

MANAGEMENT COMMENTS

AfrAsia Bank Limited (the “Bank”) is pleased to present its unaudited interim condensed financial statements for the three months ended 30 September 2023.

Financial Highlights

As at 30 September 2023

key figures (compared to same period last year)



Three months ended 30 September 2023

key figures (compared to same period last year)



Results Overview

For the three months ended 30 September 2023, the Bank continued on its strong growth trajectory, achieving a net profit after tax (“NPAT”) of **MUR 1.7bn**. This represents an increase of **136%** compared to the same period last year (September 2022: MUR 0.7bn), resulting from a steady rise in yield levels over the past year.

The increase in the Bank’s NPAT over the period was driven primarily by a considerable increase in net interest income of **95%** reaching **MUR 1.8bn** for the current period compared to MUR 0.9bn for the same period last year. This reflects the smooth execution of the Bank’s strategy in strengthening its Balance Sheet, mainly through the expansion of its loan book and investment securities portfolios, all while managing the effects of the current interest rate environment.

Net trading income, another major contributor to the NPAT rose by **75%**, reaching **MUR 457.5m** for the three months ended 30 September 2023 compared to MUR 261.8m for the same period last year. This was driven by the sustained rise in yields for our investment securities portfolios and increase in foreign exchange business volumes.

Net fee and commission income saw a **15%** increase, rising from MUR 198.4m for the period ended 30 September 2022 to **MUR 228.7m** for the period ended 30 September 2023. This increase was primarily supported by higher volume on transactional banking operations.

The Bank recorded a net impairment loss on financial assets of **MUR 9.4m**, in contrast to MUR 157.1m for the same period last year. Higher impairment loss on financial assets were booked during the quarter ended 30 September 2022 due to exposures showing signs of deterioration. The Bank will continuously monitor the prevailing economic conditions and reassess its impairment level accordingly.

Operating income showed growth, increasing by **79%**, while operating expense rose by **4%** compared to the same period last year. The cost-to-income ratio stood at **17%** for the period ended 30 September 2023, as compared to 30% for the same period last year.

The Bank’s Balance Sheet remains robust, with total assets standing at **MUR 229.5bn** as at 30 September 2023, representing an increase of **5%** when compared to MUR 217.5bn as at 30 September 2022. Loans and advances increased by **31%** to reach **MUR 54.6bn** as at 30 September 2023 (September 2022: MUR 41.7bn) contributing to an increase in the loan-to-deposit ratio to reach **26%** from 20% for the same period last year.

On the liability side of the balance sheet, the Bank’s deposit base rose from MUR 204.6bn as at 30 September 2022 to **MUR 209.5bn** as at 30 September 2023.

The Bank’s total capital adequacy ratio stood at **19.50%**, which is above the minimum regulatory requirements as of 30 September 2023 (September 2022: 15.38%).

The Bank’s shareholders’ equity witnessed a significant growth of **57%** period-on-period to reach **MUR 17.1bn** as at 30 September 2023 (September 2022: MUR 10.9bn). This notable growth can be mainly attributed to the sustained increase in profit of the Bank.

Global Economy

In this quarter, the International Monetary Fund (IMF) has cut its growth forecasts for China and the euro area and stated that overall global growth remained low and uneven, despite the resilience of the U.S. economy. While the IMF maintained its 2023 global real GDP growth forecast at 3.0%, it reduced its 2024 projection by 0.1% to 2.9%. The IMF expressed ongoing concerns about various risks including the real estate crisis in China, volatile commodity prices, geopolitical fragmentation, and a resurgence in inflation.

Global inflation is expected to drop to an annual average of 6.9% in 2023 and further decline to 5.8% in 2024. Coupled with a continued moderation in inflationary pressures, economic data are pointing to a slowing global services activity amid contracting manufacturing sectors globally. Consequently, market focus has shifted from debating the peak interest rates to speculating how long central banks will maintain rates at restrictive levels. The prevailing consensus leans towards an extended period of higher interest rates as the necessary strategy to combat persistent inflationary pressures.

