



The Mauritius Commercial Bank Ltd.

Presentation by:

Antony R. Withers
(Chief Executive Banking)

Jean-François Desvaux de Marigny
(Head Group Finance and Company Secretary)

forward, together

March 09

www.mcb.mu



Background

Reference player in Mauritius and beyond

Founded 170 years ago...

- ▶ The MCB Group is one of the leading banking and financial services players in sub-Saharan Africa
- ▶ It has 2,500 employees and 17,000 shareholders
- ▶ For FY 2007/08, net profit stood at USD 128 m and total assets were USD 4.9 bn

Moody's ratings

Foreign Currency Deposits	Baa2/P-2
Foreign Currency Issuer	Baa1
Global Local Currency Deposit	A3/P-1
Financial Strength	D+
NSR Senior Unsecured MTN-Domestic Currency	Aa3.za
NSR Subordinate MTN-Domestic Currency	Aa3.za

Bank of the Year 2008

Country Award for Mauritius

(The Banker, The Financial Times Ltd)



No. 1

on the **Stock Exchange** of Mauritius with close to 25% of total market capitalisation

1st

Regional bank

in terms of profitability

(Eco Austral Spécial 100 Premières Entreprises de L'Océan Indien)

The only

Local bank

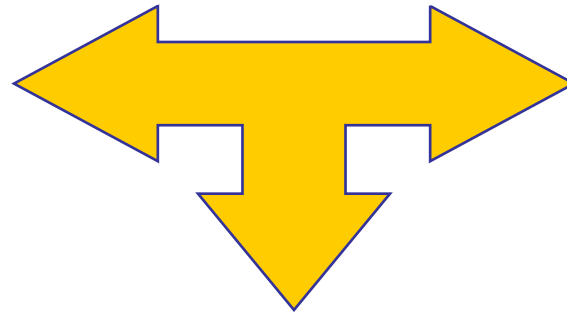
in The Banker's Top 1000 World Banks

(The Banker, July 2008 issue)

Major lines of business

MCB BANK

- Corporate Banking
- Retail Banking
- Cards
- International Operations
- Treasury Operations
- Custodian Services



FOREIGN ENTITIES

- MCB Madagascar
- MCB Moçambique
- MCB Seychelles
- Maldives branch
- Representative Offices
 - Johannesburg
 - Paris
- BFCOI
 - Réunion
 - Mayotte
 - Paris

LOCAL SUBSIDIARIES/ASSOCIATES

- MCB Capital Markets Ltd.
 - MCB Investment Services Ltd.
 - MCB Stockbrokers Ltd.
 - MCB Investment Management Co. Ltd.
 - MCB Registry & Securities Ltd.
 - MCB Fund Managers Ltd.
 - MCB Capital Partners Ltd.
- MCB Equity Fund Ltd.
- MCB Factors Ltd.
- Fincorp Investment Ltd.
 - Finlease Co. Ltd.
 - Promotion and Development Ltd.
 - Caudan Development
- MCB Properties
- Blue Penny Museum

Robust strategic positioning

All major lines of business operate on secure and flexible grounds

- ▶▶ The Group is not exposed to any of the highly speculative/risky products and transactions that led to banking disasters abroad; In fact, endorsing sound banking principles, the MCB is basically a savings bank, doing business the classic way
- ▶▶ Operational capabilities and strategic orientations for effective management of challenging operating conditions are continuously reviewed and strengthened

The MCB harnesses its strong revenue generation capabilities on:

- ▶▶ Shrewd business development
- ▶▶ Comprehensive customer service relationships
- ▶▶ Focused human resource development
- ▶▶ Strong risk management
- ▶▶ Continuous investment in physical and technological infrastructure

Recent breakthroughs - Domestic

- 👍 **Basel II state of readiness prior to regulatory deadline**
- 👍 **First bank in the region to acquire T24**
- 👍 **Exclusive card issuing agreement signed with American Express in April 2008**
- 👍 **Redesign of branch network**
- 👍 **Successful operation of Teller Cash Recycling (TCRs) machines for first time in Mauritius**
- 👍 **Enhanced provision of non-bank financial services**
- 👍 **Construction of a landmark energy-conscious building**

Recent breakthroughs – Regional

Expansion of regional presence

- ▶▶ Opening of a full-fledged branch in Maldives in May 2008
- ▶▶ Opening of a representative office in South Africa to better serve the African markets
- ▶▶ Extension of branch network in Mozambique and Madagascar

Milestones towards becoming a hub serving regional and international markets

- ▶▶ Joint venture agreement with HPS for card processing needs of smaller banks in the region
- ▶▶ First SWIFT Member Concentrator in the region

Key involvement with regional and international banks

- ▶▶ Participation in syndicated loans
- ▶▶ Lead arranger in financing
- ▶▶ Master Risk Participation Agreements



Financial performance

Summary

Sound financial fundamentals of the MCB

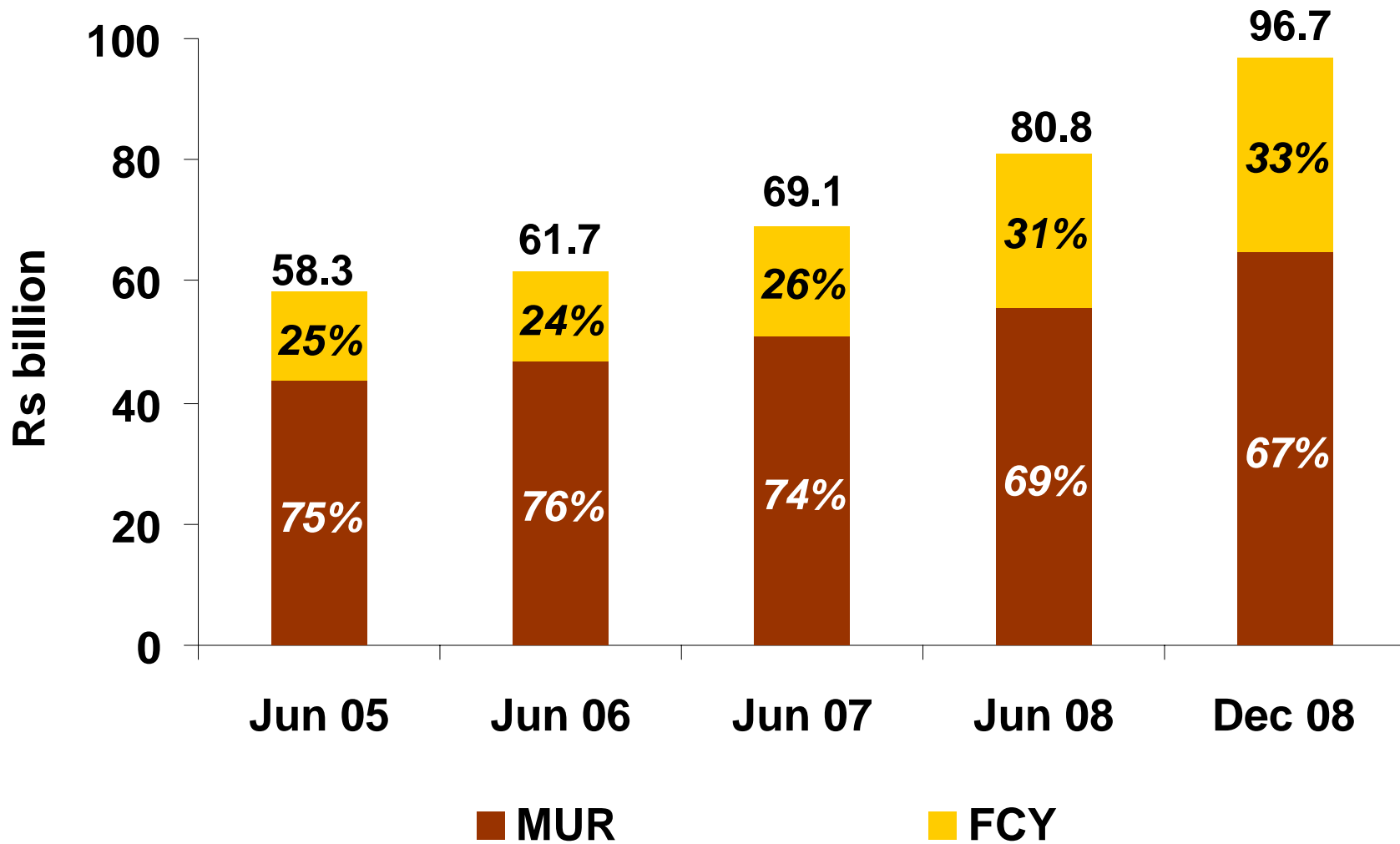
- ▶▶ Strong growth in results
- ▶▶ Diversified sources of revenue

