

# The Mauritius Commercial Bank Ltd.



forward,together

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## ① Overview of MCB Group

a. Profile

b. Value proposition

c. Achievements

## ② The operating environment

a. Summary

b. Economic climate

c. Banking sector challenges

## ③ MCB performance & orientations

a. Financial results

b. Strategic orientations & concluding remarks



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# Overview of MCB Group

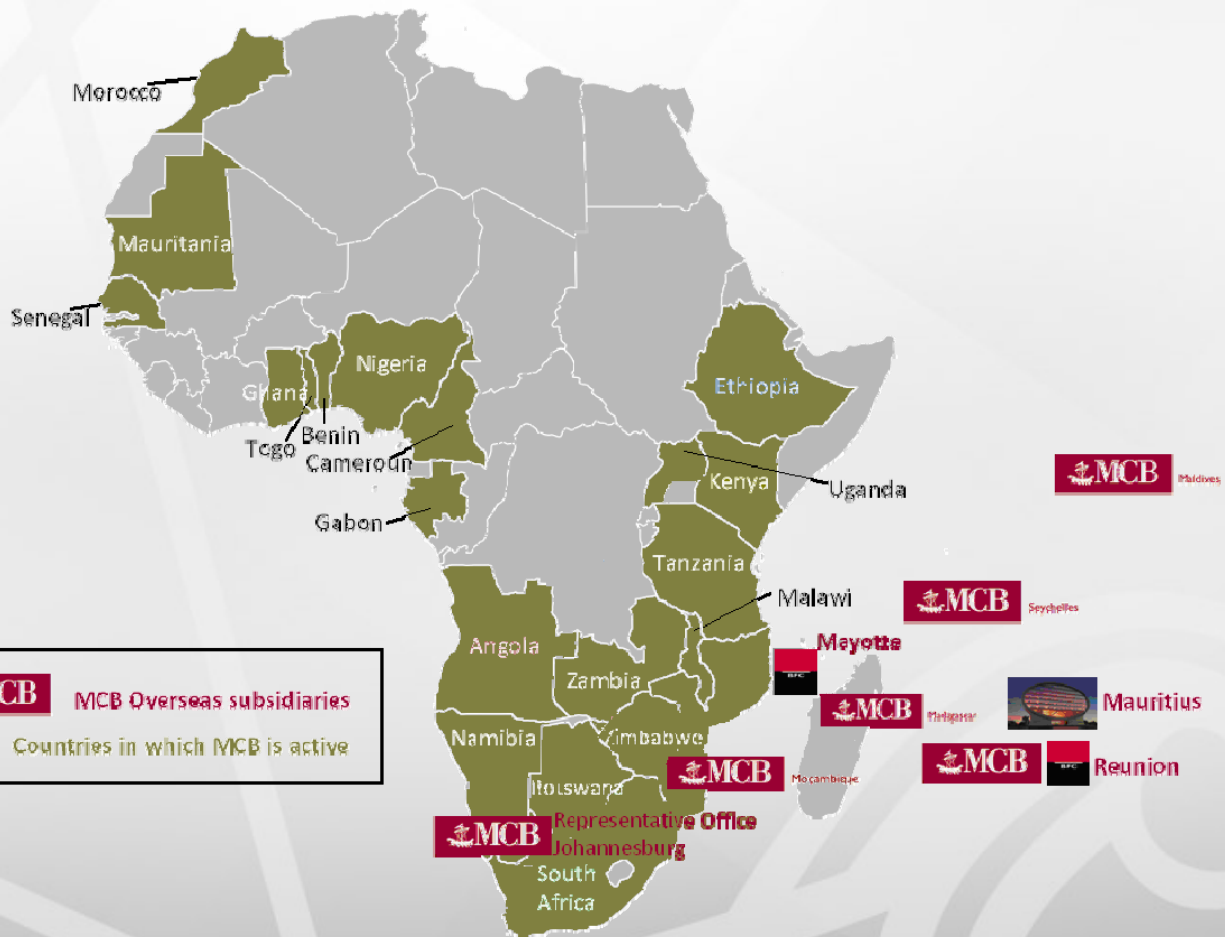


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# MCB: Leading the way...

The leading banking & financial services institution in Mauritius...

