Condensed Audited Financial Statements
for the year ended **30 June 2020**

AFRASIA BANK LIMITED

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Condensed Audited Statements of Financial Position as at 30 June 2020

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
ASSETS						
Cash and cash equivalents	**69,036,975**	50,700,638	50,105,076	**69,032,249**	50,698,992	49,974,647
Due from banks	**11,132,738**	12,967,930	5,164,742	**11,132,738**	12,967,930	5,164,742
Derivative financial instruments	**321,961**	744,595	897,052	**321,961**	92,413	208,490
Loans and advances to banks	**5,245,927**	6,019,048	5,769,229	**5,245,927**	6,019,048	5,769,229
Loans and advances to customers	**23,043,922**	22,150,196	22,297,254	**23,043,922**	22,150,196	22,297,254
Investment securities	**48,696,565**	46,203,952	35,290,627	**48,664,900**	45,308,171	34,374,414
Investment in subsidiary	**-**	-	-	**-**	-	189,563
Asset held for distribution	**-**	-	-	**38,277**	-	-
Property and equipment	**171,195**	187,071	192,285	**170,977**	185,675	189,854
Intangible assets	**269,990**	243,401	417,919	**269,914**	243,398	249,585
Right of use assets	**80,017**	-	-	**80,017**	-	-
Deferred tax assets	**124,506**	101,664	141,747	**124,388**	100,953	141,462
Other assets	**2,353,081**	2,042,215	1,685,508	**2,347,559**	2,106,722	1,841,173
TOTAL ASSETS	**160,476,877**	141,360,710	121,961,439	**160,472,829**	139,873,498	120,400,413
LIABILITIES AND EQUITY						
Due to banks	**13,252**	30,434	932,755	**13,252**	30,434	932,755
Deposits from banks	**96,365**	14,106	33,341	**96,365**	14,106	33,341
Deposits from customers	**150,826,106**	131,018,499	111,102,759	**150,850,619**	131,194,259	111,352,126
Derivative financial instruments	**107,168**	702,177	752,944	**107,168**	49,995	64,382
Debts issued	**1,083**	320,662	855,302	**-**	184,205	600,208
Financial liabilities measured at fair value through profit or loss	**4,398**	872,139	897,654	**-**	-	-
Retirement benefit obligations	**102,034**	67,307	42,776	**99,851**	64,652	41,688
Current tax liabilities	**13,618**	112,116	34,780	**13,618**	112,116	31,281
Lease liabilities	**82,571**	-	-	**82,571**	-	-
Other liabilities	**578,800**	522,732	473,048	**568,061**	507,327	445,380
TOTAL LIABILITIES	**151,825,395**	133,660,172	115,125,359	**151,831,505**	132,157,094	113,501,161
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						
Ordinary shares	**3,641,049**	3,641,049	3,641,049	**3,641,049**	3,641,049	3,641,049
Class A shares	**1,399,768**	1,399,768	1,399,768	**1,385,768**	1,385,768	1,385,768
Retained earnings	**2,285,239**	1,801,294	1,200,350	**2,297,788**	1,836,242	1,277,521
Other reserves	**1,325,426**	858,427	594,913	**1,316,719**	853,345	594,914
TOTAL EQUITY	**8,651,482**	7,700,538	6,836,080	**8,641,324**	7,716,404	6,899,252
TOTAL EQUITY AND LIABILITIES	**160,476,877**	141,360,710	121,961,439	**160,472,829**	139,873,498	120,400,413

Condensed Audited Statements of Profit or Loss and other Comprehensive Income for the year ended 30 June 2020

