

CHIEF EXECUTIVE OFFICER'S MESSAGE

Dear Valued Partner

The financial year ended June 2018 has been marked by significant achievements. We moved ahead on our journey to be a reference in customer service and employer of choice in the banking industry. We kept pace with the challenging business environment as well as economic, social, regulatory and technological changes. I am pleased to share with you our first Integrated Report. This provides a clear roadmap of the Bank's activities as well as its preparedness to create and sustain value for all its stakeholders. It looks at the interconnectedness of financial, human, intellectual, natural, manufactured, social and relationship capital.

THE BANK RECORDED A 31% INCREASE
YEAR-ON-YEAR WITH TOTAL OPERATING INCOME AT

MUR **2.9** bn



The Bank's success for the year has been through disciplined execution of our strategy, led by our key differentiators: Customer-Focus, Teamwork, Innovation and Sustainability.

SANJIV BHASIN
Chief Executive Officer



CHIEF EXECUTIVE OFFICER'S MESSAGE (CONTINUED)

Delivering our Business Strategy

This past year, we have kept our focus on operating our businesses to its full potential, managing diligently our credit impairments and implementing International Financial Reporting Standard (IFRS) 9 Financial Instruments. However, with a challenging credit environment, we followed a conservative approach to onboarding risk throughout a volatile year.

Our deposits grew by 22% to reach MUR 111bn as at year end, a result of our successful client strategy in Segment B business. It provided the necessary liquidity for expansion. It generated ancillary fees and forex income. On the lending side, a conservative and disciplined approach resulted in our loan book growing by 2% to reach MUR 28bn. Our aim is to achieve a stable and good growth through the gradual increase in volume and quality of our assets and diversify our sources of revenue on an ongoing basis to spread our risk amongst a variety of income streams. The eventual growth plan is to have more sources of revenue which are less capital intensive.

In terms of top line, the Bank recorded a 31% increase year-on-year with Total Operating Income at MUR 2.9bn at the end of June 2018. This helped to absorb specific provisioning with capital provision levels reaching 64% coverage ratio before write offs of non-performing assets. We believe we have a stronger and more stable balance sheet with our repositioning and de-risking strategy

successfully executed during the year. With Net Profit after Tax (NPAT) standing at MUR 766m, we believe the Bank's success for the year has been through disciplined execution of our strategy, led by our key differentiators: Customer-Focus, Teamwork, Innovation and Sustainability. The higher level of provisioning to stabilise the asset quality explains a decline in NPAT from MUR 817m to MUR 766m. Cost containment remained in the forefront as Cost to Income Ratio was maintained at 32%.

The introduction of new regulations such as Basel III and IFRS 9 Financial Instruments make it challenging to grow revenues but we seem to be well prepared and in position to compete.

Re-structuring our businesses lines has given us the opportunity to deliver better collaboration and synergies to cross-sell with more innovative and differentiated value propositions. We continue to nurture a dedicated team who ensures proximity to our target markets and clients.

- Corporate Banking: Awarded as the 'Best Corporate Bank 2018' by Banker Africa for the 2nd consecutive year, we delivered an 11% growth in income compared to last year.
- Consumer Banking: Our re-structured cluster regrouping Wealth Management, Private Banking, Personal Banking and Business Banking has enabled a successful cross-selling strategy of our products, particularly from AfrAsia Capital Management Limited, and enabled us to grow our Custody portfolio significantly from last year.

WE BELIEVE WE HAVE A
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- International Banking: Total deposits from global business banking represent 14.4% of the total deposits of all Banks in Mauritius (Segment B only).
- Treasury & Markets: Our strategy has delivered a robust performance. With a better liquidity management framework in place, coupled with steady increase in rates both locally and internationally, our Net Interest Income has been boosted by 57.8% during the year. This enabled our Total Operating income to exceed our target.
- The brand has been growing locally and internationally through various efforts mainly with our flagship event AfrAsia Bank Mauritius Open which has a potential reach of over 400 million households worldwide and provides the Bank with visibility in the right target market. We have also engaged in providing relevant research on wealth markets in Africa and the region, which is aligned with our strategy to focus on this part of the world. We continued to build the capabilities of our South Africa Representative Office and collaborate more closely in East and West Africa to source deals. The mission is to capture trade and investment flows to and from these two areas, supplemented by investment flows to each of the regions from Asia and elsewhere. With

the opportunities lying in front of us, and the availability of a talent pool and global network, we are fully committed to tap into emerging markets while showcasing Mauritius as an International Financial Centre of choice.

Building on our Brand Pillars - Customer Focus, Innovation, Teamwork and Sustainability

CREATING VALUE FOR OUR STAKEHOLDERS AND ENGAGING WITH THEM EQUALLY IMPLIES THEY ALSO NEED TO UNDERSTAND OUR PHILOSOPHY, OUR LONG-TERM OBJECTIVES AND HOW OUR CLOSE COLLABORATION CAN MAKE AFRASIA A SUSTAINABLE BRAND.

