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**“PRUDENCE IN TERMS OF WHERE AND HOW TO INVEST IN AFRICA IS A GOOD WAY TO APPROACH THE CONTINENT.”**

# “WE BELIEVE WE CAN DRIVE AFRASIA TO DOUBLE-DIGIT GROWTH”

The Executive Vice President Corporate Strategy & Marketing of National Bank of Canada (NBC), a minority stakeholder in AfrAsia Bank, focuses on the latter’s potential to expand in Africa. NBC, she says, can bring its expertise to the local bank, namely in terms of risk management solutions.

Himanshu MARCHURCHAND

**BUSINESSMAG.** What was the idea behind the increase of National Bank of Canada (NBC)’s stake in AfrAsia Bank to 17.5% in 2015?

We took an initial stake in late 2014/early 2015. We were attracted to the Mauritian economy since the island is positioned strategically between two of the fastest growing continents in the world: Africa and Asia. We felt there was an opportunity to capture the trade flows between the two continents. We were then very interested in AfrAsia as a bank, given its relative positioning within the Mauritian economy and its strategy. NBC was impressed by the management team and the talent within the bank.

**BUSINESSMAG.** AfrAsia intends to emerge as a more meaningful player in the industry. How can NBC help it reach this objective and is there any particular expertise you will bring to the market in this part of the world?

Of course. We’ve invested in a bank that is already very well positioned and we clearly want to work with the local management. They understand their market best as well as their clients’ needs. Our position is to bring ad-

ditional expertise where possible. We are currently working on two opportunities.

One is with commercial clients with respect to our risk management solutions for financial risks related to interest rates, foreign exchange and commodities. We are also working on a second opportunity concerning institutional clients to assist them in managing assets and liabilities. We continue to look for other areas where we can collaborate and bring our expertise together with AfrAsia.

**“WE ARE CLEARLY INTERESTED IN COMPANIES WANTING TO USE MAURITIUS AS A SPRINGBOARD INTO AFRICA.”**

**BUSINESSMAG.** Can you tell us more about your investments in the region?

We’ve invested directly in AfrAsia Bank in Mauritius but also hold a stake in NSIA (Nouvelle société interafricaine

d’assurance) in Africa, more precisely in Western and Central Africa. We invested in NSIA in mid-2015 as the largest “bancassurance” group in that region. We also made two other investments in Asia. One in the fourth largest bank in Cambodia. We’ve taken 90% participation there and have also participated in a financial group in Mongolia at the end of last year.

**BUSINESSMAG.** One of your core responsibilities within NBC involves identifying strategic business opportunities. What are those you see in Mauritius right now?

Our strategy is to invest directly in banks that have a sizeable presence in their natural market, which is the case with AfrAsia. Furthermore, we consider that Mauritius, as I have said before, is very well positioned. It is a country with a very stable economy, good governance and a strong legal and regulatory framework, which we believe is key to future growth. Given those factors, we will continue to work with AfrAsia’s management team as well as its principal shareholder, IBL, to identify opportunities that may be of interest. Clearly, we keep on supporting AfrAsia with

expertise and capital to sustain this growth.

As previously mentioned, we have identified some key areas where NBC can add significant value to AfrAsia, namely in terms of risk management solutions and asset/liability management. Discussions are currently under way with the business community in Mauritius to assess potential opportunities and develop bespoke products based on those specific needs.

**BUSINESSMAG.** The African continent is pivotal in AfrAsia’s strategy. Yet, we all know the high risk of developing economies which has already put the bank under financial pressure. How is NBC helping to redress the financial situation on the continent?

If we are talking about AfrAsia’s investments in Zimbabwe, I think the bank has dealt with that issue and put it behind them. We also have a new Chief Executive Officer (CEO) who joined the bank back in October 2015, with a renewed vision for the organisation. We will keep on working with AfrAsia as relates to the smooth running of activities. NBC will leverage the expertise it has built over more than 150 years to help AfrAsia grow its business on the African conti-



**“WE ARE TALKING TO NBC CLIENTS IN CANADA IN ORDER TO PROMOTE MAURITIUS AS AN INTERNATIONAL FINANCIAL CENTRE.”**

ment as well as maintain good governance, good transparency and strong credit underwriting. We will sustain our collaboration to capitalise on these and ensure we are continuing to expand the business.