Resilient performances expected despite economic slowdown

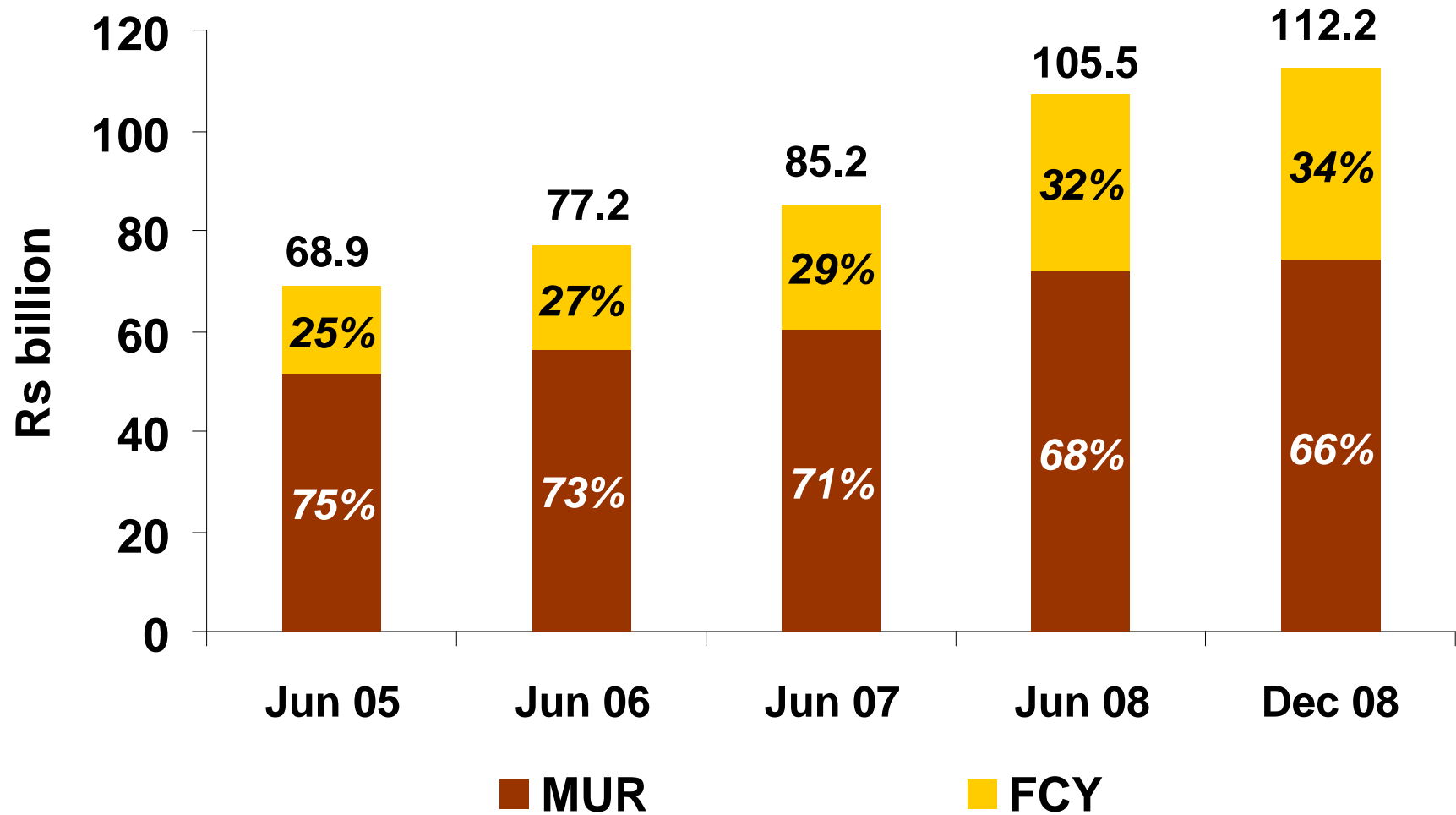
Group key indicators

Income Statement	30-Jun-07	30-Jun-08	Growth	31-Dec-07	31-Dec-08	Growth
	USD m	USD m	%	USD m	USD m	%
Net interest income	113	144	27.7	64	83	30.3
Non-Interest Income	70	114	63.6	58	56	(4.6)
Non-interest expense	87	111	28.4	53	60	13.3
Operating profit before provisions	96	147	53.3	70	79	13.9
Allowance for credit impairment	12	15	25.5	6	7	22.9
Net profit	77	128	66.3	61	66	9.3
Net profit (excl. non-recurring item)	77	113	47.1	47	66	41.8
Average Rs/USD	32.07	28.95		30.53	29.39	
Balance Sheet as at:	30-Jun-07	30-Jun-08	Growth	31-Dec-07	31-Dec-08	Growth
	USD m	USD m	%	USD m	USD m	%
Total Assets	3,501	4,905	40.1	4,164	4,463	7.2
Net Loans	2,093	2,863	36.8	2,497	2,950	18.1
Total Deposits	2,707	3,946	45.8	3,271	3,547	8.4
Equity	428	603	40.8	519	543	4.7
End-period Rs/USD	31.46	27.11		28.48	31.62	