... the MCB has carved a notable presence beyond domestic shores





# Leading banking institution in Mauritius

**Founded 172 years ago...**

... **The MCB has an unmatched domestic franchise**

- ✓ Market shares of some 40% in respect of credit to the economy and local currency deposits and above 50% of cards issued in Mauritius
- ✓ Extensive network:
  - ✓ 39 branches
  - ✓ 153 ATMs incl. 10 Forex ATMs - 38% of overall ATM park
  - ✓ Above 4,800 point of sale terminals
- ✓ 2,600 employees; over 18,000 local & foreign shareholders; around 750,000 individual and institutional customers

## Moody's ratings

Foreign Currency Deposits Baa2/P-2

Foreign Currency Issuer Baa1

Global Local Currency Deposit Baa1/P-2

Financial Strength D+

NSR Senior Unsecured  
MTN-Domestic Currency Aa3.za

NSR Subordinate  
MTN-Domestic Currency Aa3.za

**No. 1 on the Stock Exchange of Mauritius; representing 23% of total market capitalisation**

**Bank of the Year  
2010**

*(Awarded by The Banker,  
The Financial Times Ltd)*

Three years in a row



**Best Local Bank  
2010**

*(Awarded by emeafinance)*



# Reference player beyond local shores

## MCB: An increasingly prominent institution in sub-Saharan Africa ...

- ✓ ...**P**resence in 8 countries overseas via subsidiaries, associated company and representative offices
- ✓ Dedicated desk to tap into the potential of global ventures

**Top bank in East Africa**  
*in terms of capital*  
(African Business)

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

### MCB Global Rankings

(The Banker Top 1000 World Banks, July 2010)

★ **743<sup>rd</sup>** among the **Top 1000 Banks**  
and **25<sup>th</sup>** in **sub-Saharan Africa**  
... only local bank in the ranking

★ **134<sup>th</sup>** worldwide in terms of  
**soundness** ... an honourable place

