CHIEF FINANCIAL OFFICER STATEMENT

AfrAsia Bank closed its 11th year of operations with a commendable Net Profit after Tax and after Comprehensive Income of MUR 766.4m. Concurrently, the Bank remained focused on its sustainable development strategy, while pursuing its strategic objectives in the best interests of all its stakeholders including customers, employees and shareholders.

Confidence in the Bank

Confidence from the Bank's Customers – The deposit base of the Bank has increased from MUR 91.1bn to MUR 111.4bn from end of June 2017 to end of June 2018, representing a growth of 22%. This demonstrates the strength of the AfrAsia franchise amongst customers, including international clients. Segment B deposits has indeed increased by MUR 16.0bn year on year to reach MUR 85.5bn.

Confidence from Employees – The Bank has continued to attract high calibre professionals within a conducive working environment that promotes professional development, strong work ethics and culture. Compared to staffing level of 314 in June 2017, the Bank had a workforce of 368 as of June 2018.

Confidence from the Bank's Shareholders - The Bank is reassured with the continued level of confidence of its shareholders, including its core anchor shareholders namely IBL Ltd, National Bank of Canada and Intrasia Capital Pte Ltd who followed their stake in the rights issue exercise undertaken towards the end of the June 2018 financial year end. Overall, the Bank was able to raise MUR 443.4m of fresh capital and closed the financial year with a Tier 1 capital base of MUR 6.3bn, split between MUR 4.9bn of Common Equity Tier 1 capital and MUR 1.4bn of Additional Tier 1 capital. As at 30 June 2018, the Bank's Capital Adequacy ratio stood at 14.71%, against regulatory requirement of 12%. The Bank remains qualified as a Domestic Systemically Important Bank (D-SIB), which imposes on it an additional buffer of 0.75% over and above the benchmark of 11.25% for other non D-SIB banks.

Diving into the numbers – Statement of Financial Position:

Total Assets of the Bank – Year on year, the Bank witnessed an increase in its total assets from MUR 100.4bn as at the close of June 2017 to MUR 120.4bn at the end of this financial year. The Bank maintained a liquid balance sheet with a very conservative assets mix of 23% in loans and advances to customers, 46% in nostro/placements with other Banks, 29% in securities (held-for-trading, available-for-sale and held-to-maturity books) and 2% in other assets. This strategy is reflective of the current challenging operating environment both locally and internationally, while maximizing assets yield and the Bank's risk appetite.

Loans and Advances to Customers – As part of the Bank's objective to promote a sustainable balance sheet, a thorough review of our loan book and credit exposures was undertaken and based on the relevant assessments, necessary actions with respect to provisioning and write offs were taken accordingly. Hence, the Bank's Non-Performing assets which stood at MUR 3.0bn as at June 2017 is now at MUR 1.5bn. Assets coverage ratio has been marked by a positive evolution from 34% last year to 39% this year.

The Financial Statements as at 30 June 2018 has been prepared as per IAS 39 – "Financial Instruments - Recognition and Measurement". However, as from 1st July 2018, the Bank has started to report in line with IFRS 9 – "Financial Instruments". While conceptually IFRS 9 introduces a more forward looking approach to the way expected impairment loss is calculated on a financial asset, the Bank does not foresee any material impact on its books going forward.

Investment into tangible and intangible assets – In line with the Bank's 3-year strategy plan to build a more robust technological platform, we continued our planned investment into both tangible and intangible assets which has witnessed an increase of MUR 167.3m during the course of the year under review. It is expected that investments on these items will be rationalized going forward to ensure the stabilization of the various platforms.

Diving into the numbers – Statement of Profit or Loss and Other Comprehensive Income:

For the year under review, the Bank reported a Net Profit after Tax and Other Comprehensive Income of MUR 766.4m compared to MUR 804.7m last year. This drop is essentially attributable to the increased level of impairment from MUR 580.5m last year to MUR 1.1bn this year, in line with the thorough review of the Bank's assets book that was undertaken as mentioned earlier.

Overall, total operating expenses grew to MUR 927.4m from MUR 712.1m, reflective of increase in headcounts, investment in new physical infrastructure and technological innovation.

On the revenue side, total operating income increased meaningfully from MUR 2.2bn to MUR 2.9bn, representing a growth of 31%. Including in that, net interest income witnessed a growth from MUR 1.1bn to MUR 1.6bn, demonstrating the sustainability of the bank's income potential.

Concurrently, net fee and commission income increased from MUR 369.1m to MUR 423.9m showing the robust diversification of the bank's income generating capability.

CHIEF FINANCIAL OFFICER STATEMENT (CONTINUED)

And last, but not least, Treasury Income grew from MUR 686.0m to MUR 816.8m which shows our ability to generate day to day value-added services on the back of innovative products.

Taxation – This year's tax expense of MUR 141.2m includes MUR 79.3m of corporate tax and MUR 41.6m of banking levy, reflective of an effective increase in the Bank's effective tax rate from 11.16% to 15.56%. 2017 effective tax rate was relatively lower compared to 2018 on account of an increased level of credit impairment in 2017, 2018 increase in credit impairment level was principally offset by a substantial level of write offs of credit exposures of which a major part was not considered as allowable in the current year in tax perspective.

Looking forward

Despite positive signs of economic development both locally and internationally, there are certain persisting challenges that cannot be discounted as we move forward. Having undertaken a total review of its assets and completed significant investments, especially on the IT front, the Bank is very comfortable on its ability to continue growing its income base, which going forward, should translate in the bottom line.

The Bank will also continue to play its role as a partner to its stakeholders and the society in general. Our aim is to be part and parcel of the socio-economic fabric and bring our contribution to ensure the long term sustainability of our environment in its wider context.

Jennifer Jean-Louis
Chief Financial Officer