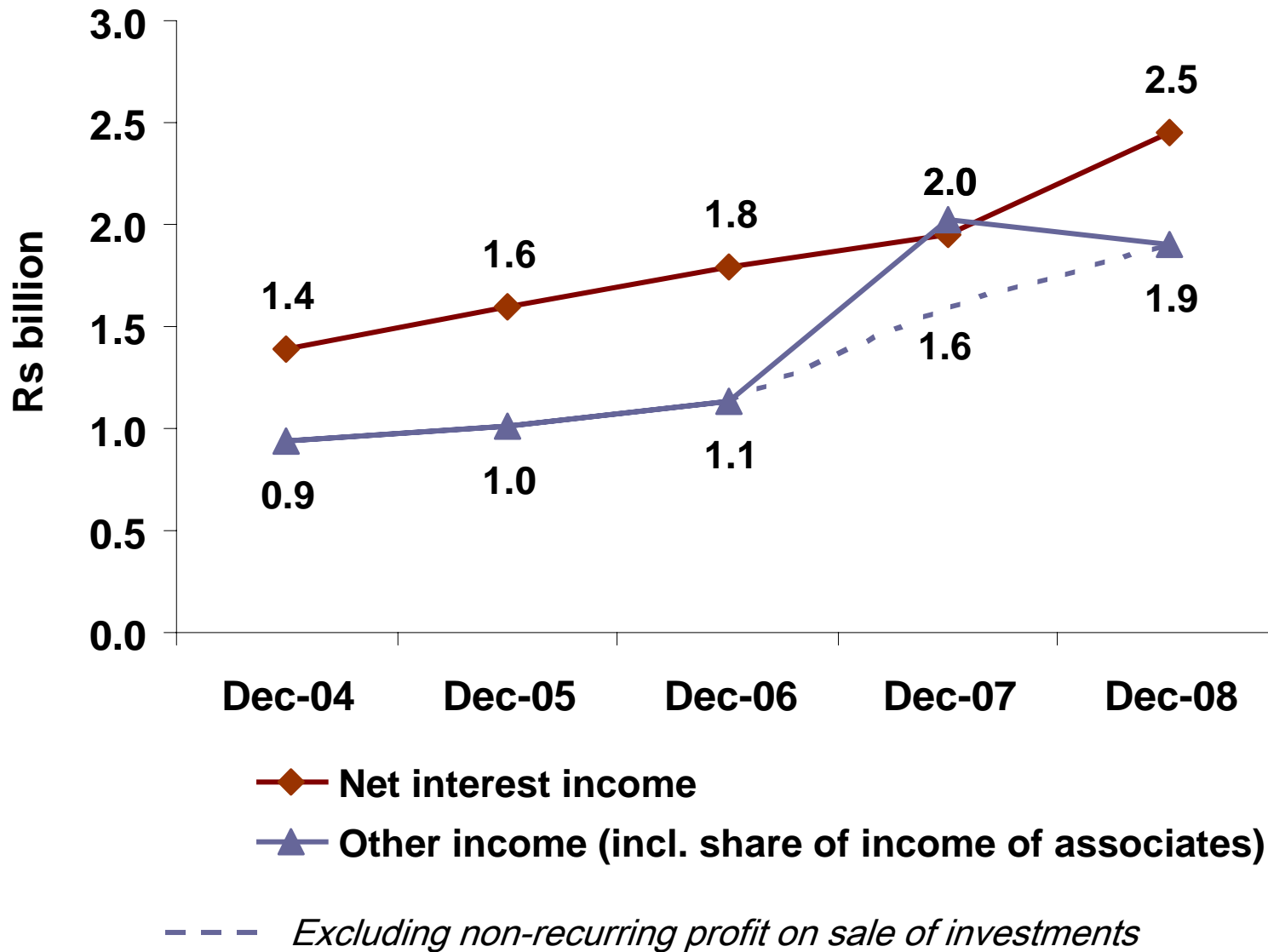
Evolution of loans



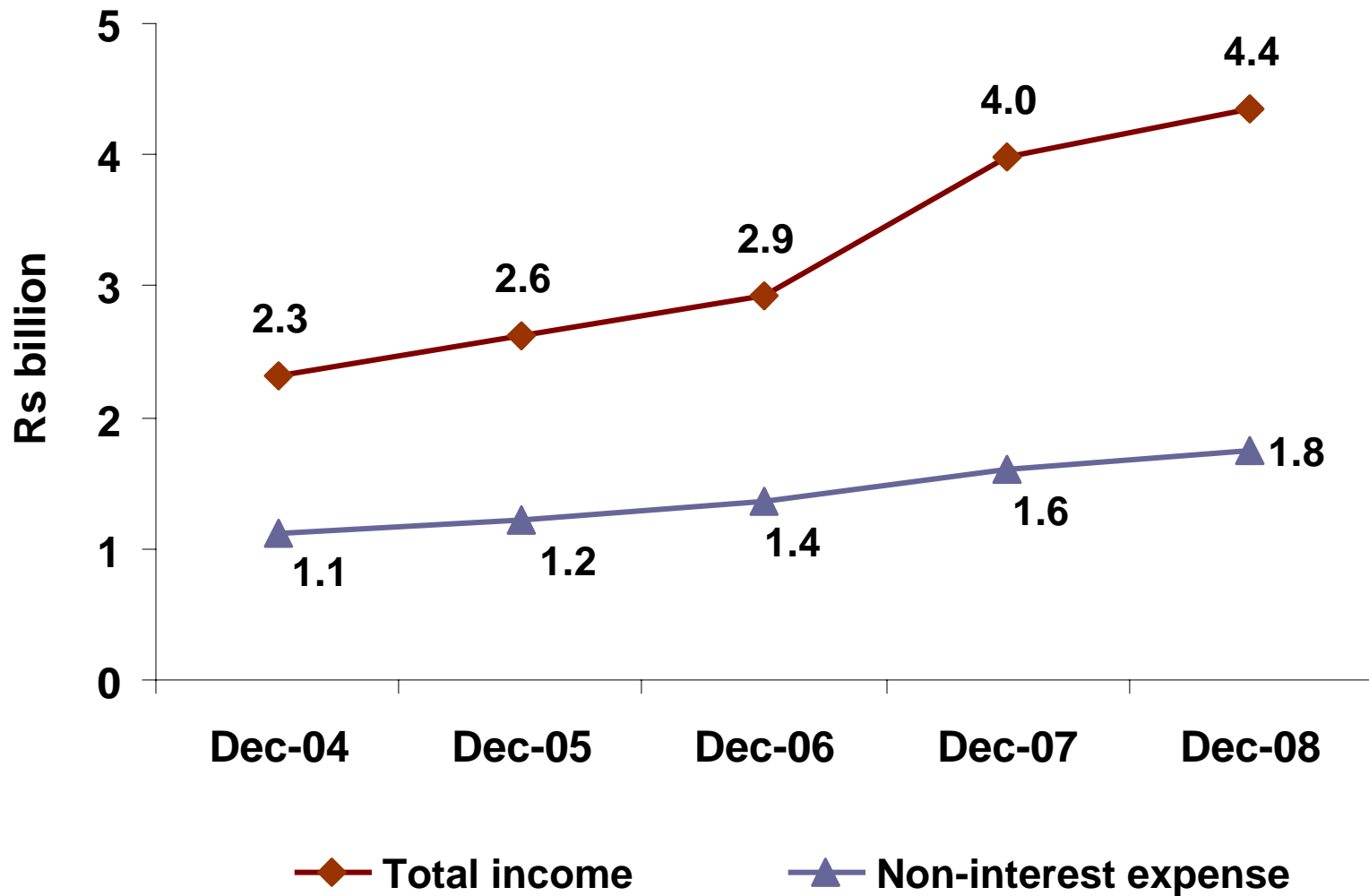
Evolution of deposits



Income evolution

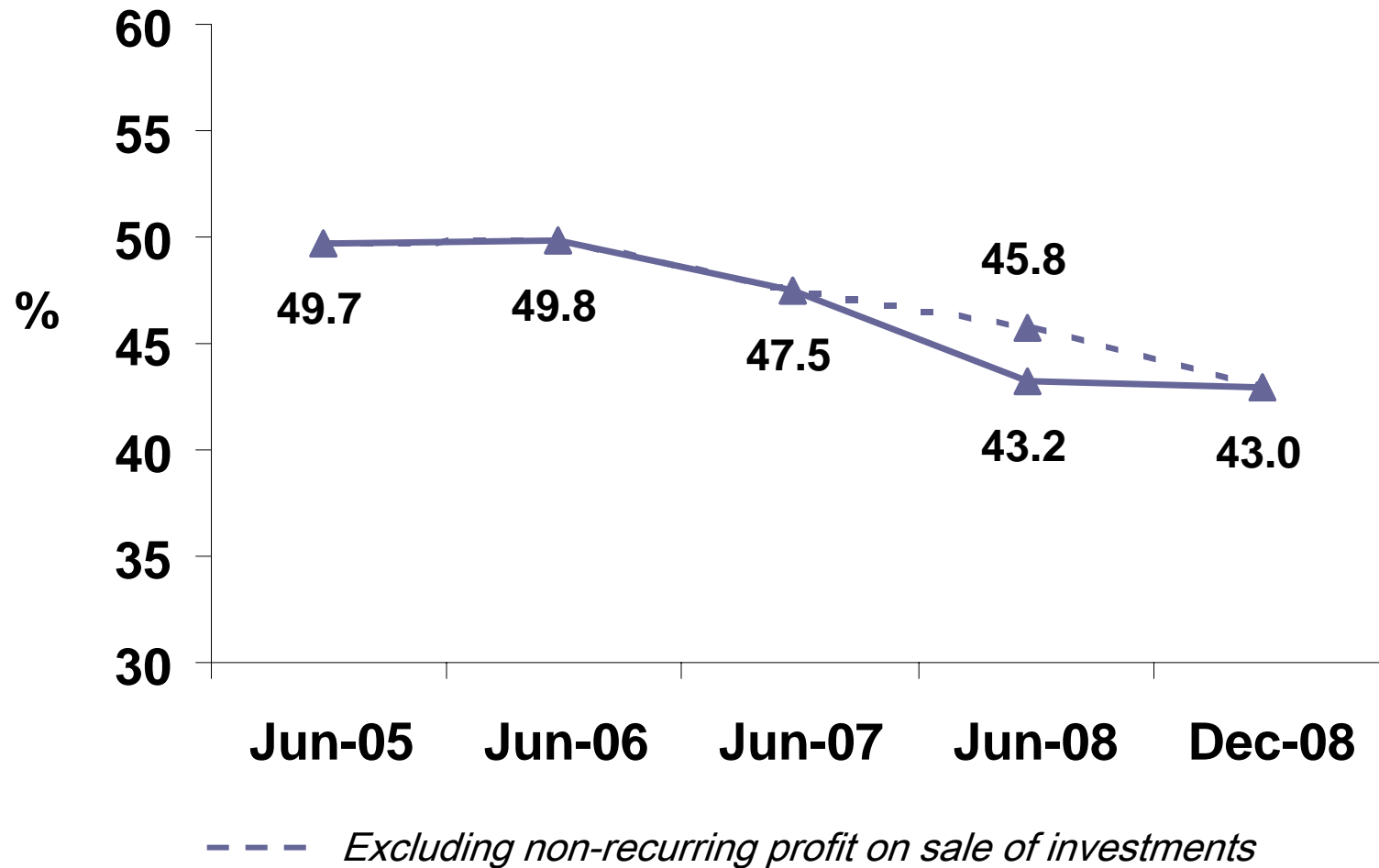


Expenditure evolution



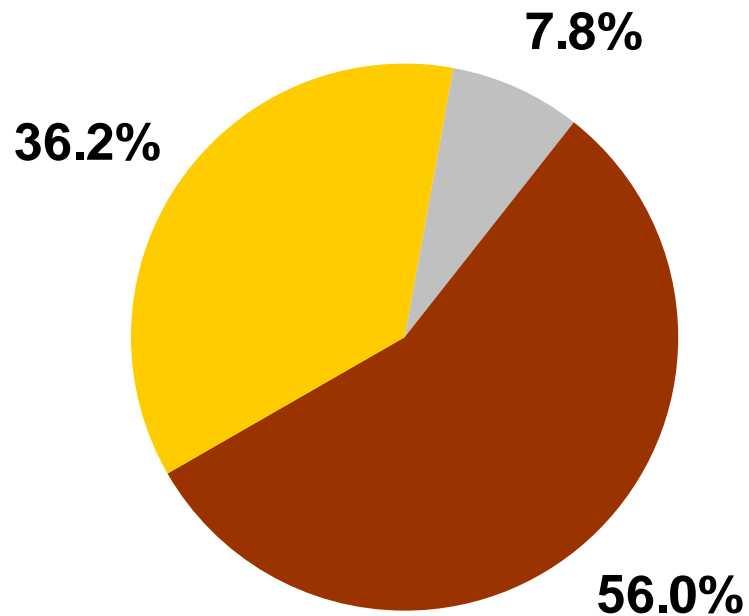
Efficiency

Cost to income ratio