★ **42<sup>nd</sup>** in return on assets

★ **116<sup>th</sup>** in profits on average capital



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# Business positioning

## Business segments

Retail

Corporate

Cards

International  
operations

Global  
business

Non-bank  
financial  
services

Including: *Private Banking*

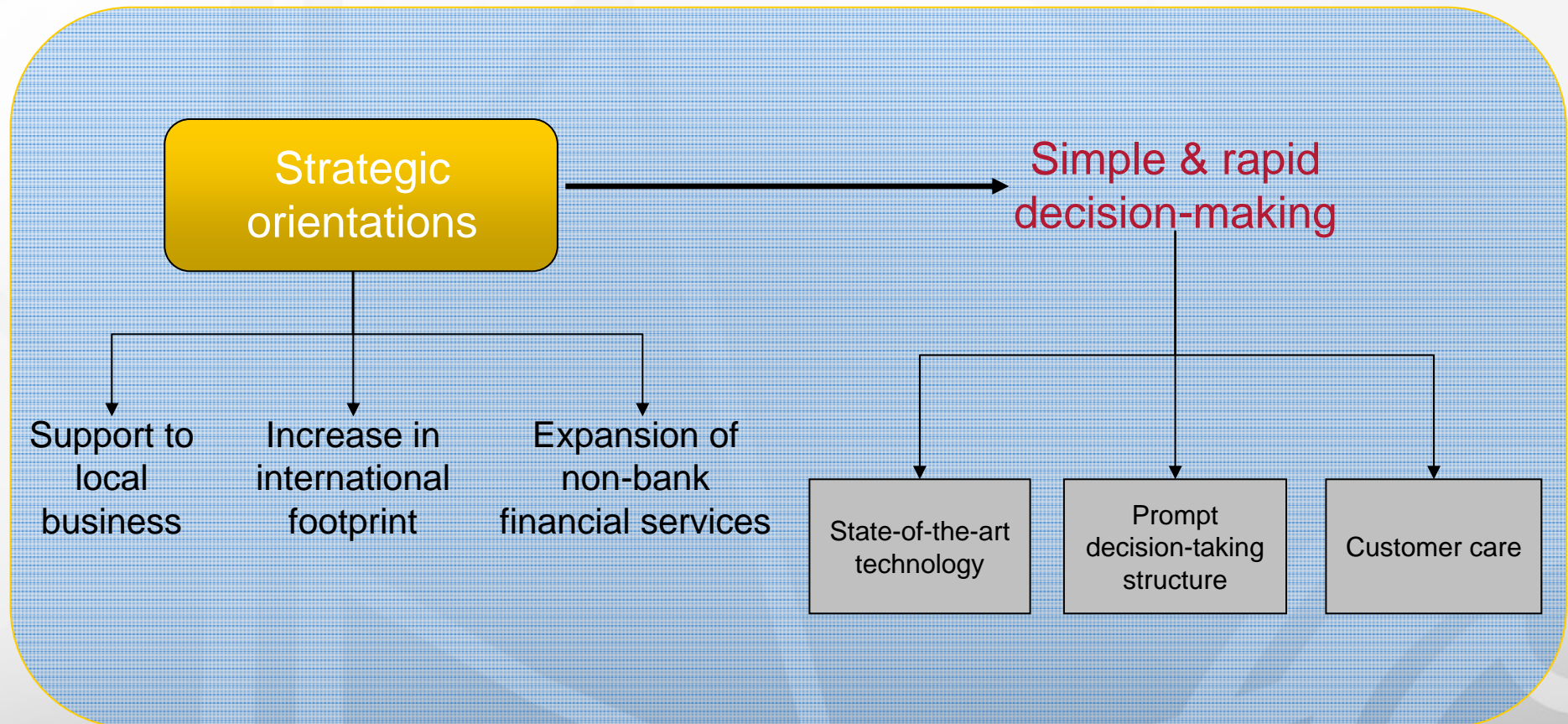
## Financial solutions

Financing | Payment services | Wealth management & investment | Remote banking | Investment & securities services | International services | Trade Finance | Cards services/products | Business services  
Foreign exchange services | Leasing

# Strategic model

✓ **E**ndorsing ambitious business development and strong risk management...

... The MCB is basically a savings bank, doing business the classic way







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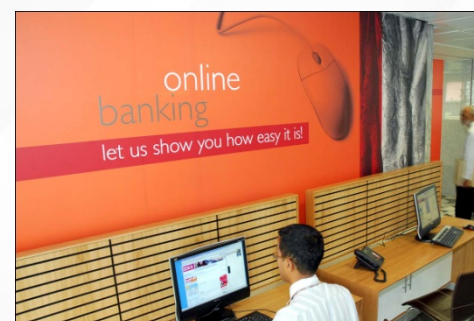
# Major breakthroughs

## Superior customer experience...

*Remodelling of our branch network*



*Diversified and modern delivery channels*



## Launching innovative/targeted promotional campaign and products...



*Business meetings*



*FIFA promotional campaign*



*Agreement with China UnionPay*



*MCB Education plan*

## Conscientious growth strategy...



*Our energy efficient and eco-friendly building under construction - Inauguration in 2011*

## Promoting the sustainable development of Mauritius...



*Scholarship scheme for tertiary students*



*Raising public environmental awareness*



*5th MCB Football Academy set up in October 10*

# The operating environment

## Operating environment pressurised by ...

- Subdued levels of private investment and household consumption growth
- Restrained performance of some economic sectors
- Below-par, albeit recovering, growth of credit to the economy
- Lingering imbalances across money and foreign exchange markets
- Country-specific vulnerabilities on the regional front

## Yet, MCB continued its progress supported by...

- ✓ Solid economic base domestically & business diversification openings regionally
- ✓ Sound fundamentals & banking principles espoused by the Group
- ✓ Ambitious, yet sensible, strategic orientations of the Group



# Restrained economic growth

Considering the slow-moving upturn in our main export markets ...

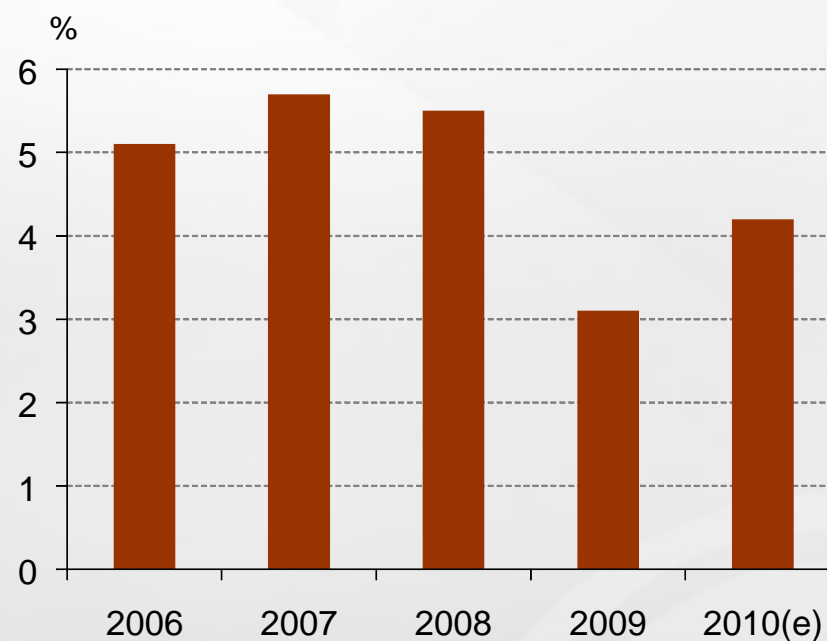
... the recovery of the Mauritian economy was below trend in 2010

