Believers in a better tomorrow

ANNUAL REPORT **2020**

AFRASIA
bank different

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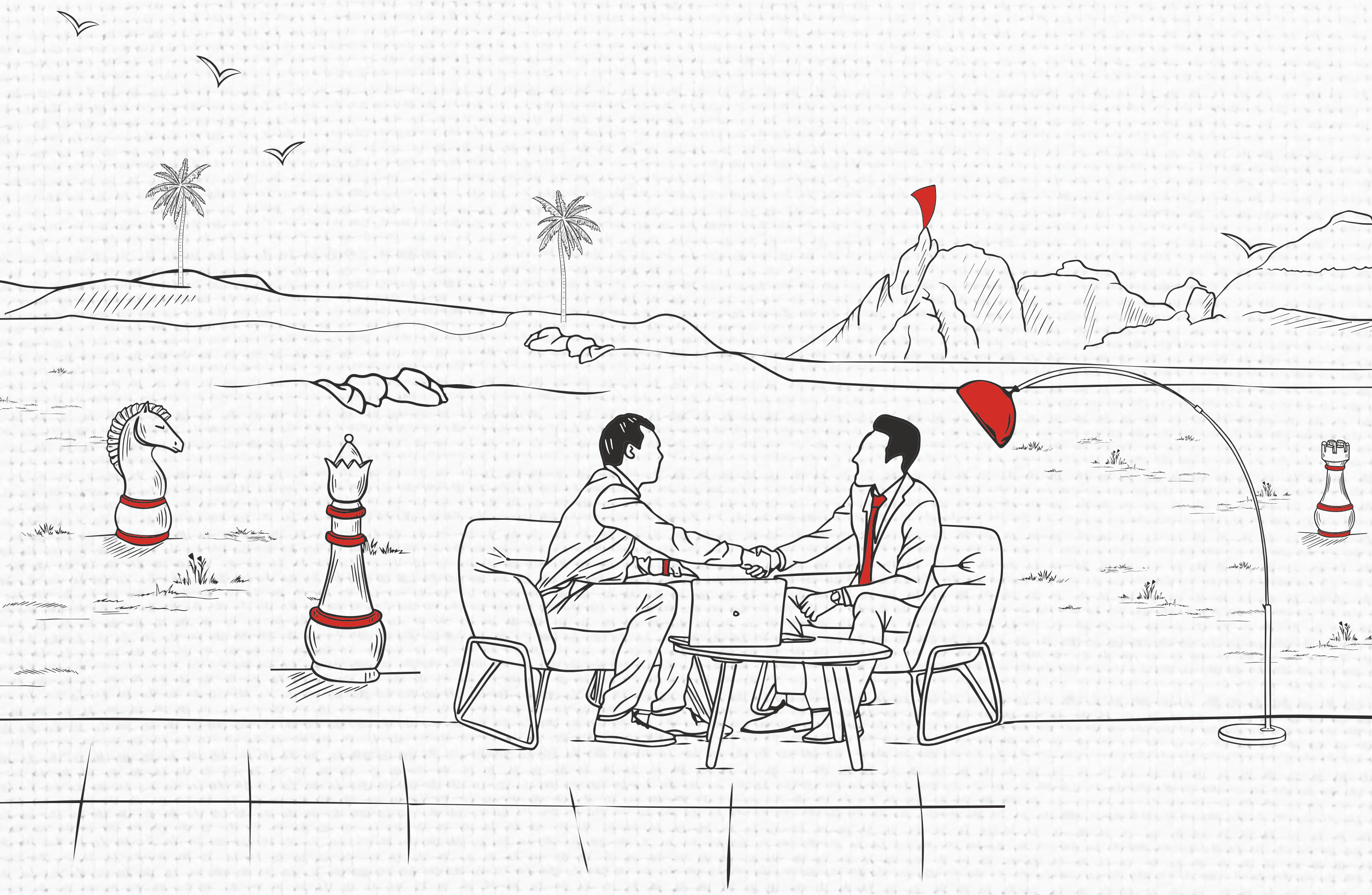
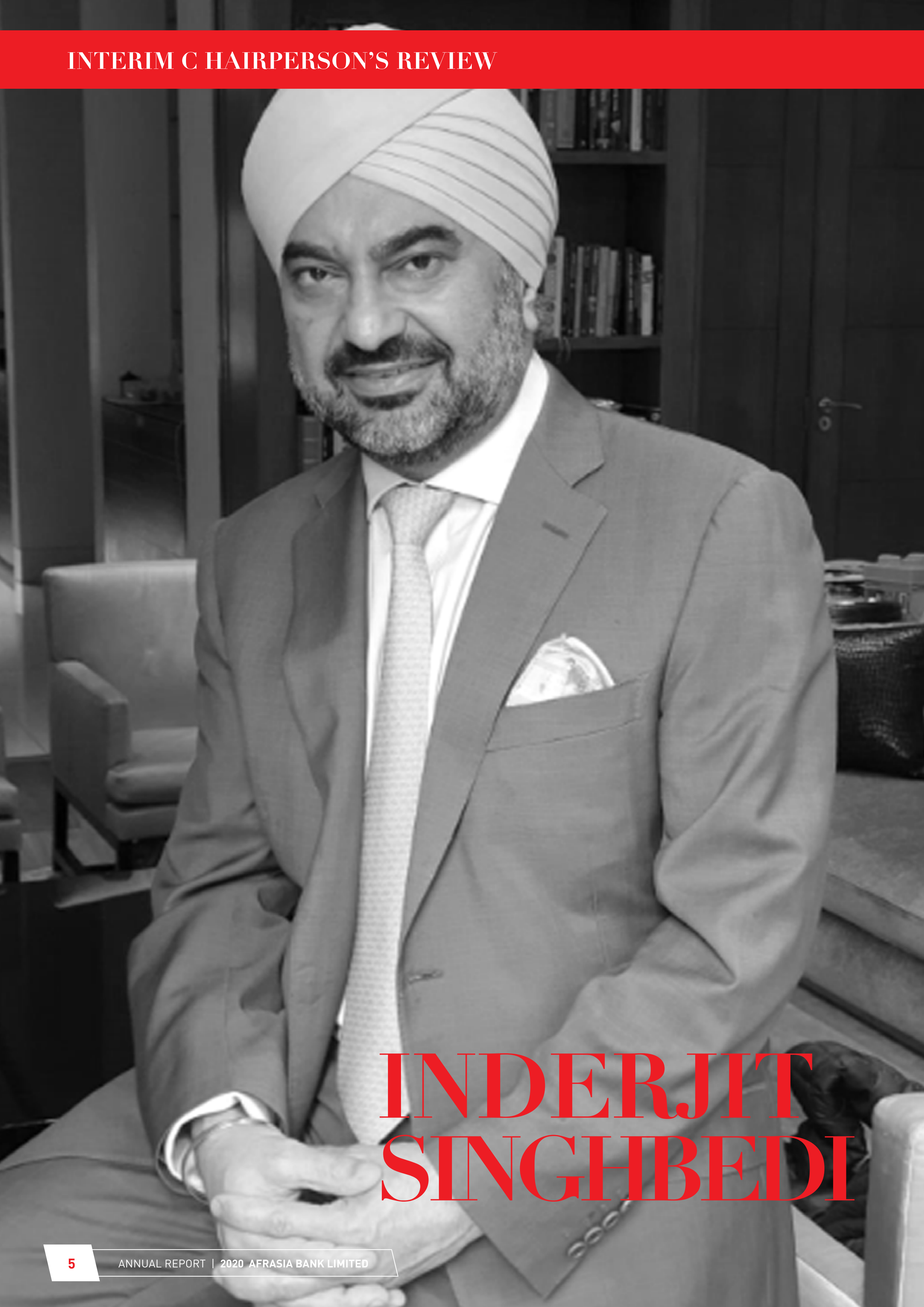
We believe in a partnership
which drives your strategic growth



BELIEVE. CONCEIVE. ACHIEVE.



INDERJIT SINGHBEDI

“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

Dear Shareholders,

It has not been long since I embarked on my interim chairmanship journey at AfrAsia Bank and I am honoured to have been given the privilege to pen down my message for this year’s Annual Report. First and foremost, I would like to thank the former Board members for their contribution to the sustained financial performance of the Bank during their tenure. Following the last shareholders’ meeting and regulatory approvals, our new Board has been constituted and I am humbled to be elected as the interim Chairperson. I am confident that my fellow Directors will each bring complementary skills and experience which will collectively position AfrAsia Bank to achieve its ambition of heightened growth and business transformation.

Throughout its thirteen years of operations, AfrAsia Bank has had an exceptional journey and is today recognised as one of the domestic systemically important bank in Mauritius. The Bank has garnered a reputation of accompanying its clients and the community through the toughest of times and 2020 has been no exception. The World has and is still facing one of the boldest crises ever. Our sincere gratitude goes to the Mauritian authorities for their commendable efforts in successfully navigating COVID-19. We keep in our thoughts those who have been hit hard and those who are still striving to win the battle. Last but not least, I would like to express my appreciation for the incredible character and commitment of the whole team for facing these times of adversity with grit and fortitude.

Global Economic Landscape

The financial year 2019-2020 has been marked by sharp socioeconomic, geopolitical, and environmental events globally. Amidst growing concerns of decelerating worldwide growth, we have experienced precarious geopolitical and macroeconomic conditions which have induced international interest rate headwinds and market volatility. Then came Brexit, followed by a deepening of the US-China trade war through the emergence of protectionist measures, a record precipitous crude oil crash, global bushfires and eventually, an unprecedented pandemic which carried the seed of an economic crisis. Undeniably, the Great Lockdown has triggered one of the most concerning recessions, with a forecasted global contraction to exceed 4% in 2020. Yet, the full extent of the significant economic fallout is yet to be comprehensively fathomed.

In the face of these phenomena, Mauritius leveraged on its resilience, adaptability and agility, and successfully weathered this sanitary predicament whilst containing its economic contagion. AfrAsia Bank's diversified and integrated business model has and is conferring us the ability and nimbleness to continuously serve our customers across all operating geographic areas whilst keeping a key focus on innovatively driving sustainable growth.

Performance, Capital Structure and Dividend

Despite a challenging year, AfrAsia Bank has recorded a satisfactory performance for the financial year 2019-2020 with our Group's Net Profit after Tax reaching MUR 1.5bn and a return on average equity of 21%. The Bank's prudent approach and customer-centric strategy has led to a notable growth of 14% in our Total Assets, valued at MUR 160.5bn as at June 2020. During the financial year 2019-2020, dividends of MUR 3.80 per share were paid to ordinary shareholders whilst total dividends paid to Class A shareholders, under the programme memorandum, amounted to MUR 147.4m. With a capital base of MUR 8.4bn and a capital adequacy ratio of 15.15%, AfrAsia Bank remains robust and resilient.

This enabled us to disclose a Net Profit after Tax of MUR 1.5bn, a sustained performance in contrast to the previous financial year. The continued faith in our strategy was ratified by our customers' deposits reaching a level of MUR 150.9bn and disclosing a growth of 15% over one year.

Engineering Local and Regional Recovery

We are presently in a dynamic environment that will experience multiple changes post the recent regulatory, technological and socioeconomic evolution. Banks remain an essential component of the ecosystem and we will have a decisive role to play in this economic recovery.

Enjoying an array of strategic advantages, Mauritius has successfully positioned itself as an International Financial Centre for over 25 years now. It is undisputable that the economic fallout from last year's events will have a bearing on regional flows. The classification of Mauritius as a High Risk Third Country by the EU as from 1st October 2020 entails reputational, business and operational risks and the impending impacts are to be closely monitored. However, therein lies the opportunity for us to have a 360-degree assessment of our ecosystem and fortify areas such as transaction monitoring and enhanced due diligence to deepen our alignment to international best practices. We remain confident that with a collaborative approach with all relevant stakeholders, Mauritius will come out stronger as an International Financial Centre.

The unique COVID-19 situation has mandated a one-of-a-kind Government intervention, who announced multiple measures to reboot the economy post COVID-19 in its 2020 Budget. This was complemented by the Bank of Mauritius' monetary policy in the guise of its COVID-19 Special Relief Programme and the setting up of the Mauritius Investment Corporation Ltd (MIC) as a Special Purpose Vehicle in view of ensuring that systemic economic operators are kept afloat and jobs are preserved. To further reinforce Mauritius' position as a regional Investment Hub, an expansionary fiscal policy is likely to be effective in the

current circumstances. Additionally, the imminent challenge or rather opportunity of leveraging on our extensive Double Taxation Avoidance Agreements network will be as to how we harness the additional value to be yielded from these bilateral relationships on a country-to-country level to propel economic growth. The Bank commits itself in playing its role in powering up economic recovery for the region by being a key enabler for investment flows and mobilising adequate resources for a more inclusive growth. Our focus will remain on our three primary markets: Africa, Asia and Europe. Africa is a powerhouse whose potential is to be harnessed by combining the right expertise and know-how with an enhanced public-private partnership. Asia is a torchbearer for developing countries; the continent’s advanced technical knowhow and digital mindset are a valuable learning for us whilst we replicate their successful strategies based on our cultural similarities. In so far as Europe is concerned, the regionalisation of European countries’ activities to leverage competitive costs makes Mauritius an attractive hub for their offshoring needs.

Way Ahead – Our Future Strategy

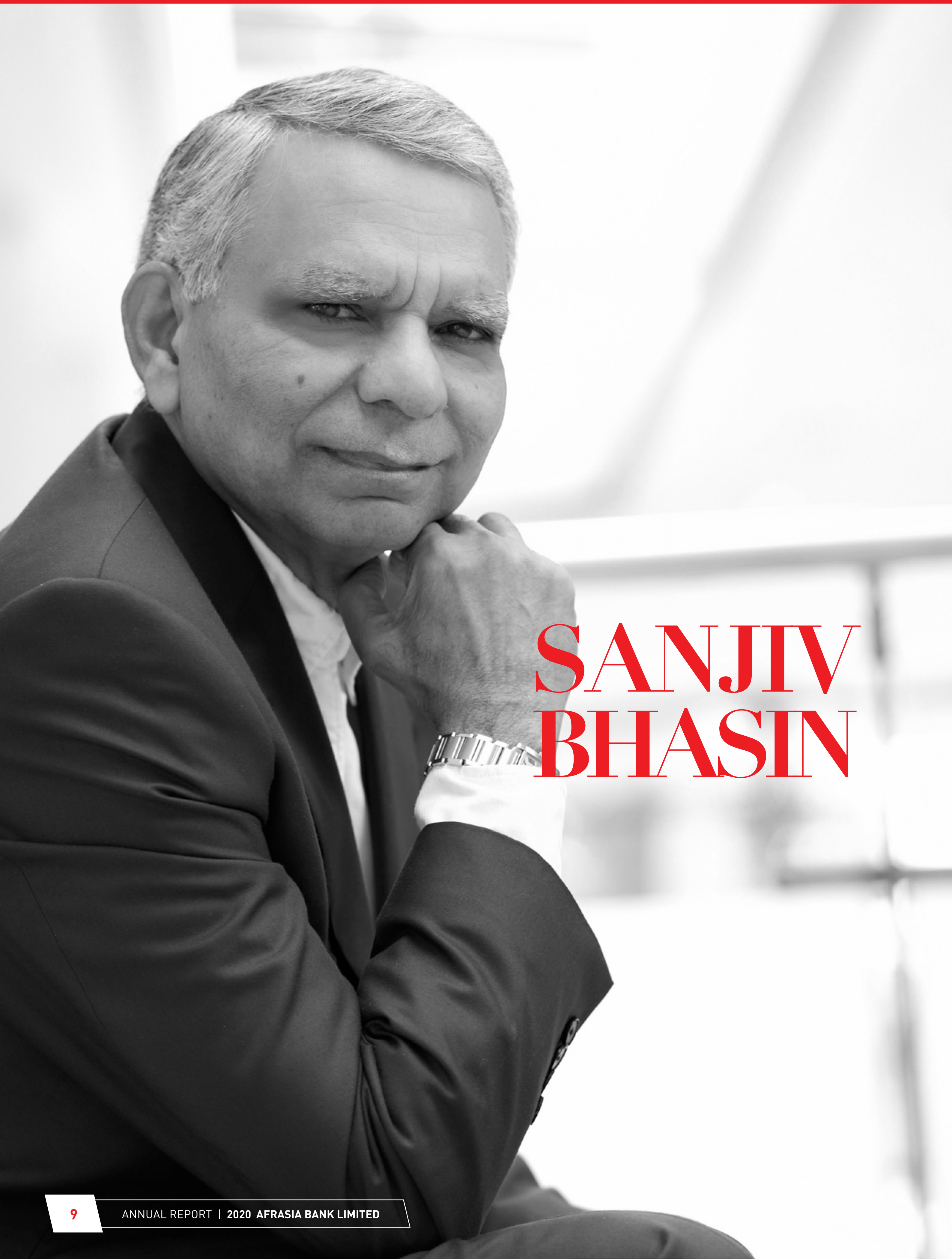
Underpinned by the Bank’s 4 strategic pillars – customer focus, teamwork, innovation and sustainability – we look ahead to a year of prudent growth through a deep transformational process that has been catalysed by the recent pandemic. Leveraging our robust capital base, a conservative balance sheet and an inclusive organisational culture, the Board and the Management remain committed to stimulate a more seamless synergy amongst the business lines and a reinforced alignment of our business aspirations with customer expectations.

The Bank will continue on its journey towards excellence. Whilst continually reinforcing our corporate governance structure, our principles of ethics and our prudent risk framework, we will draw on our shareholders’ commitment to fortify our foothold and our motivated team to take head on the new challenges awaiting us. Our focus will remain on exploring deeper business avenues in Africa, Asia and the rest of the world while exploring new opportunities and platforms to enhance our customer experience through innovative technologies.

