

# BUSINESS SEGMENTS ACHIEVEMENTS

## CORPORATE BANKING

The division was awarded 'Best Corporate Bank 2018' by Banker Africa for a second consecutive year.

The award is a testimony to the relentless efforts in delivering a superior service to the core element that drives our Bank – our customers. Our success is defined by the extent to which our existing customers continue to bank with us and our ability to attract new customers by providing a truly differentiated banking experience.

Our corporate strategy is mainly geared towards consolidating our position on the local market in terms of financing of conglomerates whilst diversifying our asset exposure across emerging markets in Africa and Asia on the international front. Our approach revolves around engaging with customers with an 'entrepreneurial mindset' to understand their needs, objectives and aspirations. Here, our experienced team of relationship managers accompany clients in their projects and advise them on the most profitable way to structure their financing requirements.

To the international segment, the Division primarily acts as a debt house and originator of assets in foreign currency focused on providing lending solutions ranging from short-term lending, term lending, debt advisory products and corporate syndications. On the domestic front, the Division acts as the custodian of the entire client relationship providing a full suite of products across transactional banking, trade finance, debt advisory, lending and FX solutions.

The Corporate Banking segment delivered an 11% growth in income on a comparative basis to last year despite the asset book remaining relatively constant. This commendable result was achieved against a challenging backdrop of low domestic growth, pressure on interest margins and increased capital requirements with the implementation of IFRS 9.

## GLOBAL BUSINESS BANKING

Brief on Global Business Banking segment – Summary on what we do

- › Source Clients
- › Manage and nurture relationship with intermediaries and end-clients
- › Cross selling of ABL's products and services (as listed below)

ABL offers Cash & Liquidity Management

- › Multi-Currency Current accounts
- › Multi-Currency Term Deposit Accounts
- › Dual Currency Investments
- › Foreign Exchange and other Treasury Solutions
- › Escrow Services

## BUSINESS SEGMENTS ACHIEVEMENTS (CONTINUED)

### Facilitate Transactional & Payment Services

- › International Remittance in all major and many exotic currencies through a leading network of correspondent banks
- › Customized payment solutions such as Bulk Payments
- › Free, secured and fully transactional Internet Banking, with SWIFT copies, FCY Credit card and Prepaid Cards statements

### Through:

- › Trade Finance
- › Global Custody Services
- › Asset & Wealth Management
- › Internet banking platform
- › Dedicated desk
- › Personalized service

### Clients

Our targeted clients through Eligible introducer include the following:



TOTAL NUMBER OF CLIENTS

10,817



BASED IN 140 COUNTRIES

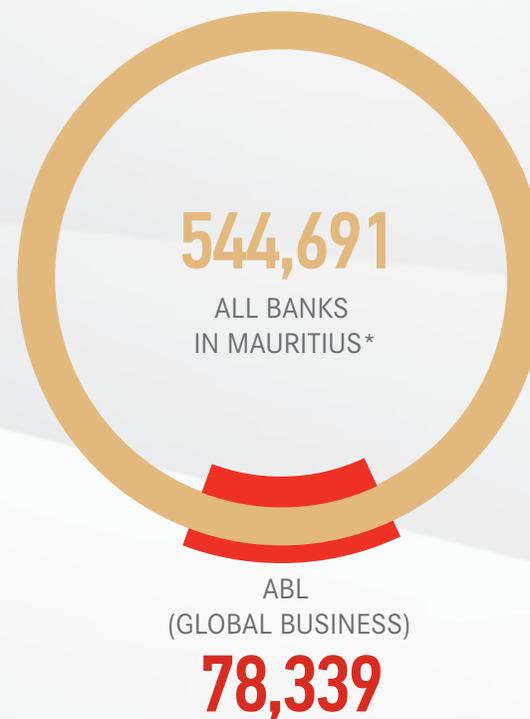
## FIGURES & ACHIEVEMENTS

### Deposit Growth



### Comparison of total deposits of ABL Global Business with total deposit segment B of all banks in Mauritius

Total Deposits Segment B as at June 2018 (MUR'm)

