
	3,669,498	-	3,669,498	2,419,236	626	2,418,610	2,276,808	54,168	2,222,640

(ii) Allowances for credit impairment

	BANK Total RS'000	Segment B Total RS'000
Portfolio provision		
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 released during the year	(47)	(47)
At 30th June 2012	8,000	8,000
Provision for credit impairment for the year	2,000	2,000
At 30th June 2013	10,000	10,000

37. Segmental Reporting - Bank (Cont'd)

(c) Loans and advances to customers

	2013			2012			2011		
	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	752,714	752,714	-	629,732	629,732	-	406,037	406,037	-
Mortgages	15,827,003	14,730,246	1,096,757	14,456,023	13,416,921	1,039,102	12,485,446	11,409,688	1,075,758
Other retail loans	11,139,760	10,634,551	505,209	10,940,835	10,497,482	443,353	10,176,732	9,913,132	263,600
Corporate customers	86,063,359	77,918,737	8,144,622	85,580,648	72,107,320	13,473,328	77,605,575	68,965,871	8,639,704
Governments	450,738	-	450,738	306,003	-	306,003	286,020	-	286,020
Entities outside Mauritius	28,796,677	-	28,796,677	18,615,689	-	18,615,689	14,534,620	-	14,534,620
	143,030,251	104,036,248	38,994,003	130,528,930	96,651,455	33,877,475	115,494,430	90,694,728	24,799,702
Less:									
Allowances for credit impairment	(4,048,817)	(3,020,453)	(1,028,364)	(3,131,990)	(2,774,849)	(357,141)	(3,148,949)	(2,881,409)	(267,540)
	138,981,434	101,015,795	37,965,639	127,396,940	93,876,606	33,520,334	112,345,481	87,813,319	24,532,162

(i) Remaining term to maturity

	2013 BANK	2013 Segment A	2013 Segment B	2012 BANK	2012 Segment A	2012 Segment B	2011 BANK	2011 Segment A	2011 Segment B
Up to 3 months	49,146,037	31,227,233	17,918,804	35,987,725	25,192,211	10,795,514	36,539,652	29,691,136	6,848,516
Over 3 months and up to 6 months	3,049,683	2,118,830	930,853	5,425,794	829,479	4,596,315	1,685,370	1,124,956	560,414
Over 6 months and up to 1 year	2,196,567	984,406	1,212,161	4,259,401	2,965,764	1,293,637	2,944,529	2,184,223	760,306
Over 1 year and up to 5 years	25,773,840	15,246,432	10,527,408	24,433,684	15,485,687	8,947,997	25,735,946	16,610,212	9,125,734
Over 5 years	62,864,124	54,459,347	8,404,777	60,422,326	52,178,314	8,244,012	48,588,933	41,084,201	7,504,732
	143,030,251	104,036,248	38,994,003	130,528,930	96,651,455	33,877,475	115,494,430	90,694,728	24,799,702

(ii) Credit concentration of risk by industry sectors

	2013 BANK	2013 Segment A	2013 Segment B	2012 BANK	2012 Segment A	2012 Segment B	2011 BANK	2011 Segment A	2011 Segment B
Agriculture and fishing	1,842,681	1,842,681	-	3,899,116	3,899,116	-	5,798,811	5,798,811	-
Manufacturing	2,164,474	2,164,474	-	2,302,694	2,302,694	-	2,513,355	2,513,355	-
of which EPZ	*875,888*	*875,888*	-	*788,832*	*788,832*	-	*104,223*	*104,223*	-
Tourism	14,959,946	12,774,828	2,185,118	15,901,988	14,136,889	1,765,099	16,636,093	13,870,785	2,765,308
Transport	110,888	110,888	-	168,861	168,861	-	162,644	162,644	-
Construction	3,201,793	3,201,793	-	3,944,314	3,944,314	-	4,046,955	4,046,955	-
Financial and business services	9,245,340	4,609,147	4,636,193	5,586,120	5,586,120	-	4,769,952	4,769,952	-
Traders	7,756,834	1,345,910	6,410,924	9,203,082	2,409,677	6,793,405	2,372,581	2,324,479	48,102
Global business licence holders	2,264,230	-	2,264,230	4,963,374	-	4,963,374	4,550,613	-	4,550,613
Foreign Governments	-	-	-	3,213,000	-	3,213,000	-	-	-
Others	3,527,255	2,614,807	912,448	4,605,826	4,580,985	24,841	4,203,572	4,169,722	33,850
	45,073,441	28,664,528	16,408,913	53,788,375	37,028,656	16,759,719	45,054,576	37,656,703	7,397,873