**BUSINESSMAG.** Is there a strong presence of Canadian banks/businesses in Africa?

I think we are the only Canadian bank that has actually put a stick in the ground and actively invested in Africa. There is a high degree of interest but obviously with some caution. Not everyone is familiar with Africa and it is a very diverse continent with countries that have their own identity and own business climate. Prudence in terms of where and how to invest in Africa is a good way to approach the continent. There seems to be a strong interest given the growth prospects of the continent and its population projected to double in the next thirty years to 2.5 billion people. It should see substantial growth across a number of sectors and certainly drive consumption spending as well.

We believe in the long-term growth potential of Africa. By implementing adequate governance and risk mitigation strategies, we are confident that we will achieve results.

➔ *Contd on page 54*

→ Contd from page 53

**BUSINESSMAG.** What's keeping them back, according to you?

For Canadian banks specifically, there seems to be more interest in investing in the United States because it is a close neighbour and appears to be a more familiar market perhaps, with a geography and business practices that are better known. It may look less risky, even though it is not necessarily the case. Investing in emerging markets requires some level of comfort with the unknown but also having the relationships on the continent to understand whom it is best to partner with in new markets.

**BUSINESSMAG.** Aside from banking, what are the sectors most likely to attract growth in Africa?

The infrastructure business is certainly a clear one, along with the agribusiness and agricultural sector. With its growing population and wealth of arable land, the continent's agricultural potential will only continue to increase. Canada has a very rich history of agricultural production and transformation so that bringing together the expertise of Canadian companies and Africa's agricultural potential can be rewarding for both parties.

Construction, transportation and retail are other sectors that will grow rapidly, particularly when underpinned by a growing population. African consumers are increasing in number and moving up the income scale; this creates opportunities in various sectors, from consumer goods to telecommunications. Besides, the mining and commodities sector will continue to attract investors: these are sectors where Canadian companies have traditionally been active in Africa.

**BUSINESSMAG.** What are currently NBC's projects to enhance its presence on the African continent?

I outlined earlier two opportunities that we are working on at present and which, according to me, will develop new capabilities and new segments within Mauritius as well as capture investment flows between Asia and Africa. Those are two areas that will open up new avenues of collaboration. With respect to identifying new opportunities, we are working closely with AfrAsia management and its principal shareholder to determine where there might be future areas to collaborate. There is a lot of strategy work underway at the moment.

We are in the initial stages, so we've had the management of AfrAsia in Canada on a few occasions, meeting with several people from our financial markets area and institutional clients. We've also facilitated through our London office some opening of accounts and opportunities to continue to grow the business there. We are at the early stages of exploring how that's going to be deployed into the Mauritian sector.

**"NBC WANTS TO SEE AFRASIA BECOME A MARKET LEADER."**

**BUSINESSMAG.** There is a lot of talk about using Mauritius as an International Financial Centre (IFC) for global opportunities. How is NBC making efficient use of a presence here through AfrAsia to attract the global flows transiting through the island?

We are working with AfrAsia's CEO, Sanjiv Bhasin, on this mat-

ter. We are clearly interested in companies wanting to use Mauritius as a springboard into Africa. The capabilities and the talent we have within AfrAsia, coupled with our advice and experience, will drive those opportunities going forward.

We are also talking to current and prospective NBC clients in Canada that do business in the region in order to promote Mauritius as an International Financial Centre and initiate referrals to AfrAsia.

**BUSINESSMAG.** How did NBC get interested in AfrAsia, a small bank from a small island in the Indian Ocean?

It was initially the identification of Mauritius as an interesting place to do business. It is a country that from the time it gained independence, has noticeably positioned itself for growth even though it is a relatively small island in the Indian Ocean.