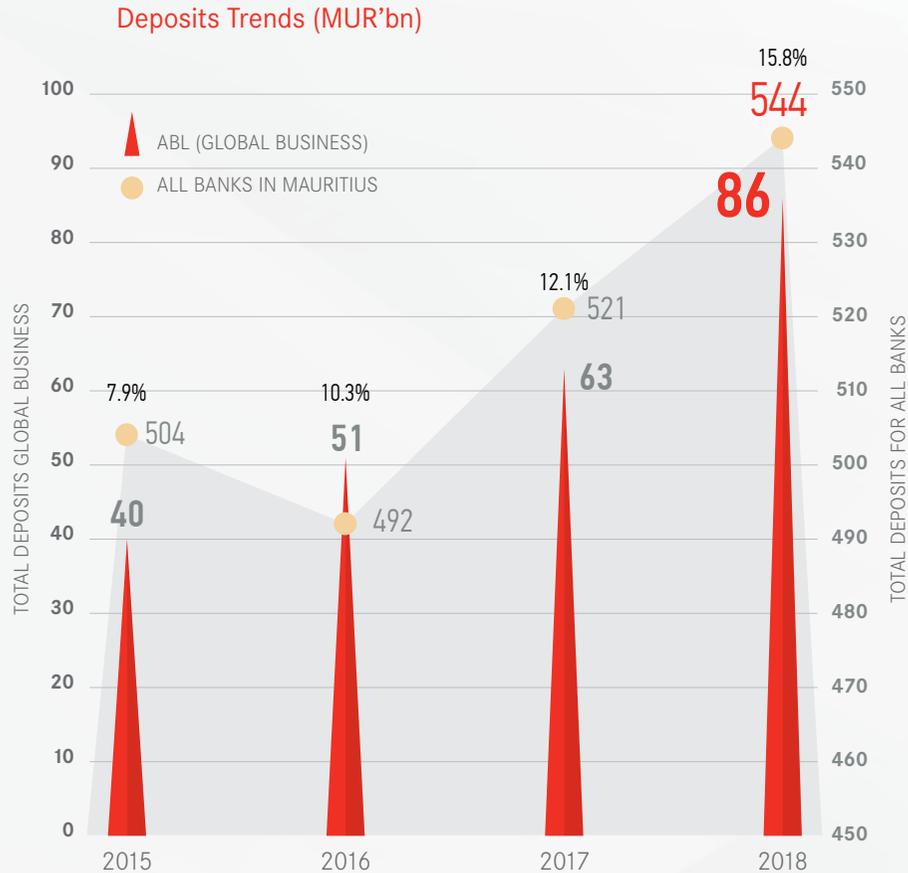


\*Source: BOM Statistics June 2018

As it can be seen, total deposits of ABL's Global Business represent 14.4% of the total deposits of all Banks in Mauritius (Segment B only).

## BUSINESS SEGMENTS ACHIEVEMENTS (CONTINUED)

### Comparison of the trend in the growth of total deposits (Global Business v/s All Banks)



### Green Initiatives:

- › Educate and Encourage client for using E-statement rather than physical statement;
- › Encourage client to use Internet Banking ('IB') for sending instruction instead of sending paper instruction; and
- › Credit card statements by email now available.

## CONSUMER BANKING

The Consumer Banking cluster has four pillars to respond to the clients' needs; Wealth Management, Private Banking, Personal Banking and Business Banking. Under this structure, AfrAsia has the aim to continue building the customer trust, providing a high-quality service and enhancing the customer experience. The clients have praised this structure, as the cluster has been able to grow significantly its Custody portfolio over the last year. Deposits had a slight growth and the Loans book had a neutral growth due to the focus of the Bank.

For our High Net Worth Individuals (HNWI) segment, a new dedicated pillar; "Wealth Management"; was created in order to help our clients to grow their wealth and prepare for their retirement. After consulting our clients, the department came up with a new client proposition, which will respond to their needs and deliver an outstanding customer experience. The features of the new proposition are:

- › Access to worldwide financial markets;
- › Portfolio management and investment advisory;
- › Margin lending in USD / EUR / GBP / MUR on listed securities;
- › Preferential rates on currencies exchange; and
- › Exclusive Investment Funds.

Having the clients' best interest at stake, the Personal Banking and Business Banking team has structured the team in a way where every Relationship Manager has a specific client segment to service. With this configuration, the team has increased efficiency in cross selling mainly in the investment products proposed by AfrAsia Capital Market. Furthermore, specific product propositions have been introduced to target new business for specific segments:

- › Mortgage package for acquisition of residences, including luxury villas;
- › A Loyalty Package for employees of IBL Group;
- › A Bills Discounting service for suppliers of IBL Group of Companies; and
- › Trade finance for SMEs.