## Global economic performances

Real GDP growth	Annual percentage change				
	2006	2007	2008	2009	2010
<b>World output</b>	5.2	5.3	2.8	-0.6	5.0
Advanced economies	3.0	2.7	0.2	-3.4	3.0
United States	2.7	1.9	0.0	-2.6	2.8
Euro area	3.0	2.9	0.5	-4.1	1.8
Germany	3.4	2.7	1.0	-4.7	3.6
France	2.4	2.3	0.1	-2.5	1.6
Italy	2.0	1.5	-1.3	-5.0	1.0
Spain	4.0	3.6	0.9	-3.7	-0.2
United Kingdom	2.8	2.7	-0.1	-4.9	1.7
<b>Real domestic demand</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
United States	2.6	1.3	-1.1	-3.6	3.0
Euro area	2.9	2.6	0.4	-3.4	1.0
United Kingdom	2.5	3.1	-0.7	-5.4	2.4

Sources: IMF World Economic Outlook, October 2010 and January 2011 update

## Domestic real GDP growth



(e) Estimates

Source: Central Statistics Office



# Banking sector challenges

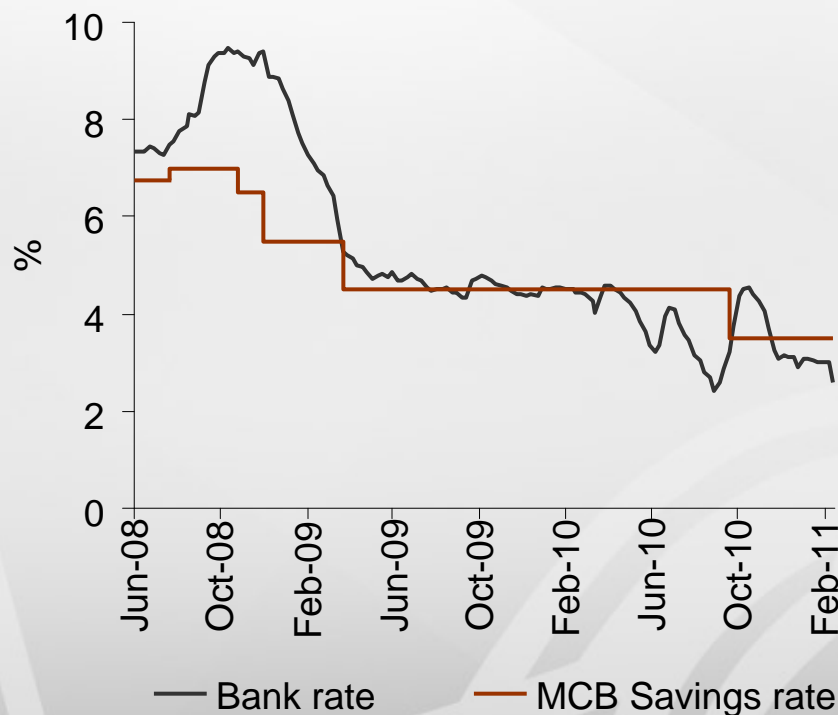
Soft economic environment leading to impaired availability of new investment projects & restrained growth of credit to the economy

Excess cash balances, despite increases in the cash ratio, contributing to excess liquidity levels & atypically low treasury bills yields

**Banking sector: credit to the economy  
(quarter-on-quarter growth)**



**Evolution of Bank Rate and  
MCB savings Rate**

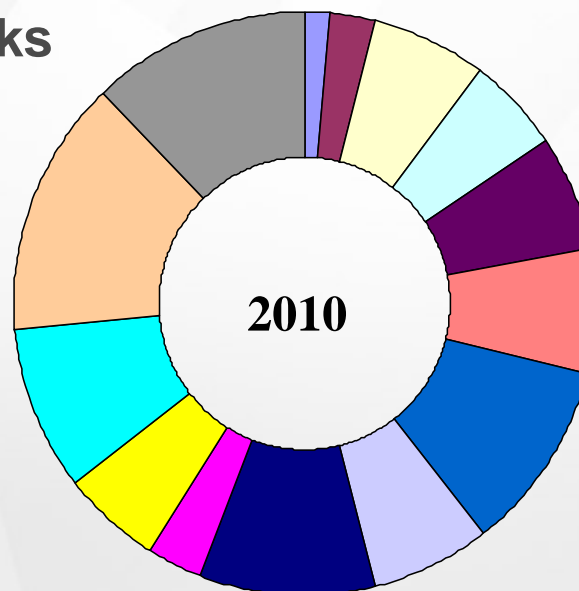


# Yet, domestic foundations remain healthy ...

✓ **Mauritius is withstanding the difficult external context thanks to...**

- A diversified economic base
- Pragmatic and proactive policymaking
- An appealing business environment

