

CHAIRMAN'S REVIEW



Dear Shareholders and Partners,

Seven years ago, we had a bold dream: to become a bank of reference for the Corporate segment and the Private Banking market in Mauritius and the region and to capture Mauritius's potential as an International Financial Centre and the compelling opportunities the Hopeful Continent had to offer. AfrAsia Bank Limited was created.

With GML, the Number 1 Group in Mauritius as anchor shareholder, an innovative mindset and strategic thinking, we have continued to go our own way ever since. We became a unique entity that blended entrepreneurial verve, tactical thinking, and operational excellence, with everything united by a passionate commitment to success.

AfrAsia Bank Limited closed this financial year on a solid note reporting record operating profit and net income pre-exceptional items and maintaining its robust growth in loans, assets and deposits. To support its rapid growth, AfrAsia Bank Limited raised additional capital totaling MUR 1.39bn in the form of Class A shares from a broad range of investors. This capital raising has helped to strengthen the Bank's capital base with AfrAsia Bank Limited posting a Capital Adequacy Ratio of 13.1% as at 30 June 2014. It has always been the strategy of the Bank to raise capital as and when required to support the growth of the balance sheet and also diversify its shareholders' base.

I thank our shareholders and my fellow Directors for their essential role in what is becoming an ever-increasingly highly regulated industry. Such regulation however has contributed to our financial services industry remaining strong yet vibrant in Mauritius.

We believe that we have set up the right framework, the right strategy and appropriate tools to outperform and exponentially grow from a startup bank to a renowned and innovative financial institution.

This continued commitment and professional excellence from our stakeholders makes me confident that the years ahead for AfrAsia Bank Limited are going to be as – or even more – exciting and rewarding than the last 7 years.

THE CHALLENGE OF LEVERAGING AFRICA'S POTENTIAL

While other countries may stagnate under economic pressures, Mauritius has made a successful expansion from sugar cane production to a diverse and dynamic economy. Financial services now contribute significantly to the nation's coffers with an increased focus on enterprise building as the island seeks to become a knowledge and investment hub for the region.

Having concentrated on European markets for more than 40 years, Mauritius has made robust efforts to integrate with its mainland counterparts particularly those within the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC). Hence the decision for the Bank to look closely at these markets as we dive into countless

opportunities to exploit the Africa-Asia trade corridor. We have considerably beefed up our capabilities in Africa and now offer trading settlements in eight African currencies amongst which Zambia, Nigeria, Botswana, Kenya and Tanzania.

But dealing in Africa is not risk free, as our investment in Zimbabwe has demonstrated. In light of the challenges faced by our operations there, the Group has embarked on a turn-around strategy whose key component revolves around raising additional funding and even capital to tackle the liquidity issues on the ground. Concurrently, we have ensured that the risks of Zimbabwe are ring-fenced and do not affect our main stream operations on the AfrAsia Bank balance sheet.

Going forward, our strategy in Africa will be centered towards building durable partnerships with key players on the continent, be it with strong corporate clients, investors and Private Equity funds as well as banks.

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CORPORATE GOVERNANCE

As a Group, we are committed to upholding the highest levels of corporate governance and have implemented a comprehensive governance framework. The Bank has been an award winner at PwC Corporate Reporting Awards for 2 consecutive years and last year, we bagged both 'Online Reporting' and 'Financial Institutions' awards. Full details of our Corporate Governance Report are provided in this Annual Report.

We also have a strong, experienced and diverse Board with balanced expertise, and the Board exercises solid controls as well as strategic oversight on the Management team. The Board composition now includes Nicolas Weiss as a non-executive Director with more than 26 years of experience in the finance industry. We will continue to review the composition of the Board to ensure that we have the right mix of skills and appropriate diversity to set the strategic direction of AfrAsia Bank Limited and oversee its successful establishment in the region and internationally.

POSITIONED FOR PERFORMANCE

This year has seen the Bank reach new key milestones. Our balance sheet has now crossed the USD 1.5bn mark with new capital raised and strong growth on both deposits and loans. Net Operating Income has been above MUR 1bn and Operating Profits have crossed MUR 500m. Net Profit for the year has however been lower at MUR 223m as we have prudently passed a provision related to our Zimbabwe investment. We have recorded a 57% increase in total comprehensive income at Group level, from MUR 206m in 2013 to MUR 323m, with the contribution of our wholly-owned subsidiaries AfrAsia Corporate Finance and AfrAsia Capital Management.

As the Bank keeps on expanding, we also have the opportunity to build a robust and complete business continuity capability at Ebene. With the implementation of a new flagship branch in Ebene, CyberCity, we continue to put technology at the heart of

our business strategy through digital interactive walls, screens and displays with multi-touch functionalities, to provide a distinctive customer experience.

The Bank has also opened a new Representative Office in London, licensed by the Financial Services Authority.

LOOKING AHEAD

As we continue in our mission of growing the franchise for the benefit of all stakeholders, we are conscious of the necessity of keeping a strong corporate governance framework and managing risks. The compliance framework of the Group needs to also evolve in line with regulatory requirements that become more complex and stringent. Accordingly, the Group has embarked on a restructuring plan that will see the creation of a top holding company named AfrAsia Financial Holdings Ltd (AFHL). Entities of the Group will be split between a banking cluster and a non-banking cluster. And within the banking cluster, the Zimbabwe entities will also cease to be subsidiaries of the Bank and will be held separately. This will also ensure that the Zimbabwe investment is further ring-fenced and help isolate any potential additional risks associated therewith. We expect to complete the restructuring before 31st December 2014.

I expect the Bank to keep focusing on its core target segments where it has made significant inroads over the past years and which should continue contributing to the value creation process. It is also by showing an unmatched combination of vision, business acumen and experience that the dedicated executive team and employees continue to uphold the 'Bank Different' approach. I am proud to note the unremitting commitment of the Chief Executive Officer and his team in tirelessly building a business of value and growth. May I take this opportunity, as Chairman of the Bank and for the last year, due to rotation imposed by Bank of Mauritius, to thank my fellow Directors and all the team members for the support during this year and since 2007.

AfrAsia Bank will continue this 'Bank Different' journey with all our stakeholders, who continuously inspire us to exceed expectations and drive the franchise to new heights.

Arnaud Lagesse
Chairman