Our 2019-2020 financials testify our solidity and stability, and this strongly positions us to combine our financial performance with creating value for society. Yet, we are merely a link in the chain. The keyword this year will be “collective reconstruction”. In a context rendered tougher by the Great Lockdown, we will witness a heightened importance of accepting individual and collective responsibility under the umbrella of a global coordinated response. I am certain that through a staunch collaboration between the Government, the private sector and the community at large, we will get through the challenges awaiting us ahead, undoubtedly stronger than we have been.

I would like to thank all our stakeholders for their trust in us. Thank you to the management team and all the dedicated employees of the Bank who uphold in the realest sense our ‘Bank Different’ philosophy to deliver an innovative and sustainable customer experience.

INDERJIT SINGH BEDI
Interim Chairperson



SANJIV BHASIN

"The Board and management team remain committed to bring the Bank to the next growth stage, while ensuring it is future-fit to deliver outperformance for all our stakeholders

Dear Valued Partner,

The financial year ended June 2020 will probably be remembered as a year where businesses faced an overall economic environment which possibly could not have been predicted and required a very robust and instant response to an ever-evolving business climate. It has been challenging for all organisations and we are no exception. Given the dynamic working conditions which most businesses faced during the Covid-19 pandemic, we consider our financial results for the year under review as very encouraging. That is not to say that the future is looking brighter or clearer but we can assure our stakeholders that the performance for the year ended is certainly going to provide a suitable cushion for economic shocks, which do remain difficult to quantify.

All key performance figures and ratios have shown a satisfactory improvement. Our collective research and guidance from the Board indicated a deterioration in the credit environment. The interest rate decline was also visible and forecasted by us and that our liquidity would produce lower earnings was known. We introduced robust risk parameters and risk mitigation strategies to protect capital and reduce the impact of credit impairment on our asset book. This enabled us to disclose a Net Profit after Tax of MUR 1.5bn, a sustained performance in contrast to the previous financial year. The continued faith in our strategy was ratified by our customers' deposits reaching a level of MUR 150.9bn and disclosing a growth of 15% over one year. Our loan to deposit ratio at 19% clearly indicates our strategic intent to have a well-researched and cautious credit growth desirable under the current circumstances. This also enabled our Liquidity Coverage Ratio to be maintained at an average of 349% for the quarter ended 30 June 2020 against a regulatory limit of 100%. The Bank is surely well positioned to navigate an uncertain business environment.

The pandemic did bring forward economic challenges but it also brought a sharper focus on how to connect with customers, how to service their requirements and provide them with an assurance that the new normal is in no way compromising the security of their savings and their intended use. On the other side, the ever obliging and customer-focused employee had to be comforted by working from home. These were some challenges and client and employee health and safety came to the forefront as well. We responded to the new operating requirements promptly and diligently. To ensure that we have been and are still doing the right thing, we also initiated a customer survey to measure the satisfaction levels of our client base as regards to servicing their needs. The results were a delight as, overall, it was indicative of the fact that we have improved our service standards appreciably. I take this opportunity to thank our clients for the motivating response and their feedback on areas requiring improvements, which we will address as a priority.

The current year will remain one where we will see soft interest rate environment, stress heightening in the credit portfolio, high volatility in the bond market and a contraction in businesses of our customers. This environment demands a cautious approach to growth and a much frequent contact with existing clients so that we assist wherever possible and required. We have geared ourselves for this rather difficult business conditions. Our Risk Management framework is relevant to this market and is constantly reviewed to ensure it protects our financial health at all times.

This enabled us to disclose a Net Profit after Tax of MUR 1.5bn, a sustained performance in contrast to the previous financial year. The continued faith in our strategy was ratified by our customers' deposits reaching a level of MUR 150.9bn and disclosing a growth of 15% over one year. "

Another challenge has been the addition of Mauritius to the EU Blacklist and FATF Grey List. We will, alongside the regulators, assist in this being rectified the soonest as the operating environment does not deserve such a harsh decision. That said, new business flows will be significantly restrained and opportunities for growth in the Global Business segment are likely to be reduced.

Despite the headwinds, our key focus areas remain customer experience, team work, innovation and sustainability.

We will continue to improve in these areas through some key initiatives:

Creating value for our Shareholders, Clients, Employees and Investors

We will continue to design a purposeful banking service for our stakeholders. The need is to remain flexible to be able to grasp the opportunity for growth. Our 19% Loan to Deposit ratio appropriately positions us to capitalize on asset growth opportunities. The effort to enhance cost efficiencies and productivity will remain in the forefront.

Re-wiring our Digital Transformation Journey

2019-2020 has shown the extent to which the world is inextricably linked and technology is a catalytic agent in offering innovative solutions to grow our clients' businesses and optimise their wealth. Our digital roadmap is anchored on a set of forwardlooking initiatives for a faster response time to market, improved business scalability and agility and to create a positive impact on all pointers of the value chain. Accordingly, we have instituted a "Technology, Digitisation and Platforms Committee" and set up our Technology Hub to aid the incubation of digital projects along our transformation journey.

Towards a Sustainable Banking Industry

It is our responsibility to steward our resources to create a meaningful social impact by reconciling financial performance with long-term value creation. Through our sustainability agenda, we want to move from shareholder capitalism to conscious capitalism by embracing a purpose geared towards sustainable value creation for all stakeholders. We have aligned our business practices with global standards set by the UN Global Compact and Global Reporting Initiative.

A word of Thanks

This is an opportunity to thank the previous Board and my Management Team and also to welcome the reconstituted Board who have supported us in our growth journey. My sincere appreciation goes to all AfrAsians who have portrayed the highest levels of dedication and perseverance in navigating the COVID-19 tides with head held high. Thank you to all our Shareholders and Clients for their trust in our capability to serve you best.

This message will not be complete if the excellent work being done by a passionate team under the umbrella of AfrAsia Foundation is not mentioned. We believe in caring for our society and the effort we have placed in bringing impactful education to under-privileged children is remarkable. It is not just allocating resources but involving our staff and clients in active and meaningful participation towards this cause is just exceptional. A special thanks to our shareholders to make this effort a rewarding one.

SANJIV BHASIN
Chief Executive Officer

We believe in a
secured legacy

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OUR MAXIM

The Board of Directors (Board) deems that endorsing quality norms and beliefs of good governing practices in the Bank provide a solid bedrock for sustainability, a long-haul value creation for all of its stakeholders and a culture of transparency. The Board entrusts its powers through its leadership in the hierarchy eulogising elevated standards of corporate governance to direct and supervise the conduct of the business and the affairs of the Bank ethically and effectively.

GENERAL

AfrAsia Bank Limited (the "Bank" or "AfrAsia Bank" or "ABL" or "AfrAsia") has, through its Board of Directors, taken the required steps to ensure compliance with the principles set out in the National Code of Corporate Governance and explained how these principles have been applied to with the exceptions of those disclosed in the "Statement of Compliance" on page 82 along with underlying principle behind the non-compliance.

Further to a re-constitution of its Board of Directors post year end, some resignations and appointments were noted post year end for which the details can be found throughout the report.

Disclosures pertaining to the eight principles of the Code have been made in different sections of the Annual Report, as outlined below:

Principles of the Code	Relevant sections of the Annual Report
Principle 1: Governance Structure	Corporate Governance Report
Principle 2: The Structure of the Board and its Committees	Corporate Governance Report
Principle 3: Director Appointment Procedures	Corporate Governance Report
Principle 4: Director Duties, Remuneration and Performance	Corporate Governance Report
Principle 5: Risk Governance and Internal Control	Risk Management Report
Principle 6: Reporting with Integrity	Corporate Governance Report, Sustainability Report and Section B – Financial Statements
Principle 7: Audit	Corporate Governance Report
Principle 8: Relations with Shareholders and Other Key Stakeholders	Corporate Governance Report

PRINCIPLE ONE – GOVERNANCE STRUCTURE

OUR GOVERNANCE FRAMEWORK AND ACCOUNTABILITIES

ABL, a public company incorporated on the 12th of January 2007, holds a banking licence which was issued on the 29th of August 2007. Its core banking and transactional capabilities are in Mauritius along with a representative office in South Africa. It is a Public Interest Entity ("PIE") as per the Financial Reporting Act 2004 and adheres with the requirements of the relevant rules, regulations and legislations.

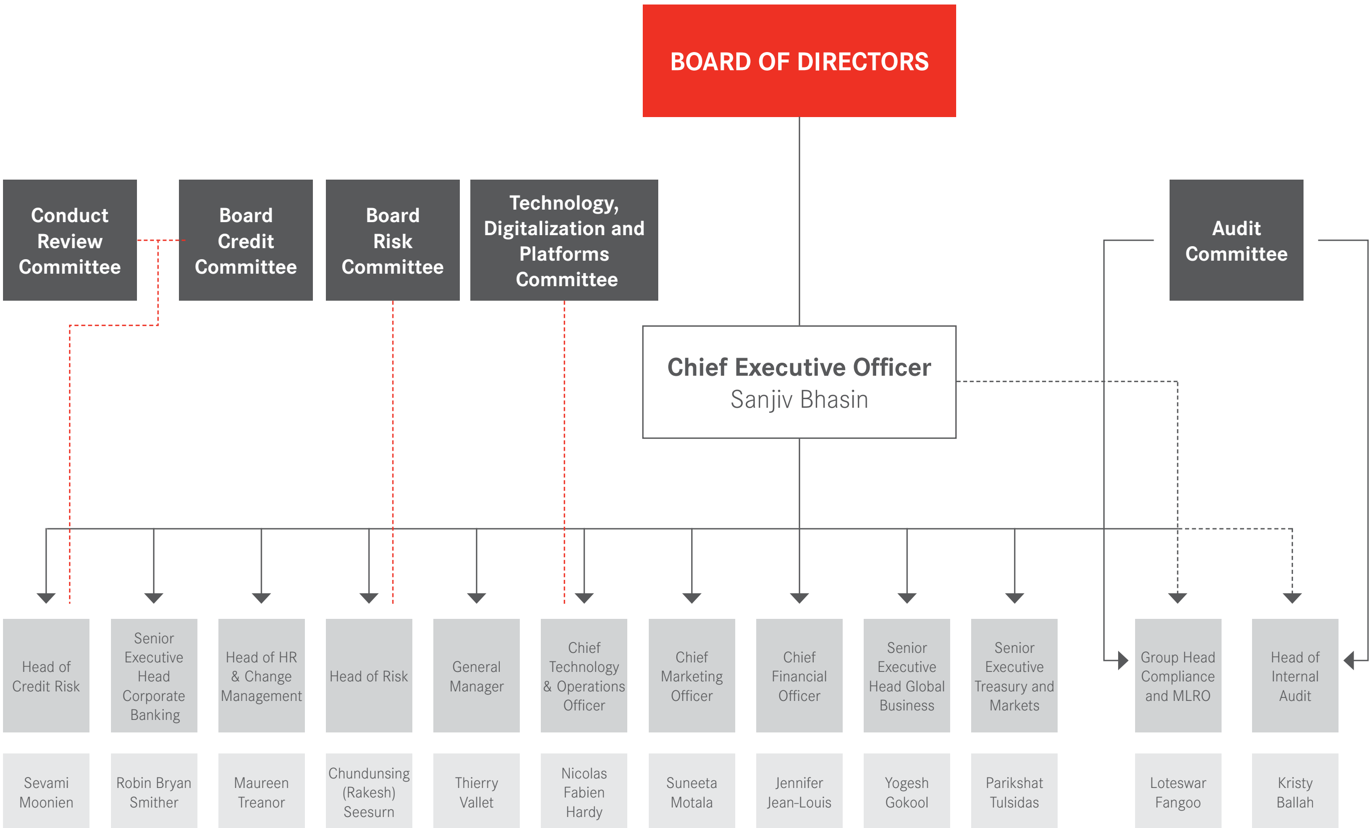
The Bank operates under the aegis of a unitary Board, collectively geared in guiding and directing the organisation to take the necessary steps to adhere, to the best of the Board's knowledge, to all legal and regulatory requirements, such as:

- The eight principles issued by the National Committee on Corporate Governance in its "National Code of Corporate Governance for Mauritius (2016)" (the "Code");
- The Banking Act 2004 (amended August 2020) issued by the Bank of Mauritius ("BOM");
- The "Guidelines on Corporate Governance 2001" (revised October 2017) issued by BOM; and
- The provisions of The Companies Act 2001 in Mauritius.

ABL has in place a Conduct and Ethics Policy and in line with same, it is committed to employing the right people and to promote a culture of mutual respect and ethical behavior. Employees and Directors are expected to treat each other with consideration and respect and are not permitted to engage in conduct which is hostile or offensive to another person. The Bank promotes transparency and all staff and Directors are made aware and accountable of their responsibilities.

A copy of the Bank's Conduct and Ethics Policy is available on its website as follows: (https://www.afrasiabank.com/media/3222/conduct-and-ethics-policy-staff.pdf)

OUR GOVERNANCE STRUCTURE AS AT 30 JUNE 2020



Note: The Governance Structure above did not include the Corporate Governance Committee as none of senior management report to the latter.

Fixed Line - Direct Report to CEO

Dotted Line - Functionally/administratively reporting to CEO

Squared Line - Operationally reporting to Board Committees

KEY GOVERNANCE POSITIONS

The Terms of Reference, which the Board reviews and approves as and when required, defines all key governance positions within the Bank and their corresponding accountabilities which are critical drivers of strategic performance and for optimised adherence to proper governance. A clear line of demarcation is drawn between the roles and responsibilities of the Chairperson and the Chief Executive Officer (CEO) to impede any unfettered powers; these are listed below:

Chairperson of the Board

The roles of the Chairperson are mainly:

- To preside meetings of Directors and to ensure the smooth functioning of the Board in the interests of good governance. He/she will usually also preside over the Bank's meetings of shareholders;
- To provide general leadership to the Board and encourage active participation of each Director in discussions and Board matters;
- To participate in the selection of Board members to ensure an appropriate mix of competencies, experience, skills and independence on the Board;
- To oversee a formal succession plan for the Board, the CEO and the Senior Management;
- To make sure that monitoring and evaluation of the Board and the Directors' appraisal are carried out;
- To ensure that all relevant information and facts are given to the Board so as to enable it to take informed decisions;
- To maintain sound relations with the Bank's shareholders and ensure that the principles of effective communication and pertinent disclosures are followed; and
- To submit to the Bank, for each financial year, a compliance statement certifying that the Bank has complied with the provisions of law and regulations and guidelines issued by the Bank.

Chief Executive Officer (CEO)

The main functions of the CEO are:

- To develop and recommend to the Board a long-term vision and strategy for the Bank that will generate satisfactory levels of shareholder value and positive reciprocal relations with the relevant stakeholders;
- To devise and recommend to the Board annual business plans and budgets that support the Bank's long-term strategy. The CEO must ensure that a proper assessment of the risks under a variety of possible or likely scenarios is undertaken and presented to the Board;
- To strive consistently to achieve the Bank's financial and operating goals and objects and ensure the proper management and monitoring of the daily business of the Bank; and
- To be the chief spokesperson for the Bank in relation to all operational and day-to-day matters. The CEO and the other key officers of the Bank must attend meetings of the shareholders and be ready to present material operational developments to the meeting.

SENIOR MANAGEMENT TEAM PROFILE

SANJIV BHASIN
Chief Executive Officer

Master of Business Administration in Finance
XLRI Jamshedpur

B.Com (Hons) degree in Accounting and Finance
Delhi University, India

Date first appointment as Director: 19-Nov-15

Date of last re-appointment: 18-Nov-19

Length of service as Director: 4 years 7 months

Effective date of resignation as Director: The effective date of resignation being the date when the contract of employment expires or is terminated (refer to page 60 for such information).

Present directorship
Other non-listed entities:

AfrAsia Capital Management Limited

Sanjiv has over 40 years of banking experience, having held senior positions in Asia, Africa and UK markets. He has headed international banks for more than 20 years as the CEO. He started his career with HSBC in 1979 and has worked in various capacities in corporate and investment banking, credit and risk management divisions in India, UK and Mauritius until 2004. His last role at HSBC was Chief Operating Officer at HSBC India. From 2004 to 2008, he was the Managing Director and CEO of Rabobank in India, growing the franchise to become the largest one in all Asia. He thereafter took office as CEO of DBS India, leading them to be the fourth largest foreign bank in the country. During his tenure, he launched DBS India's Digital Banking locally.

He is a successful leader of change, and has a deep intercultural understanding and astuteness in leveraging on his team's individual and collective efforts to drive growth, both at corporate and operational levels. Sanjiv continues to build beneficial customer and staff relationships by being a facilitator in designing the ideal people-technology combination for a successful transformational change anchored on an innovative mindset. Sanjiv is also a council member on the AfrAsia Foundation.

Country of residence: Mauritius

SENIOR MANAGEMENT TEAM PROFILE (CONT'D)

YOGESH GOKOOL
Senior Executive – Head Global Business

Member
Society of Trust and Estate Practitioners (STEP)
Mauritius Institute of Directors (MIoD)
International Tax Planning Association (ITPA)

Postgraduate qualification
The Mechanics of Private Equity
Middlesex University, London

Date joined AfrAsia: 03-Jul-08

Over 25 years of experience in financial management gained whilst working for International Financial Services Ltd (now Sanne Mauritius), a leading local offshore management company, overseeing a portfolio of over 100 clients including mutual funds and private equity funds. Yogesh also worked for Deutsche Bank (Mauritius) where he headed the fiduciary services division. He sits on the Board of STEP Mauritius, which promotes private clients work and liaises with the Government of Mauritius on current issues and the implementation of fiduciary legislation.

NICOLAS FABIEN HARDY
Chief Technology & Operations Officer

Master of Business Administration
University of Cape Town

B.Sc. Mathematics
University of Natal, South Africa

Date joined AfrAsia: 03-Jun-19

Nicolas brings over 15 years of experience within various senior positions in banking. Treasurer by trade, he has cumulated many management responsibilities including credit, ALCO, private banking, FI relationship and operational risk whilst directing the strategic operations and technical development, encompassing the online/digital/mobile banking system platform and the currency cards programme. Nicolas's background includes serving in other leadership roles at NatWest Markets, Robert Fleming & Co, Rogers Group, Tomfin Asset Management and Digi-Strat.