Furthermore, there are concerns about a potential escalation of conflicts in the Middle East region and their impact on oil prices, which could pose challenges to global growth and exert additional pressure on headline inflation.

Domestic Economy

Locally, there was an improvement during the quarter, with the SEMDEX rising by 9%. This was driven by strong performances in the Leisure and Hotels industry as well as the Banking and Insurance segment. The primary catalyst behind this upturn in the local equity market was a wave of positive corporate results, as most companies exceeded earnings expectations. Furthermore, the domestic economy is on a path to recovery, marked by a growing number of tourist arrivals and a declining trend in inflation. Headline inflation currently stands at 9%, compared to 9.4% in 2022. The Bank of Mauritius anticipates a further decrease in inflation during the second half of 2023, with a projected rate of around 7.0% by December 2023. Consequently, the Monetary Policy Committee unanimously decided to maintain the Key Rate at 4.50% during the second Monetary Policy meeting of the year.

**STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023**

ASSETS

Cash and balances with banks
Due from banks
Derivative financial instruments
Loans and advances to banks
Loans and advances to customers
Investment securities
Other assets
Property and equipment
Right of use assets
Intangible assets
Deferred tax assets

TOTAL ASSETS

EQUITY AND LIABILITIES

LIABILITIES

Due to banks
Deposits from banks
Deposits from customers
Borrowings from financial institution
Derivative financial instruments
Current tax liabilities
Lease liabilities
Other liabilities
Retirement benefit obligations

TOTAL LIABILITIES

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Ordinary shares
Class A shares
Retained earnings
Other reserves

TOTAL EQUITY

TOTAL EQUITY AND LIABILITIES

THE GROUP

THE BANK

As at 30 September 2023 Unaudited	As at 30 September 2022		As at 30 June 2023	
	Unaudited	Audited	Unaudited	Audited
MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with banks	17,546,778	40,626,551	16,757,284	16,757,277
Due from banks	28,047,449	59,475,508	47,682,116	47,682,116
Derivative financial instruments	354,484	326,688	385,550	385,550
Loans and advances to banks	12,362,195	12,615,878	13,189,589	13,189,589
Loans and advances to customers	42,223,158	29,116,493	39,266,981	39,266,981
Investment securities	123,013,915	70,937,273	108,685,735	108,685,735
Other assets	4,929,889	3,698,992	4,751,969	4,751,962
Property and equipment	272,421	123,955	159,161	159,161
Right of use assets	56,937	92,188	65,779	65,779
Intangible assets	358,173	352,149	362,778	362,778
Deferred tax assets	310,245	148,470	280,787	280,787
TOTAL ASSETS	229,475,644	217,514,145	231,587,729	231,587,715
EQUITY AND LIABILITIES				
LIABILITIES				
Due to banks	6,647	9,831	-	-
Deposits from banks	288,894	359,504	358,723	358,723
Deposits from customers	209,257,837	204,208,551	213,229,467	213,232,468
Borrowings from financial institution	161,097	130,754	150,918	150,918
Derivative financial instruments	157,213	164,167	204,959	204,959
Current tax liabilities	1,140,880	258,187	821,973	821,973
Lease liabilities	56,176	91,778	64,663	64,663
Other liabilities	1,226,775	1,359,209	1,197,332	1,196,336
Retirement benefit obligations	110,936	79,240	110,936	110,936
TOTAL LIABILITIES	212,406,455	206,661,221	216,138,971	216,140,976
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
Ordinary shares	3,641,049	3,641,049	3,641,049	3,641,049
Class A shares	1,385,768	1,385,768	1,385,768	1,385,768
Retained earnings	9,351,080	4,238,391	7,724,718	7,704,188
Other reserves	2,691,292	1,587,716	2,697,223	2,715,734
TOTAL EQUITY	17,069,189	10,852,924	15,448,758	15,446,739
TOTAL EQUITY AND LIABILITIES	229,475,644	217,514,145	231,587,729	231,587,715