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Interest income	**3,114,028**	3,169,022	2,405,712	**3,114,028**	3,169,047	2,405,556
Interest expense	**(1,085,830)**	(858,407)	(699,391)	**(1,085,786)**	(858,274)	(695,565)
Net interest income, calculated using EIR method	**2,028,198**	2,310,615	1,706,321	**2,028,242**	2,310,773	1,709,991
Fee and commission income	**804,205**	767,392	739,778	**764,389**	718,151	649,327
Fee and commission expense	**(299,904)**	(293,084)	(309,428)	**(297,492)**	(291,379)	(306,402)
Net fee and commission income	**504,301**	474,308	430,350	**466,897**	426,772	342,925
Net (loss)/gain from derecognition of financial assets measured at amortised cost	**(2,003)**	23,927	-	**(2,003)**	23,927	-
Net trading income	**616,554**	228,862	142,122	**616,554**	228,862	142,122
Net (loss)/ gain from derecognition of financial assets measured at fair value through other comprehensive income	**(3,046)**	98	34,582	**(3,046)**	98	34,582
Net gain from foreign exchange and derivatives	**675,795**	684,180	642,260	**685,796**	687,941	640,063
Other operating income	**30,026**	5,598	27,707	**22,714**	15,118	32,977
Total operating income	**3,849,825**	3,727,588	2,983,342	**3,815,154**	3,693,491	2,902,660
Net impairment loss on financial assets	**(839,155)**	(468,315)	(1,067,581)	**(839,095)**	(468,380)	(1,067,581)
Net operating income	**3,010,670**	3,259,273	1,915,761	**2,976,059**	3,225,111	1,835,079
Personnel expenses	**(751,396)**	(685,120)	(570,135)	**(718,079)**	(646,296)	(529,664)
Depreciation of property and equipment	**(36,153)**	(37,726)	(35,608)	**(35,713)**	(36,361)	(34,370)
Depreciation of right of use assets	**(31,735)**	-	-	**(31,735)**	-	-
Amortisation of intangible assets	**(40,934)**	(72,014)	(37,310)	**(40,923)**	(38,586)	(27,005)
Other operating expenses	**(460,142)**	(405,502)	(351,378)	**(448,226)**	(387,303)	(336,362)
Total operating expenses	**(1,320,360)**	(1,200,362)	(994,431)	**(1,274,676)**	(1,108,546)	(927,401)
Operating profit	**1,690,310**	2,058,911	921,330	**1,701,383**	2,116,565	907,678
Impairment loss on investment in subsidiary	**-**	-	-	**-**	(189,563)	-
Impairment loss on receivable from subsidary	**-**	-	-	**(33,057)**	(103,000)	-
Loss on winding up of subsidiary	**-**	(57,210)	(10,353)	**-**	-	-
Impairment loss on goodwill	**-**	(134,903)	-	**-**	-	-
Profit before tax	**1,690,310**	1,866,798	910,977	**1,668,326**	1,824,002	907,678
Tax expense	**(147,314)**	(238,826)	(148,115)	**(146,771)**	(239,219)	(141,224)
Profit for the year	**1,542,996**	1,627,972	762,862	**1,521,555**	1,584,783	766,454
Other comprehensive income/(loss) that may be subsequently reclassified to profit or loss:						
Net gain on available-for-sale investments	**-**	-	10,722	**-**	-	10,722
Movement in fair value reserve for debt instrument measured at fair value through other comprehensive income:						
- (Losses)/gains arising during the year	**(2,880)**	2,047	-	**(2,880)**	2,047	-
- Reclassification of gains/(losses) included in profit or loss on derecognition	**3,046**	(98)	-	**3,046**	(98)	-
- Expected credit losses	**(1,074)**	527	-	**(1,074)**	527	-
Exchange differences on translation of foreign operations	**-**	-	(523)	**-**	-	-
Recycling of retranslation reserve on winding up	**-**	-	523	**-**	-	-
	(908)	2,476	10,722	**(908)**	2,476	10,722
Other comprehensive income/(loss) that will not be reclassified to profit or loss:						
Remeasurement of retirement benefit obligations	**(20,723)**	(10,179)	(11,611)	**(21,731)**	(9,269)	(11,611)
Deferred tax on remeasurement of retirement benefit obligations	**1,268**	426	819	**1,318**	381	819
Gain on equity instruments designated at fair value through other comprehensive income	**4,995**	6,205	-	**1,370**	1,122	-
	(14,460)	(3,548)	(10,792)	**(19,043)**	(7,766)	(10,792)
Other comprehensive loss for the year	**(15,368)**	(1,072)	(70)	**(19,951)**	(5,290)	(70)
Total comprehensive income for the year attributable to equity holders of the parent	**1,527,628**	1,626,900	762,792	**1,501,604**	1,579,493	766,384