SENIOR MANAGEMENT TEAM PROFILE (CONT'D)

JENNIFER JEAN-LOUIS
Chief Financial Officer

Fellow Chartered Accountant (FCA)
Institute of Chartered Accountants in England and Wales
Chartered Tax Advisor in England and Wales

Date joined AfrAsia: 30-Jul-07

A Chartered Accountant with 20 years plus of experience, having practised locally and internationally in auditing, taxation and advisory, Jennifer returned to Mauritius in 2007 and joined AfrAsia Bank at its very inception stage to build the foundation of the financial framework and structure of the Bank. Apart from the responsibilities of overseeing the accounting team and in charge of the financial affairs of the Bank, Jennifer has participated in numerous strategic initiatives, including capital raising, mergers and acquisitions (M&A) and International Financial Reporting Standards (IFRS) transitions.

SEVAMI MOONIEN
Head of Credit Risk

B.Sc. (Hons) in Management
University of Mauritius

Date joined AfrAsia: 28-Oct-13

Sevami has an extensive career in the banking sector counting more than 20 years of experience. Prior to joining AfrAsia, Sevami held several senior positions within the field of credit risk at Standard Bank (Mauritius) Limited and Absa Bank (Mauritius) Limited (Formerly known as Barclays Bank PLC Mauritius). During her career, she has developed a broad knowledge of both local and international markets, providing leadership and guidance in all matters relating to credit risk management, credit approvals, monitoring and controlling the credit portfolio.

SUNEETA MOTALA
Chief Marketing Officer

Pre-associateship
Chartered Institute of Bankers

M.Sc. in Marketing
Salford University, UK

International Certificate for Financial Advisors
Chartered Insurance Institute

General Management Certificate
ESSEC Business School, France

Date joined AfrAsia: 01-Jul-07

Suneeta is an experienced marketer in the banking sector, with more than 25 years of experience. She started her career at HSBC in 1994 spearheading responsibilities in sales and marketing, credit and risk, credit risk management and branch operations. In July 2007, she joined AfrAsia, a Bank that she contributed to building since inception with a unified branding, marketing and communications strategy, reckoned today as a key financial services player. She is a member of CMO Club, the world's most innovative and engaged member-based community of Chief Marketing Officers.

SENIOR MANAGEMENT TEAM PROFILE (CONT'D)

CHUNDUNSING (RAKESH) SEESURN
Head of Risk

Member
Association of Chartered Certified Accountants (ACCA)
Chartered Institute for Securities & Investment (United Kingdom (UK))
Mauritius Institute of Directors (MIoD)
The Institute of Risk Management South Africa (IRMSA)

Date joined AfrAsia: 04-Sep-16

Rakesh was appointed Head of Risk in October 2018. He was previously Business Manager reporting to the Senior Executive – Corporate Banking and to the CEO. He currently oversees the Market Risk, Asset and Liability Management, Recovery, Anti-Money Laundering (AML), Operational Risk and IFRS 9 implementation divisions.

Prior to joining AfrAsia, Rakesh accumulated extensive experience through various senior roles driving change across the Audit & Finance divisions with Deloitte & Touche Qatar, Deutsche Bank and Standard Bank. He brings over 20 years of onshore and offshore expertise in key areas such as risk appetite, budgeting, strategic planning and other fundamental projects.

ROBIN BRYAN SMITHER
Senior Executive – Head Corporate Banking

Master of Business Administration
University of Witwatersrand (WITS) South Africa

Post Graduate Diploma in Business Management
University of Witwatersrand (WITS) South Africa

Degree in Social Science (PPE)
University of Cape Town

Date joined AfrAsia: 07-Jan-13

Robin has over 19 years' experience in corporate and investment banking with an extensive knowledge in global markets, investment banking and lending products. Robin was with Standard Bank for more than 11 years, spent 3 years in Mauritius as Head of Corporate Banking, followed by some time in South Africa as a senior banker to Standard Bank's large global multinational clients where he developed an extensive knowledge of Africa related banking and business. Robin currently heads up the domestic and international corporate banking activities for the Bank. Robin also acts as a Non-Executive Director on some of the AfrAsia Capital Management (ACM) investment funds.

SENIOR MANAGEMENT TEAM PROFILE (CONT'D)

MAUREEN TREANOR
Head of Human Resources and Change Management

Member
Mauritius Institute of Directors (MIoD)

Master of Business Administration
Edinburgh Business School, UK

Qualifications in Human Resources
ABE UK

Project Management
University of Mauritius

Date joined AfrAsia: 01-Jun-2010

Maureen started her career with Barclays Bank (UK) approximately 25 years ago. She joined AfrAsia as Head of Human Resources and Change Management in 2010; she has local and international experience.

PARIKSHAT (PARIK) TULSIDAS
Senior Executive – Treasury and Markets

Bachelor of Arts in Marketing and HR
Middlesex University London

ACI Dealing Certificate
ACI

Date joined AfrAsia: 21-Jan-13

Parikshat, a Mauritian national, has more than 15 years' experience in corporate & investment banking and treasury. He joins AfrAsia Bank Limited from Standard Bank where he held the position of General Manager, Global Markets Advisory (China); prior to his move to Beijing, he held the post of Head of Sales - Global Markets (Mauritius) for approximately 5 years.

THIERRY VALLET
General Manager

Master of Business Administration - International Finance
HEC School of Management, Paris

Date joined AfrAsia: 20-Aug-07

Engineer by trade, Thierry brings 20 years of experience to the Banking and Finance Industry since he is specialised in International Finance during his MBA at the prestigious School HEC. Thierry joined AfrAsia Bank as Founding Executive and Head of Strategic Development in 2007 and has been instrumental in shaping the Bank from the ground up whilst contributing to a commendable performance that has earned AfrAsia Bank accolades in the private banking and innovation space over the years. Leveraging on regional and international roadshows, Thierry has actively promoted the Mauritian Private Banking jurisdiction with the aim to position the Island as one of repute and substance. In 2012, Thierry was promoted to General Manager and has been the acting CEO of AfrAsia Bank and AfrAsia Capital Management as and when required. Thierry is also a Director of AfrAsia Group subsidiaries. As a golf enthusiast, Thierry has been a key contributor in launching and making a success the AfrAsia Bank Mauritius Open since its inception.

PRINCIPLE TWO – THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

The Board is responsible for the overall stewardship of the Bank and thus plays a vital role in ensuring that the appropriate level of corporate governance is maintained.

The powers of Directors are set out in the Bank's Constitution and in the Terms of Reference for the Board. The Board is aware of its responsibilities to ensure that the Bank adheres to all relevant legislations such as The Banking Act 2004 (amended August 2020), the Financial Reporting Act 2004 (amended 2018), the Financial Services Act 2007 and The Companies Act 2001 of Mauritius. The Board reassesses its Terms of Reference as and when required.

The Board also follows the principle of good corporate governance as recommended in the "National Code of Corporate Governance 2016" and BOM's "Guidelines on Corporate Governance 2001" (revised October 2017). It reviews and approves whenever deemed necessary the Bank's Code of Ethics to warrant that they are in line with the Bank's objectives and also monitors and evaluates the Bank's compliance with its Code of Ethics.

THE KEY FUNCTIONS OF THE BOARD COMPRISE:

- Determining the Bank's purpose, strategy and values - the Board is responsible to set the long-term goals, do the strategic planning and propose action plans;
- Monitoring and evaluating the implementation of strategies, policies, management performance criteria and business plans - the Board must provide guidance and maintain effective control over the Company, and monitor management in carrying out Board's plans and strategies;
- Exercising leadership, enterprise, intellectual honesty, integrity, objectivity and judgment in directing the Company as to achieve sustainable prosperity for the Company;
- Ensuring that procedures and practices are in place to protect the Company's assets and reputation. Thus, the Board must regularly review processes and procedures to guarantee the effectiveness of the Company's internal control systems;
- Considering the necessity and appropriateness of installing a mechanism by which breaches of the principles of Corporate Governance could be reported;
- Defining levels of materiality, reserving specific powers for itself and delegating other related matters with the necessary written authority to the management. These matters should be monitored and evaluated by the Board on a regular basis. Such delegation by the Board must have due regard for the Directors' statutory and fiduciary responsibilities to the Company, while taking into account strategic and operational effectiveness and efficiency;
- Retaining full and effective control over the Company and be responsible for the appointment and monitoring of management in its implementation of the Board's approved plans and strategies;
- Questioning, scrutinizing and monitoring, in a pro-active manner the performance of management, the Board subcommittees and the individual Directors;
- Always remaining responsible for the overall stewardship of the Company and must be ready to question, scrutinize and monitor, in a proactive manner, management's performance;
- Identification of key risk areas and key performance indicators of the business enterprise to enable the Company to generate economic profit and eventually to enhance shareholders' value in the long-term. The interests of society at large must also be recognised;
- Ensuring that the Company's policies and systems are effective enough to achieve a prudential balance between the risks and potential returns to the shareholders;
- Ensuring that the Company's operations are conducted prudently and within the framework of laws and Board policies and that any deviation is reported to an appropriate level of management, or if necessary, to the Board;
- Ensuring the integrity of the institution's risk management practices and internal controls, communication policy, Director selection, orientation and evaluation;
- Ensuring that the necessary internal controls and management systems are put in place to monitor effectively the operations and to ensure that the Company complies with all relevant laws, regulations, codes of best business practice and policies;
- Recording of the facts and assumptions on which the Board relies to conclude that the business will or will not continue as a going concern in the financial year ahead. If not, the Board must record the steps it is taking; in the financial year ahead. If not, the Board must record the steps it is taking;

THE KEY FUNCTIONS OF THE BOARD COMPRISE (CONT'D):

- Monitoring and assessing risks in order to achieve the continuous viability of the Company at all times;
- Setting a policy in relation to the frequency, purpose, conduct and duration of the Board's and the Committees' meetings;
- Ensuring that there are efficient and timely dissemination and briefings of information to the Board Members before any meeting.
  This must also include an agreed procedure whereby the Directors can obtain appropriate independent professional advice at the Company's expense when necessary;
- Enabling Non-Executive Directors get access to management without the presence of the Executive Directors. This procedure must be agreed collectively by the Board;
- Regular identification, monitoring and reporting of the non-financial aspects relevant to the Company's business;
- Ensuring that it communicates with the shareholders and the relevant stakeholders (internal and external) openly and promptly with substance prevailing over form. Proper means of communication to be put in place so as to both communications with and to receive feedback from the shareholders and other stakeholders;
- Appointing a Chief Executive Officer and to satisfy itself of the integrity of the Chief Executive Officer. Moreover, the Board must ensure that the succession is professionally planned in a timely manner;
- Appointing Company Secretary and in so doing satisfy itself that the appointee is fit and proper and has the requisite attributes, experience and qualification to properly discharge his/ her duties;
- Balancing between 'CONFORMANCE' and 'PERFORMANCE'. Conformance is compliance with the various laws, regulations and codes governing companies. Ensuring the performance requires the development of a commensurate enterprise culture within the organisation so that returns to shareholders are maximised while respecting the interests of other stakeholders; and
- Contributing fully in developing and sustaining the enterprise culture. Thus, the Board must be constituted in a manner that provides a balance between enterprise and control.

The Terms of Reference is available for consultation on the Bank's website.
(https://www.afrasiabank.com/en/about/corporategovernance/governance-framework)

PRIOR APPROVAL OF THE BOARD

As per The Companies Act 2001 of Mauritius, the Terms of References and the Bank's Constitution, decisions also requiring prior approval of the Board includes the following:

- Issue of other shares;
- Consideration for issue of shares;
- Shares not paid for in cash;
- Authorisation of distribution;
- Shares issued in lieu of dividend;
- Shareholder discount;
- Purchase of own shares;
- Redemption at option of Bank;
- Restrictions on giving financial assistance;
- Change of Registered Office;
- Approval of amalgamation proposal;
- Short form amalgamation; and
- Transfer of shares.

COMPOSITION OF THE BOARD

The Constitution of AfrAsia Bank Limited provides for a board comprising a minimum of 5 Directors and a maximum of 14 Directors. As at 30 June 2020, the Bank had a unitary board of ten experienced, well-known and high caliber members from both local and international frontiers with the right balance in knowledge, skills and expertise across various sectors. In line with BOM's "Guidelines on Corporate Governance 2001" (revised October 2017) issued by the Bank of Mauritius, AfrAsia Bank Limited satisfies the minimum percentage of Non-Executive Independent Directors as at 30 June 2020, as portrayed below:

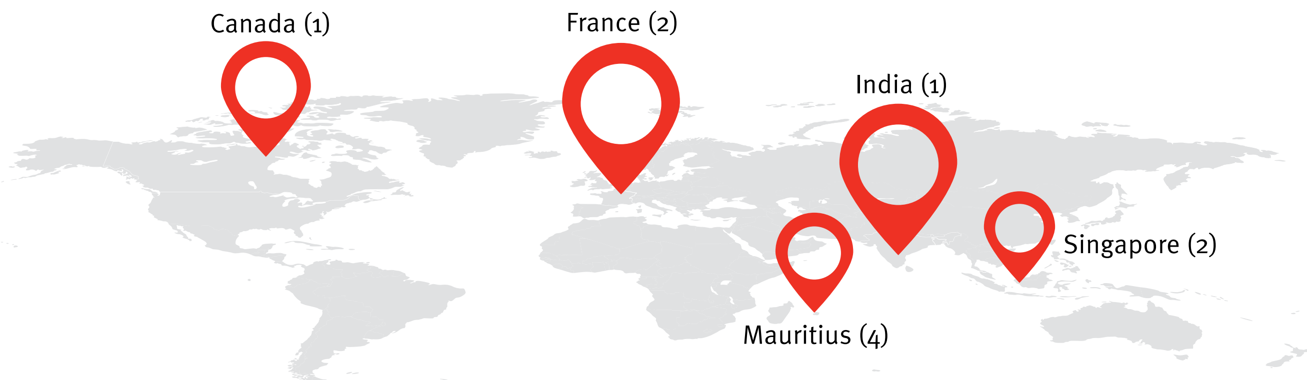
Board Representation as at 30 June 2020

5	4	1
Non - Executive Directors	Independent Non - Executive Directors (including Chairman)	Executive Director/CEO

The Board is of the credence that based on the size of the Bank and its relative shareholding structure, there is an apposite representation in terms of the balance of Executive, Non-Executive and Independent Non-Executive Directors and the skills, knowledge and experience of its Directors who, collectively provide the core abilities for the headship of the Bank.

As per the Code of Corporate Governance, all boards should have a strong executive management presence with at least two Executives as members. The Board is of the view that the spirit of the Code is met through the attendance and/or participation of the CEO as Executive Director and the Senior Management in relevant Committees and Board deliberations as and when required.

Directors' country of residence as at 30 June 2020 was as follows:



COMPOSITION OF THE BOARD (CONT'D)

Directors' length of tenure on the Board as at 30 June 2020 was as follows:

6	3	1
1 - 3 years	3 - 5 years	> 5 years

Subsequent to 30 June 2020, the following changes occurred on the Board composition:

Name	Directorship	Change	Effective Date
Arvind Madan Sethi	Independent Non-Executive Director	Resignation	15-Jul-20
Jean Juppin De Fondaumière	Independent Non-Executive Chairman	Resignation	31-Aug-20
Mathew Welch	Independent Non-Executive Director	Resignation	03-Sep-20
Sanjiv Bhasin	Executive Director	Resignation	**Note 1**
Martin Caron	Non-Executive Director	Resignation	28-Sep-20
Yves Jacquot*	Non-Executive Director	Resignation	28-Sep-20
Philippe Jewtoukoff	Independent Non-Executive Director	Resignation	28-Sep-20
Dipak Chummun	Non-Executive Director	Resignation	02-Oct-20
Arnaud Lagesse	Non-Executive Director	Resignation	02-Oct-20
Francois Wertheimer	Non-Executive Director	Resignation	02-Oct-20

*Dominic Jacques, alternate Director to Yves Jacquot, has by default resigned on 28 September 2020.

Note 1: The effective date of resignation as Executive Director being the date when the contract of employment expires or is terminated (refer to page 60 for such information).

COMPOSITION OF THE BOARD (CONT'D)

A Special Meeting of shareholders was convened on 29 September 2020, wherein 9 new Directors were appointed along with the clearance of the Bank of Mauritius and the approval of Financial Services Commission. These Directors will hold office until the annual meeting of the Bank to be held in 2021:

Name	Directorship	Change	Effective Date
Isabelle Marie Edith Alvares Pereira De Melo	Non-Executive Director	Appointment	02-Oct-20
Inderjit Singh Bedi	Independent Non-Executive Director	Appointment	02-Oct-20
Brian Adam Davis	Non-Executive Director	Appointment	02-Oct-20
Afsar Azize Abdulla Ebrahim	Director*	Appointment	02-Oct-20
Aslam Kanowah	Non-Executive Director	Appointment	02-Oct-20
Christian St-Arnaud	Non-Executive Director	Appointment	02-Oct-20
Jan Fredrik Louis Gaëtan Boullé	Non-Executive Director	Appointment	09-Oct-20
Giriraj Sinh Jadeja	Independent Non-Executive Director	Appointment	22-Oct-20
Jean-Raymond Rey	Non-Executive Director	Appointment	05-Nov-20

*At the date of approval of this report, the independence status of the Director is still under assessment by BOM.

Joan Jill Wan Bok Nale was appointed by the Board of Directors as an Independent Non-Executive Director with an effective appointment date of 5 November 2020.