## BUSINESS SEGMENTS ACHIEVEMENTS (CONTINUED)

### SOUTH AFRICAN REPRESENTATIVE OFFICE (SAREPO)

With its offices in South Africa, the SAREPO has continued to play a key role in consolidating AfrAsia's regional presence in Africa. Straddling Global Banking, Corporate Banking as well as Financial Institutions, this office has an extensive network and years of market knowledge in South and East Africa.

Politically and economically, 2017/18 was a better year for South Africa. In February 2018, Mr. Cyril Ramaphosa replaced Mr. Jacob Zuma as South Africa's new president with an immediate positive impact on business sentiment. Although Mr. Ramaphosa made some key moves on the corruption that flourished under the previous regime, the corporate sector appears to have adopted a wait and see attitude for national elections expected sometime between May and August 2019.

Monetary policy remained conservative out of concerns for knock-on inflationary price pressures from a hike in the VAT rate and increased fuel prices. The GDP growth rate turned positive during 2017/18 but is nowhere near high enough to make a significant impact on 26.6% reported unemployment rate. Potential land reform allowing land expropriation without compensation has raised uncertainty about property rights. However, there are arguments that under the leadership of Ramaphosa, this will be done in a pragmatic fashion without trampling on personal rights and food security. But it does contribute to a climate of uncertainty.

On the positive side, rating agencies recognised the favourable political developments and since the end of 2017 refrained from further downgrades. Thanks to high local interest rates the currency remained relatively stable and the agricultural sector rebounded from a terrible drought in 2016. At the time of coming to office, Ramaphosa set an ambitious target of USD100

billion in foreign direct investment into South Africa over the next 5 years. So far he has secured undertakings of USD10 billion from Saudi Arabia and USD14,7 billion in investment from China who also promised USD2.8 billion lending to local cash strapped state-owned enterprises.

In East Africa, the Kenyan economy was impacted by continued drought and a difficult presidential election. Although not conclusively assessed, interest rate caps have reportedly constrained credit expansion, leading to reduced private sector investment. However, Kenya's economy remains resilient due to its diversity with services contributing the highest proportion to GDP growth. This is expected to continue as the country remains the leading regional hub for information and communication technology, financial, and transportation services. Recent investment in rail and road and planned investment in a second runway at Jomo Kenyatta International Airport are potential growth drivers. Kenya has also moved up 12 places to a ranking of 80 in the World Bank's 2018 Doing Business report.

It is within this context the Bank's team located in the representative in Johannesburg continued to promote AfrAsia to corporates, funds and financial institutions seeking opportunity in the Southern and East African regions as well as other international markets together with private individuals seeking global diversification.

## TREASURY AND MARKETS

### Treasury and Markets Overview

#### TREASURY & MARKETS

TREASURY

FINANCIAL INSTITUTIONS

DEBT CAPITAL MARKETS

CUSTODY & SECURITIES  
SERVICES

The four key pillars within the Treasury & Markets cluster are Treasury, Financial Institutions, Custody & Securities Services and Debt Capital Markets.

In fact, Custody & Securities Services was onboarded by Treasury and Markets this financial year in a bid to further enhance its value proposition. The aim is to strike the right chord with the proposition of customer centric solutions, focusing on strong team dynamics and avant-gardism, all in a bid to be the preferred solution provider of Treasury instruments as well as structured and tailor-made solutions in Mauritius and the region.

While products and services can be replicated across the banking industry, it is the solutions driven approach and nimbleness that marks AfrAsia out. Our goal is to ensure that our client facing and support functions are aligned to consistently provide our clients with best in class services.

Treasury & Markets' prerogative is to provide clients with tailored solutions by reinforcing AfrAsia Bank Limited's position as the market makers for foreign exchange, interest rate, debt, and other structured derivatives. AfrAsia Bank Limited further consolidates its stance as an innovative Financial Markets service provider, catering not only to Mauritian demands but also effectively meeting financial requirements in the regional sphere.

## BUSINESS SEGMENTS ACHIEVEMENTS (CONTINUED)

### Treasury

The Treasury unit serves a wide customer base including large domestic and international corporates; Trading companies; International Management Companies; Banks & Financial Institutions; Asset Management Companies and family offices; Fund Managers; Investment Funds; Financial Intermediaries; SMEs; Local and International HNWI and External Asset Managers as well as government and parastatal institutions.

Whether the execution needs are driven by a transactional, hedging or investment strategy, the Treasury unit offers a full range of solutions, both standard and customized, to help our clients navigate the various challenges of continuously changing financial markets.