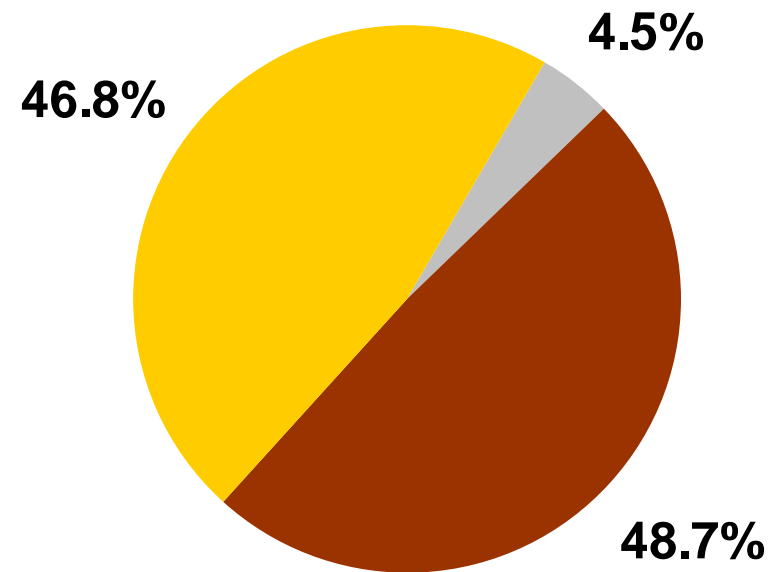


Profit by segment

FY 2004/05

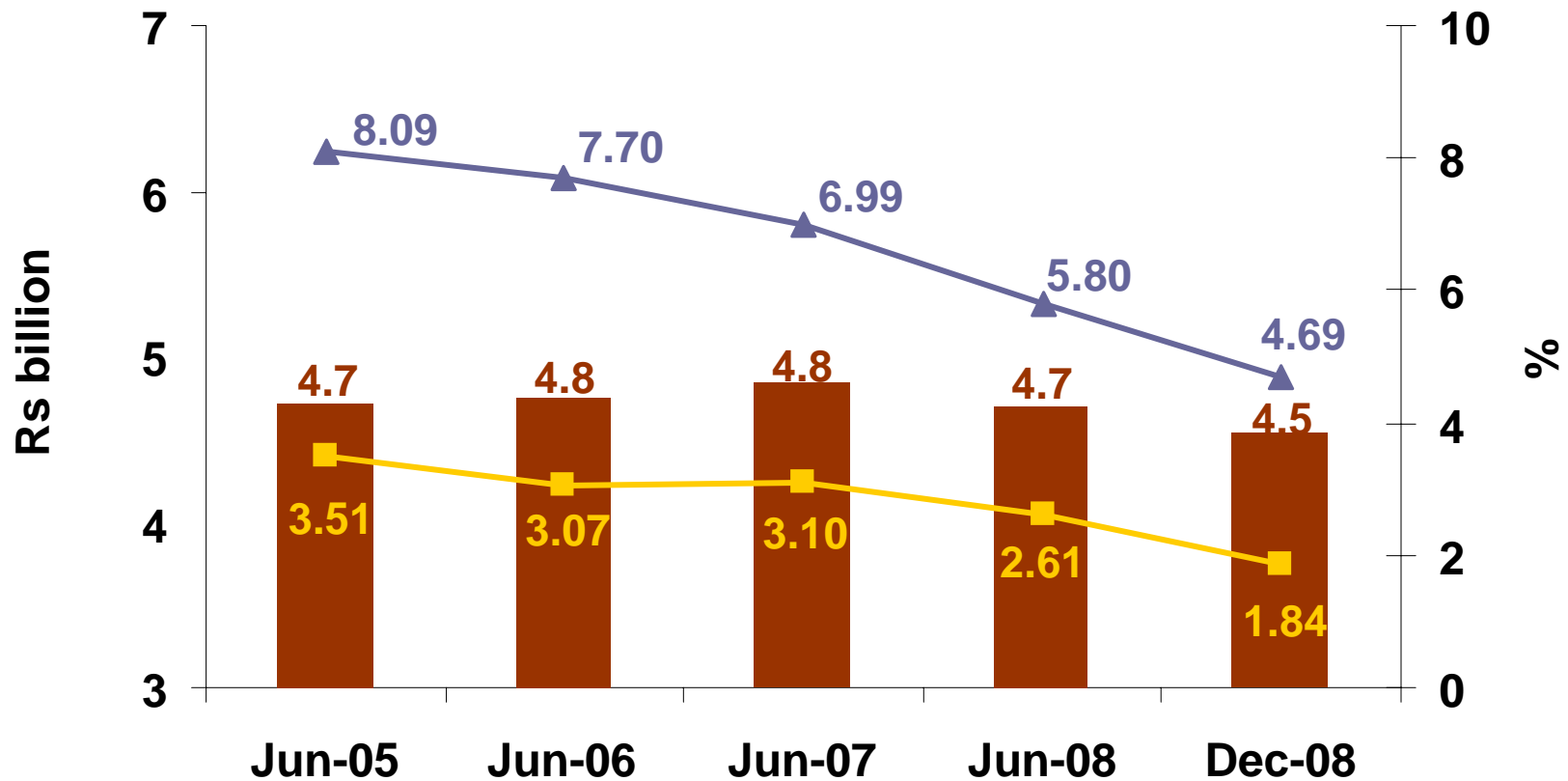


YTD Dec 08



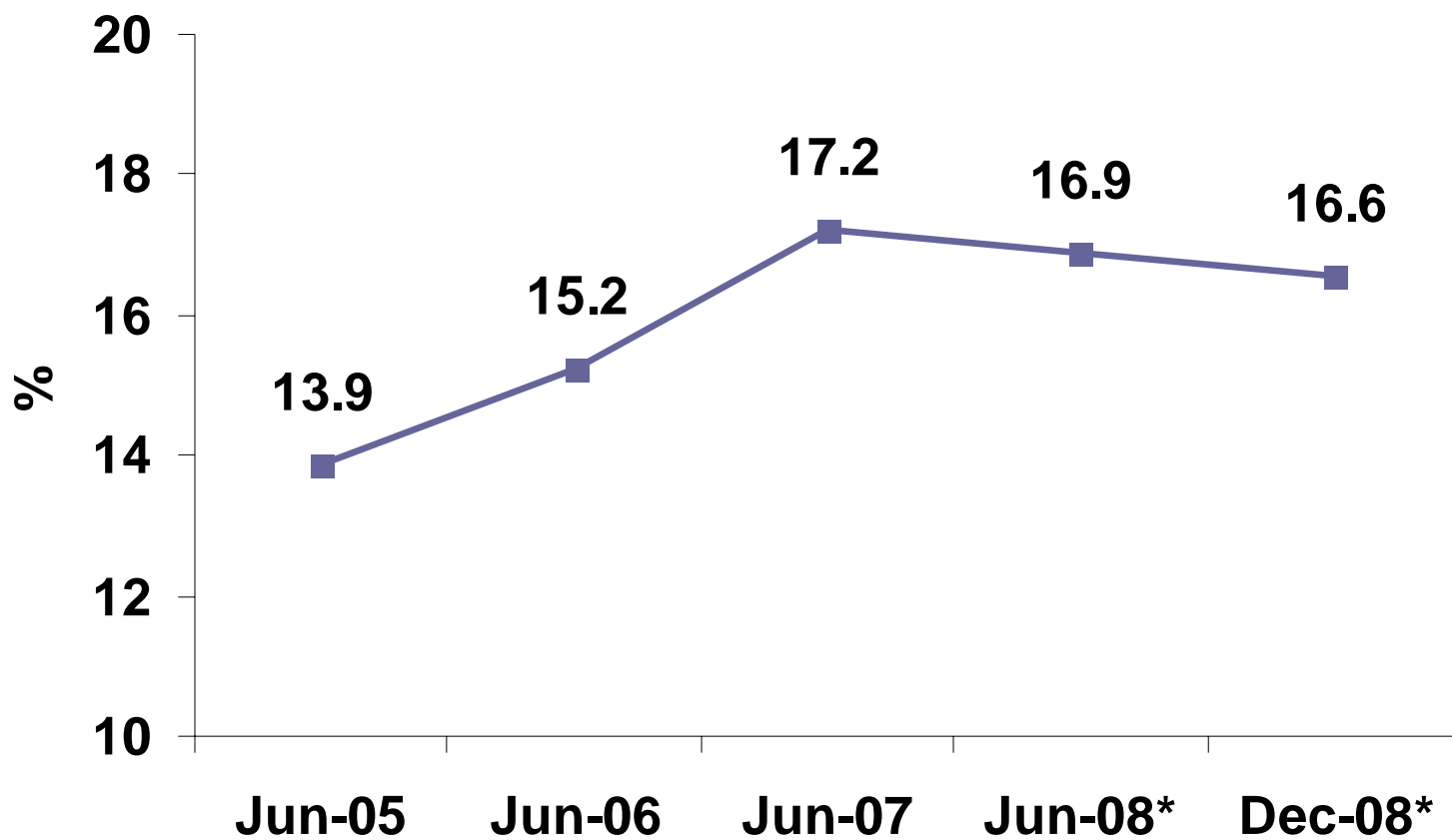
■ Local Bank ■ Local Non-Bank ■ Foreign

Asset quality



- Gross NPL
- NPL to gross loans (right scale)
- Net NPL/Net loans (right scale)