Condensed Audited Statements of Changes in Equity for the year ended 30 June 2020

THE GROUP	Ordinary shares	Class A shares	Retained earnings	Other reserves	Total
Attributable to owners of the Bank	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July 2017	3,197,608	1,399,768	870,794	464,083	5,932,253
Profit for the year	-	-	762,862	-	762,862
Other comprehensive (loss)/income	-	-	(10,792)	10,722	(70)
Total comprehensive income for the year	-	-	752,070	10,722	762,792
Share-based payments	-	-	-	(2,862)	(2,862)
Appropriation of reserves	-	-	(122,355)	122,355	-
Issue of shares	446,291	-	-	-	446,291
Reclassification adjustments relating to foreign operations disposed during the year	-	-	-	615	615
Indemnity costs	(2,850)	-	-	-	(2,850)
Dividends	-	-	(300,159)	-	(300,159)
At 30 June 2018 (audited)	3,641,049	1,399,768	1,200,350	594,913	6,836,080
At 1 July 2018 (audited)	3,641,049	1,399,768	1,200,350	594,913	6,836,080
Effect of adopting IFRS 9	-	-	(429,481)	547	(428,934)
At 1 July 2018	3,641,049	1,399,768	770,869	595,460	6,407,146
Profit for the year	-	-	1,627,972	-	1,627,972
Other comprehensive (loss)/income	-	-	(9,753)	8,681	(1,072)
Total comprehensive income for the year	-	-	1,618,219	8,681	1,626,900
Appropriation of reserves	-	-	(254,286)	254,286	-
Dividends	-	-	(333,508)	-	(333,508)
At 30 June 2019 (audited)	3,641,049	1,399,768	1,801,294	858,427	7,700,538
At 1 July 2019 (audited)	**3,641,049**	**1,399,768**	**1,801,294**	**858,427**	**7,700,538**
Profit for the year	**-**	**-**	**1,542,996**	**-**	**1,542,996**
Other comprehensive (loss)/income	**-**	**-**	**(19,455)**	**4,087**	**(15,368)**
Total comprehensive income for the year	**-**	**-**	**1,523,541**	**4,087**	**1,527,628**
Additional provision in relation to Bank of Mauritius Guideline	**-**	**-**	**(146,054)**	**146,054**	**-**
Appropriation of reserves	**-**	**-**	**(316,858)**	**316,858**	**-**
Dividends	**-**	**-**	**(576,684)**	**-**	**(576,684)**
At 30 June 2020 (audited)	**3,641,049**	**1,399,768**	**2,285,239**	**1,325,426**	**8,651,482**