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 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
Provision released during the year	(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
Provision 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
Provision released during the year	(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
Provision 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
At 1st July 2012	**1,423,193**	**908,600**	**2,331,793**	**1,315,000**	**666,547**	**1,981,547**	**108,193**	**242,053**	**350,246**
Provision for credit impairment for the year	**924,655**	**88,400**	**1,013,055**	**318,654**	**24,986**	**343,640**	**606,001**	**63,414**	**669,415**
Provision released during the year	**(29,152)**	**-**	**(29,152)**	**(29,152)**	**-**	**(29,152)**	**-**	**-**	**-**
Amounts written off	**(145,413)**	**-**	**(145,413)**	**(144,529)**	**-**	**(144,529)**	**(884)**	**-**	**(884)**
At 30th June 2013	**2,173,283**	**997,000**	**3,170,283**	**1,459,973**	**691,533**	**2,151,506**	**713,310**	**305,467**	**1,018,777**
Interest suspense	**878,534**	**-**	**878,534**	**868,947**	**-**	**868,947**	**9,587**	**-**	**9,587**
Provision and interest suspense at 30th June 2013	**3,051,817**	**997,000**	**4,048,817**	**2,328,920**	**691,533**	**3,020,453**	**722,897**	**305,467**	**1,028,364**

37. Segmental Reporting - Bank (Cont'd)

(c) Loans and advances to customers (Cont'd)

(iv) Allowances for credit impairment by industry sectors

	2013					2012	2011
	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	7,550,531	27,930	18,249	36,300	**54,549**	73,119	76,306
Manufacturing	9,673,980	426,498	286,264	54,600	**340,864**	331,621	414,667
of which EPZ	*2,290,368*	*143,845*	*98,339*	*12,400*	***110,739***	*114,590*	*124,019*
Tourism	30,091,328	498,114	148,923	73,300	**222,223**	163,379	118,871
Transport	2,656,124	57,012	39,673	9,000	**48,673**	48,716	17,162
Construction	14,954,138	2,095,525	406,813	207,200	**614,013**	403,692	322,968
Financial and business services	18,091,438	109,050	61,814	61,200	**123,014**	79,681	270,200
Traders	15,325,767	543,229	332,264	109,000	**441,264**	526,106	534,240
Personal	25,481,917	2,136,443	972,260	223,400	**1,195,660**	1,097,107	1,075,000
of which credit cards	*744,451*	*49,631*	*36,850*	*31,300*	***68,150***	*52,015*	*29,984*
of which housing	*15,827,003*	*741,002*	*121,831*	*70,000*	***191,831***	*81,201*	*83,785*
Professional	871,549	80,383	39,872	12,800	**52,672**	49,077	11,290
Foreign governments	450,738	-	-	1,600	**1,600**	1,600	-
Global Business Licence holders	7,193,628	846,882	594,119	142,100	**736,219**	144,816	124,982
Others	10,689,113	310,643	151,566	66,500	**218,066**	213,076	183,263
	143,030,251	7,131,709	3,051,817	997,000	**4,048,817**	3,131,990	3,148,949
Segment A							
Agriculture and fishing	7,063,070	27,926	18,246	33,862	**52,108**	70,014	72,940
Manufacturing	9,011,276	394,207	279,492	50,854	**330,346**	321,158	409,695
of which EPZ	*2,290,368*	*143,845*	*98,339*	*12,400*	***110,739***	*114,590*	*124,019*
Tourism	20,227,177	142,827	86,441	49,531	**135,972**	141,259	100,175
Transport	1,942,868	30,172	12,833	6,599	**19,432**	16,827	15,101
Construction	14,953,251	2,095,425	406,713	207,188	**613,901**	379,080	304,305
Financial and business services	12,169,870	99,223	52,155	40,920	**93,075**	66,246	260,921
Traders	9,829,901	540,926	330,134	67,800	**397,934**	464,166	490,032
Personal	23,895,105	2,073,180	953,545	202,636	**1,156,181**	1,087,805	1,051,683
of which credit cards	*744,451*	*49,631*	*36,850*	*31,300*	***68,150***	*52,015*	*29,984*
of which housing	*14,730,246*	*741,002*	*121,831*	*70,000*	***191,831***	*81,201*	*83,785*
Professional	643,208	79,051	38,931	8,876	**47,807**	43,325	10,423
Others	4,300,522	309,506	150,430	23,267	**173,697**	184,969	166,134
	104,036,248	5,792,443	2,328,920	691,533	**3,020,453**	2,774,849	2,881,409
Segment B							
Agriculture and fishing	487,461	4	3	2,438	**2,441**	3,105	3,366
Manufacturing	662,704	32,291	6,772	3,746	**10,518**	10,463	4,972
Tourism	9,864,151	355,287	62,482	23,769	**86,251**	22,120	18,696
Transport	713,256	26,840	26,840	2,401	**29,241**	31,889	2,061
Construction	887	100	100	12	**112**	24,612	18,663
Financial and business services	5,921,568	9,827	9,659	20,280	**29,939**	13,435	9,279
Traders	5,495,866	2,303	2,130	41,200	**43,330**	61,940	44,208
Personal	1,586,812	63,263	18,715	20,764	**39,479**	9,302	23,317
Professional	228,341	1,332	941	3,924	**4,865**	5,752	867
Foreign governments	450,738	-	-	1,600	**1,600**	1,600	-
Global Business Licence holders	7,193,628	846,882	594,119	142,100	**736,219**	144,816	124,982
Others	6,388,591	1,137	1,136	43,233	**44,369**	28,107	17,129
	38,994,003	1,339,266	722,897	305,467	**1,028,364**	357,141	267,540