## Sector contribution to GDP



Sugar	1.4%
Non-sugar agriculture	2.6%
Food manufacturing (excl. sugar)	6.4%
Textile	5.2%
Other manufacturing	6.6%
Construction	6.9%
Wholesale & retail trade	10.4%
Hotels & restaurants	6.9%
Transport, storage & communications	9.6%
Insurance	2.9%
Banking	5.7%
Other financial and business services	9.2%
Social & general public services	14%
Others	12.4%

## Measure

## Global Ranking of Mauritius

World Bank Doing Business Survey 2011  
Global Competitiveness Index 2010-2011  
World Index of Economic Freedom 2011  
Global Enabling Trade Index 2010

20<sup>th</sup> out of 183 countries  
55<sup>th</sup> out of 139 countries  
12<sup>th</sup> out of 179 countries  
33<sup>rd</sup> out of 125 countries

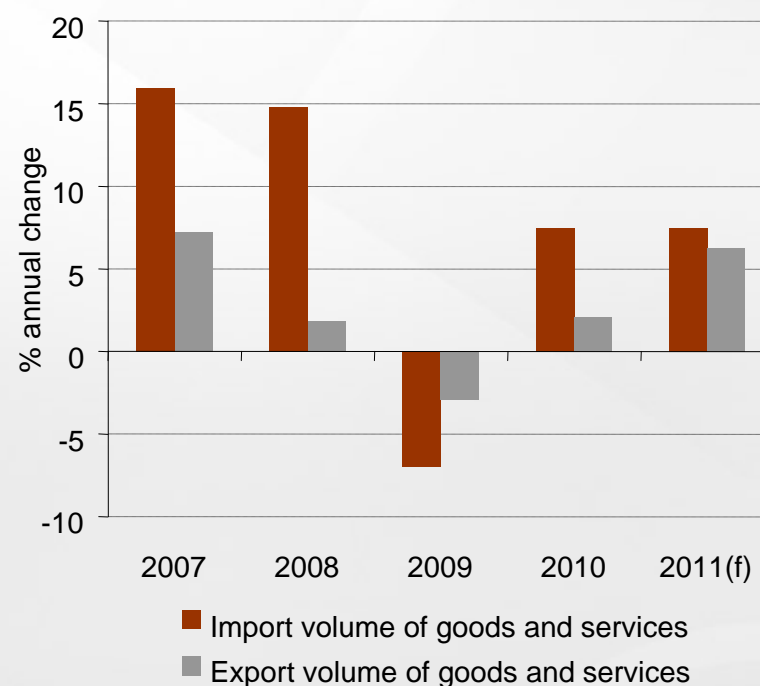
... while economic prospects on the regional front appear relatively favourable

Real GDP Growth	Annual percent change				
	2007	2008	2009	2010	2011(f)
<b>Sub-Saharan Africa</b>	<b>7.0</b>	<b>5.6</b>	<b>2.8</b>	<b>5.0</b>	<b>5.5</b>
Oil exporters	9.2	7.0	5.2	6.5	6.3
Middle-income countries	5.5	3.7	-1.6	3.1	3.5
Low-income countries	6.4	6.3	4.8	5.3	6.5
<b>MCB presence countries</b>					
Madagascar	6.2	7.1	-3.7	-2.0	2.8
Maldives	7.2	6.2	-2.3	4.8	4.0
Mozambique	7.3	6.8	6.4	7.2	7.5
Seychelles	9.6	-1.3	0.7	4.0	4.3

(f) forecasts

Sources: IMF World Economic Outlook, October 2010 and January 2011 update, Individual Country Reports

## Trade evolution for SSA



(f) forecasts

Source: IMF World Economic Outlook, Oct 2010

# Financial results



## First semester results: MCB resilience to the exigent context

### Earnings boosted by...

- Notable rise in net interest income
- Significant expansion of fee and commission income
- Recovery in dealings in foreign currencies
- Decline in allowances for credit impairment

### ... backed by solid fundamentals

- Ambitious, yet prudent, business model
- Sustained and sensible balance sheet growth
- Increased activity on the regional front
- Healthy fundamentals e.g. strong capital and liquidity bases