The Board acknowledges that the provision of Part XI (Sub-Part C) (133) (Appointment and removal of Directors) of The Companies Act 2001 of Mauritius which aims at the requirement for gender representation for an optimal Board diversity, is part of its objectives to achieve. While as at 30 June 2020, the Board did not find an apt candidate to fill the role, following the recomposition of the Board, two female Directors were appointed to uphold the required multiplicity of the latter.

In line with BOM's "Guidelines on Corporate Governance 2001" (revised October 2017) issued by the Bank of Mauritius, more specifically Section 18(3) of The Banking Act 2004 (amended August 2020) which stipulates that the Board of Directors of a financial institution incorporated in Mauritius should consist of at least 5 natural persons, 40 per cent of which must be Independent Directors, AfrAsia Bank Limited is currently not satisfying the minimum percentage of Independent Non-Executive Directors. The Bank has acknowledged and advised BOM of this current non-adherence. It will require 2 additional Independent Non-Executive Directors to address this composition deficiency.

DIRECTORS' PROFILES

The profiles of the current Directors of the recomposed Board are as follows:

INDERJIT SINGH BEDI
Independent Non-Executive Director

BA in Engineering Science
Oxford University, St Edmund Hall, UK

Date first appointment as Director: 02-Oct-20

Present directorship:
Other non-listed entities:
BellHouse Capital Limited
Billesley Manor Hotel Limited
Simply Conference and Corporate Events Limited

Inderjit is a highly seasoned veteran banker with over 30 years' experience in both commercial banking and investment banking gained at a very senior (Managing Director and Management Board) level at some of the most prestigious and largest global financial institutions ranging from UniCredit, BNP Paribas, Bankers Trust Company, Baring Brothers and First Chicago.

Prior to setting up his own firm, BellHouse Capital, in the UK (which is authorized and regulated by the Financial Conduct Authority), he had been the London Management Board member at UniCredit/HVB for 4 years with oversight of all the capital markets distribution and derivatives activities in London and also supported the integration effort when Italy's UniCredit acquired Germany's HypoVereinsbank.

Country of residence: United Kingdom

JAN FREDRIK LOUIS GAËTAN BOULLÉ
Non-Executive Director

Ingénieur Statisticien Economiste (ISE)
CESD at ENSAE Paris, France

PhD Program in Economics
Université Laval, Quebec, Canada

Date first appointment as Director: 09-Oct-20

Present directorship:
Listed entities:

Alteo Ltd
Bluelife Ltd
IBL Ltd (Chairman)
Lux Island Resort Ltd
Phoenix Beverages Limited
Phoenix Investment Company Limited
The Bee Equity Partners Ltd
The United Basalt Products Ltd

DIRECTORS' PROFILES (CONT'D)

JAN FREDRIK LOUIS GAËTAN BOULLÉ (CONT'D)

Present directorship (Cont'd):
Other non-listed entities:

Alteo Agri Ltd
Azuri Golf Management Ltd
Bloomage Ltd
Camp Investment Company Ltd
Compagnie de la Vigie Ltée
Ecocentre Ltée
Espace Maison Ltd
GML Finance Holding Ltd
GML Ineo Ltée
GML Ltée
Haute Rive Holdings Ltd
Haute Rive IRS Company Ltd
Haute Rive Ocean Front Living Ltd
Haute Rive PDS Company Ltd
HR Golf Holding Ltd
IBL Life Ltd
IBL Link Ltd
IBL Management Ltée
Les Lycees Associes Ltée
Manvest Ltd
Mon Loisir Ltée
Pick And Buy Ltd
SPCB Ltd

Jan has begun his career in 1982 as "Chargé de Compte de Branches", Comptabilité Nationale at the "Ministère du Plan", Abidjan, Republic of Ivory Coast, a post he occupied for one year. He has been working for the Constance Group from 1984 to 2016 and occupied various executive positions and directorships. His latest position being Group Head of Projects and Development.

Jan has been appointed as the Non-Executive Chairman of IBL Ltd on the 1st July 2016 and is also a member of the Board of Directors of several of IBL Group's major companies.

Country of residence: Mauritius

DIRECTORS' PROFILES (CONT'D)

BRIAN ADAM DAVIS

Non-Executive Director

Bachelor of Laws
Osgoode Hall Law School, York University

Date first appointment as Director: 02-Oct-20

Present directorship:
Co-Chairman, Co-President and Co-Chief Executive Officer, and a Director, of National Bank Financial Inc. the principal investment dealer subsidiary of National Bank of Canada, as well as acting as a Director or officer of numerous other affiliates of National Bank of Canada.

Brian spent the first twenty-plus years of his professional career practicing law with a focus of corporate securities and M&A, most of which was with the Canadian based law firm Torys LLP. Brian left Torys in 2005 to join National Bank Financial Inc., where he initially served as Executive Vice-President of Corporate Development and Governance. He became the Co-President and Co-CEO of the investment dealer in 2014 and continues to serve in that capacity.

Country of residence: Canada

ISABELLE MARIE EDITH ALVARES PEREIRA DE MELO

Non-Executive Director

Master HEC Paris
Post Graduate Certificate in Corporate Governance – MIoD (expected 2021)

Date first appointment as Director: 02-Oct-20

Present directorship:
Listed entities:
IBL Ltd

Other non-listed entities:
Prinkipo Ltd
Rosemary Farms Ltd

Isabelle is a Mauritian, Swiss and French national. She started her career as an auditor with Arthur Andersen in Paris where she rose to manager working on statutory, consulting, M&A and privatization engagements in diverse sectors including industrial manufacturing, equipment, wholesale, consumer goods, publishing and insurance. She then held CFO positions in a fast-growing high technology multinational Gemplus in France and an aviation Group Privat Air based in Switzerland also adding Human Resources to her responsibilities. In 2009 she became COO for a large Geneva based family office and later for the Servette Sports' team group and a Real Estate Foundation. Since 2010 she is an active angel investor in early stage start-ups and has cofounded an initiative to develop angel investing out of Mauritius. She is an Independent Non- Executive Director for IBL Ltd since 2019 where she sits on the Audit and Risk Committee. She is also a Fellow of Mauritius Institute of Directors (MIoD) since 2020 and is currently completing her Postgraduate certificate in Corporate Governance.

Country of residence: Mauritius

DIRECTORS' PROFILES (CONT'D)

AFSAR AZIZE ABDULLA EBRAHIM
*Director**

Fellow Chartered Accountant (FCA)
Institute Chartered Accountants in England & Wales (ICAEW)
Prize Winner Professional Exam 1

Corporate Finance Qualification
Institute Chartered Accountants in England & Wales

Date first appointment as Director: 02-Oct-20

Afsar is the founding partner of KICK Advisory Services. He has over a quarter century of experience in Corporate Restructuring, M&A, strategy, financial consulting and fund raising to clients across a wide spectrum of industries both locally and in Africa. Previously served as Deputy Group Managing Partner in Mauritius, East Africa and Indian Ocean Islands.

Prior to his tenure at BDO, he served as Manager Corporate & Investment Banking at HSBC Mauritius during which period he was trained in Hong Kong and Singapore by HSBC in Corporate Lending Analysis and Applied Credit lending.

Trained in Operational & Financial Consulting with Arthur Andersen at St Charles, USA, and in London and has attended the Harvard Business School program on Managing Professional Services Firm in 2012 and BDO Global Partner Leadership Program in 2016.

Afsar is also a Founding Member of Mauritius Africa Business Club.

Country of residence: Mauritius

*At the date of approval of this report, the independence status of the Director is still under assessment by BOM.

GIRIRAJ SINH JADEJA
Independent Non-Executive Director

M.B.A. Major in Finance
Baruch College, The City University of New York (CUNY)

Master's Degree in Hotel Management
Oberoi School of Hotel Management (A Cornell University Affiliate Program)

B.A. (Honors)
St. Stephen's College, University of Delhi

Date first appointment as Director: 22-Oct-20

Proven leader and seasoned executive with over 30+ years of extensive experience in fintech, finance, banking and emerging markets investment around the world. Solid track record of building teams, fostering client relationships and delivering profitable investment programs in frontier, transition and post-conflict economies.

Country of residence: United States of America

DIRECTORS' PROFILES (CONT'D)

ASLAM KANOWAH
Non-Executive Director

Fellow of the Association of Chartered Certified Accountants (FCCA)
Association of Chartered Certified Accountants

MBA International Banking and Finance
Washington International University, USA

Certified Islamic Finance Expert (CIFE)
Academy for International Modern Studies, UK

Date first appointment as Director: 02-Oct-20

Present directorship:
Other non-listed entities:
Artezia Transport Management Solutions Limited
Besst Point Capital House Limited
Discovery Capital Managers Ltd
East Africa Mining Limited
Intra Energy Ltd
Intra Minerals Ltd
Intrafrican Resources Limited
Intrasia Management (Mauritius) Limited
Intrasia Securities Limited
Levene Energy Development Limited
Levene Energy Holdings Limited
Macif Commodity Trading Limited
Macif Holdings Limited
Macif Investments Limited
Phobos Ltd
Rapture Global Investment Fund Ltd
The Pines Art Productions Limited
Vantage Financial Advisors Ltd

Aslam is a finance professional, banker and accountant with 32 years in the financial services sector and over 18 years in the domestic and offshore banking industry.

In addition to banking his leadership role in developing licensed corporate and wealth management companies has given him a strong background in business development, compliance, governance and strategic planning. Over the course of his career he has held key positions in assets management, back office, corporate & fund administration, operations trading and treasury management.

He started at The Indian Ocean International Bank Ltd and subsequently worked for Bank International Indonesia, Standard Bank and Superfund Assets Management before moving to the Global Business Sector in 2011 and was the CEO of Aurisse International Ltd, COO of Capital Horizons Ltd and is currently the CEO of Intrasia Management (Mauritius) Ltd.

He has held a portfolio of directorships since 2011 in various entities engaged in advisory, brokerage, consultancy, funds, investment management, mining and trading. He has a track record in teaming up for the start-up of new offices for international and regional companies in Mauritius and a reputation for leading teams towards peak performance.

Country of residence: Mauritius

DIRECTORS' PROFILES (CONT'D)

JEAN-RAYMOND REY
Non-Executive Director

Fellow Member
Mauritius Institute of Directors (MIoD)
Certified Associate of the Institute of Bankers (South Africa)

BCom in Economics and Business Administration
University of Natal, South Africa

Post-Graduate Diploma in Advance Banking
University of Johannesburg, South Africa

Certificate in "Leading Yourself"
INSEAD, Fontainebleau, France

Date first appointment as Director: 05-Nov-20

Present directorship:
Other non-listed entities:
GrandCap FinCo
GrandCap Holland
GrandCap PCC
JEGA Investments
STS International

Jean-Raymond has successfully led teams over more than 30 years in banking and financial services industry while operating in over 12 countries in Africa, with extensive expertise in Mauritius, South Africa and Democratic Republic of Congo where he ran banks. Over the last 20 years, Jean-Raymond has assumed the responsibility and challenges of various Executive as well as Non-Executive Director roles.

Jean-Raymond has conservative risk management skills with demonstrated ability to adapt to different environments and cultures; he has honed a comfort in operating in both francophone and anglophone environments. Effective communicator and self-motivator, always aiming to deliver results beyond expectations while imbedding good corporate governance and best practice into every deal as well as being able to engage multiple levels of stakeholders.

Jean-Raymond has successfully summited Mount Kilimanjaro on 21st August 2016.

Country of residence: Mauritius

DIRECTORS' PROFILES (CONT'D)

CHRISTIAN ST-ARNAUD
Non-Executive Director

Management Executive Development Program
C.I.R.E.M., Montreal, Canada

Bachelor of Business Administration, Major in Finance
HEC, Montreal, Canada

Date first appointment as Director: 02-Oct-20

Present directorship:
Other non-listed entities:
ABA Bank

Christian graduated from the École des Hautes Études Commerciales in Montréal, Canada. Between 1983 and 2009, he occupied different positions in international and Canadian financial institutions in Canada, with a focus on credit capital market.

He joined National Bank of Canada in 2009 as Vice-President – Credit Capital Markets and Real Estate and was appointed Senior Vice-President – Credit in 2012 (2012-2020); overseeing all retail, commercial, and financial market credit activities of the Bank, including adjudication, portfolio management, and credit model development. He was also a member of numerous senior Committees of the Bank, including the Global Risk Committee, the Risk Management Committee and the Model Oversight Committee.

Country of residence: Canada

JOAN JILL WAN BOK NALE
Independent Non-Executive Director

Fellow Chartered Accountant (FCA)
Institute of Chartered Accountants in England & Wales
B.Sc. (Hons) in Accounting and Finance
The London School of Economics and Political Science

Date first appointment as Director: 05-Nov-20

Jill is a finance professional with over 13 years of local and regional experience in Transaction Advisory and Assurance services provided across a diverse client portfolio spanning Hospitality, Financial Services, Real Estate, Gaming, Building Materials, Construction, or F&B/Leisure.

She last held the position of Associate Director (Deals) at PwC where she spent 5 years advising both private and public clients on multiple and varied assignments including Valuations, Due Diligence/Feasibility Studies, Financial/Corporate restructuring, IPO and SEM/DEM Transaction Advisory, M&A advisory, Strategy and Business planning, and Deal closing.

Prior to joining PwC, Jill worked 2 years at International Financial Services Ltd (now Sanne Mauritius), a leading local offshore management company, overseeing a portfolio of over 100 clients including mutual funds and private equity funds, and serving as Director on a number of investment funds/GBC's. She started her career at Ernst & Young, spending 6 years in the Assurance department being involved on and leading the audits of listed and non-listed financial institutions mainly including banks, NBFI's and Insurance companies, whilst concurrently being in charge of the IFRS technical desk.

Country of residence: Mauritius

DIRECTORS' PROFILES (CONT'D)

As at 30 June 2020, the following members served on the Board and their profiles were as follows:

JEAN JUPPIN DE FONDAUMIÈRE

Independent Non-Executive Chairman

Member of the Institute of Chartered Accountants of Scotland

Date first appointment as Director: 08-Jan-19

Date of last re-appointment: 18-Nov-19

Length of service as Director: 1 year 6 months

Effective date of resignation as Chairman/Director: 31-Aug-20

Present directorship:
Listed entities:
Constance La Gaiete Company Ltd
LUX* Island Resorts Ltd

Other non-listed entities:
Les Coniferes Ltd
The LUX* Collective Ltd

Jean trained as a Chartered Accountant in Edinburgh. His work experience has been with Thomson McLintoch in Edinburgh, PWC, Kleinwort Benson and Security Pacific in Sydney. His specialisation in merchant banking was corporate lending and leasing. He was CEO of the Swan Group in Mauritius between 1992 and 2006 where his focus was in investment and risk management. He has held a portfolio of directorships since 1994 in various sectors including agriculture, commerce, finance, power generation and hospitality. He is a past Chairman of the Stock Exchange of Mauritius. In his current Independent Non-Executive Director portfolio his focus has been on risk management and governance.

Country of residence: Mauritius

DIRECTORS' PROFILES (CONT'D)

MARTIN CARON
Non-Executive Director

Chartered Financial Analyst
M.Sc. in Finance
Bachelor's Degree in Actuarial Science
Université Laval, Canada

Date first appointment as Director: 20-Sep-18

Date of last re-appointment: 18-Nov-19

Length of service as Director: 1 year 9 months

Effective date of resignation as Director: 28-Sep-20

Present directorship:
Other non-listed entities:
Fondation La Mosaique

As Vice President, Strategy and Corporate Development at National Bank of Canada, Martin is responsible for the strategic planning and execution of the Bank's mergers, acquisitions, divestitures and other significant investments.

Martin has more than 20 years of banking experience. Over the course of his career, he has held key positions in capital management, M&A, performance management, corporate strategy, treasury operations, rating agency relations and financial planning.

Prior to joining National Bank of Canada in 2013, he has been in charge of capital management and rating agencies relations at Desjardins Group between 2006 and 2013. With Royal Bank of Canada from 1995 to 2005, he served in corporate finance areas, such as M&A, financial policy, strategy and controller.

Country of residence: Canada

DIPAK CHUMMUN
Non-Executive Director

Fellow Chartered Accountant (FCA)
Institute of Chartered Accountants in England & Wales

B.Sc. in Computer Science
University of Manchester, UK

Date first appointment as Director: 30-Apr-18

Date of last re-appointment: 18-Nov-19

Length of service as Director: 2 years 2 months

Effective date of resignation as Director: 02-Oct-20

Present directorship:
Listed entities:
Alteo Limited
Eagle Insurance Limited

DIRECTORS' PROFILES (CONT'D)

DIPAK CHUMMUN (CONT'D)

Present directorship (Cont'd):
Other non-listed entities:
Adam and Company Limited
AfrAsia Capital Management Ltd
Air Mascareignes Limitee
Alteo Energy Ltd
Alteo Milling Ltd
Bloomage Ltd
Cassis Limited
Cervonic Ltd
Compagnie Thonière De l'Océan Indien Ltée
DTOS International Ltd
DTOS Ltd
Economic Development Board
Engineering Support Services Ltd
Equip and Rent Company Ltd
Escape Outdoor & Leisure Ltd
Healthscape Ltd
IBL Africa Investment Ltd
IBL Biotechnololy International Ltd
IBL Entertainment Holding Limited
IBL Entertainment Limited
IBL Financial Services Holding Limited
IBL Fishing Company Ltd
IBL Gabon Investments Ltd
IBL India Investments Ltd
IBL Shipping Company Ltd
IBL Training Services Limited
IBL Treasury Ltd
IBL Treasury Management Ltd
IBL Ugandan Holdings 1 Limited
IMV Services Ltd
Interface International Ltd
Ireland Fraser & Company Limited
Knights & Johns Management Ltd
La Tropicale Mauricienne Ltée
Manser Saxon Openings Limited
Marine Biotechnology International Ltd
Medical Trading Company Limited
Medical Trading International Limited
New Cold Storage Company Limited
Saer (Indian Ocean) Ltd
Seafood Hub Limited
Seaways Marine Supplies Limited
Southern Investments Ltd
The Stock Exchange of Mauritius
Winhold Limited

DIRECTORS' PROFILES (CONT'D)

DIPAK CHUMMUN (CONT'D)

Dipak has had an international career of over 25 years in management consulting, corporate and investment banking, finance and strategy. He has held senior country, regional and group roles with Standard Chartered, Barclays, Emirates NBD and Deutsche Bank in London, Hong Kong, Dubai, Singapore, and most recently Frankfurt, where he was Director for business performance and strategic financial planning at Deutsche Bank's global head-quarters.