Capital adequacy



** Computed along the lines of Basel II*

Group funding strategies

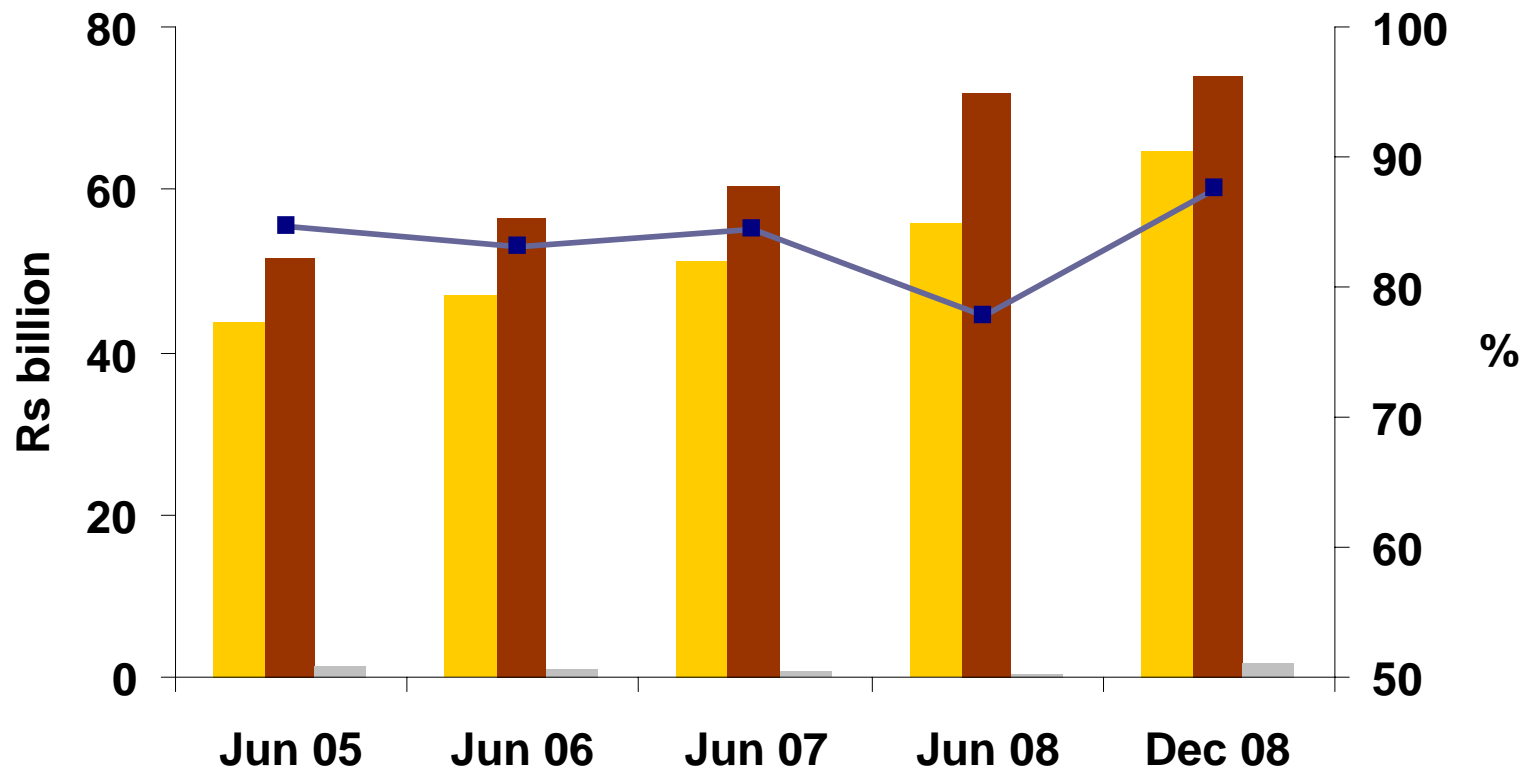
Mauritian Rupee

- ▶▶ Very stable and organically growing deposits base, comprising mostly retail savings
- ▶▶ Significant “float” of corporate demand deposits
- ▶▶ Less aggressive on fixed deposits

Foreign Currency

- ▶▶ Sufficient level of reserves
 - ✓ Careful selection and monitoring of exposures
 - ✓ Ensuring availability of ample cushion
- ▶▶ Access to international markets motivated by:
 - ✓ Needs and price sensitivities
 - ✓ Market conditions

Funding position (MUR)