THE BANK	Ordinary shares	Class A shares	Retained earnings	Other reserves	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July 2017	3,197,608	1,385,768	944,373	464,699	5,992,448
Profit for the year	-	-	766,454	-	766,454
Other comprehensive (loss)/income	-	-	(10,792)	10,722	(70)
Total comprehensive income for the year	-	-	755,662	10,722	766,384
Share-based payments	-	-	-	(2,862)	(2,862)
Issue of shares	446,291	-	-	-	446,291
Indemnity costs	(2,850)	-	-	-	(2,850)
Appropriation of reserves	-	-	(122,355)	122,355	-
Dividends	-	-	(300,159)	-	(300,159)
At 30 June 2018 (audited)	3,641,049	1,385,768	1,277,521	594,914	6,899,252
At 1 July 2018 (audited)	3,641,049	1,385,768	1,277,521	594,914	6,899,252
Effect of adopting IFRS 9	-	-	(429,380)	547	(428,833)
At 1 July 2018	3,641,049	1,385,768	848,141	595,461	6,470,419
Profit for the year	-	-	1,584,783	-	1,584,783
Other comprehensive (loss)/income	-	-	(8,888)	3,598	(5,290)
Total comprehensive income for the year	-	-	1,575,895	3,598	1,579,493
Appropriation of reserves	-	-	(254,286)	254,286	-
Dividends	-	-	(333,508)	-	(333,508)
At 30 June 2019 (audited)	3,641,049	1,385,768	1,836,242	853,345	7,716,404
At 1 July 2019 (audited)	**3,641,049**	**1,385,768**	**1,836,242**	**853,345**	**7,716,404**
Profit for the year	**-**	**-**	**1,521,555**	**-**	**1,521,555**
Other comprehensive (loss)/income	**-**	**-**	**(20,413)**	**462**	**(19,951)**
Total comprehensive income for the year	**-**	**-**	**1,501,142**	**462**	**1,501,604**
Additional provision in relation to Bank of Mauritius Guideline	**-**	**-**	**(146,054)**	**146,054**	**-**
Appropriation of reserves	**-**	**-**	**(316,858)**	**316,858**	**-**
Dividends	**-**	**-**	**(576,684)**	**-**	**(576,684)**
At 30 June 2020 (audited)	**3,641,049**	**1,385,768**	**2,297,788**	**1,316,719**	**8,641,324**

Condensed Audited Financial Statements for the year ended **30 June 2020**

AFRASIA BANK LIMITED

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Condensed Audited Statements of Cash Flows for the year ended 30 June 2020

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
OPERATING ACTIVITIES	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Profit before tax	**1,690,310**	1,866,798	910,977	**1,668,326**	1,824,002	907,678
Adjustments for:						
Change in operating assets	**(1,475,158)**	(19,884,438)	(7,248,568)	**(2,958,049)**	(19,958,143)	(6,783,738)
Change in operating liabilities	**18,377,664**	18,806,966	20,260,095	**19,886,380**	18,926,158	19,683,975
Non-cash items included in profit before tax	**910,179**	774,650	1,165,372	**942,556**	839,717	1,142,392
Payment of gratuity	**(1,485)**	-	-	**(1,485)**	-	-
Tax paid	**(328,641)**	(99,738)	(234,267)	**(328,641)**	(96,253)	(230,459)
Net cash flows generated from operating activities	**19,172,869**	1,464,238	14,853,609	**19,209,087**	1,535,481	14,719,848
INVESTING ACTIVITIES						
Purchase of property and equipment	**(23,891)**	(33,821)	(45,121)	**(23,891)**	(33,491)	(44,470)
Purchase of intangible assets	**(67,523)**	(33,692)	(122,809)	**(67,439)**	(33,692)	(122,809)
Asset held for distribution	**-**	(57,210)	-	**(38,277)**	-	-
Dividend received	**-**	-	-	**-**	-	22,000
Proceeds from sale of property and equipment	**4,145**	-	89	**3,040**	-	89
Net cash flows used in investing activities	**(87,269)**	(124,723)	(167,841)	**(126,567)**	(67,183)	(145,190)
FINANCING ACTIVITIES						
Issue of shares	**-**	-	446,291	**-**	-	446,291
Indemnity paid on shares issued	**-**	-	(2,850)	**-**	-	(2,850)
Payment of lease liabilities	**(31,026)**	-	-	**(31,026)**	-	-
Repayment of subordinated debt	**(170,556)**	(385,033)	(682,475)	**(170,556)**	(385,033)	(682,475)
Dividends paid	**(576,684)**	(333,508)	(300,159)	**(576,684)**	(333,508)	(300,159)
Net cash flows used in financing activities	**(778,266)**	(718,541)	(539,193)	**(778,266)**	(718,541)	(539,193)
Net cash flows for the year	**18,307,334**	620,974	14,146,575	**18,304,254**	749,757	14,035,465
Movement in cash and cash equivalents						
Cash and cash equivalents at 1 July	**50,699,991**	50,104,963	35,958,912	**50,698,345**	49,974,534	35,939,069
Net increase in cash and cash equivalents	**18,307,334**	620,974	14,146,575	**18,304,254**	749,757	14,035,465
Effect of IFRS 9 impairment charge	**22,774**	(25,946)	-	**22,774**	(25,946)	-
Net foreign exchange difference	**-**	-	(524)	**-**	-	-
Cash and cash equivalents at 30 June	**69,030,099**	50,699,991	50,104,963	**69,025,373**	50,698,345	49,974,534
Operational cash flows from interest						
Interest paid	**(1,411,062)**	(881,316)	(732,067)	**(1,051,776)**	(872,123)	(656,633)
Interest received	**2,906,096**	2,864,490	2,808,791	**2,821,688**	3,211,904	2,463,661