He came back to Mauritius and joined IBL as Group Chief Finance Officer from January 2015. He is a Director of two listed companies, Eagle Insurance Limited and Alteo Limited, is currently the Vice Chairman of The Stock Exchange of Mauritius, is a member of the Economic Development Board of Mauritius and has served as a member of the International Advisory Board Member of the ICAEW in the UK.

Country of residence: Mauritius

YVES JACQUOT

Non-Executive Director

Master of Business Administration
ESSEC Business School, France

Date first appointment as Director: 16-Jan-15

Date of last re-appointment: 18-Nov-19

Length of service as Director: 5 years 5 months

Effective date of resignation as Director: 28-Sep-20

Present directorship:
Other non-listed entities:
ABA Bank (Cambodia) (Chairman)
ATA (Thailand) Company Limited (Chairman)
Byblos Bank
Ongo
Ronoc
TenGer Financial Group LLC
XacBank LLC

Yves has a wide experience in the banking sector. He is presently the First Vice President of International Development for the National Bank of Canada Group and the Deputy Chief Executive of Natcan Investissements Internationaux SAS which is a subsidiary of National Bank of Canada. Previously, he was the Deputy Chief Executive of Bred Banque Populaire, CEO of Cofibred, the investment holding of BRED and Chairman of several banks' subsidiaries of Cofibred.

Country of residence: France

DIRECTORS' PROFILES (CONT'D)

PHILIPPE JEWTOUKOFF
Independent Non-Executive Director

Masters in Economic Sciences
Université Panthéon Sorbonne, France

ENSAE Paris
Université Paris-Saclay

DEA - Mathematics
Université Paris VI

Date first appointment as Director: 16-May-17

Date of last re-appointment: 18-Nov-19

Length of service as Director: 3 years 1 month

Effective date of resignation as Director: 28-Sep-20

Present directorship:
Other non-listed entities:
Newparf
Parfum Direct
Permco

During his 34 years long career in the banking sector, Philippe has got a wide experience in the finance, asset management and audit fields. He retired from the Bank as CEO of the "Credit Cooperatif", a nationwide retail Bank in France. Since 2011, he became an independent consultant specialised in restructuring. Philippe has also created a micro-finance network in West Africa (Mali) in the nineties and has a strong knowledge of Madagascar where he had lived after his student life.

Country of residence: France

ARNAUD LAGESSE
Non-Executive Director

Masters in Management
Aix-Marseille University

Graduated
Institut Supérieur de Gestion de Paris

Professional Development Programme
INSEAD – France

Advanced Management Programme (AMP180)
Harvard Business School, United States

Breakthrough Executive Program
Egon Zehnder-Mobius, Portugal

Date first appointment as Director: 05-Nov-18

Date of last re-appointment: 18-Nov-19

Length of service as Director: 1 year 8 months

Effective date of resignation as Director: 02-Oct-20

DIRECTORS' PROFILES (CONT'D)

ARNAUD LAGESSE (CONT'D)

Present directorship:
Listed entities:
Alteo limited (Chairman)
Bluelife Limited
IBL Ltd
Phoenix Beverages Limited (Chairman)
Phoenix Investment Company Limited (Chairman)

Other non-listed entities:
Bloomage Ltd (Chairman)
Camp Investment Company Limited (Chairman)
Joseph Lagesse Foundation (Chairman)
The LUX* Collective Limited (Chairman)
Pick and Buy Limited
Seafood Hub Limited

Arnaud Lagesse is the Group CEO of IBL Ltd. He is one of the Mauritian private sector's most prominent leaders and is known to drive IBL Group with innovative and challenging undertakings. In 2016, he initiated the merger of GML Investissement Ltée and Ireland Blyth Limited and created the new entity IBL Ltd which thus became the n°1 group in Mauritius.

Country of residence: Mauritius

ARVIND MADAN SETHI
Independent Non-Executive Director

MA Hons in Philosophy, Politics & Economics
Keble, Oxford University, UK

Date first appointment as Director: 20-Apr-16

Date of last re-appointment: 18-Nov-19

Length of service as Director: 4 years 2 months

Effective date of resignation as Director: 15-Jul-20

Present directorship:
Other non-listed entities:
Bear Falls Plantation Resort Pvt. Ltd.
Bloom Plantation & Resort Pvt. Ltd.
CAP-M Consulting India Private Limited
Eden Plantation Resort Pvt. Ltd.
Flourish Plantation Resort Pvt. Ltd.
HSBC Investdirect (India) Limited
HSBC Investdirect Financial Services (India) Limited
Old World Hospitality Private Limited
Sun Industrial Tyres (Pvt) Ltd
Sundaram Alternate Assets Limited
Sundaram Asset Management Company Limited
Sundaram Tyres Lanka Limited

DIRECTORS' PROFILES (CONT'D)

ARVIND MADAN SETHI (CONT'D)

After a brief career in financial journalism, as Assistant Editor for the Economic Times from 1979 to 1980, Arvind joined Grindlays Bank in 1981. He spent virtually all his career in foreign exchange, fixed income and derivatives, occupying senior roles in India such as Manager Treasury HSBC, General Manager Global Markets ANZ Grindlays India and Managing Director Global Markets at Bank of America, India. Arvind was also the Head of Retail Banking at HSBC India in 1995-96 and during his career he had assignments with the ANZ treasury in Melbourne and HSBC's Debt Capital Markets in London. From 2001 to 2012, he was a Financial Advisor and Trainer in Financial instruments and Derivatives. He started the Fixed Income Money Market and Derivatives Association of India (FIMMDA) and was its Chairman in 1999 and 2000, and was also part of the Reserve Bank of India's Committees on Foreign Exchange and Bond Market. He led a turnaround of Tata Asset Management as its Managing Director and Chief Executive Officer from 2012 to 2015 and has also served as an Independent Director on the Board of Rabo India Finance Limited and Canara Robeco Asset Management.

Country of residence: India

MATHEW WELCH

Independent Non-Executive Director

MBA with High Distinction
Harvard Business School, USA

MA (Hons)
Oxford University in Oriental Studies (Chinese), UK

Date first appointment as Director: 04-Feb-19

Date of last re-appointment: 18-Nov-19

Length of service as Director: 1 year 5 months

Date of resignation as Director: 03-Sep-20

Present directorship:
Other non-listed entities:
Asia Capital and Advisors
Asia Dorset Management

Mathew Welch has over 25 years of experience in the Asian Financial Services arena, with a strong track record of building and leading various businesses in this sector throughout the region. His expertise spans across a diverse range of financial businesses, including investment, wholesale and consumer banking as well as asset management/private equity investment.

Mathew occupied a multitude of roles in companies such as Temasek Holdings, Merrill Lynch and ING Bank. Alongside being a Managing Director, Investments at Temasek Holdings, he also served on the Boards of various Temasek investee companies.

Mathew started off his career as an International Officer at HSBC in 1986. Based in Singapore as FI Head of Asia at Standard Chartered Bank, Mathew grew the Financial Institutions revenues more than five-fold from 2003 to 2007. In that role he added more than US$1bn in revenues, and created one of Asia's largest FI businesses, finally becoming the Global Head of Standard Chartered Banks' business. In the 1990's, he contributed to building McKinsey & Co's financial institutions practice in Southeast Asia.

Country of residence: Singapore

DIRECTORS' PROFILES (CONT'D)

FRANCOIS WERTHEIMER
Non-Executive Director

MBA
Columbia University, City of New York

Member of Singapore Institute of Directors
Date first appointment as Director: 08-Jan-19

Date of last re-appointment: 18-Nov-19

Length of service as Director: 1 year and 6 months

Effective date of resignation as Director: 02-Oct-20

Present directorship:
Other non-listed entities:
Capital Asia Partners
Intra Capital
Intrasia Management

Francois has over 25 years of investment banking and corporate finance experience in Asia, Europe and the US. He specialises on advising Asian groups and financial sponsors on their M&A and fund-raising requirements as well as international companies on their growth and development strategies in Asia. Francois began his career in New York with JP Morgan Chase and then was in London with Dresdner Kleinwort Benson before moving to Asia. He became a Managing Director of Corporate Finance at HSBC and subsequently served as CEO of HSBC Investment Bank in Indonesia. He then joined BNP Paribas as Head of Corporate Finance and Investment Banking for South East Asia before becoming Managing Director of Capital Asia Partners.

Country of residence: Singapore

DOMINIC JACQUES
Alternate Director to Yves Jacquot

Certified Professional Accountant (CPA)
Chartered Financial Analyst (CFA)

HEC Montreal
BAA in Business
DESSCP in Accounting

Date first appointment as Director: 01-Sep-16

Length of service as Director: 3 years 10 months

Effective date of resignation as Director: 28-Sep-20

Present directorship:
Listed entities:
NSIA Banque Côte D'Ivoire

DIRECTORS' PROFILES (CONT'D)

DOMINIC JACQUES (CONT'D)

Other non-listed entities:
ABA Bank (Cambodia)
ATA IT Ltd. (Thailand)
NSIA Participations (Côte D'Ivoire)

Dominic holds the position of Deputy Vice-President, International Development at National Bank of Canada. As such, he manages the Bank's portfolio of international investments. Dominic started his career at PricewaterhouseCoopers and joined National Bank of Canada in 2010 as Senior Manager, Strategy and Corporate Development. Dominic has a sound knowledge of the banking industry, having spent 15 years advising financial institutions on transactions and partnerships. Over the years, he has been based in Montreal, London, Paris and San Jose, California.

Country of residence: Canada

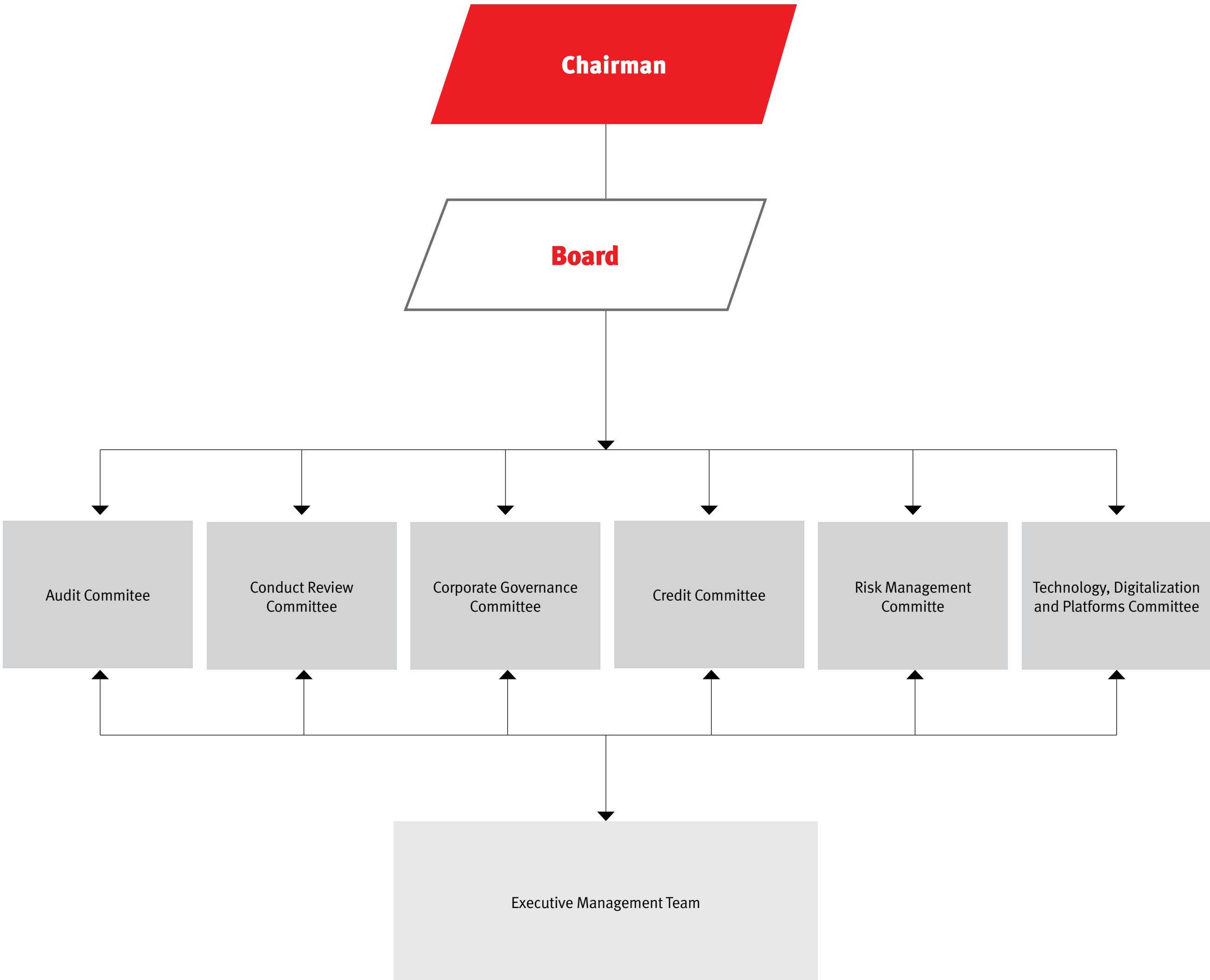
Note: The 'Length of service as Director' for the Board runs from the time of first appointment to the 30th of June 2020 for those who held office as at 30 June 2020.

BOARD COMMITTEES

AfrAsia's Board Committees are set up to enable the Board to discharge its roles and responsibilities through delegated authority and ingrained reporting instruments necessary for managing, directing and supervising the management of the business and affairs of the Bank. During the year under review, the Technology, Digitalization and Platforms Committee was established to canalise the technological needs of the Bank through one spectrum.

The Bank has in place six comprehensively structured Board Committees for more in-depth analysis and evaluation of various issues as may be appropriate. After each meeting, a report is made by each Board Committee and presented to the main Board for further discussion and/or approval by the Board. Each Committee operates under its own approved Terms of Reference which are subject to reassessment as and when required.

The Bank's Board Structure as at 30 June 2020 is as follows:



BOARD COMMITTEES (CONT'D)

Audit Committee

The Committee consisted of four Independent Non-Executive Directors as at 30 June 2020. In line with its approved Terms of Reference,

the Committee should meet at least once every quarter. During the year under review, the Committee met 4 times.

Composition:

The Committee shall consist of a minimum of three independent members.

Membership as at 30 June 2020:

The membership of the Committee shall be appointed by the Board from amongst the Independent Directors of the Bank. As at 30 June 2020, the Committee was in adherence with the membership rudiments.

Members	Date of appointment	Board status
Philippe Jewtoukoff (Chairperson)	June 2017	Independent Non-Executive Director
Jean Juppin de Fondaumière	February 2019	Independent Non-Executive Director
Mathew Welch	February 2019	Independent Non-Executive Director
Arvind Madan Sethi	September 2019	Independent Non-Executive Director

Current recomposed membership:

Members	Date of appointment	Board status
Joan Jill Wan Bok Nale (Chairperson)	November 2020	Independent Non-Executive Director
Inderjit Singh Bedi	October 2020	Independent Non-Executive Director
Giriraj Sinh Jadeja	October 2020	Independent Non-Executive Director

Note: Sanjiv Bhasin, CEO, is invited as and when required.

Fundamental functions comprise:

General

- Ensuring that there is an open avenue of communication between the Head of Internal Audit, the Head of Compliance, the External Auditors and the Board;
- Reviewing annually and, if necessary, propose for formal Board adoption, amendments to the Committee's Terms of Reference;
- Considering, in consultation with the External Auditors and the Head of Internal Audit, the audit plans and scope, ensuring the coordination of audit effort is maximized;
- Performing such additional duties as may be assigned to it by the Board of Directors;
- Reporting to the Directors on the conduct of its responsibilities, with particular reference to the appointment, powers and duties of auditors, as per section 39 of The Banking Act 2004 (amended August 2020);
- Reviewing the unaudited and/or audited financial statements of the Bank before they are approved by the Board;
- Reviewing the unaudited and/or audited financial statements of AfrAsia Investments Limited (AIL) before they are approved by the Board;

BOARD COMMITTEES (CONT'D)

Audit Committee (Cont'd)

General (Cont'd)

- Reviewing such transactions which could adversely affect the sound financial condition of the Bank as the auditors or any officers of the Bank may bring to the attention of the Committee or as may otherwise come to its attention; and
- Ensuring that the Bank complies with regulatory requirements.

Financial Statements

- Examining, reviewing and challenging the quality and integrity of the financial statements of the Bank, including External Auditor's report, annual and half-yearly reports, interim reports and any other formal announcement relating to the organisation's financial performance;
- Reviewing and reporting to the Board on significant financial reporting issues and judgements which these financial statements contain, having regards to matters communicated to the Committee by the Auditors;
- Reviewing with management any significant difficulties or disputes encountered during the audit;
- Reviewing other matters related to the conduct of the audit which are to be communicated to the Committee under The Banking Act 2004 (amended August 2020), The Companies Act 2001 of Mauritius and International Financial Reporting Standards;
- Overseeing appropriateness of the process, models and the assumptions made for IFRS 9, their impact on financial statements and to satisfy themselves that the dynamic nature of calculating and reporting the Probability of Default and the Expected Credit Loss is maintained, as per the requirements of the Bank of Mauritius; and
- The Audit Committee should try and meet or convene by phone at least one week before the formal review of audited annual financial accounts which are recommended to the Board for approval, so that any important issues which need to be discussed with management and the external auditors are given sufficient time for resolution.