37. Segmental Reporting - Bank (Cont'd)

(d) Investment securities

	2013			2012			2011		
	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	15,921,035	15,891,782	29,253	10,774,392	10,742,765	31,627	12,357,018	12,357,018	-
Available-for-sale	1,353,820	474,135	879,685	1,532,892	837,745	695,147	1,260,542	801,096	459,446
	17,274,855	16,365,917	908,938	12,385,486	11,658,712	726,774	13,617,560	13,158,114	459,446

(i) At fair value through profit or loss

	2013 BANK	2013 Segment A	2013 Segment B	2012 BANK	2012 Segment A	2012 Segment B	2011 BANK	2011 Segment A	2011 Segment B
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

	2013 BANK	2013 Segment A	2013 Segment B	2012 BANK	2012 Segment A	2012 Segment B	2011 BANK	2011 Segment A	2011 Segment B
Mauritius Development Loan Stocks	200,310	200,310	-	368,321	368,321	-	623,515	623,515	-
GOM bonds	3,413,044	3,413,044	-	3,734,912	3,734,912	-	4,510,645	4,510,645	-
Treasury bills	12,278,428	12,278,428	-	6,639,532	6,639,532	-	7,222,858	7,222,858	-
Foreign Bonds	29,253	-	29,253	31,627	-	31,627	-	-	-
	15,921,035	15,891,782	29,253	10,774,392	10,742,765	31,627	12,357,018	12,357,018	-

(iii) Available-for-sale

	2013 BANK	2013 Segment A	2013 Segment B	2012 BANK	2012 Segment A	2012 Segment B	2011 BANK	2011 Segment A	2011 Segment B
Quoted									
Official list: shares	6,773	6,773	-	7,030	7,030	-	6,406	6,406	-
Foreign shares	686,715	-	686,715	494,088	-	494,088	310,807	-	310,807
Unquoted									
Shares	451,562	258,592	192,970	822,958	621,899	201,059	741,479	592,840	148,639
Inflation - indexed GOM bonds	208,770	208,770	-	208,816	208,816	-	201,850	201,850	-
	1,353,820	474,135	879,685	1,532,892	837,745	695,147	1,260,542	801,096	459,446

37. Segmental Reporting - Bank (Cont'd)

(e) Investments in associates

	2013					2012			2011		
	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			416,972	3,620	413,352	1,184,890	3,620	1,181,270	419,828	3,620	416,208
			876,156	15,620	860,536	1,644,074	15,620	1,628,454	879,012	15,620	863,392

(f) Investments in subsidiaries

	2013						
	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	2,334,637	100.00	2,334,637	2,334,637	-
MCB (Maldives) Private Ltd	Republic of Maldives	Banking & Financial services	307,727	100.00	347,963	-	347,963
MCB Moçambique SA	Mozambique	Banking & Financial services	130,321	95.00	260,040	-	260,040
MCB Seychelles Ltd	Seychelles	Banking & Financial services	52,113	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	169,450	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 loans to subsidiaries					219,250	64,156	155,094
					3,679,902	2,640,961	1,038,941

37. Segmental Reporting - Bank (Cont'd)

(f) Investments in subsidiaries

	Country of incorporation/ operation	Principal activities	Effective Holding %	2012 BANK RS'000	2012 Segment A RS'000	2012 Segment B RS'000
MCB Equity Fund Ltd	Mauritius	Private Equity Fund	100.00	2,334,637	2,334,637	-
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	96.00	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	-
				3,460,652	2,576,805	883,847
Subordinated loans to subsidiaries				76,655	76,655	-
				3,537,307	2,653,460	883,847

	Country of incorporation/ operation	Principal activities	Effective Holding %	2011 BANK RS'000	2011 Segment A RS'000	2011 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

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 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**
Additions	**104,447**	**72,058**	**22,788**	**146,872**	**346,165**
Disposals	**(25,987)**	**(150,133)**	**(37,685)**	**-**	**(213,805)**
Transfer	**22,223**	**94,123**	**33,317**	**(149,663)**	**-**
At 30th June 2013	**4,435,299**	**2,700,581**	**772,655**	**34,645**	**7,943,180**
Accumulated depreciation					
At 1st July 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**
Charge for the year	**70,622**	**277,915**	**58,360**	**-**	**406,897**
Disposal adjustment	**(3,413)**	**(137,310)**	**(31,909)**	**-**	**(172,632)**
At 30th June 2013	**503,524**	**1,653,440**	**344,174**	**-**	**2,501,138**
Net book values - Segment A					
At 30th June 2013	**3,931,775**	**1,047,141**	**428,481**	**34,645**	**5,442,042**
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