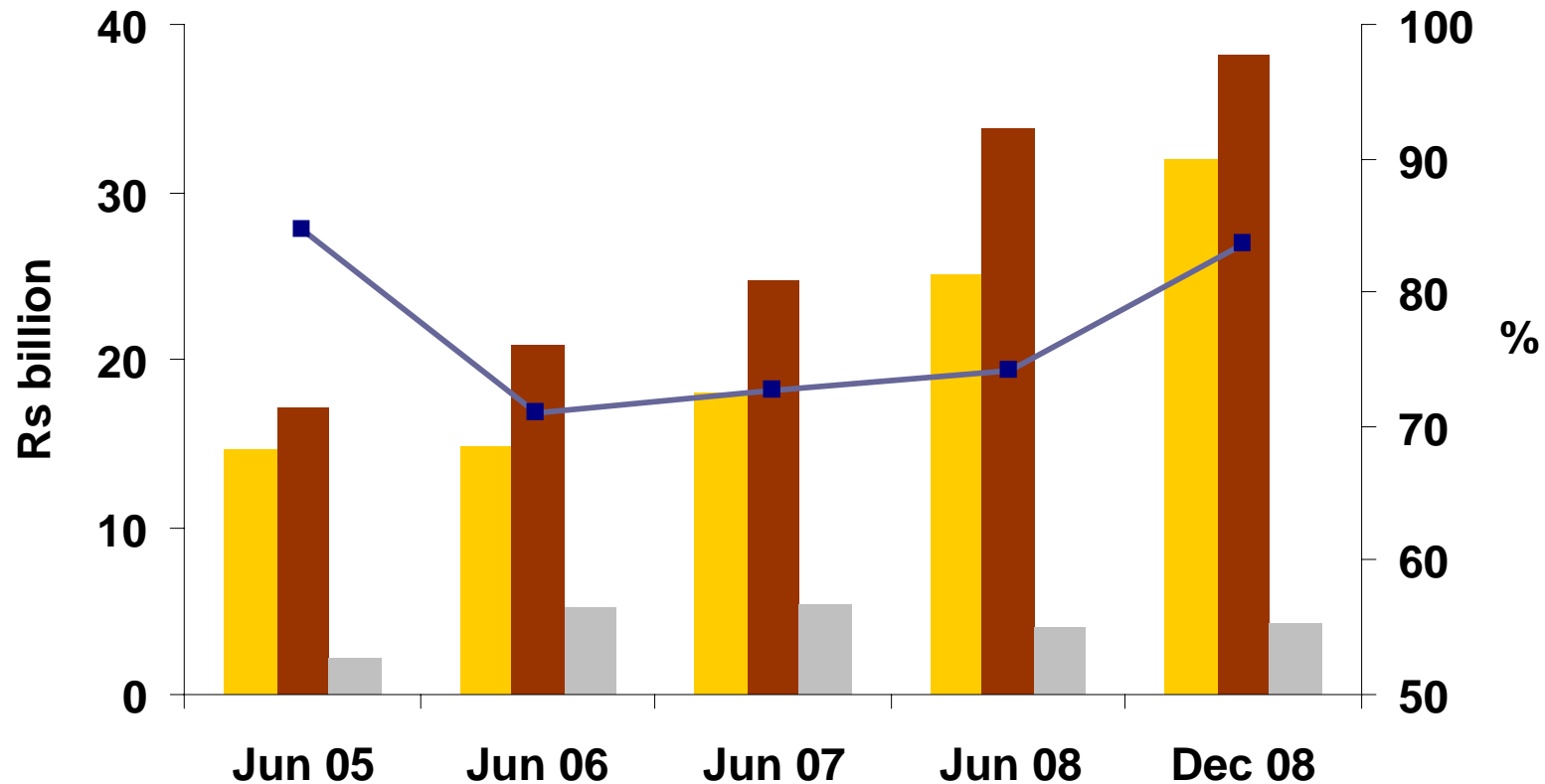


Loans Deposits Borrowings Loans to deposits ratio (Right scale)

Liquid assets to deposits (MUR)



Funding position (FCY)



Loans Deposits Borrowings Loans to deposits ratio (Right scale)



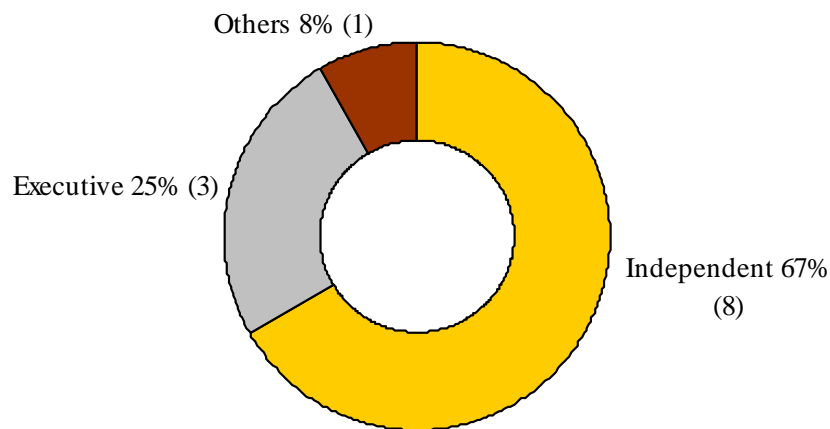
Corporate governance policies

Adherence to corporate governance practices (i)

- 👍 The Board is fully committed to following good corporate governance practices
- 👍 Utmost care is taken to ensure all business activities are carried out with the highest standards of integrity, transparency and professionalism with a view to enhancing value for all stakeholders

Board structure and composition

(FY 2008/09)