# Group financial performance

Income Statement	Year ended to			Six months to		
	30-Jun-09	30-Jun-10	Growth	31-Dec-09	31-Dec-10	Growth
	USD m	USD m	%	USD m	USD m	%
Net interest income	157	161	2.2	81	91	12.3
Non-interest income	101	89	(11.5)	40	52	29.1
Non-interest expense	109	116	6.8	58	65	12.1
Operating profit before provisions	149	134	(10.4)	62	77	23.2
Allowance for credit impairment	12	9	(26.7)	6	4	(29.6)
Net profit	124	107	(13.9)	54	62	15.2

Reference rate : USD 1 = Rs 32.00

Balance Sheet as at:	30-Jun-09	30-Jun-10	Growth	31-Dec-09	31-Dec-10	Growth
	USD m	USD m	%	USD m	USD m	%
	USD m	USD m	%	USD m	USD m	%
Total assets	4,702	5,086	8.1	4,789	5,162	7.8
Net loans	3,027	3,420	13.0	3,126	3,635	16.3
Total deposits	3,789	4,140	9.3	3,868	4,156	7.4
Equity	580	635	9.4	618	682	10.4

# Key performance ratios

## MCB Group - Financial Strength Indicators (%)

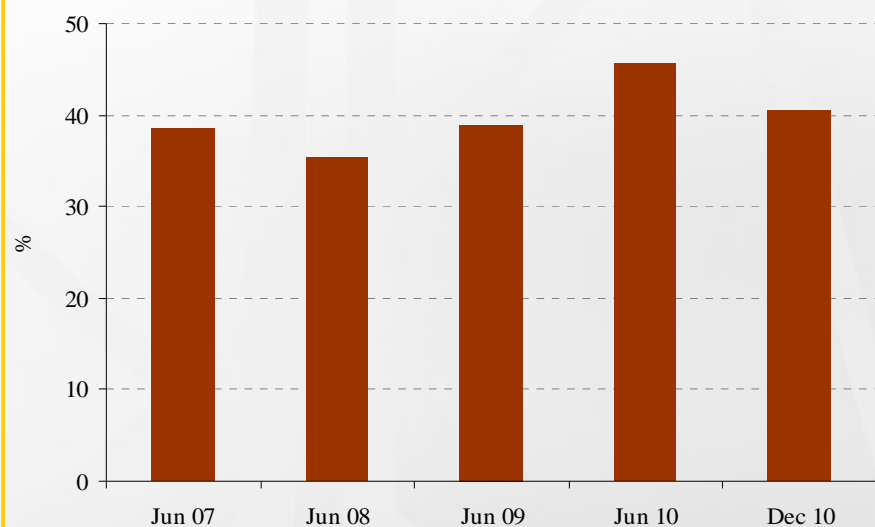
	Jun-09	Jun-10	Dec-10
<b>Asset Quality</b>			
Gross NPLs/Gross loans	4.8	3.9	3.8
Net NPLs/Net loans	2.2	1.9	1.7
<b>Efficiency</b>			
Cost-to-income	42.1	46.5	46.0
<b>Liquidity</b>			
Liquid assets/Total assets	24.9	22.1	17.6
Loans to deposits	82.7	84.9	89.7
<b>Profitability*</b>			
Return on average total assets	2.8	2.2	2.4
Return on average equity	22.7	17.6	18.9
<b>Capital Adequacy</b>			
BIS risk adjusted ratio	15.1	14.9	15.0
of which Tier 1	13.0	12.8	13.0

\* Annualised return for Dec 10

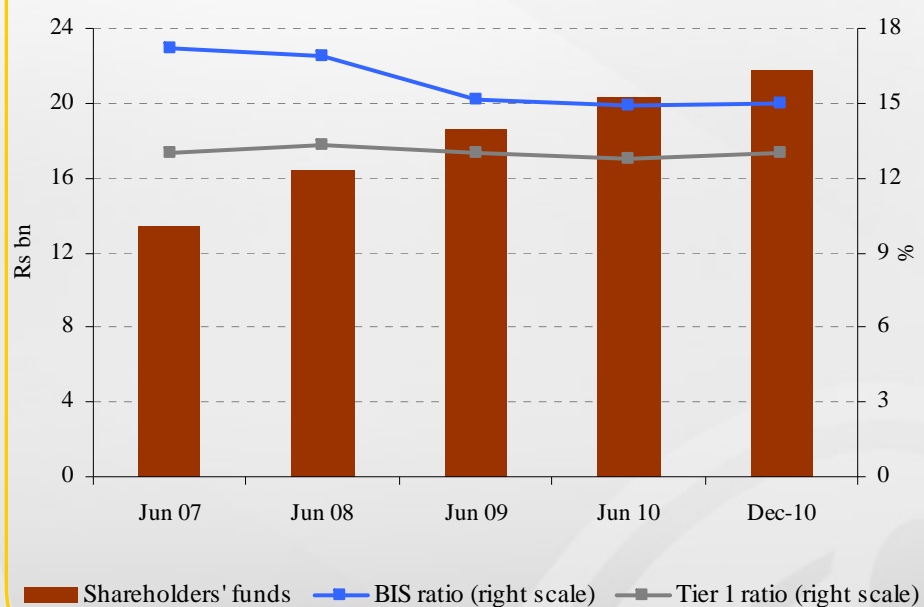
**U**nderpinned by diversified earnings ...

