

# CHAIRPERSON'S MESSAGE

When I last wrote to our shareholders in our 2020 Annual Report, the world was still in the early stages of the global pandemic. A year later, the World is still learning how to live and work alongside COVID-19 whilst still striving to cope with its pits and falls. AfrAsia Bank has navigated its way through this past year by anchoring our successful continuity on the staunch collaboration and dedication of our employees, our customers' unwavering trust in the AfrAsia brand and our authorities' relentless strive to re-institute a 'COVID-free' Mauritius.

## A global paradigm shift

The 2020-2021 financial year has been eventful. COVID-19 continued to send countries into a tailspin. The national lockdown measures implemented worldwide have induced a sputtering of our "global village", which was catalysed by the mushrooming of second waves. From there, the arduous race against time to expedite a vaccine and its universal rollout turned up a notch.

The macroeconomic landscape was jam-packed with geopolitical, socioeconomic and environmental happenings. Global economic growth picked up, mostly due to the remarkable US and Chinese recoveries - both countries account for approximately 40% of the global GDP and China is one of the only two G20 countries to have reported a positive GDP in 2020. However, this global economic growth skewed unevenly and unfavourably towards the developing and least developed countries. Growth prospects look meagre as they face a heightened risk of falling further behind economically with a projected growth that is far below the 7% advocated by the UN Sustainable Development Goal 8, mainly due to funding shortfalls, vaccine nationalism hampering the COVAX initiative, and the inability of these countries to cushion the pandemic's fallout through adequate fiscal support, indirectly amplifying their debt distress levels.

Aside from COVID and its global impact, the Abraham Accords, brokered by the US, was signed in guise of a peace-making effort in the Middle East. Then came the historic - yet highly controversial - US Presidential Elections, the third anniversary of the US-China trade war under Biden's administration, the UK Trade and Cooperation Agreement softening the blow of Brexit and the next big climatic disaster on the tenterhooks of ongoing destructive tropical storms and prolonged draughts worldwide.

Meanwhile, in this part of the World, Mauritius faced a 15% contraction in 2020 accompanied by a significant depreciation of the rupee, the complete phasing out of GBC1 and GBC2 licenses in the financial services arena and a first-of-its-kind ecological disaster, the "MV Wakashio oil spill". Following the Island's second lockdown in March 2021, the government closed international borders. Leveraging its acquired expertise in curtailing the spread of the virus and its economic resilience, Mauritius is continuously steering the wheel in the direction of a "COVID-free" status once again. On the AfrAsia Bank front, we have anchored our business continuity on the agility and rock-solid foundation of our diversified and integrated business model to continually serve our customers whilst also simultaneously working towards a sustainable recovery and growth.

## Good governance remains a cornerstone

Good governance remains a fundamental driver of our business. Accordingly, the beginning of our 2020-2021 financial year witnessed a re-structuring of the AfrAsia Board. 10 new members embarked on the Bank Different journey with the objective to strike the right balance between their strategic role and an adequate risk management oversight in face of the regulatory and economic uncertainties. This was achieved by complementing their varying skills and expertise, both local and international, to strengthen AfrAsia's domestic foothold and steer the bank to its next growth stage. Whilst a good governance structure is critical, its effectiveness is bolstered when our people choose to do the right things the right way, each and every day. I am pleased to have witnessed a staunch team spirit and collaborative culture across all hierarchical levels. By nurturing an environment of trust and transparency with the Senior Management Team, emanating from a clear demarcation of responsibilities, the Board's first year in office has been a constructive one, as evidenced by the Bank's financial performance which reflects the synergy with which the Board and the Senior Management Team have worked over the past 12 months.

## A resilient performance and robust capital structure



For the year ended 30 June 2021, I am pleased to share that AfrAsia Bank has achieved an encouraging performance with a MUR 916.1m Group Net Profit after Tax and a 12% return on average equity.

Our total assets have grown by 18% to MUR 190.1bn, which reflects the prudent approach maintained by the Bank over the past challenging year. During 2020-2021 financial year, ordinary shareholders received dividends of MUR 338.9m (MUR 3.00 per share) whilst Class A shareholders were collectively allocated MUR 132.9m in guise of total dividend payouts under the programme memorandum. I am reassured that AfrAsia Bank has well defended its robustness and resiliency with a capital base of MUR 9.1bn and a capital adequacy ratio of 16.18% as at 30 June 2021. In the context of the ring fencing of its banking operations from its non-banking activities, as advised by the Bank of Mauritius, AfrAsia Bank (ABL) effectively completed the carving-out of EKADA Capital Ltd (formerly known as AfrAsia Capital Management (ACM)) from the group structure, distributing all its shares in EKADA Capital Ltd as a dividend in specie to the current shareholders of ABL.