Internal Control

- Enquiring from management, the Head of Internal Audit and the external auditors about significant risks or exposures and evaluate the steps taken to minimise such risk to the Bank;
- Considering and reviewing with management and the Head of Internal Audit significant findings during the year and management's responses thereto;
- Requiring management to implement and maintain appropriate accounting, internal control and financial disclosure procedures and review, evaluate and approve such procedures; and
- Ensuring that management is taking appropriate corrective action in response to deficiencies identified by the auditors, including internal control weaknesses and instances of non-compliance with laws and examine and review the contents of the external auditors' management letter, together with management's responses thereto.

External Audit

- Recommending to the Board, the external auditors to be appointed and their remuneration, review and approve the scope and quality of their work, independence and their discharge or resignation and examine and review any significant changes which have been required in the external auditor's audit plan;
- Considering with management and external auditors the rationale for employing external audit firms for the audit of any subsidiary company other than the principal external auditors;

BOARD COMMITTEES (CONT'D)

Audit Committee (Cont'd)

External Audit (Cont'd)

- Ensuring that at least once every five years the external audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent external auditor with those of other external audit firms. Overseeing the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process. Several firms should be screened, and the Committee should obtain written or verbal proposals to enable it to arrive at its recommendation;
- If an external auditor resigns, the Committee shall investigate the underlying issues leading to the resignation and decide whether any action is required;
- Overseeing the relationship with the external auditors including (but not limited to): and
  - Recommendations on their remuneration for non-audit services;
  - Approval of their terms of engagement, including any engagement letter issued at the start of each external audit and the scope of the audit;
  - Assess annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the external auditor as a whole, including the provision of any non-audit services;
  - Satisfy themselves that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Bank (other than in the ordinary course of business) which
  - could adversely affect the external auditor's independence and objectivity;
  - Monitor the external auditors' compliance with relevant ethical and professional guidance on the rotation of external audit partner, the level of fees paid by the Bank compared to the overall fee income of the firm, office and partner and other related requirements;
  - Assess annually the qualifications, expertise and resources of the external auditors and the effectiveness of the external audit process, which shall include a report from the external auditors on their own internal quality procedures; and
  - Evaluate the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of withdrawal of the external auditors from the market in that evaluation.
- Meeting regularly with the external auditors (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year, without management being present, to discuss the external auditor's remit and any issues arising from the external audit.

Internal Audit

- Reviewing and approving, where possible in advance of the event, the appointment, replacement, reassignment, or dismissal of the Head of Internal Audit;

Considering and reviewing with management and the Head of Internal Audit:

- Any difficulties encountered in the course of internal audits and any restrictions placed on internal audit scope of work or access to required information or personnel;
- The audit plan of future audits to be conducted;
- The internal auditing department's budget and staffing; and
- Any changes which have been required in the previously approved audit plan.

- Approving the remuneration of the Head of Internal Audit.

BOARD COMMITTEES (CONT'D)

Audit Committee (Cont'd)

Compliance

- Reviewing regular reports from the Head of Compliance and keep under review the adequacy and effectiveness of the Bank's compliance function; and
- Considering and reviewing the control plans of the Compliance function.

Conduct Review Committee

In line with its approved Terms of Reference, the Committee should meet at least once every quarter. During the year under review, the Committee met 4 times.

Composition:

The Committee shall consist of a minimum of three independent members.

Membership as at 30 June 2020:

The membership of the Committee shall be appointed by the Board from amongst the Independent Directors of the Bank. As at 30 June 2020, the Committee was in adherence with the membership rudiments.

Members	Date of appointment	Board status
Philippe Jewtoukoff (Chairperson)	February 2019	Independent Non-Executive Director
Jean Juppin de Fondaumière	February 2019	Independent Non-Executive Director
Mathew Welch	February 2019	Independent Non-Executive Director

Current recomposed membership:

Members	Date of appointment	Board status
Inderjit Singh Bedi (Chairperson)	October 2020	Independent Non-Executive Director
Giriraj Sinh Jadeja	October 2020	Independent Non-Executive Director
Joan Jill Wan Bok Nale	November 2020	Independent Non-Executive Director

Note: Sanjiv Bhasin, CEO, is in attendance and non-voting.

Fundamental functions comprise:

- Having the mandate to require management to establish policies and procedures to comply with the requirements of the Bank of Mauritius' "Guidelines on Related Party Transactions";
- Reviewing and approving credit exposures to related parties;
- Ensuring market terms and conditions are applied to all related party transactions;
- Reviewing the practices of the financial institution to ensure that any transaction with related parties that may have a material effect on the stability and solvency of the bank is identified and dealt within a timely manner; and
- Reporting periodically and in any case not less frequently than on a quarterly basis to the Board of Directors on matters reviewed by it, including exception on policies, processes and limits.

BOARD COMMITTEES (CONT'D)

Corporate Governance Committee

In line with its approved Terms of Reference, the Committee should meet at least twice a year. During the year under review, the

Committee met 4 times.

Composition:

The Committee shall consist of at least two members.

Membership as at 30 June 2020:

The membership of the Committee shall be appointed by the Board from amongst the Directors of the Bank and shall be composed of a majority of Non-Executive Directors. As at 30 June 2020, the Committee was in adherence with the membership rudiments.

Members	Date of appointment	Board status
Jean Juppin de Fondaumière (Chairperson)	February 2019	Independent Non-Executive Director
Sanjiv Bhasin	May 2016	Executive Director
Yves Jacquot	February 2015	Non-Executive Director
Philippe Jewtoukoff	March 2020	Independent Non-Executive Director
Arnaud Lagesse	November 2018	Non-Executive Director
Arvind Madan Sethi	March 2020	Independent Non-Executive Director
Mathew Welch	March 2020	Independent Non-Executive Director
Francois Wertheimer	February 2019	Non-Executive Director

Current recomposed membership:

Members	Date of appointment	Board status
Inderjit Singh Bedi* (Interim Chairperson)	October 2020	Independent Non-Executive Director
Jan Fredrik Louis Gaëtan Boullé	October 2020	Non-Executive Director
Brian Adam Davis	October 2020	Non-Executive Director
Aslam Kanowah	October 2020	Non-Executive Director

Note: Sanjiv Bhasin, CEO, is in attendance and non-voting.

*Inderjit Singh Bedi is acting as the interim Chairperson until the Chairperson of the Board is appointed.

Fundamental functions comprise:

- To determine, agree and develop the Bank's general policy on corporate governance in accordance with the recommendations of the Code of Corporate Governance;
- To ensure that disclosures on corporate governance whether in the annual report or on an ongoing basis, are made in accordance with the principles of the Code of Corporate Governance;
- Preparing the corporate governance report to be published in the annual report;

BOARD COMMITTEES (CONT'D)

Corporate Governance Committee (Cont'd)

Fundamental functions comprise: (Cont'd)

- To determine, agree and develop the Bank's general policy on executive and senior management remuneration;
- Determining specific remuneration packages for Executive Directors of the Bank, including but not limited to basic salary, benefits in kind, any annual bonuses, performance-based incentives, share incentives pensions and other benefits;
- Ensuring that compensation is consistent with the Bank's culture, objectives and strategy determine the level of Non-Executive and independent Non-Executive Directors fees to be recommended to the shareholders at the meeting of shareholders;
- Determining any criteria necessary to measure the performance of Executive Directors in discharging their functions and responsibilities;
- Ensuring a review, at least annually, of the current Directors' performance and attendance at Board and Committee meetings;
- Review the Board structure, size and composition and make recommendations to the Board with regards to any adjustments that are deemed necessary;
- Ensuring that the right balance of skills, expertise and independence is maintained;
- Identifying and nominate candidates for the approval of the Board to fill Board vacancies as and when they arise, as well as put in place plans for succession, in particular for the Chairperson and Chief Executive Officer;
- Ascertaining whether potential new Directors are fit and proper and are not disqualified from being Directors (prior to their appointment);
- Making recommendations to the Board for the continuation (or not) in services of any Director who has reached the age of 70;
- The Committee will liaise with the Board in relation to the preparation of the Committee's report to shareholders, as required;
- Reviewing and advising on the remuneration policy generally of the Bank;
- Reviewing the annual corporate social responsibility policies and related budgets; and
- Ensuring that the Board members receive thorough orientation on Board governance and key strategic issues facing the financial institution.

Credit Committee

In line with its approved Terms of Reference, the Committee should meet at least four times a year. During the year under review, the Committee met 7 times.

Composition:

The Committee shall consist of at least four members.

BOARD COMMITTEES (CONT'D)

Credit Committee (Cont'd)

Membership as at 30 June 2020:

The membership of the Committee shall be appointed by the Board from amongst the Directors of the Bank and shall be composed of a majority of Non-Executive Independent Directors. As at 30 June 2020, the Committee's membership is equally represented between Non-Executive and Independent Non-Executive Directors; this non-adherence with the Committee's Terms of Reference is currently under review.

Members	Date of appointment	Board status
Mathew Welch (Chairperson)	February 2019	Independent Non-Executive Director
Dipak Chummun	February 2019	Non-Executive Director
Yves Jacquot	August 2015	Non-Executive Director
Philippe Jewtoukoff	November 2018	Independent Non-Executive Director

Current recomposed membership:

Members	Date of appointment	Board status
Inderjit Singh Bedi (Chairperson)	October 2020	Independent Non-Executive Director
Christian St-Arnaud	October 2020	Non-Executive Director
Joan Jill Wan Bok Nale	November 2020	Independent Non-Executive Director
Jean-Raymond Rey	November 2020	Non-Executive Director

Note: Sanjiv Bhasin, CEO, is in attendance but is a non-voting member.

The recomposed Committee is still equally represented between Non-Executive and Independent Non-Executive Directors, therefore, the Committee remains non-compliant with the membership rudiments of its Terms of Reference.

Fundamental functions comprise:

- Oversee the credit risk management of the Bank, including reviewing the loan portfolio and monitoring of large credit exposures;
- Approving/reviewing the credit risk policy and lending guidelines at least once a year;
- Approving/declining credit applications in accordance with the Bank's Credit Risk Policy when exceeding limits delegated to Management Credit Committee;
- Reviewing and approving any deviations from the Bank's Credit Risk Policy;
- Ensuring that management establishes adequate credit assessment processes and effective controls to identify any deterioration in the loan portfolio;
- Approving any delegation of credit approval authority to Head of Credit Risk and Management Credit Committee;
- The monitoring of impaired Credit and overall level of provisioning needs to be approved by both Board Credit Committee and Board Risk Committee; and
- Reviewing of Restructured facilities which shall be approved by both Board Credit Committee and Board Risk Committee.

BOARD COMMITTEES (CONT'D)

Risk Management Committee

In line with its approved Terms of Reference, the Committee should meet at least once every quarter. During the year under review, the Committee met 6 times.

Composition:

The Committee shall consist of at least three members.

Membership as at 30 June 2020:

With the exception of the CEO, the membership of the Committee shall be appointed by the Board from amongst the Non-Executive Directors and of at least one Independent Director of the Bank with a reasonable number should have an adequate familiarity with risk management of the Bank. As at 30 June 2020, the Committee was in adherence with the membership rudiments.

Members	Date of appointment	Board status
Arvind Madan Sethi (Chairperson)	May 2016	Independent Non-Executive Director
Sanjiv Bhasin	November 2015	Executive Director
Martin Caron	February 2019	Non-Executive Director
Mathew Welch	February 2019	Independent Non-Executive Director
Francois Wertheimer	February 2019	Non-Executive Director

Current recomposed membership:

Members	Date of appointment	Board status
Giriraj Sinh Jadeja (Chairperson)	October 2020	Independent Non-Executive Director
Sanjiv Bhasin	October 2020	Executive Director
Brian Adam Davis	October 2020	Non-Executive Director
Aslam Kanowah	October 2020	Non-Executive Director
Jean-Raymond Rey	November 2020	Non-Executive Director

Fundamental functions comprise:

- The main focus of the Committee shall also be to ensure that the bank maintains a satisfactory liquidity and solvency ratio at all times;
- Reviewing the principal risks and have a global view on all risks which the bank is exposed which includes but not limited to credit, market, liquidity, operational, legal, compliance and reputational risks and the actions taken to mitigate the risks;
- Requirement of the Head of Risk to provide regular reports to the Committee, senior management and the Board on his/her activities and findings relating to the Bank's risk appetite framework;
- Formulating and making recommendations to the Board in respect of risk management issues including limits setting and risk appetite framework, which is well understood throughout the Bank. All corporate, operational, and financial policies should support the framework, which should be forward-looking and consistent with the Bank's short-term and long-term strategic plan.
  The framework should set benchmarks as to the acceptable risk limits, taking into account relevant financial, operational, and macroeconomic factors;
- Receiving periodic information on risk exposures and risk management activities from senior officers;

BOARD COMMITTEES (CONT'D)

Fundamental functions comprise: (Cont'd)

- Ensuring that the CEO facilitates training programmes for Directors and senior management to enable them to have a robust understanding of the nature of the business, the nature of the risks, the consequences of the risks being inadequately managed and the techniques for managing the risks effectively;
- Reviewing and approving discussions and disclosure of risks;
- Providing prior endorsement for appointment and removal of the Head of Risk who, among other things, shall provide assurance that the oversight of risk management is independent from operational management and is adequately resourced with proper visibility and status in the Bank;
- Ensuring independence of the Head of Risk from operational management without any requirement to generate revenues;
- Monitoring of large credits, impaired credits and the overall level of provisioning; and
- Reviewing of Restructured facilities which shall be approved by the sanctioning authority (one level higher) than the initial approver.

Technology, Digitization and Platforms (TDP) Committee

In line with its approved Terms of Reference, the Committee should meet at least once every quarter. During the year under review, the Committee met 3 times. However, it is to be noted that this Committee was established during the year and first met in February.

Composition:

The Committee shall consist of at least four members.

Membership as at 30 June 2020:

With the exception of the CEO, the membership of the Committee shall be appointed by the Board from amongst the Non-Executive Directors with a reasonable number should have an adequate familiarity with technology of the Bank. As at 30 June 2020, the Committee was in adherence with the membership rudiments.

Members	Date of appointment	Board status
Mathew Welch (Chairperson)	February 2020	Independent Non-Executive Director
Sanjiv Bhasin	February 2020	Executive Director
Martin Caron	February 2020	Non-Executive Director
Jean Juppin de Fondaumière	February 2020	Independent Non-Executive Director
Francois Wertheimer	February 2020	Non-Executive Director

Current recomposed membership:

Members	Date of appointment	Board status
Isabelle Marie Edith Alvares Pereira De Melo (Chairperson)	October 2020	Non-Executive Director
Sanjiv Bhasin	October 2020	Executive Director
Giriraj Sinh Jadeja	October 2020	Independent Non-Executive Director
Aslam Kanowah	October 2020	Non-Executive Director
Christian St-Arnaud	October 2020	Non-Executive Director
Joan Jill Wan Bok Nale	November 2020	Independent Non-Executive Director

Note: Nicolas Fabien Hardy, Chief Technology & Operations Officer, is in attendance and non-voting.

Technology, Digitization and Platforms (TDP) Committee

Fundamental functions comprise:

- Any strategies and framework related to Information Technology, Digitization and Platforms, including e-banking products and services;
- Any technology strategy, policies, implementation of IT and digitization initiatives/projects undertaken that are aligned with the business strategy;
- Any proposals, policies, standards, procedures and framework related to IT Security blue print in line with the security strategies of the Bank;
- Proper balance of IT investments for sustaining bank's growth, that IT investments represent a balance of risks and benefits, and that budgets are acceptable and monitored;
- Information and technology risks as identified during audit process are assessed and managed in line with relevant frameworks;
- Awareness about exposure towards IT risks and controls, effectiveness of management's monitoring of IT risks through oversight over the proceedings of the Information Security Management Committee;
- Appropriate business continuity arrangements are in place relating to information technology;
- On-going relevance of the Bank's information management and data governance framework and systems including those relating to compliance with the General Data Protection Regulations (and any analogous legislation);
- Appointment of any such person (employee, consultant or advisor) to undertake any specific projects or assignments in relation to the Bank's technology or digitalization initiatives/projects;
- On-going appropriateness and relevance of the Bank's policy for the allocation of resources required to deliver both the short-term and long-term information technology strategies;
- IT organizational structure complements the business model and its direction;
- Management has implemented processes and practices that ensure that the IT services deliver value to the business;
- Senior management's performance in implementing IT strategies and contribution of technology to businesses;
- Review the IT budget figures; and
- To undertake such other duties and responsibilities as determined by the Board of Directors of the Bank for this Committee.

BOARD MEETINGS

During the year under review, the Board held eleven meetings. The Board manages a schedule for the meetings with enough leeway for any additional issues arising to be included in the agenda as and when required in line with the Bank's constitution. Decisions are also taken by way of resolutions in writing, assented and signed by all the Directors.

ATTENDANCE REPORT

The attendance report of the Directors at Board and Committee meetings for the year ended 30 June 2020 are tabulated below:

	Board of Directors	Audit Committee	Corporate Governance Committee	Conduct Review Committee	Credit Committee	Risk Management Committee	TDP*
No. of meetings held	11	4	4	4	7	6	3
Jean Juppin De Fondaumière (Chairperson)	11	4	4	4	-	-	3
Sanjiv Bhasin (Chief Executive Officer)	7	-	4	-	-	6	2

	Board of Directors	Audit Committee	Corporate Governance Committee	Conduct Review Committee	Credit Committee	Risk Management Committee	TDP*
Martin Caron	11	-	-	-	-	6	3
Dipak Chummun	11	-	-	-	5	-	-
Yves Jacquot	11	-	4	-	7	-	-
Philippe Jewtoukoff	11	4	1	4	7	-	-
Arnaud Lagesse	9	-	4	-	-	-	-
Arvind Madan Sethi	11	3	1	-	1	6	-
Mathew Welch	11	4	1	4	7	6	3
Francois Wertheimer	11	-	4	-	-	6	3

* The Technology, Digitization and Platforms (TDP) Committee was set up during the year under review as part of the Committees' panorama.