Its business climate has opened itself up to Foreign Direct Investment and you have created standards that are recognised worldwide in terms of having a very strong legal and regulatory framework, strong governance practices as well as a politically stable economy. Furthermore, Mauritius has a very interesting culture which reflects the duality of English and French, like we are used to in Canada, especially in Quebec.

We felt there were a lot of similarities we could relate to within the island and once we decided on the geography, then it was a question of finding the right target for us to invest in. According to us, AfrAsia was comparable to NBC: it occupies a position in the top five of its market, and its talented management team and strong client base made it an ideal investment opportunity.

Given those criteria, we felt very comfortable making this investment. Our objective is to start

with a minority stake but at least a substantial one, actively participating from a governance standpoint at the table and evaluating our longer term growth prospects and eventually to take a larger stake in the organisation.

**BUSINESSMAG.** After increasing its stake in AfrAsia last year, does NBC already plan another move in that direction?

That's what we are here for: evaluate and work with AfrAsia's management. We are very impressed with what we have seen so far and we think the growth prospects are very solid and attractive. If that continues to be the case, then clearly we will go on evaluating the opportunity to finance AfrAsia's growth and become a bigger shareholder, should the occasion arise.

**BUSINESSMAG.** Do you have specific financial targets set for AfrAsia in Mauritius?

Of course we do. However, our competitors are not standing still as they also contemplate growing their organisations. So we are looking at relative market share over time as an external indicator and expect to reach the targets we have set out for ourselves. It makes sense to support the relative growth of AfrAsia as the total market grows. We want to see AfrAsia become a market leader. Its management team is working on a business plan, and discussions are ongoing at the Board level.

**BUSINESSMAG.** How is Mauritius generally perceived at the international level? Is it getting the required visibility as an IFC or is it still only known as a holiday destination or worse, unknown to part of the global business community?

Actually, from an Asian and European perspective, I think Mauritius is well understood and known, not only as a tourist destination but also for its business-friendly environment.

**BUSINESSMAG.** Except for banking, which sectors could be attractive from a North American perspective?

Definitely, the broader financial services category, but there is growth in many other sectors as well. If you look at local conglomerates, there are investments in healthcare, transportation,

**"THERE COULD BE GREATER MARKETING ABOUT THE POSITIONING OF MAURITIUS AS A SPRINGBOARD AND PLATFORM FOR INVESTMENT IN AFRICA."**



manufacturing and the tourism and hotel industry. Agribusiness could also be attractive for foreign investors wanting to leverage opportunities to increase production for local consumption. It is not necessarily about capturing the trade flows between Africa and Asia but certainly relates to the population of Mauritius.

**BUSINESSMAG.** Finally, what is your long-term vision for AfrAsia Bank?

We invested in AfrAsia precisely because of its long-term potential. In addition to its own strength as a financial institution, it boasts a strategic geographic position between Africa and Asia. It has a strong management team with a very capable CEO who has a well-articulated and renewed vision for the organisation that he is continuing to deploy and execute. He is taking on board new talent which will help contribute to the organisation in the longer term. As we bring to fruition our own relative experience and expertise from Canada, we believe that we can drive double-digit growth.

Surely, from an African perspective, that would be the case too. However, from a North American point of view, it is perhaps less well understood. There could be greater marketing about the positioning of Mauritius as a springboard and platform for investment in Africa. That certainly would serve the interests of the country.

**BUSINESSMAG.** Mauritius and Canada mainly collaborate in the educational field for the time being while trade and economic exchanges are still sparse. What can be done to bring about a major change at that level?

Working with the Canadian embassy is one way to promote trade missions to Mauritius. Earlier, I talked about the island

being able to market its capabilities and advantages; trade missions are a great way to do that. We have worked with the Canadian embassy in Cambodia, for example, and it is fostering more trade missions to get it better known. So this would be one way to help North Americans know a bit more about the advantages of the Mauritian market.