Management's Comments

This year has been marked by the outbreak of the Coronavirus (Covid-19) pandemic which has brought some dramatic challenges in the financial landscape locally and internationally, with record volatility in stock prices, contractions in yields, etc. Coupled with the Covid-19 pressures, Mauritius was included in the high-risk jurisdictions list by the European Commission as from October 2020. However, Mauritius was commended recently by Financial Action Task Force (FATF) for the progress made with respect to applying best practice norms for the fight against money laundering, terrorist financing and proliferation financing.

During this unprecedented time, the Bank's strategy has been geared towards protecting its balance sheet assets and ensuring effective capital preservation.

We are now pleased to present the following results for the year ended 30 June 2020.

AfrAsia Bank Limited (the "Bank") registered a profit after tax of MUR 1.5bn resulting in a decrease of 4% as compared to last year.

Net interest income dropped by 12% for the year ended compared to last year, largely associated with contraction in yields locally and internationally.

Net trading income was MUR 387.7m more than the previous year to reach MUR 616.6m.

Net fee and commission income increased by 9% to reach MUR 466.9m as compared to MUR 426.8m the previous year.

The Bank revisited its Expected Credit Loss (ECL) model in the context of Covid-19 to cater for the higher level of uncertainties in markets both locally and across borders. Furthermore, the Bank classified certain assets as non-performing during the year for which adequate provision was recognised and further provision taken on existing non-performing assets during the year.

On the operating expenses side, a 15% increase was noted year-on-year, with our investment in human capital, representing 56% of our total expenses. The cost-to-income ratio of the Bank continues to be stable at 33%.

Deposit base stood at MUR 150.9bn as at the end of June 2020, an increase of 15% from June 2019.

The Capital Adequacy Ratio stood at 15.15% as at end of June 2020 against a regulatory limit of 12.88% compared to 15.85% last year.

It is to be noted that above performance concluded in a satisfactory Return on Average Equity of 21% despite the unanticipated challenges faced during the year under review. However, the Bank will continue to be more vigilant due to the uncertainties in the market.

By Order of the Board
Neeven N. Parsooramen
Company Secretary
19 November 2020

For the information of stakeholders, AfrAsia Bank Limited is pleased to present its condensed audited financial statements for the year ended 30 June 2020.

This notice is issued pursuant to the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007.

Copies of the unaudited interim financial statements (which can also be viewed on the Bank's website www.afrasiabank.com) are available free of charge at the registered office of the Bank, Bowen Square, 10, Dr Ferrière Street, Port Louis, Mauritius. The statement of direct and indirect interests of officers, pursuant to Rule 8(2)(m) of the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007, is also available free of charge, upon request at the registered office of the Bank.