37. Segmental Reporting - Bank (Cont'd)

(h) Other assets

	2013			2012			2011		
	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	8,039,278	8,039,278	-	7,588,498	7,588,498	-	6,262,909	6,262,909	-
Accrued interest receivable	1,034,790	554,047	480,743	929,635	597,195	332,440	796,724	630,762	165,962
Employee benefits assets	243,422	243,422	-	306,900	306,900	-	310,938	310,938	-
Prepayments and other receivables	556,197	511,445	44,752	730,181	656,010	74,171	595,679	493,074	102,605
Margin deposit under Credit Support Annex	461,251	-	461,251	162,862	-	162,862	-	-	-
Receivable from Mauritius Union Assurance Co Ltd	75,000	75,000	-	100,000	100,000	-	125,000	125,000	-
Credit Card clearing	87,828	69,401	18,427	85,100	68,688	16,412	60,561	60,561	-
Non-banking assets acquired in satisfaction of debts	51,433	51,433	-	35,369	35,369	-	36,851	36,851	-
Others	433,404	423,681	9,723	249,552	239,010	10,542	170,689	170,689	-
	10,982,603	9,967,707	1,014,896	10,188,097	9,591,670	596,427	8,359,351	8,090,784	268,567

(i) Deposits from banks

	2013			2012			2011		
	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	1,685,080	23,751	1,661,329	1,570,820	45,829	1,524,991	1,271,445	62,433	1,209,012
Money market deposits with remaining term to maturity:									
Up to 3 months	1,044,862	-	1,044,862	629,314	-	629,314	1,159,512	-	1,159,512
Over 3 months and up to 6 months	223,680	-	223,680	153,935	-	153,935	363,171	-	363,171
Over 6 months and up to 1 year	454,890	-	454,890	422,549	-	422,549	35,267	-	35,267
	1,723,432	-	1,723,432	1,205,798	-	1,205,798	1,557,950	-	1,557,950
	3,408,512	23,751	3,384,761	2,776,618	45,829	2,730,789	2,829,395	62,433	2,766,962

37. Segmental Reporting - Bank (Cont'd)

(j) Deposits from customers

	2013			2012			2011		
	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	12,012,604	7,298,206	4,714,398	10,838,105	6,763,069	4,075,036	10,085,730	6,454,601	3,631,129
Savings deposits	68,226,248	63,488,219	4,738,029	61,394,644	57,579,306	3,815,338	55,423,216	52,168,234	3,254,982
Time deposits with remaining term to maturity:									
Up to 3 months	4,106,179	2,856,631	1,249,548	4,350,159	2,986,033	1,364,126	4,652,228	3,023,176	1,629,052
Over 3 months and up to 6 months	2,339,617	1,705,622	633,995	2,496,911	1,678,996	817,915	2,293,690	1,615,260	678,430
Over 6 months and up to 1 year	4,630,251	3,253,067	1,377,184	4,764,562	3,515,179	1,249,383	4,011,924	2,875,073	1,136,851
Over 1 year and up to 5 years	9,037,608	7,747,578	1,290,030	9,032,424	7,782,072	1,250,352	9,018,859	7,920,646	1,098,213
Over 5 years	4,855	4,405	450	4,480	3,710	770	9,106	5,706	3,400
	20,118,510	15,567,303	4,551,207	20,648,536	15,965,990	4,682,546	19,985,807	15,439,861	4,545,946
	100,357,362	86,353,728	14,003,634	92,881,285	80,308,365	12,572,920	85,494,753	74,062,696	11,432,057
Corporate customers									
Demand deposits	32,425,132	18,869,538	13,555,594	27,006,803	18,832,970	8,173,833	23,155,464	17,150,971	6,004,493
Savings deposits	5,102,968	5,028,016	74,952	4,827,541	4,768,779	58,762	4,919,058	4,823,780	95,278
Time deposits with remaining term to maturity:									
Up to 3 months	6,116,391	2,974,760	3,141,631	6,700,517	3,523,021	3,177,496	7,626,825	4,925,290	2,701,535
Over 3 months and up to 6 months	1,208,104	912,945	295,159	838,812	450,070	388,742	1,078,686	655,182	423,504
Over 6 months and up to 1 year	1,376,295	611,447	764,848	1,739,809	1,252,449	487,360	1,041,605	727,773	313,832
Over 1 year and up to 5 years	1,438,877	1,438,677	200	1,241,330	1,241,330	-	1,410,589	1,410,385	204
Over 5 years	2,838,248	-	2,838,248	2,738,540	-	2,738,540	-	-	-
	12,977,915	5,937,829	7,040,086	13,259,008	6,466,870	6,792,138	11,157,705	7,718,630	3,439,075
	50,506,015	29,835,383	20,670,632	45,093,352	30,068,619	15,024,733	39,232,227	29,693,381	9,538,846
Government									
Demand deposits	3,997	3,997	-	7,253	7,253	-	64,885	64,885	-
Savings deposits	51,260	51,260	-	50,785	50,785	-	57,958	57,958	-
	55,257	55,257	-	58,038	58,038	-	122,843	122,843	-
	150,918,634	116,244,368	34,674,266	138,032,675	110,435,022	27,597,653	124,849,823	103,878,920	20,970,903