With the banking sector becoming increasingly competitive, it is critical for AfrAsia Bank Limited to remain ahead of the curve. In a bid to further enhance our product offering and customer centric approach coupled with bringing a consummate level of sophistication to our services, the Treasury team is structured as follows:



Our specialist team of dealers work towards finding innovative solutions that facilitate the management and repackaging of risk exposures in foreign exchange, interest rates, and commodity markets. This enables us to respond to our customer's investment and hedging strategies, with the overall aim of being the preferred provider of Treasury services and make a positive difference to our clients and their businesses.

Our Product Suite includes:

- › Foreign Exchange Solutions;
- › Money Markets and Fixed income;
- › Hedging Solutions and Structures (Foreign Exchange, Interest Rates, Commodities); and
- › Yield Enhancement Solutions across asset classes (Foreign Exchange, Interest Rates, Commodities, Credit, and Equities).

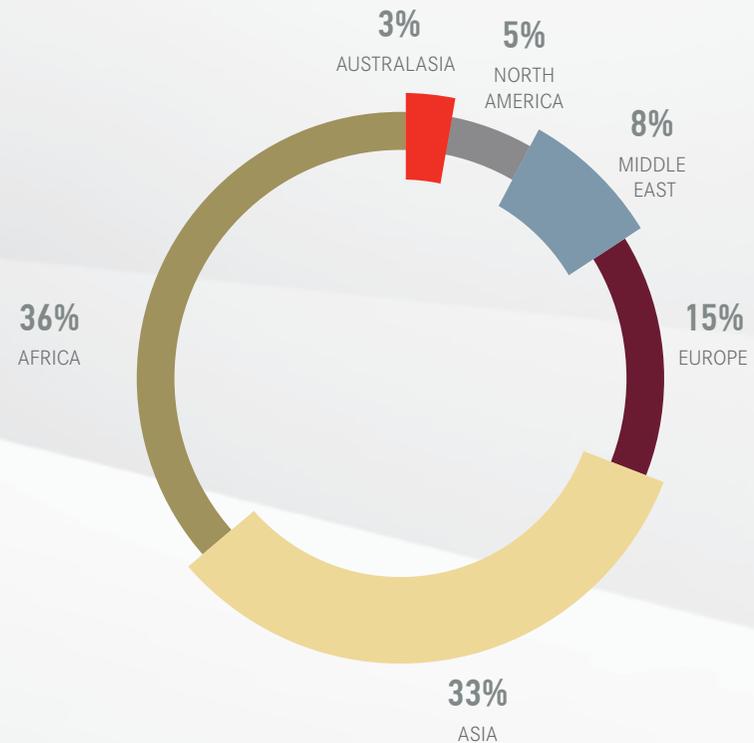
## Financial Institutions

Our Financial Institutions unit's key roles involve broadening and deepening AfrAsia Bank Limited's relationships with banks in targeted strategic markets, notably Africa, India, South East Asia and the Middle East. Enhancing participation in trade-flows between Asia and Africa, acting as Lead Arrangers for Financial Institutions by building and leveraging on our relationship network remain our key priorities.

Our Financial Institutions team also acts as a facilitator by actively engaging in cross-selling of Treasury products to our partner banks – therefore perfectly integrating into the Treasury & Markets cluster.

More importantly, our Financial Institutions team acts as a gateway for the Bank to gain key insights in our main and target markets, which enables AfrAsia Bank to access African and Asia Tier 1 Corporates.

## Financial Institutions Global Network



## BUSINESS SEGMENTS ACHIEVEMENTS (CONTINUED)

### Debt Capital Markets

The Debt Capital Markets desk advises both local and international clients on structures to raise debt for acquisitions, refinancing of existing debt, or restructuring of existing debt.

Over the recent years, the excess local currency and foreign currency liquidity prevailing in Mauritius coupled with enhanced client sophistication had created the right environment for both local and regional players to tap the local market for Bonds/CP issuances.

Given our existing expertise in being both advisors and arrangers on large mandates in the past, coupled with the consolidation of this activity within the Treasury and Markets cluster, we have strengthened our position in this space in helping institutions raise funds in an alternative way.

The Debt Capital Markets team works with clients to organize borrowing and to help provide access to a global pool of investors who are looking for opportunities.