Our major founding principles, executed to reshape our DNA and culture, have been critical to the growth of our business. Customer-Focus has been key, where we have continued to listen to our clients, and developed our products and capabilities to meet their requirements progressively and effectively. Our yearly survey revealed that the reorganisation of our operations and processes, complemented with increased staff training over the last financial year, have been bearing the expected fruits, especially from a B2B perspective, with a rising Customer Satisfaction Index (CSI) at 78 in 2018 compared to 69 in 2017.

To support this and enable us become a more digital, competitive and agile bank, we are leveraging Innovation, where we have introduced various digital initiatives including client onboarding mobile applications, migration to cloud and we continue to invest in mobile solutions, automation and artificial intelligence to drive efficiency, and better serve and protect our customers.

CHIEF EXECUTIVE OFFICER'S MESSAGE (CONTINUED)

There is no doubt that our people remain our most important asset, and the environment, the organisational culture and their well-being matter. After reviewing our core values to `DARE`, we have, this year, invested more in employee development than ever before and training hours increased significantly. We have also redesigned our workplace with a more meaningful approach, to create a blue-sky thinking environment that further promotes a collaborative culture, creativity and thus Teamwork.

Sustainable banking is a strategic priority for us. We intend to become a leader in this field, both in terms of our product offering and our contribution to building a sustainable economy. As part of our objective `Responsible Bank 2020`, we are integrating Sustainability principles that acknowledge our everyday business decisions and processes. To promote lifelong learning opportunities, we have launched during the year the AfrAsia School, managed by our Foundation, demonstrating our larger commitment to society. We plan to build this over the next decades to have a small but meaningful impact on our environment.

We are hosting the very first AfrAsia Bank Sustainability Summit in October this year, grouping renowned speakers, to debate on Sustainable Development Goals related themes in their everyday business, and simultaneously sharing knowledge with all our stakeholders - customers,

shareholders, employees, suppliers and all other partners. Creating value for our stakeholders and engaging with them equally implies they also need to understand our philosophy, our long-term objectives and how our close collaboration can make AfrAsia a sustainable brand. This challenging and exciting mission also means we need to keep educating our employees while bringing this very deep thought to our everyday interaction.

Looking forward to successful years ahead of us

We enter the financial year 2018-2019 with a positive outlook and the drive to transform the organization and create a sustainable future for the AfrAsia brand.

We are in a dynamic environment which is expected to witness changes following the evolution of regulations, technology and client expectations. To remain successful in this ever-evolving environment is a challenge. We must assess the host of disruptive technologies being rolled out and adopt quickly to sustain competitive advantage. People will have to be more

adaptive to change and we need to promote that aspect of financial literacy to make them understand that technological disruption as a component of our business strategy is only here to make banking simple and more efficient. Alongside these developments, continuous investment in cybersecurity remains crucial to protect the Bank and its customers.

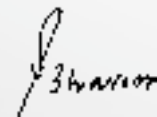
WITH OUR CONTINUED IMPROVEMENTS IN OUR EXECUTION CAPABILITIES, THE OPPORTUNITIES LYING AHEAD OF US AS WELL AS OUR PROVEN ABILITY TO INNOVATE AND ENGAGE WITH OUR STAKEHOLDERS WILL ENSURE THAT THE AFRASIA GROUP IS WELL POSITIONED TO GROW PROFITABLY INTO THE FUTURE.

As regards our strategic footprint, Africa remains the hinterland for Mauritius. There is much work to do to promote the country as a sophisticated financial centre, and we fully believe in the continent's potential despite the socio-political instability in some areas. Targeting African High Net Worth Individuals to invest in or use Mauritius as an investment hub is an area of focus. We are looking at restructuring our SA office to tap into the market, and promote Mauritius as an investment platform. Our flagship golf tournament and biggest brand-building event, the AfrAsia Bank Mauritius Open, positions the island on the world map as a financial and lifestyle hub and is a unique opportunity to build relationships.

Our people's dedication to our clients, our vision and core values give me confidence in AfrAsia's future. As I look forward, there is no doubt that with our continued improvements in our execution capabilities, the opportunities lying ahead of us as well as our proven ability to innovate and engage with our stakeholders will ensure that the AfrAsia Group is well positioned to grow profitably into the future. We wish to work towards building a position where our clients regard us as an institution which creates a future where financial services and products are delivered differently.

Appreciation

I thank the Chairman, the Shareholders, the Board members and my fellow Management team for their support and guidance. To our clients from 140 countries, thank you for choosing to bank different. I also extend a thank you note to all our stakeholders for accompanying us in our journey. Indeed, our success would not have been possible without the unflinching hard work and team spirit of our passionate AfrAsians, who continue to uphold the 'Bank Different' promise every day.



SANJIV BHASIN

Chief Executive Officer

Building on stakeholder engagement to enhance the AfrAsia brand