Independent Auditor's Report to the Shareholders of AfrAsia Bank Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of **AfrAsia Bank Limited** (the "Bank" and the "Public Interest Entity") and its subsidiaries (the "Group") set out on pages 6 to 122, which comprise the consolidated and separate statements of financial position as at 30 June 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and the Bank as at 30 June 2020, and of their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements of the Mauritius Companies Act 2001, the Financial Reporting Act 2004 and the Banking Act 2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and the Bank in accordance with the International Ethics Standards Boards for Accountants Code of Ethics for Professional Accountants (IESBA code) and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters noted below relate to the consolidated and separate financial statements.

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses – Financial assets which are not credit impaired	
IFRS 9 requires the Bank to recognise expected credit losses ('ECL') on financial instruments, which involves significant judgements and estimates. The key areas where we identified greater levels of management judgements and estimates and therefore increased levels of audit focus in the implementation of IFRS 9 are: • Model estimations – the Bank has used a combination of statistical model and credit rating model to estimate ECLs depending on type of portfolio which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). The PD and LGD models used in the loans portfolios are the key drivers of the ECL results and are therefore the most significant areas of judgements and estimates used in the ECL modelling approach. • Determining the criteria for significant increase in credit risk ('SICR') and identifying SICR– These criteria are highly judgemental and can impact the ECL materially where facilities have maturity of greater than 12 months. • Macro-Economic Forecasts – IFRS 9 requires to measure ECLs on a forward-looking basis using the most appropriate macro-economic forecasts. The macro-economic forecasts are estimates of future economic conditions. • Economic scenarios – the Bank has used a range of future economic conditions in light of the global pandemic of COVID-19. Significant management judgement is applied in determining the economic scenarios used and the probability weightings applied, especially when considering the current uncertain global economic environment. • Qualitative adjustments – Adjustments to the model-driven ECL results are accounted by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts.	Our audit procedures included amongst others: • Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions used in the models; • Evaluating controls over model monitoring and validation; • Use of specialist team in performing certain procedures; • Verifying the historical data used in determination of PD in the models; • Reviewing a sample of the rating reports derived from the internal rating system and the corresponding mapping to S&P table; • Reviewing the criteria for staging of credit exposures and ensure these are in line with the requirements of IFRS 9 including any backstops used in the methodology; • Assessing the appropriateness of the macro-economic forecasts used; • Independently assess probability of default, loss given default and exposure at default assumptions; • Testing the accuracy and completeness of ECL by reperformance; and • Assessing whether the disclosures are in accordance with the requirements of IFRS 9. We found the assumptions used in determining the expected credit losses in the consolidated and separate financial statements and related disclosures to be appropriate.

Provision for expected credit losses – Credit impaired assets	
Provision for expected credit losses on credit-impaired loans and advances to customers at 30 June 2020 amount to MUR 1,972 million and the charge to profit or loss for the year amount to MUR 1,024 million. The use of assumptions for the measurement of provision for expected credit losses is subjective due to the level of judgement applied by Management. Changes in the assumptions and the methodology applied may have a major impact on the measurement of allowance for credit impairment. The details of allowance for credit impairment on loans and advances are disclosed in Note 16(b) to the financial statements. The most significant judgements are: - whether impairment events have occurred - valuation of collateral and future cash flows - management judgements and assumptions used Due to the significance of the judgements applied in the identification of credit-impaired facilities and determination of the provision for expected credit losses, this item is considered as a key audit matter.	Our audit procedures included amongst others: • Obtaining audit evidence in respect of key controls over the processes for impairment events identification and collateral valuation; • Inspecting the minutes of Credit Committee, Risk Committee and Board to ensure that there are governance controls in place in relation to assessment of allowance for credit impairment; • Challenging the methodologies applied by using our industry knowledge and experience; • Obtaining audit evidence of management judgements and assumptions, especially focusing on the consistency of the approach; and • Performing a risk-based test of loans and advances to customers to ensure timely identification of impairment and for impaired loans to ensure appropriate allowance for credit impairment. We found the assumptions used in determining the allowance for credit impairment and disclosures in the consolidated and separate financial statements to be appropriate.