### Custody and Securities Services

The Custody and Securities desk enables clients to trade in Equities, Bonds, Structured Products, Exchange-Traded Funds, Unlisted Securities, Mutual Funds and Physical Certificates whilst also ensuring settlement and safekeeping of these assets.

We offer Custody Services in over 50 markets worldwide, including major markets across Europe, Asia, the US, Australia, Africa, India as well as in exotic markets.

This activity was recently on boarded within the Treasury and Markets cluster to further enhance synergies and to enable access to ancillary Treasury Services to our clients.

## TREASURY IN NUMBERS:

### Operating Income Growth



### Balance Sheet Growth



## BUSINESS SEGMENTS ACHIEVEMENTS (CONTINUED)

### Commentary

In terms of performance, our strategy has been constantly delivering excellent results and this year was no different.

Trading Income performance was at a robust MUR 816.8m as at the close of financial year June 2018, a 19% growth year-on-year.

Strong performance was noted on Foreign Exchange and Structured Solutions, both recording a year on year growth in excess of 20%. Money Markets and Fixed Income Trading remained strong, though subdued due to tough local market conditions.

In terms of FX turnover, our domestic banking volume firmly stood at USD 1.2bn, representing a 12.5% market share in the local market – cementing our robust position on the market.

Net Interest Income closed at MUR 1.25bn as at financial year June 2018, experiencing growth of 58% year on year. Growth was particularly enabled by driving balance sheet growth, particularly in the interbank placement space, loans to Financial Institutions and investment in Securities.

This is testament to our growing Financial Institutions business. Indeed, there has been a constant drive to diversify and grow our network of banking counterparts, all within a clear and defined risk appetite. This, coupled with significant work underdone in shoring up our tactical liquidity management has brought in more efficiency from a balance sheet perspective.

Fee Income was also up 160% year on year, with performance ending at MUR 29.4m as at financial year June 2018. Of note, AfrAsia Bank acted as the lead arranger for IBL Ltd's "Multicurrency Medium Term Secured and

Unsecured Note Programme". This was the highest ever bond issuance in Mauritius, with massive MUR 12.63bn raised for the first tranche, recording an oversubscription of 4 times.

Custody & Securities trading related income also grew by 28% year on year, closing at MUR 143.6m as at financial year June 2018. Despite to competitive landscape having evolved in this space, our focus remained growth in Assets under Custody (AUC) and importantly, the diversification of our client base. We intend to bring in more sophistication in this space, in line with our strategy to constantly improving our services and product offering.

### AFRASIA CAPITAL MANAGEMENT LIMITED (ACM)

#### At a glance

ACM, the investment arm of the AfrAsia Group with 27 years of experience, offers a full range of investment services ranging from execution, discretionary management, 7 in-house Collective Investment Scheme (CIS) funds and a wide range of tailor-made investment solutions.

ACM's target is to help a select group of valued clients, comprising of a diverse mix of institutional and retail clients to meet their financial goals and prepare for the future. As the world evolves, so do the needs of its clientele. Given its extensive experience in the local market coupled with a sound understanding of global macroeconomics, ACM has a philosophy of adapting early to shifts in market dynamics and product demands while tailoring our investment solutions to what matters most to our valued clients.

In that vein, ACM believes in delivering superior outcomes by knowing and understanding clients, their aspirations, their risk appetites and their

financial needs, and following up with relevant, actively-managed offerings to assist them in furthering their wealth.

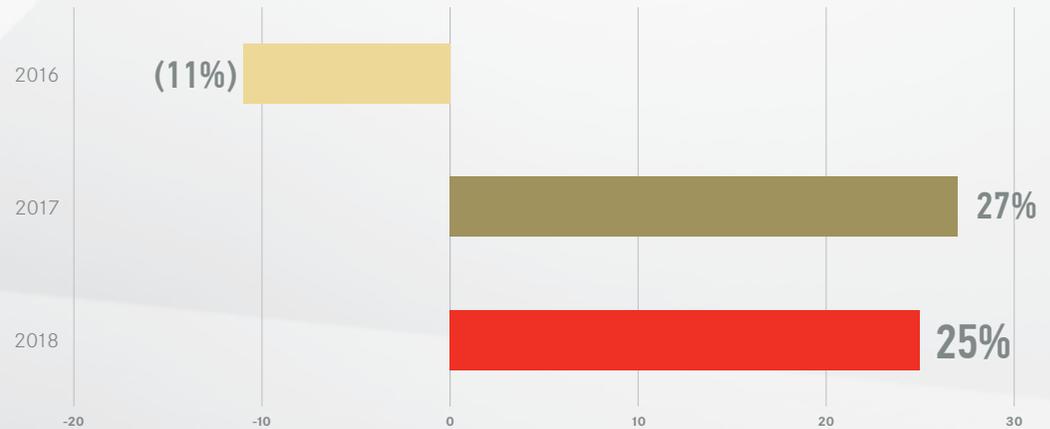
In addition to an efficient risk profiling and client on boarding process, to facilitate the most seamless entry of the client to the full suite of our services, our investment toolkit facilitates investment into most of the world's leading economies across equities, bonds and alternative asset classes. We have an open architecture platform which allows dynamic and flexible investing whilst collaborating with the world's best performing asset managers.