... comfortable capital levels are assigned to mitigate exposure to risk.

## Share of foreign source profit



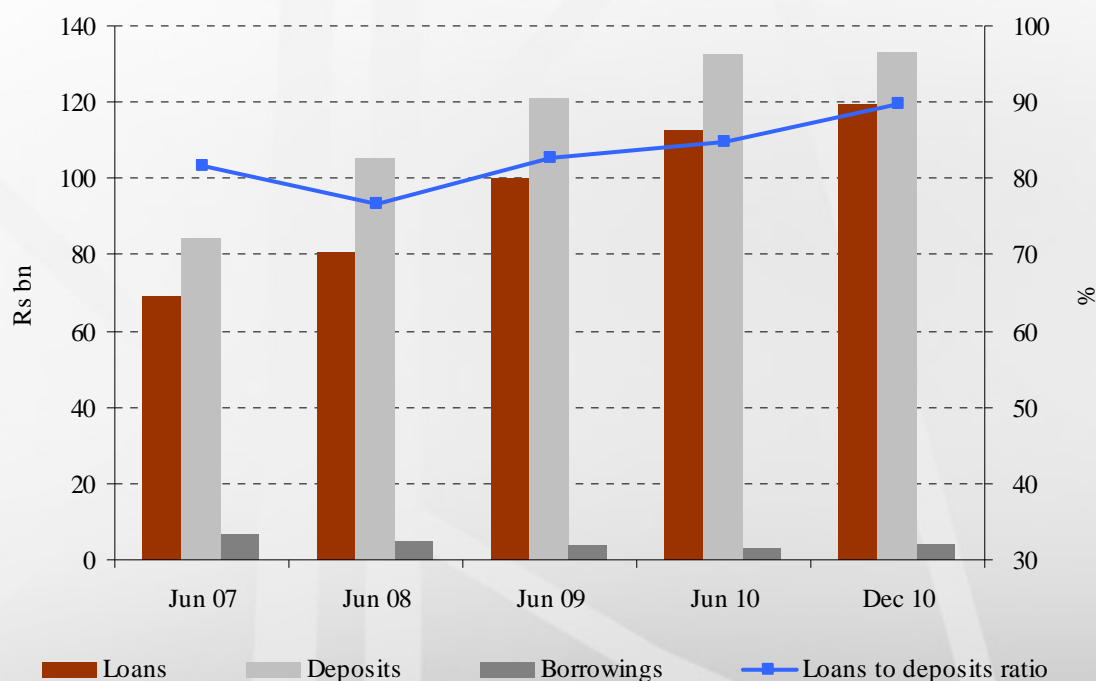
## Capital resources





## Expanding deposits:

- ✓ Are our primary funding source
- ✓ Serve as a stable, solid and low cost foundation for asset financing



## Funding strategies

### Mauritian rupee

- ✓ Organically growing deposits base, comprising mostly retail savings which are generally sticky

### Foreign currency

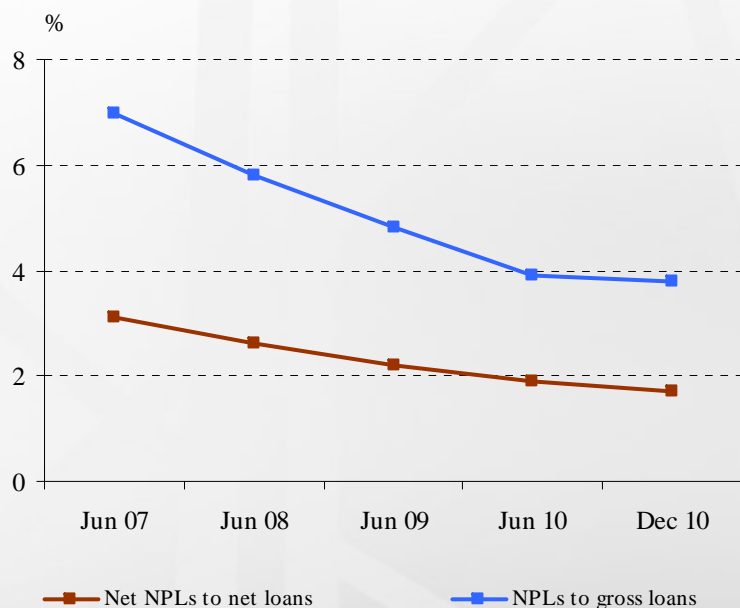
- ✓ Sufficient level of reserves
  - Careful selection and monitoring of exposures
  - Ensuring availability of ample cushion