REMUNERATIONS AND BENEFITS

The remuneration and benefits paid and payable to the Directors for the year ended 30 June 2020 are tabulated below:

Remuneration and benefits paid and payable (MUR'000)			
	Fixed	-Variable	Total-
Jean Juppin De Fondaumière (Chairperson)	7,922	-	7,922
Sanjiv Bhasin (Chief Executive Officer)	20,272	-	20,272
Martin Caron*	-	-	-
Dipak Chummun	1,413	360	1,773
Yves Jacquot	1,470	880	2,350
Philippe Jewtoukoff	1,413	1,170	2,583
Arnaud Lagesse	660	270	930
Arvind Madan Sethi	993	790	1,783
Mathew Welch	1,372	1,405	2,777
Francois Wertheimer	651	675	1,326

*The Director has opted to waive any compensation for acting as Director, partner or officer of AfrAsia Bank Limited.

COMPANY SECRETARY

The Company Secretary aids and provides guidance to the Board of Directors in a number of key areas, for instance, corporate law, governance and corporate secretarial practice. The Company Secretary also helps the Directors to fulfill their duties while acting with the utmost integrity and independence in the best interest of the Bank.

It has also a key role to play in the application of corporate governance within the Bank.

The duties of the Company Secretary include but is not limited to the following:

- To provide the Board with guidance as to its duties, responsibilities and powers;
- To inform the Board of all legislation relevant to or affecting meetings of shareholders and Directors and reporting at any meetings and the filing of any documents required of the Bank and any failure to comply with such legislation;

COMPANY SECRETARY (CONT'D)

- To ensure that minutes of all meetings of shareholders or Directors are properly recorded and all statutory registers be properly maintained;
- To certify in the annual financial statements of the Bank that the Bank has filed with the Registrar of Companies all such returns as are required of the Bank as per the laws and regulations;
- To ensure that a copy of the Bank's annual financial statements and the annual report are sent to every person entitled to such statements or report in accordance to the laws and regulations;
- To ensure that there is a good communication flow within the Board, the Board Committees and between the management and the Non-Executive Directors; and
- To advise the Board on all governance matters.

From July 2019 till December 2019:

During the above period, the Bank's secretarial functions was outsourced to IBL Management Ltd through its representatives, Doris Dardanne, FCIS and Melanie Kye Thiam, FCIS.

Doris Dardanne is a Chartered Secretary and Fellow Member of the Institute of Chartered Secretaries and Administrators (UK). Doris has been working in the company secretariat field for nearly 34 years and is presently the Group Corporate Secretary of IBL Ltd, the largest Mauritian company listed on the Stock Exchange of Mauritius with activities in 9 different clusters and in 22 countries. As such, she has a wide exposure and a good knowledge of the different business sectors.

Melanie Kye Thiam holds a BA (Hons) in Law and Management and is a Chartered Secretary and Fellow Member of the Institute of Chartered Secretaries and Administrators (UK). Melanie is presently working as Company Secretary at IBL Ltd and has been providing company secretarial services to various companies within IBL Group operating in various sectors, for instance, financial services, logistics, aviation, retail and commerce. She also worked in the Global Business Sector for nearly 5 years.

IBL Management Ltd resigned as the Company Secretary of the Bank effective December 2019.

From December 2019 till date:

Consequently, the Bank appointed Neeven N. Parsooramen to fulfil the company secretarial duties and Usha Bhurtun as alternate company secretary.

Neeven N. Parsooramen is a Barrister-At-Law duly admitted to the Roll of the Supreme Court of Mauritius and also admitted to the bar of England and Wales. He read for a B.A in Law & Accounting and Finance (Hons) and also an LLM in International Economic and Trade Law in the UK. Having been admitted at the bar of Mauritius since 2011, he has been practicing as a barrister since and appears regularly before the courts of Mauritius. Neeven has a growing litigation practice where he appears regularly as counsel in commercial and civil matters.

Neeven also provides corporate and commercial legal advice in domestic and cross-border transactional matters. Neeven is also appointed as Director to a number of Board of Directors and also act as Company Secretary of a number of companies.

Usha Bhurtun is a practising Barrister-At-Law, who specialises in Commercial and Civil Litigation. Usha read Law in England, and holds an LL.B (Hons) from the London School of Economics and Political Science (L.S.E) and an LL.M with Distinction, from City Law School, London. She has been admitted to the Bar of England and Wales in 2015 and to the Bar of Mauritius in 2016.

Usha is regularly instructed to appear before all the Courts of Mauritius and acts as junior Counsel on behalf corporations and private clients, in matters of commercial disputes and civil claims.

Neeven resigned as the Company Secretary of the Bank and he will serve his period of notice until December 2020.

PRINCIPLE THREE – DIRECTOR APPOINTMENT PROCEDURES

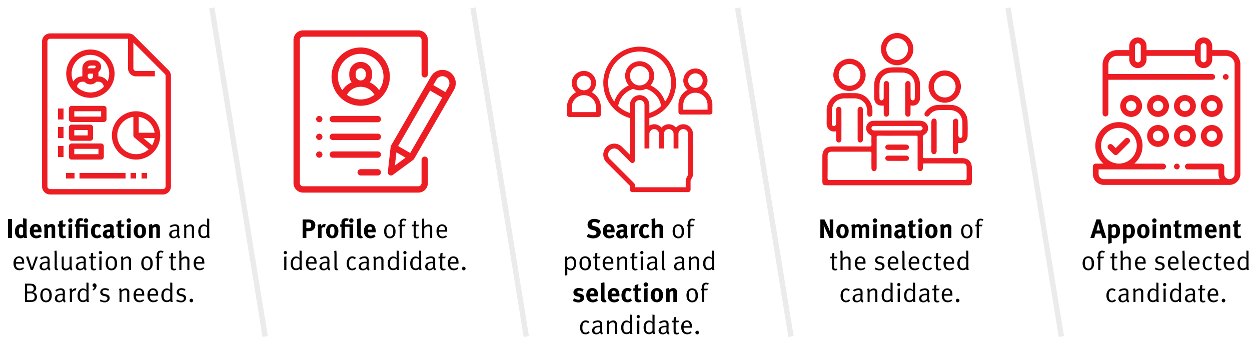
BOARD MEMBER APPOINTMENT AND RE-APPOINTMENT

The Board has mandated the Corporate Governance Committee to select and review candidates of the proposed directorship guided by legal and regulatory requirements. Candidates appointment should be conducted with appointments being made, on merit, against objective criteria in relation to skills, knowledge, experience, independence and gender balance which will add to the benefits of diversity on the Board.

Once the selection process has been completed, the Corporate Governance Committee makes its recommendation to the Board for approval.

For the purpose of filling a casual vacancy, the Board may approve the proposal of the Corporate Governance Committee. As such, the proposed Director shall stay in office until the next annual meeting whereby he/she can be appointed by the shareholders.

The Board members' selection and nomination process can be classified into the main steps illustrated below:



The newly appointed Director shall receive a Letter of Appointment which contains the following details:

- Time Commitment;
- Roles and Duties;
- Outside Interests;
- Confidentiality;
- Price Sensitive Information and Dealing in the Bank's Shares;
- Induction; and
- Insurance.

During the year ended 30 June 2020, the Board did not appoint any new Directors.

INDUCTION AND PROFESSIONAL DEVELOPMENT

Following appointment on the Board, the Directors receive an extensive and formal tailored induction training to familiarize themselves with the activities of the Bank. In addition to receiving an information pack, the Directors also get accustomed with the Terms of Reference of the Board and their statutory duties and obligations.

The Chairperson ensures that the development needs of the Directors are identified and consequently appropriate training is provided to continuously update their skills and knowledge.

In line with continuous professional development, the Directors attended workshops about Asset Liability Management refresher training and initiation of the application of new credit impairment and income recognition guidelines.

SUCCESSION PLANNING

In accordance with its Terms of Reference, the Board is responsible for the succession planning of the Board, the Chief Executive Officer and Senior Management of the Bank.

The Board has mandated the Corporate Governance Committee to put in place the succession plans, especially that of the Chairperson and of the CEO. Same has been formalised in the Terms of Reference of the Corporate Governance Committee.

The Corporate Governance Committee shall be responsible for the identification and selection of potential candidates.

PRINCIPLE FOUR – DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE

LEGAL DUTIES

All Directors, including any alternate Director, are fully knowledgeable of their fiduciary duties as laid out in The Companies Act 2001 of Mauritius.

CODE OF ETHICS FOR THE BOARD

The Bank has a Code of Ethics for its Board; same is available on the Bank's website. (https://www.afrasiabank.com/media/3187/code-of-ethics-Board-of-directors.pdf)

The Board believes that it must lead by example and encourages the Bank's Senior Management, the staff and other relevant stakeholders to follow the Conduct and Ethics Policy and to act ethically. The Board monitors and evaluates compliance with its Code of Ethics as and when required.

BOARD APPRAISAL

The Board regularly undergoes a performance appraisal exercise, in accordance with the National Code on Corporate Governance for Mauritius and BOM's "Guidelines on Corporate Governance". The Directors are requested to evaluate the Board on the following main criteria:

- The Board's size, composition and structure;
- The Board's roles, duties and responsibilities;
- The effectiveness of the Board and its Committees; and
- The role and function of the Chairperson.

The regular Board appraisal exercise is performed internally through the Company Secretary, under the leadership of the Chairperson. It is generally done via questionnaires and the results are presented to the Corporate Governance Committee and ultimately, to the Board once they are available. The remarks and recommendations received are shared with the Board to enable the Directors to take appropriate steps where necessary and possible.

No Board appraisal exercise has been performed for the year under review. The Board is considering to perform a Board appraisal exercise in the next financial year.

The recommendation of the Code revolving around the use of an external consultant for Board appraisal exercise has been noted for forthcoming assessments.

DIRECTORS' REMUNERATION AND BENEFITS

The Corporate Governance Committee acts as Nomination and Remuneration Committee as and when required and as part of its duties it determines, agrees, develops and reviews the Bank's general policy on executive and senior management remuneration.

The Executive Director who is in full time employment with the Bank is entitled to a fixed salary as per his contract of employment and he does not receive any additional remuneration for attending the Board meetings and Committees.

DIRECTORS' REMUNERATION AND BENEFITS (CONT'D)

The table below sets out the fee structure for Non-Executive Directors:

Category of Member	MUR' 000	Fee details
Chairperson	550	Fixed fee per month
Board Member	440	Fixed fee per annum
Committee Member	45	Per attendance
Additional fee to Credit Committee Member	540	Yearly
Additional fee to Credit Committee Member	15	Per attendance
Additional fee to Chairperson of Committee	10	Per attendance
Risk Committee Member being also a Credit Committee Member	25	Per attendance

The Non-Executive Directors have not received any remuneration in the form of share options or bonuses associated with organisational performance during the year.

Total remuneration and benefits received and receivable, by the Directors from the Bank and its subsidiary for the year ended 30 June 2020 were as follows:

	YEAR ENDED 30 JUNE 2020		YEAR ENDED 30 JUNE 2019		YEAR ENDED 30 JUNE 2018	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
The Bank AfrAsia Bank Limited	20,272	21,444	17,975	13,454	17,546	13,946
The Subsidiary AfrAsia Capital Management Limited	2,325*	-	12,225	-	5,629	-

*The Director was appointed as Executive Director on the 30th of January 2020.

The detailed fees/remuneration paid to Directors have been provided on page 55 of the Corporate Governance Report.

DIRECTORS' SERVICE CONTRACTS WITH THE BANK AND ITS SUBSIDIARIES

Sanjiv Bhasin, Executive Director of AfrAsia Bank Limited, has a service contract with the Bank expiring on 30 June 2021.

Thierry Vallet, Director of AfrAsia Investments Limited, has a service contract with the Bank expiring in June 2021.

DIRECTORS' SHARE INTEREST

The interests of the Directors in the securities of the Group and the Bank are maintained by the Company Secretary. As part of the appointment of a Director, the latter can choose to notify in way of writing to the Company Secretary their interests as well as their associates' interests in the securities of the Group and the Bank.

DIRECTORS' SHARE INTEREST (CONT'D)

The Directors' share interest as at 30 June 2020 were:

	YEAR ENDED 30 JUNE 2020		YEAR ENDED 30 JUNE 2019		YEAR ENDED 30 JUNE 2018	
	Ordinary Shares held directly and indirectly	Ordinary Shares held directly and indirectly	Ordinary Shares held directly and indirectly	Ordinary Shares held directly and indirectly	Ordinary Shares held directly and indirectly	Ordinary Shares held directly and indirectly
	Number	%	Number	%	Number	%
Jean Juppin De Fondaumière (Chairperson)	-	-	-	-	-	-
Sanjiv Bhasin (Chief Executive Officer)	-	-	-	-	-	-
Martin Caron*	-	-	-	-	-	-
Dipak Chummun	-	-	-	-	-	-
Yves Jacquot	-	-	-	-	-	-
Philippe Jewtoukoff	-	-	-	-	-	-
Arnaud Lagesse*	-	-	-	-	-	-
Arvind Madan Sethi	-	-	-	-	-	-
Mathew Welch*	-	-	-	-	-	-
Francois Wertheimer	-	-	-	-	-	-
Graeme Lance Robertson (Resigned on 16 August 2018)	N/A	N/A	11,436,404	10.12	11,436,406	10.12

Except for the Directors mentioned above, the remaining Directors do not hold any shares.

The Directors do not hold any shares in the subsidiaries of the Bank whether directly or indirectly.

CONFLICTS OF INTEREST

Conflicts of interest is a situation whereby the interest of a member of the Board or Management or one of the significant shareholders and/or one of their associates is or may be competing with or impeding on the interests of the Group and/or the Bank.

Any conflict or potential conflict of interest must be declared to the Board and/or Company Secretary. The conflicts of interest of Directors are generally recorded in a register maintained by the Company Secretary. The Interest Register is available for consultation to shareholders upon written request to the Company Secretary.

It is noted that for any Board and Committee meetings, the agenda contains a standard item whereby the Directors present are requested to declare any interest that they have or may have with respect to any of the matters to be discussed. Any declaration made has been recorded in the minutes accordingly and the conflicted Director has had to abstain from participating in the deliberations and from voting on the concerned matter.

The following principles are encouraged in relation to conflicts of interest:

- The personal interests of a Director or persons closely associated with the Director must not take precedence over the Bank and its shareholders, including the minority ones;
- Directors are required to avoid conflicts of interest and make full and timely disclosure of any conflicts of interest when exposed to same; and
- Directors appointed by shareholders are aware that their duties and responsibilities are to act in the best interest of the Bank and not for the shareholders who nominated them.

All information obtained by Directors in their capacity as Director to the Board of AfrAsia Bank Limited are treated as confidential matters and are not divulged to any other parties without the expressed authority of the Board.

INFORMATION TECHNOLOGY AND IT SECURITY

The Bank's overall strategic direction is highly dependent upon its information technology management. Businesses are today rapidly embracing new technologies and modern ways of working. Historically, separate domains no longer have the luxury of operating in a vacuum. Business competitiveness depends on business-technology alignment. As employees spend more time using their personal devices on premise, interacting on social networks, and sharing information via file-sharing services, the Bank has to look for ways to ensure security and data preservation while safeguarding privacy of the users. Newer generations understand this intuitively: the volume of information created and consumed on mobile devices is growing exponentially, which is also changing and shaping the way individuals use and share information.

With technology innovating and evolving much faster than the speed of change in organisational cultures, as they extend out to cloud and mobile devices, IT teams have to radically change how they operate. Most important is how they offer their services, including how they procure products and services, manage technology and data assets, together with their own role within the organization within a certain framework. ABL's technology leadership plays a key role to embrace this trend to deliver efficient and effective information technology that enables business development. Collective decision-making can result in executive buy-in to help drive more business value from technology investments, however, policy enforcement can fall short when the organization lacks tools to monitor and manage compliance of the Bank policies. Serious efforts are required from executives to enforce the required policies.

As part of its response to the evolving nature of cyber threats, ABL's IT Security team has implemented a comprehensive set of policies for information security, cyber security and technology risks that protects the confidentiality, integrity and availability of information created, processed, transmitted, stored and disposed by the Bank. The policies and procedures are posted on the bank's intranet, accessible to its employees. Regular security training and awareness campaigns are conducted to ensure that employees understand their roles in information protection and are equipped to detect or avoid situations that may compromise the ABL environment.

In this respect, the Board has established a formal Board Committee, namely the "Technology, Digitization and Platform Committee (TDP Committee)" together with a set of governance policies which are implemented and regularly reviewed to manage, minimize the associated risks and align with the modern business world. The TDP Committee ensures that the Bank continuously seeks to foster a robust framework for the smooth running of its activities, together with adequate proficient resources and sophisticated infrastructure to manage the relevant risks and the business continuity of the Bank. The TDP Committee monitor and evaluate significant investments in information technology and expenditures. Along with the Board, the Bank's representatives may include the Chief Technology and Operations Officer, the Head of IT, the Head of Security and the Senior Digital and Agile Product Owner. As such continuous investments in people, technology and security is critical to upkeep with the competitive innovative landscape to remain relevant. The Committee also strive to support modern ways of working.

Refer to the Risk Management Report set out on pages 145 to 146 of the Annual Report for information governance.