#### Development and financial highlights

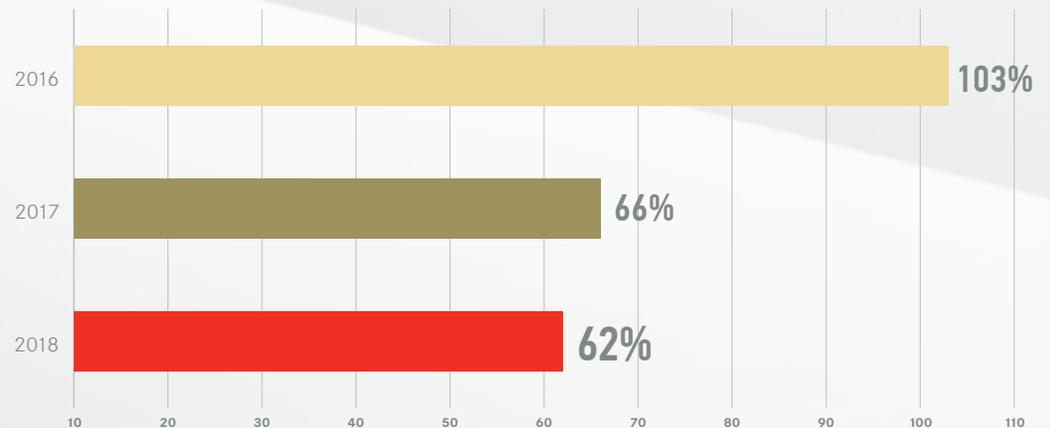
Management is pleased to present another year of good results for ACM, which included strategic investment in the future growth of the business. Its income statement displays a culture of strong cost discipline, improving cost to income ratio at 62% for the financial year compared to 66% in the previous one. Despite the competitive environment and pressure on revenue, the team has delivered with a growth of 26% in revenue and 17% in net profit compared to the previous year.

The lower net profit is attributable to ACM's attempts to generate durable performance and improving management of risk across portfolios of clients. This involved previous investment in a software system that was written off in the current year affecting the net profit margin.

#### Net Profit Margin



#### Cost to Income ratio



## BUSINESS SEGMENTS ACHIEVEMENTS (CONTINUED)

ACM differentiates itself via its long-term approach of investing in the future growth of the business, developing talent and building client relationships. Alongside a sound understanding of its clients, supported by data-driven market intelligence from Bloomberg, Morningstar Direct and insights from our foreign partners, ACM has been able to establish a range of strategic capabilities which englobe the investment universe and provide outcomes that are suitable to the clients across market cycles.

The ongoing improvement of the business has been primarily driven by the people. Diversity of thoughts and innovation is encouraged with a clear focus on developing the business for the benefit of both our clients and our Group. ACM remains committed to nurturing its pool of talent by providing an environment that is accessible and collaborative, where everyone has the opportunity to deliver to their best ability and potential.

### Looking forward

ACM remains committed to placing its clients at the heart of the business, developing and maintaining long-standing relationships based on trust.

The previous year and the current one has allowed ACM to build a powerful combination of components to meet and anticipate clients' needs. The focus remains to bringing these components closer together and integrating the company more deeply into our clients' ecosystems.

Improving synergies with the Bank will allow ACM to leverage the full capabilities of the Group's platform with broader participation across the investment environment. This include continuing engagement and enhancement of efficiency between the custodians and the business, growing our digital presence and reaching out to more clients.

There are a variety of trends reshaping the asset management industry such as rapid advancements in technology, heightened regulatory scrutiny and changing priorities of investors. ACM plans on positioning itself to meet these challenges and transform them into opportunities by continuing to create innovative solutions in line with the investment strategies of its clients.