37. Segmental Reporting - Bank (Cont'd)

(k) Other liabilities

	2013			2012			2011		
	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	**891,777**	**699,005**	**192,772**	845,381	662,431	182,950	655,593	505,340	150,253
MCB Superannuation Fund	**746,721**	**746,721**	**-**	633,006	633,006	-	498,924	498,924	-
Proposed dividend	**796,657**	**796,657**	**-**	772,342	772,342	-	772,068	772,068	-
Interest suspense, impersonal & other accounts	**3,258,259**	**2,798,674**	**459,585**	2,687,967	2,588,295	99,672	2,505,925	2,471,978	33,947
	5,693,414	**5,041,057**	**652,357**	4,938,696	4,656,074	282,622	4,432,510	4,248,310	184,200
Interest suspense	**(878,534)**	**(868,947)**	**(9,587)**	(800,197)	(793,302)	(6,895)	(771,659)	(765,281)	(6,378)
	4,814,880	**4,172,110**	**642,770**	4,138,499	3,862,772	275,727	3,660,851	3,483,029	177,822

(l) Contingent liabilities

	2013			2012			2011		
	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) Instruments									
Guarantees on account of customers	**16,901,250**	**11,554,540**	**5,346,710**	15,089,948	11,508,692	3,581,256	14,870,612	11,807,837	3,062,775
Letters of credit and other obligations on account of customers	**18,687,134**	**3,647,798**	**15,039,336**	14,687,969	3,268,177	11,419,792	11,818,511	3,030,988	8,787,523
Other contingent items	**10,961,602**	**247,094**	**10,714,508**	7,705,047	3,149,572	4,555,475	4,938,429	382,954	4,555,475
	46,549,986	**15,449,432**	**31,100,554**	37,482,964	17,926,441	19,556,523	31,627,552	15,221,779	16,405,773
(ii) Commitments									
Loans and other facilities, including undrawn credit facilities	**5,022,227**	**3,345,412**	**1,676,815**	4,519,999	4,005,052	514,947	3,832,368	3,706,749	125,619
(iii) Tax assessments	**121,584**	**121,584**	**-**	68,042	68,042	-	315,356	315,356	-
(iv) Other									
Inward bills held for collection	**454,499**	**324,561**	**129,938**	391,883	304,509	87,374	412,391	294,062	118,329
Outward bills sent for collection	**1,177,623**	**593,232**	**584,391**	897,553	428,050	469,503	575,117	426,816	148,301
	1,632,122	**917,793**	**714,329**	1,289,436	732,559	556,877	987,508	720,878	266,630
	53,325,919	**19,834,221**	**33,491,698**	43,360,441	22,732,094	20,628,347	36,762,784	19,964,762	16,798,022

37. Segmental Reporting - Bank (Cont'd)

(m) Interest income

	2013			2012			2011		
	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 to and placements with banks	**170,839**	**2,409**	**168,430**	156,313	6,085	150,228	146,883	5,339	141,544
Loans and advances to customers	**9,708,287**	**7,975,864**	**1,732,423**	9,211,199	7,902,443	1,308,756	8,114,188	7,057,509	1,056,679
Held to maturity investments	**589,115**	**586,736**	**2,379**	654,926	654,595	331	734,221	733,956	265
Other	**76,518**	**527**	**75,991**	44,958	958	44,000	-	-	-
	10,544,759	**8,565,536**	**1,979,223**	10,067,396	8,564,081	1,503,315	8,995,292	7,796,804	1,198,488

(n) Interest expense

	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
Deposits from banks	**30,536**	**-**	**30,536**	37,070	1,296	35,774	37,967	3,797	34,170
Deposits from customers	**3,924,629**	**3,438,700**	**485,929**	4,084,058	3,675,559	408,499	3,544,040	3,281,073	262,967
Debt securities	**118,303**	**-**	**118,303**	75,688	-	75,688	-	-	-
Subordinated liabilities	**-**	**-**	**-**	6,747	-	6,747	21,233	-	21,233
Other borrowed funds	**137,876**	**2,299**	**135,577**	117,903	8,836	109,067	40,167	7,442	32,725
	4,211,344	**3,440,999**	**770,345**	4,321,466	3,685,691	635,775	3,643,407	3,292,312	351,095

(o) Fee and commission income

	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 banking fees	**212,009**	**204,039**	**7,970**	208,181	201,717	6,464	167,217	164,351	2,866
Corporate banking fees	**387,979**	**267,319**	**120,660**	364,699	287,617	77,082	281,958	184,166	97,792
Guarantee fees	**222,582**	**159,419**	**63,163**	177,869	146,860	31,009	172,369	112,758	59,611
Interbank transaction fees	**41,492**	**-**	**41,492**	32,709	-	32,709	34,448	-	34,448
Rental income	**1,977**	**1,977**	**-**	1,687	1,687	-	1,814	1,814	-
Cards and other related fees	**926,821**	**762,387**	**164,434**	784,647	642,230	142,417	688,420	574,607	113,813
Trade finance fees	**707,795**	**112,598**	**595,197**	533,147	131,445	401,702	409,579	142,173	267,406
Others	**101,173**	**41,985**	**59,188**	101,387	54,665	46,722	96,609	49,523	47,086
	2,601,828	**1,549,724**	**1,052,104**	2,204,326	1,466,221	738,105	1,852,414	1,229,392	623,022