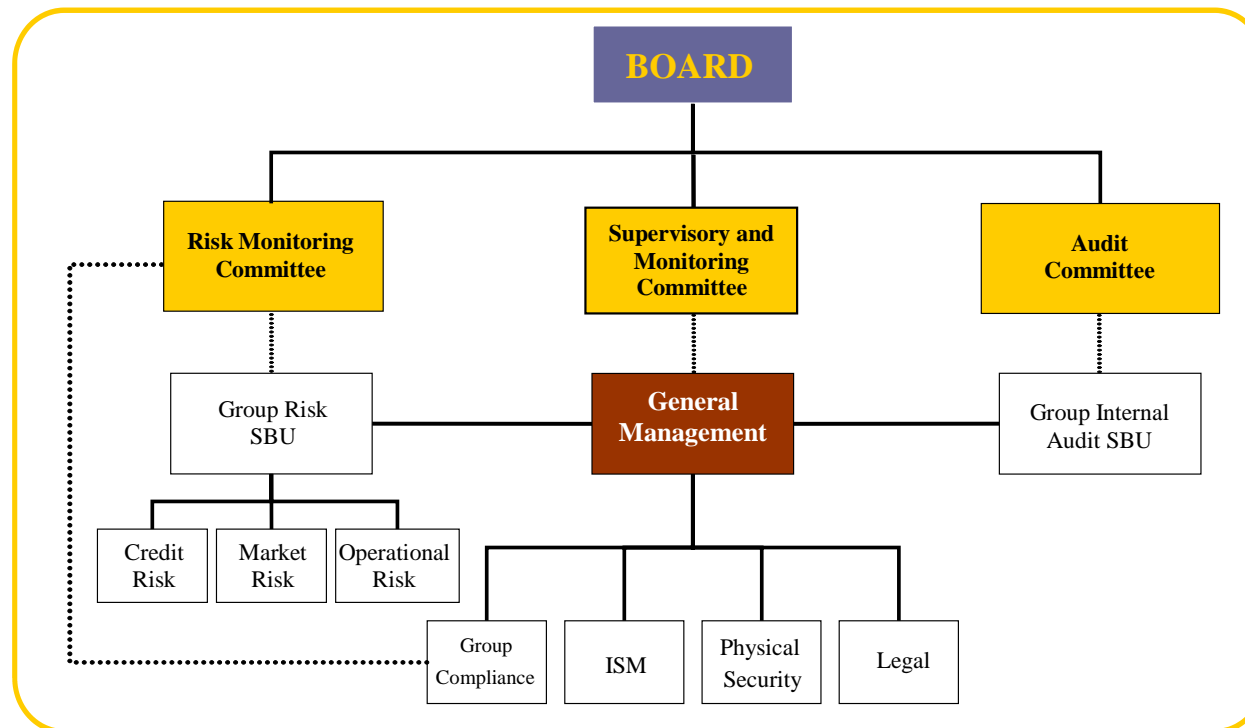


Board committees

1. Supervisory and Monitoring Committee
2. Audit Committee
3. Risk Monitoring Committee
4. Nomination and Remuneration Committee
5. Conduct Review Committee

Adherence to corporate governance practices (ii)

- 👍 The MCB has implemented the Basel II Standardised Approach to risk during FY 2007/08
- 👍 The Group Risk structure diligently identifies, assesses and manages credit, operational and market risk in line with the Basel II framework
- 👍 The aim is to improve the risk-return profile of the Bank's business lines, while enhancing stakeholders' confidence with respect to the Bank's management of risk





The way forward

Summary

 **Solid performance projected in FY 2008/09**

 **MCB to pursue multiple and rewarding growth paths:**

▶▶ Reinforced functionalities

▶▶ Ambitious, yet prudent, exposures

▶▶ Diversification in regional markets and beyond

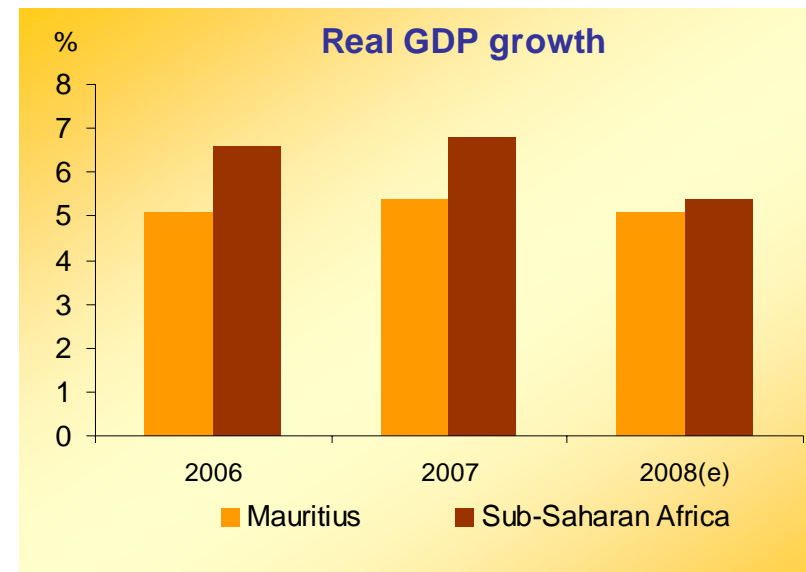
**Appealing external
foundations ...**

Satisfactory economic base (i)

👍 Good economic fundamentals of Mauritius

- ▶ Stable and diversified economy
- ▶ Foreign exchange controls abolished back in 1994
- ▶ Balance of payments surplus in 2007 and 2008 (est.), leading to rupee strength
- ▶ Appreciable foreign exchange reserves accounting for nearly 36 weeks equivalent of imports of goods (Dec. 2008)
- ▶ Declining budget deficit and public debt as % of GDP

👍 Generally favourable performances of and prospects for sub-Saharan countries despite external challenges



(e) estimates

Sources: Central Statistics Office, IMF WEO & MCB staff estimates

Attractive investment environment (ii)

- 👍 Broadly diversified sectors of activity attracting major FDI
- 👍 Prominent competitive advantages: (i) Political & social stability, (ii) developed physical infrastructure, (iii) hassle-free fiscal environment with income and corporate tax harmonised at a low 15%, (iv) free repatriation of profits, dividends and capital, etc

Measure

Ranking of Mauritius

World Bank Doing Business Survey 2009

24th out of 181 countries

Global Competitiveness Index 2008-2009

57th out of 134 countries

World Index of Economic Freedom 2008
(Heritage Foundation and Wall Street Journal)

18th out of 157 countries

Global Corruption Perceptions Index 2008

41st out of 180 countries

Financial soundness of banking sector (iii)

	Dec-03	Dec-04	Dec-05	Dec-06	Dec-07	Sep-08
Capital adequacy						
Regulatory capital to risk-weighted assets	14.2	15.0	15.4	15.8	13.3	14.7
Regulatory Tier I capital to risk-weighted assets	13.7	13.7	13.5	13.7	11.5	13.4
Asset composition and quality						
Foreign currency loans to total loans	10.9	12.2	51.5	50.7	56.3	64.4
NPLs to gross loans excluding accrued interest	9.6	8.1	4.0	3.0	2.5	2.1
Performance						
ROA (Pre tax net income/average assets)	2.1	2.1	1.9	1.7	1.9	2.0
ROE (Pre tax net income/average equity)	19.2	19.2	21.1	22.4	26.4	24.1
Liquidity						
Liquid assets to total assets	36.6	37.9	44.1	52.8	47.7	41.8
Liquid assets to total short term liabilities	71.0	71.7	88.6	118.8	104.2	92.2

Source: Bank of Mauritius - Financial Stability Report (Feb 2009)

**Challenges are however
mounting ...**

Threats and opportunities



Domestic economy

- ▶▶ Weakened macroeconomic prospects
- ▶▶ Increased competitive pressures
- ▶▶ Upside potentials:
 - Prompt implementation of reforms
 - Growth avenues exist at various levels



Regional front

- ▶▶ Dampening of hitherto buoyant capital flows to sub-Saharan countries
- ▶▶ Relatively subdued availability of FCY funding for regional/international exposures
- ▶▶ Upside potentials:
 - Multiple paths to growth exist in market and product segments
 - Challenging conditions in some markets are being closely monitored

Strategic positioning

Strategic orientations

▶▶ Consolidation of MCB's position in the domestic banking sector

- ✓ Operational improvements for considerable efficiency gains
- ✓ Enhanced customer service relationships and services
- ✓ Exploitation of attractive business opportunities within established and emerging economic sectors

▶▶ Further expansion of activities into non-bank financial services

▶▶ Increase in regional and international footprint

- ✓ Expansion of operations in presence & untapped market
- ✓ Pursuance of "Bank for Banks" vision
- ✓ Bolstering of Mandated Lead Arranger status
- ✓ Exploitation of trade & investment flows



MCB

Thank you

forward, together

www.mcb.mu