## Diverging recoveries worldwide

The world has experienced an unprecedented transition over the past year and so has the global economic environment. Some nations have jumpstarted their recovery as quickly as they nudged the trough whilst others are still struggling. The World Bank has reported that this recovery will likely be faster than any of the previous recessions the world has known ever since World War II. Governments worldwide are utilising their monetary and fiscal artillery to pierce through the persistent fog of uncertainty looming around their recovery prospects. The burning question now is whether a mere economic recovery will be prioritised over a sustained upturn in global revival, thereby inducing a greater disparity between the rich and the poor?

## Sustainable revival of the Mauritius International Financial Centre



For Mauritius, the priority is to reboot the Mauritian economy in a sustainable way.

The 2021-2022 Government Budget announced a series of measures for economic recovery and simultaneously cement Mauritius' status as a regional financial hub for investment and trade.

Tax holidays have been extended from 5 to 10 years for family offices, fund and asset managers, and a double tax deduction mechanism will be established for research and development expenditure in targeting African markets. Projected as a new economic pillar, the pharmaceutical industry will benefit of a seed capital of MUR 1bn for local production of vaccines and other products, with full tax credits on costs of acquisition of patents and a reduced 3% tax rate, from a previous 15%, which is likely to engender a multiplier effect on local employment and auxiliary industries. Occupation permits for foreign professionals will be extended from 3 to 10 years and Permanent Residency Permit will be automatically prolonged from 10 to 20 years. Long holiday schemes will be launched for retirees with easier access to IHS investments, coupled with a reduction from USD 500k to USD 375k for purchasing a standalone villa.

In the financial services arena, the Central Bank will launch a digital currency on a pilot basis and there will be a reinforcement of our Anti-Money Laundering Combating Financing of Terrorism framework in a bid to accelerate the completion of the action plan from the Financial Action Task Force (FATF). At the time that I pen down this message, the FATF has commended Mauritius' significant progress made on a technical front and the Island now awaits a delegation's visit to conclude its exit from this list as well as the concomitant EU Blacklist. I remain optimistic that Mauritius is moving in the right direction towards getting back on track to regaining its competitive edge internationally.

## Future Outlook

2020 has been a watershed moment for the world. The yet unfathomable scale of the sanitary and economic crisis may still engender significant changes in the way we operate for the coming year. Anchoring ourselves on our financial resilience, conservative balance sheet and rock-solid foundation to navigate through a year of prudent growth, we shall, along the way, continually strengthen our corporate governance structure and our risk management model. We will remain guided by the Bank's strategic pillars - customer focus, teamwork, innovation and sustainability - to reinforce our customer centric approach.



Our key focus will remain on the safety and health of our employees, customers and the community at large.

As the consequences of the pandemic wanes, we will increasingly shift our focus on how to curtail the aftermath of the pandemic to expand our business internationally. That said, now more than ever, the Board and the Senior Management Team commit themselves to tread the Bank Different journey with revived synergy to deepen our reach in our core markets: Europe, Africa and Asia.

AfrAsia shall deepen its foothold domestically whilst simultaneously venture into new markets to explore novel openings. The Africa-Asia corridor abounds of opportunities and to tap into those, the Bank has devised proactive strategies to boost its visibility and target the corporate and ultra-high net worth segments in these continents, especially in Africa which is estimated to produce 30,000 new millionaires in the coming decade. Moreover, Africa's recovery is very much dependent on some key parameters, amongst which there is the surge back in consumption engendered through a boost in FDI. Furthermore, the African Continental Free Trade Area is likely to bring about deep reforms for long-term growth in and across the continent. AfrAsia intends to be a watchdog and track the upward slant of same to leverage on the opportunities this would bring for Mauritius. On the Asia front, I am confident that the Comprehensive Economic Cooperation and Partnership Agreement (CECPA) signed between Mauritius and India will act as a springboard to bolster the Island's competitiveness through a preferential market access for the Mauritian exporters and in its wake, open up new avenues for AfrAsia's growing business appetite.

## Concluding remarks

My first year as Chair on the AfrAsia Board has been a professional highlight and it has been an honour to represent shareholders by working hand-in-hand with my fellow Directors. I wish to thank the Senior Management Team who have done an exceptional work throughout the past year. That said, I acknowledge that this would not have been possible had we not had a devoted pool of employees who have strived to uphold our business continuity throughout. On behalf of the Board, I commend our staff for their resilience in being the pillars of our Bank.

The robustness of our financial performance cushions our approach in tackling the daunting challenges that await us ahead. That said, both the public and private sectors will be mandated to work in tandem and calibrate their efforts to our economic recovery stage. We will collaborate with our peers in the financial arena to prioritise the country's sustainable and inclusive economic revival and extend our support to the authorities whose efforts we applaud for steering Mauritius out of its second lockdown and tirelessly working towards getting the whole population inoculated.

**INDERJIT SINGH BEDI**

Chairperson