(p) Fee and commission expense

	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
Interbank transaction fees	**6,479**	**-**	**6,479**	5,990	-	5,990	2,825	-	2,825
Card and other related fees	**392,239**	**392,153**	**86**	314,951	314,951	-	252,884	252,884	-
Others	**12,655**	**-**	**12,655**	21,167	21,167	-	7,503	3,073	4,430
	411,373	**392,153**	**19,220**	342,108	336,118	5,990	263,212	255,957	7,255

(q) Net gain/(loss) from financial instruments carried at fair value

	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
Net gain/(loss) from derivatives	**206,140**	**190,286**	**15,854**	(251,957)	(225,563)	(26,394)	59,115	59,115	-
Investment securities at fair value through profit or loss	**193**	**193**	**-**	174	174	-	-	-	-
	206,333	**190,479**	**15,854**	(251,783)	(225,389)	(26,394)	59,115	59,115	-

(r) Dividend income

	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
Available for sale securities	**11,994**	**9,641**	**2,353**	29,333	27,833	1,500	24,979	23,915	1,064
Others	**79,488**	**30,847**	**48,641**	887,772	14,873	872,899	132,844	40,873	91,971
	91,482	**40,488**	**50,994**	917,105	42,706	874,399	157,823	64,788	93,035

37. Segmental Reporting - Bank (Cont'd)

(s) Salaries and human resource development

	2013			2012			2011		
	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	**1,540,139**	**1,444,076**	**96,063**	1,449,502	1,345,574	103,928	1,350,792	1,264,374	86,418
Compulsory social security obligations	**46,257**	**43,472**	**2,785**	43,273	40,826	2,447	38,504	36,107	2,397
Equity settled share-based payments	**1,929**	**1,876**	**53**	2,128	2,070	58	4,808	4,240	568
Other personnel expenses	**442,138**	**410,396**	**31,742**	383,822	358,709	25,113	311,299	288,780	22,519
	2,030,463	**1,899,820**	**130,643**	1,878,725	1,747,179	131,546	1,705,403	1,593,501	111,902

(t) Other non-interest expense

	2013 BANK	2013 Segment A	2013 Segment B	2012 BANK	2012 Segment A	2012 Segment B	2011 BANK	2011 Segment A	2011 Segment B
Software licensing and other information technology cost	**156,988**	**149,560**	**7,428**	146,611	140,955	5,656	134,967	126,479	8,488
Others	**1,088,039**	**1,018,092**	**69,947**	1,052,764	997,780	54,984	889,207	843,002	46,205
	1,245,027	**1,167,652**	**77,375**	1,199,375	1,138,735	60,640	1,024,174	969,481	54,693

(u) Allowances for credit impairment

	2013 BANK	2013 Segment A	2013 Segment B	2012 BANK	2012 Segment A	2012 Segment B	2011 BANK	2011 Segment A	2011 Segment B
Loans and advances to banks	**2,000**	**-**	**2,000**	(47)	-	(47)	1,899	-	1,899
Loans and advances to customers	**1,053,277**	**383,911**	**669,366**	509,288	417,657	91,631	303,506	251,523	51,983
	1,055,277	**383,911**	**671,366**	509,241	417,657	91,584	305,405	251,523	53,882

(v) Income tax expense

	2013 BANK	2013 Segment A	2013 Segment B	2012 BANK	2012 Segment A	2012 Segment B	2011 BANK	2011 Segment A	2011 Segment B
Current tax expense									
Current year	**696,011**	**624,426**	**71,585**	659,984	586,521	73,463	699,149	634,016	65,133
Adjustment for prior years	**13,673**	**13,673**	**-**	(41,230)	(41,230)	-	5,177	5,177	-
	709,684	**638,099**	**71,585**	618,754	545,291	73,463	704,326	639,193	65,133
Deferred tax	**(14,182)**	**(6,519)**	**(7,663)**	50,741	50,741	-	22,327	22,327	-
Total income tax expense	**695,502**	**631,580**	**63,922**	669,495	596,032	73,463	726,653	661,520	65,133

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

	2013 BANK	2013 Segment A	2013 Segment B	2012 BANK	2012 Segment A	2012 Segment B	2011 BANK	2011 Segment A	2011 Segment B
Profit before tax	**4,457,650**	**2,882,137**	**1,575,513**	5,129,144	2,805,921	2,323,223	4,630,997	3,208,220	1,422,777
Tax calculated at a rate of 15%	**668,648**	**432,321**	**236,327**	769,372	420,889	348,483	694,650	481,233	213,417
Impact of:									
Income not subject to tax	**(31,630)**	**(30,344)**	**(1,286)**	(73,408)	(72,047)	(1,361)	(81,029)	(75,106)	(5,923)
Expenses not deductible for tax purposes	**90,298**	**46,096**	**44,202**	152,090	123,458	28,632	89,743	74,289	15,454
Tax credits	**(231,010)**	**-**	**(231,010)**	(323,277)	(90)	(323,187)	(170,924)	(89)	(170,835)
Special levy on banks	**185,523**	**169,834**	**15,689**	185,948	165,052	20,896	189,036	176,016	13,020
Under/(Over) provision in previous years	**13,673**	**13,673**	**-**	(41,230)	(41,230)	-	5,177	5,177	-
Tax charge	**695,502**	**631,580**	**63,922**	669,495	596,032	73,463	726,653	661,520	65,133

2013 in retrospect

SIBOS

MCB was present at the African Pavillon of SIBOS 2013 in Dubai (16-19 September 2013) to promote its SWIFT services.