AFRASIA bank different

Independent Auditor's Report to the Shareholders of AfrAsia Bank Limited *(Cont'd)*

Key audit matter *(Cont'd)*	How our audit addressed the key audit matter
Valuation of financial instruments held at fair value	
In the Bank's separate financial statements, financial assets amounting to MUR 2,374 million are carried at fair value at 30 June 2020. In determining the fair value of these financial instruments, the Bank uses a variety of methods and makes assumptions that are based on market conditions existing at reporting date. Many of the inputs required can be obtained from readily available liquid market prices and rates. Where observable inputs are used, in particular for level 2 instruments, pricing inputs were developed based on the quoted data in secondary market. The disclosures relating to financial instruments held at fair value have been provided in Notes 15 and 17 to the financial statements. The valuation of the Bank's financial instruments held at fair value is a key area of the audit focus due to the complexity involved in the valuation process.	Our audit procedures included among others: • Reviewed the Bank's controls relating to the fair valuation of financial instruments; • Evaluated the appropriateness of the valuation methodology and models used; • Verified the pricing inputs used to source data, including external data; and • Involved our valuation specialist in evaluating the fair valuation of financial instruments at reporting date. We found the assumptions used and disclosures in the separate financial statements to be appropriate.
Deferred tax assets	
As disclosed in Note 11(d), the Group and the Bank have recognized deferred tax assets at 30 June 2020 for deductible temporary differences that they have assessed to be recoverable. The recoverability of recognized deferred tax assets is in part dependent on the ability of the Group and the Bank to generate sufficient future taxable profits to realise these deductible temporary differences as well as to obtain the tax benefits on thereon. We have determined this to be a key audit matter due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences.	Our procedures in relation to management's assessment about the recoverability of deferred tax assets included: • Challenging the assumptions made by management to assess whether the recognition of deferred tax assets is appropriate; • Evaluating management's assessment of the estimated manner in which the timing differences, including the recoverability of the deferred tax assets, would be realized by comparing this to evidence obtained in respect of other areas of the audit, including business plans and strategy, minutes of the directors' meetings and our knowledge of the business; and • Assessing the trend of the recoverability of the tax benefit. We found the assumptions used and disclosure in the consolidated and separate financial statements to be appropriate.

Report on other legal and regulatory requirements

The Mauritius Companies Act 2001

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or interest in, the Bank and its subsidiaries other than in our capacity as auditor;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Bank as far as appears from our examination of those records.

The Banking Act 2004

- In our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the provisions of the Banking Act 2004 and the regulations and guidelines issued by Bank of Mauritius in relation to banks; and

- the explanations or information called for or given to us by the officers or agents of the Bank were satisfactory.

Other information

The directors are responsible for the other information. The other information comprises the Interim Chairperson's Review, Chief Executive Officer's Message, Corporate Governance Report, Management Discussion and Analysis, Risk Management Report, Statement of Management's Responsibility for Financial Reporting and Certificate from the Company Secretary. We obtained these prior to the date of this auditor's report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements do not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Corporate governance report

Our responsibility under Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Public Interest Entity has, pursuant to section 75 of the Financial Reporting Act 2004, complied with the requirements of the Code.

Responsibilities of directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, and in compliance with the requirements of the Mauritius Companies Act 2001, the Banking Act 2004, and the Financial Reporting Act 2004 and they are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Bank or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and the Bank's financial reporting process.

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and/or Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current year and are therefore the key audit matters. We describe those matters in our auditor's report unless laws or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

This report is made solely to the Bank's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Bank's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte
Chartered Accountants

Jacques de C. Du Mée, ACA
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