## Liquidity

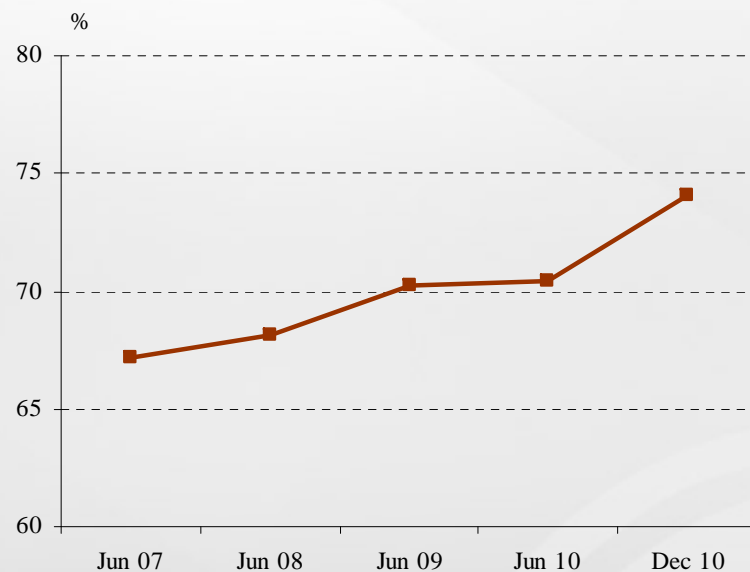
- ✓ The Group ensures sufficient funds are available at reasonable cost to meet obligations on a timely basis

**B**acked by enhanced risk management and prudential market penetration, non-performing loans (NPLs) ratios continue to decline over time.

## Non-performing loans



## Provision coverage ratio



Collateral more than adequately caters for NPLs that are not covered by provisions

# Strategic orientations



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# Reinforce local banking and non-bank activities

## Consolidation of position in the domestic banking sector

- Upgrade capabilities for efficiency gains
- Enrich the value proposition to all customer segments
- Deepen customer service relationships and services
- Consolidate/tap into business openings in established/emerging sectors

## Further diversification into non-bank activities

- Strengthen activities across different segments
- Boost our product offerings





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# Expand regional and international footprint

## Increase in regional and international diversification of activities

- Broaden the scale of operations in presence countries and untapped African markets
- Tap into opportunities for financing trade and investment deals in the region and beyond
- Ensure key involvement with regional and international stakeholders

## Pursuing the “Bank of Banks” vision

- Provision of trade finance, payments and cards outsourcing management services
- Joint venture agreement with HPS for card processing needs of banks in the region
- First SWIFT MC in the region
- Important milestone accomplished towards LC re-issuance hub
- Participation in roadshows to present MCB’s services to prominent players in the region
- Hosting the *Africa Forward Together* seminar – an annual event



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# Shore up Global Business exchanges

As a financial hub in the African region...



... **Mauritius** is an ideal springboard for investment and doing business in Africa, the Middle-East and Asia



**MCB**  
**Global Business desk**

Crafting tailored and efficient financial services for offshore companies, funds and trusts

Registered as **Foreign Institutional Investor** vis-à-vis Securities and Exchange Board of India

Routing funds through MCB to India

Forging long-term banking relationships with foreign investors

# Concluding remarks

Notwithstanding the challenging operating environment for the short term at least, the MCB is confident that it can transform **strategic intents** into **sensible business growth** by:

- ✓ Leveraging on systems
- ✓ Improving processes
- ✓ Developing human capital

# leading the way



## Welcome to The Mauritius Commercial Bank.

As the leading bank in Mauritius and the Indian Ocean, we keep setting new benchmarks to delight our customers. Our freshly designed branches, ever expanding network and state of the art Internet Banking complement our rich experience and proven expertise in tailoring relevant services that fit our customers' specific needs.

Warm, welcoming, professional, innovative, fast and quietly efficient.

Welcome to a whole new banking experience.

MAURITIUS - SEYCHELLES - MADAGASCAR - SOUTH AFRICA  
MALDIVES - MOZAMBIQUE - RÉUNION - MAYOTTE - FRANCE



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[www.mcb.mu](http://www.mcb.mu)