SEM Young Investor Award

Loreto Convent Rose Hill won the first prize of the Stock Exchange of Mauritius Young Investor Award 2013 offered by MCB.

55 delegates from 17 countries participated at Africa Forward Together 2012, the showcase of MCB's 'Bank of Banks' initiative.

Africa Forward Together

Make A Wish

Notre Dame de La Visitation RCA School won the second edition of 'Make A Wish' and saw their dream come true: the replacement of tarmac in the school yard by a green space.

2013 in retrospect

Business Meetings

Andrew Bryant was one of the guest speakers at conferences organised by lines of business for their customers.

Chad Le Clos

Chad Le Clos, gold medalist at the 2012 London Olympics, was invited by MCB to inspire local talent in January 2013.

Investor Insight

Investor Insight, a seminar organised by MCB Capital Markets Ltd. and MCB Private Banking in April 2013, attracted leading speakers and captivated a wide audience.

FIFA Launch

Pierre Guy Noël, Chief Executive (Group), launched the MCB's FIFA World Cup campaign on 12th June 2013, exactly one year before the start of the event in Brazil.

2013 in retrospect

In August 2013, MCB Cards launched the first UnionPay card in Africa.

MCB UnionPay Card

MCB Foundation Scholarship

The 2013 MCB Foundation Scholarship was awarded to Bhavish Jahaly.

The MCB Judo Tour visited seven locations, including the studios of the Mauritius Broadcasting Corporation, between September 2012 and October 2013 to encourage children to take up this Olympic sport.

MCB Judo Tour

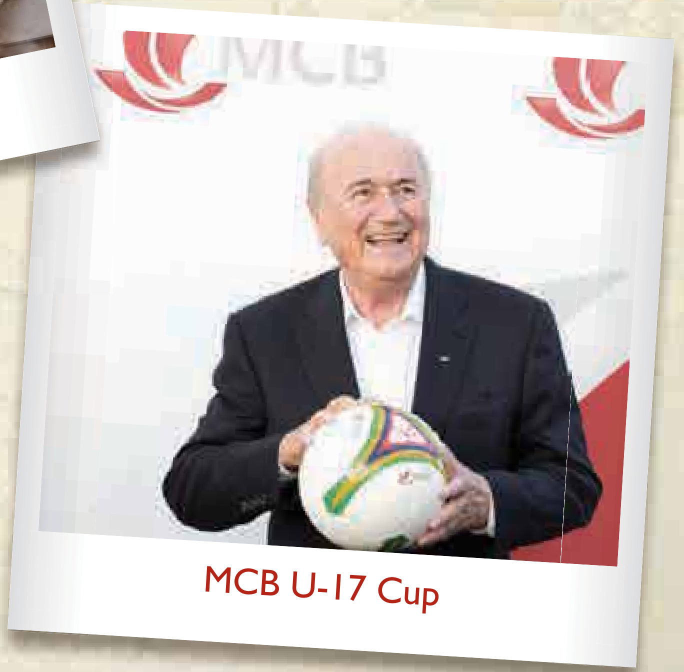
MCB Tour Championship

David Frost won the 2012 MCB Tour Championship, the most prestigious golf tournament in the Indian Ocean.

2013 in retrospect

MCB Rodrigues Scholarship

The 2013 Rodrigues Scholarship was awarded by the MCB Forward Foundation.



MCB U-17 Cup

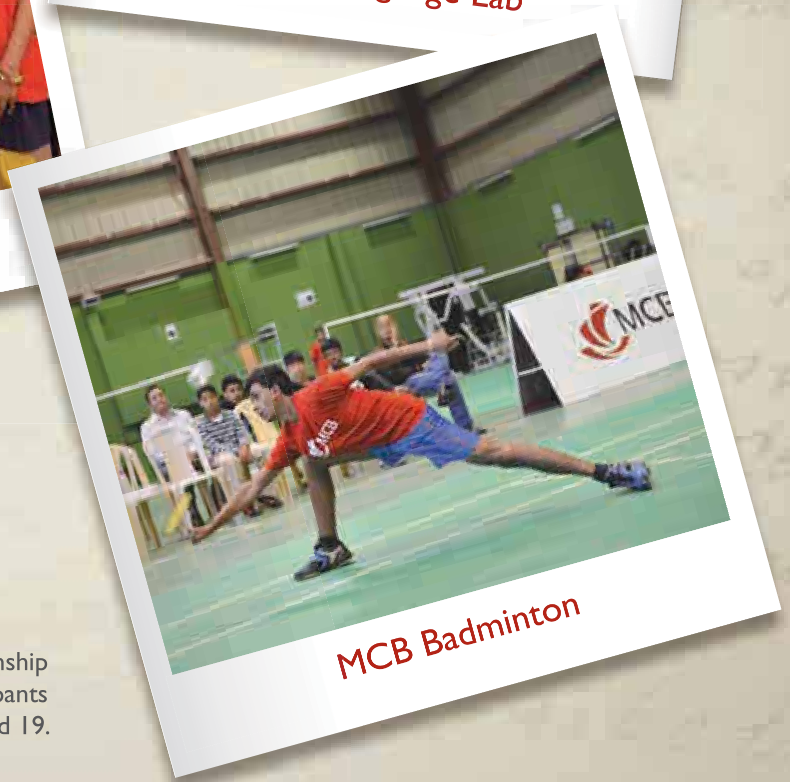
FIFA President Sepp Blatter holding the MCB ball which will visit the 32 countries qualified for the 2014 World Cup. He attended the final of the MCB U-17 Cup and rewarded the winners, ASPL 2000.

The MCB Forward Foundation and the Australian High Commission financed the setting up of a Language Lab at Oasis de Paix. The facilities were inaugurated in September 2013.

MCBFF Language Lab

Science Adventure

MCB sponsored the Science Adventure 2013 organised by the Rajiv Gandhi Science Centre to foster science in primary and secondary schools.



MCB Badminton

The 2013 edition of MCB Badminton Championship was a great success with 500 participants aged between 10 and 19.

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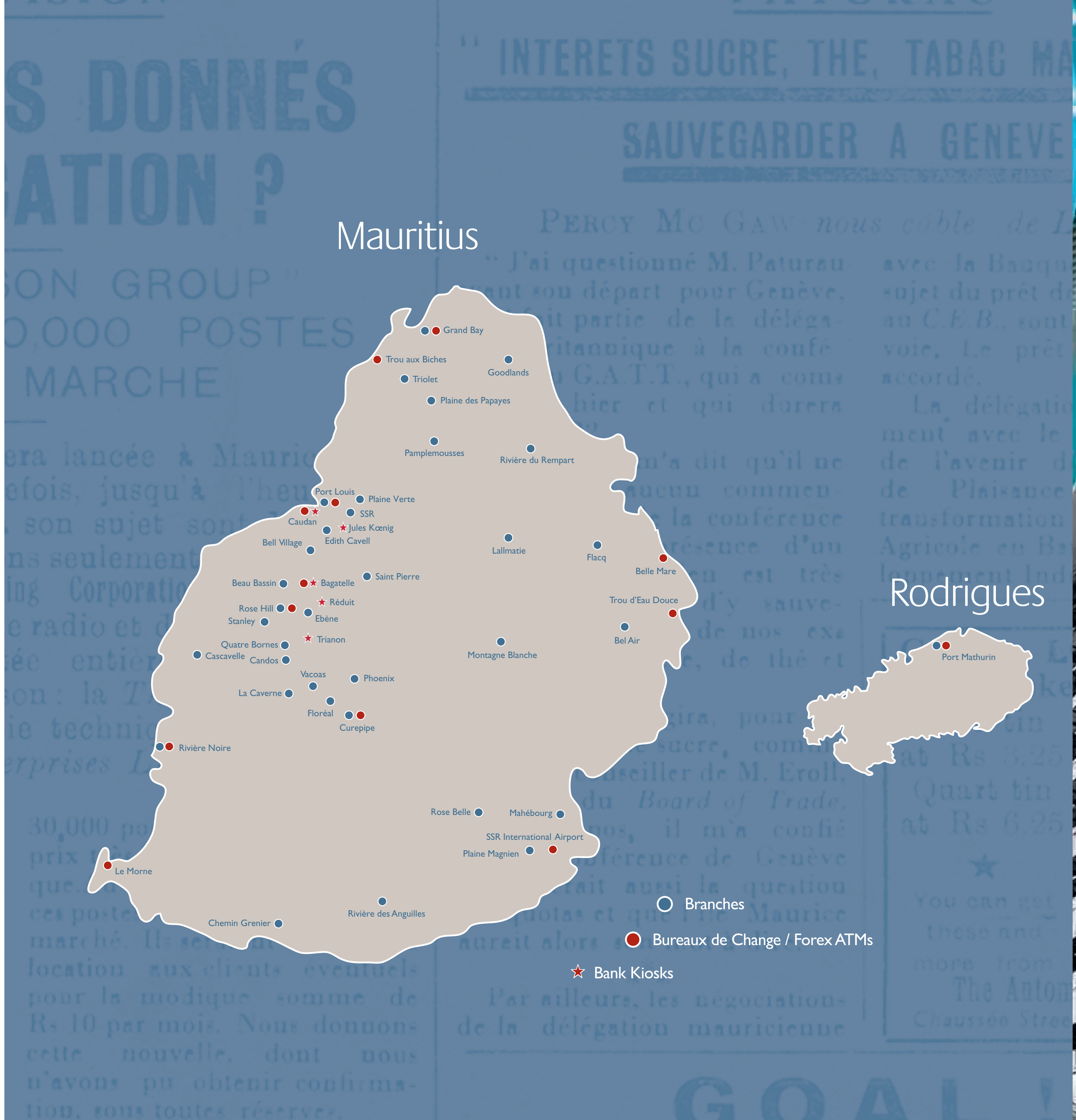

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