REMUNERATION PHILOSOPHY

The goal of AfrAsia Bank Limited is to be recognized as an employer of choice and as well as the most trusted financial partner in Mauritius and across Africa. Remuneration is a key vehicle towards achieving this objective, encouraging and enabling the Bank's 400+ employees to deliver the best possible customer experience (CX) through enhanced employee experience (EX). Remuneration plays an essential role in attracting top-talent. On the path towards excellence, the best people are drawn from the broadest pool of applicants from both local and international markets. We offer a decent workplace in which the richness of their diversity and experience are both welcomed and valued by colleagues. The Bank promotes its culture through its values inculcating teamwork, a disruptive and innovative approach. AfrAsians are groomed to excel in their line of operations and expertise. Employees are encouraged to promote the highest ethical standards in their conduct, our internal policies promote integrity at all times and this is demonstrated through our overall business culture. At AfrAsia Bank Limited, we provide competitive remuneration and a variety of financial and non-financial benefits for our people. Our remuneration practice which adopts a total compensation approach, is based on strong governance, ensuring AfrAsia Bank complies with legislation and regulatory requirements while ensuring that as an organisation we remain agile and competitive on the market.

REMUNERATION PHILOSOPHY (CONT'D)

Embedding culture in business and people processes

Cultural change at AfrAsia Bank Limited is a multi-year journey, with strong senior management commitment and a clear tone from the top. Our organisational values were revamped in 2017 in order to be more in line with employees, a majority of which are millennials and digital natives. To make our values remain tangible our induction was also revamped whereby newcomers are exposed to experiential learning of our values.

Moreover, refresher workshops are run on a regular basis for all employees where participants are given the opportunity to reflect and commit to living up the organisation's values. These sessions help explain how the values relate to the bank's vision, what the values and beliefs mean specifically in our everyday business transactions, client relationships and internal processes, and most of all how each employee can implement the values to bring about change in their department.

Attract and Retain Talent

All employees are assessed using the balanced score card as a performance management online tool. Employees are not only assessed as to what they do through their objectives but also as to how they do what they do through the values assessment. In the aim to promote a high-performance culture, the Bank recognises those who successfully execute their responsibilities - a high performance is reflected in comparatively higher rewards, as this ultimately helps the Bank meet its strategic targets. Rewards, benefits, policies and procedures are reviewed on a regular basis to ensure we attract the best talent as well as ensuring we remain aligned to the evolving market. The newly introduced Talent Management system is helping the Bank move to another level in its management of talent. We provide career paths and more opportunities for internal moves and promotions. Worth highlighting that around 52 employees were promoted from July 19 to June 20 which represents 12.59% of the employee base. Investment in learning has been material and we believe in enhancing knowledge through soft and technical training and financial sponsorship to help towards growth in knowledge, skills and attitude. Quality of work life is key and work life integration is promoted along with flexible working arrangements.

RELATED PARTY FRAMEWORK

The Bank operates its assessment of its related parties through its Conduct Review Committee, which is guided by its own Terms of Reference and in accordance with BOM's "Guideline on Related Party Transactions". Refer to the Risk Management Report set out on page 136 of the Annual Report under Related Party Transactions, Policies and Practices.

PRINCIPLE FIVE – RISK GOVERNANCE AND INTERNAL CONTROL

BOARD

The Board leads the conduct of affairs and provides sound leadership to the executives of the Bank. It sets clearly defined policies and the Bank's risk appetite, which are then conveyed to the executives via their delegated authorities to facilitate them to oversee the course of actions of the business. Additionally, the Board ensures that risks are being properly detected, managed and mitigated.

BOARD SUB-COMMITTEES AND EXECUTIVE MANAGEMENT

The fundamental responsibility of the Board Risk Committee (BRC) is advising the Board on the Bank's overall current and future risk appetite, overseeing senior management's implementation of the Risk Appetite Statement (RAS), reporting on the state of risk culture in the Bank and interacting with and overseeing the Head of Risk.

The BRC work includes oversight of the strategies for capital and liquidity management as well as for all relevant risks of the Bank, such as credit, market, operational and reputational risks, to ensure they are consistent with the stated risk appetite, all in compliance with BOM's guidelines and policies approved by the Board. In addition, the BRC is responsible to ensure that the Bank maintains satisfactory liquidity and solvency ratio at all times. The Committee receives regular reporting and communication from the Head of Risk and other relevant functions about the bank's current risk profile, current state of the risk culture, utilization against the established risk appetite and limits, limit breaches and mitigation plans.

Internally, the Bank has established an Assets and Liabilities Committee ("ALCO") and an Impairment Committee ("IMC") that both report to the BRC on their operations.

RISK MANAGEMENT

The independent risk management function is a key component of the Bank's second line of defense. The risk management function, through its various clusters, monitors risk-taking activities and risk exposures in line with the Board-approved risk appetite, risk limits and corresponding capital or liquidity needs (i.e. capital planning).

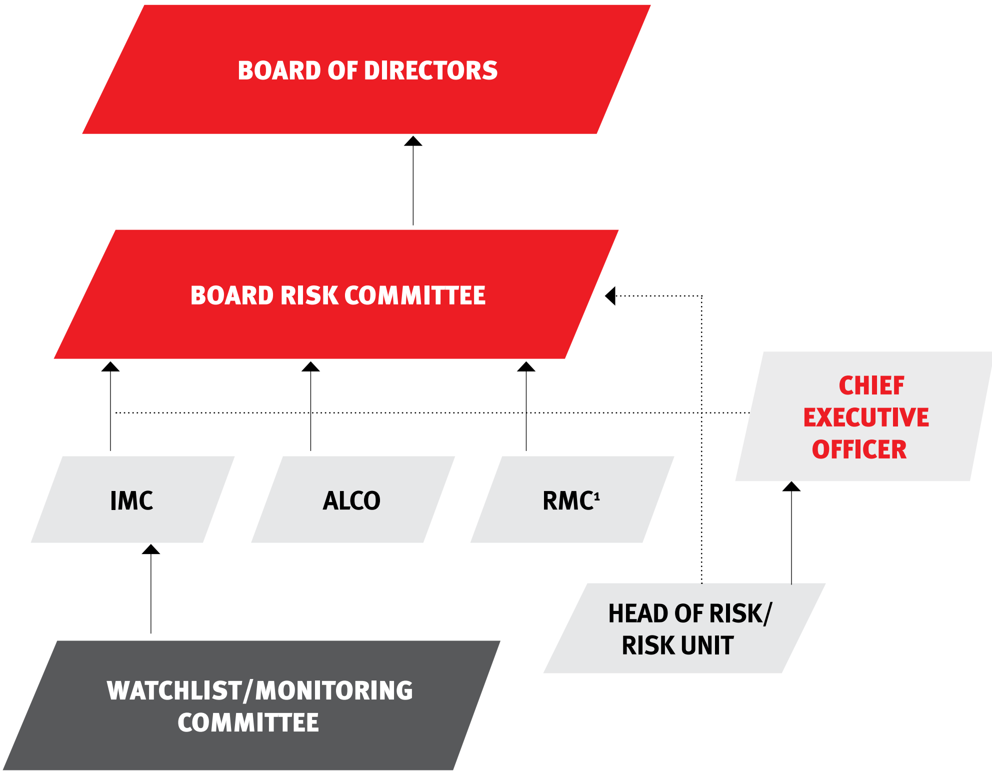
While it is common for risk management division to work closely with the various business units, the risk function remains sufficiently independent of the business units and is not involved in revenue generation. Such autonomy is an essential component of an effective risk management function, as is having access to all business lines that have the potential to generate material risk to the Bank as well as to relevant risk-bearing subsidiaries. It also maintains its objectivity by being independent of operations and the Head of Risk have, without impediment, direct access to the Risk Committee chairperson/members.

The Board sets policies and is responsible to ensure that risks are being accounted and migrated properly.

The BRC oversees the risk appetite and tolerance of the Bank and ensures that they are adhered.

IMC approves and recommends to BRC staging movements of clients and provisioning level.

Risk Unit creates, implements and maintains the risk practices across the Bank on a day-to-day basis.



Fixed Line - Direct reporting to the Committee/CEO

Dotted Line – Operationally reporting to Board Committee

[1] *Risk Management Committee*

RISK MANAGEMENT (CONT'D)

The complete Risk Management Report is set out on pages 121 to 151 of the Annual Report.

CORPORATE INTEGRITY AND WHISTLE BLOWING POLICY

The Bank has established a Corporate Integrity and Whistle Blowing Policy to promote an atmosphere of honesty and to encourage employees to conduct themselves in the best interests of the Bank. The applicability of this policy attaches itself to all the employees of the Bank irrespective of their locational, contractual and probational nature.

A copy of the Corporate Integrity and Whistle Blowing Policy is available on the Bank's website: (https://www.afrasiabank.com/media/3190/corporate-integrity-and-whistle-blowing-policy.pdf)

PRINCIPLE SIX – REPORTING WITH INTEGRITY

FINANCIAL

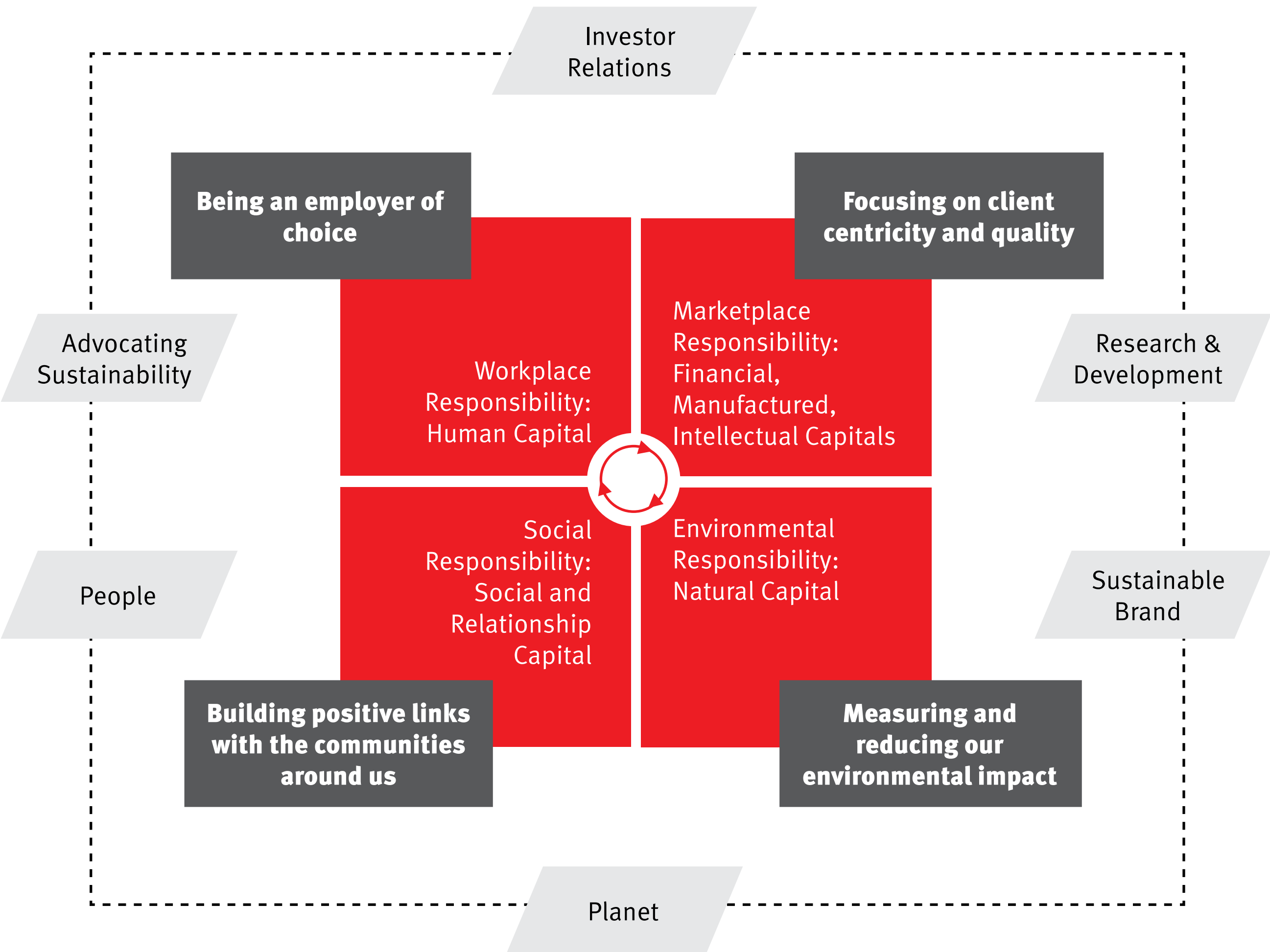
The Directors are responsible for preparing the financial statements in accordance with International Financial Reporting Standards, International Accounting Standards and The Companies Act 2001 of Mauritius. The Directors must ensure that the provisions of The Companies Act 2001 of Mauritius, The Banking Act 2004 (amended August 2020) and Financial Reporting Act 2004 (amended 2018) are complied with. They must also ensure that the financial statements are free from errors, material misstatements or irregularities and that any non-adherence is disclosed, explained and quantified.

SUSTAINABILITY

AfrAsia Bank's sustainability strategy is centered around its 4 pillars: Workplace, Marketplace, Social and Environmental Responsibilities. Since 2016, the corporate sustainability and Corporate Social Responsibility (CSR) department has been actively growing these 4 pillars through various projects and the integration of the Sustainable Development Goals (SDGs).

For this financial year, the environmental and social performance of the Bank have been detailed in a separate, dedicated sustainability report. Based on the International Global Reporting Initiative (GRI) and the Integrated Reporting (IR) framework, this report focuses on how value is created at the Bank through the six capitals and features the extra-financial key performance indicators (KPIs) in a transparent and understandable manner. ABL submitted its first Global Reporting Initiative (GRI) Index last year as per its commitment to advocate sustainability and become known as a sustainable brand.

AfrAsia Bank's 2021 sustainability strategy:



SUSTAINABILITY (CONT'D)

WORKPLACE RESPONSIBILITY

Sustainable Human Resource (HR) is a core focus of the sustainability department this year. We will continue to report on various aspects of Human Capital in our Sustainability Report as per the GRI guidelines in our Sustainability Report 2020. Several projects are in the pipeline in collaboration with the HR department.

Strategy for development of Workplace Responsibility Pillar:

Workplace Responsibility

Human Capital

Sustainable HR

Formalisation and review of all policies.

Reporting on various aspects according to GRI Standards since 2018.

In progress:

- Staff participation in CSR activities;
- Staff welfare (Dedicated Budget in HR department); and
- Project on Diversity & Equal Opportunity.

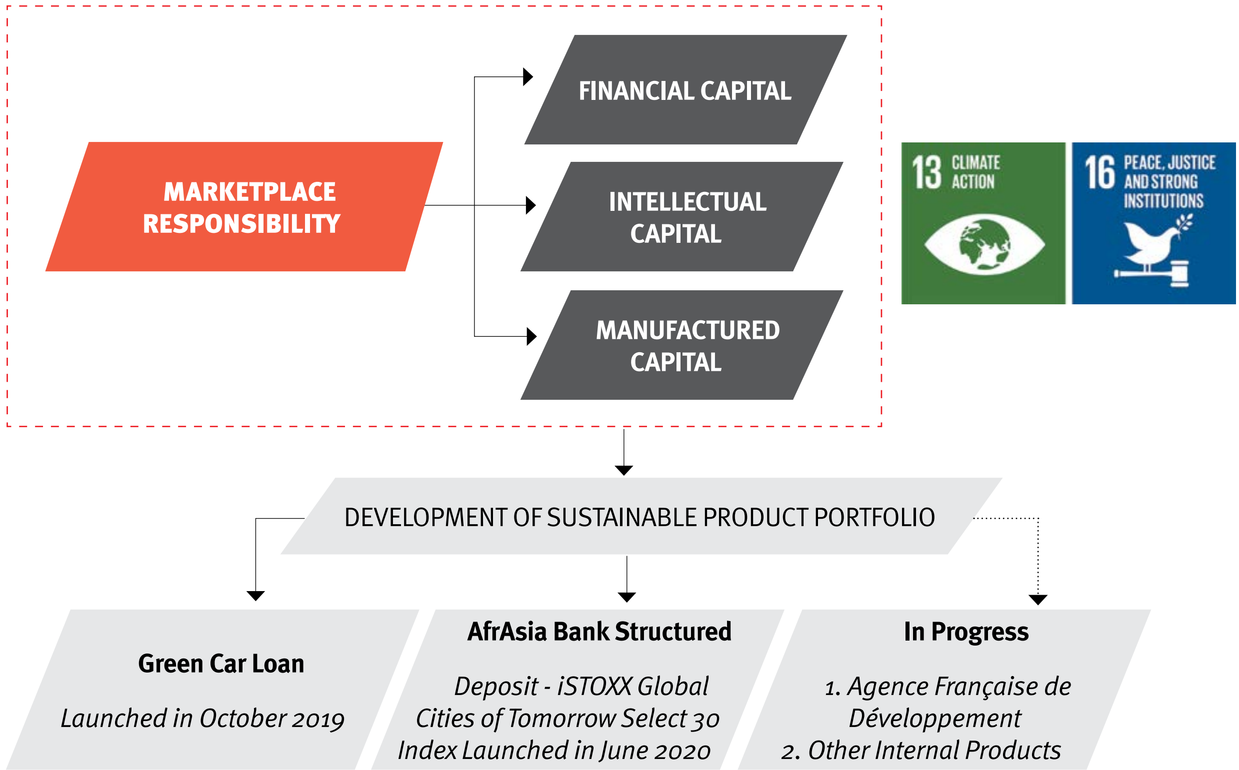
MARKETPLACE RESPONSIBILITY

The focus for this upcoming financial year is the growth of the marketplace responsibility pillar. With the launch of the Green Car Loan in October 2019, ABL has taken its first step towards the development of an extensive Green Product Portfolio for its clients. We will undertake a transparent and balanced reporting for all our stakeholders in our Sustainability Report 2020. Details on projects under Manufacturing and Intellectual Capitals is disclosed.

SUSTAINABILITY (CONT'D)

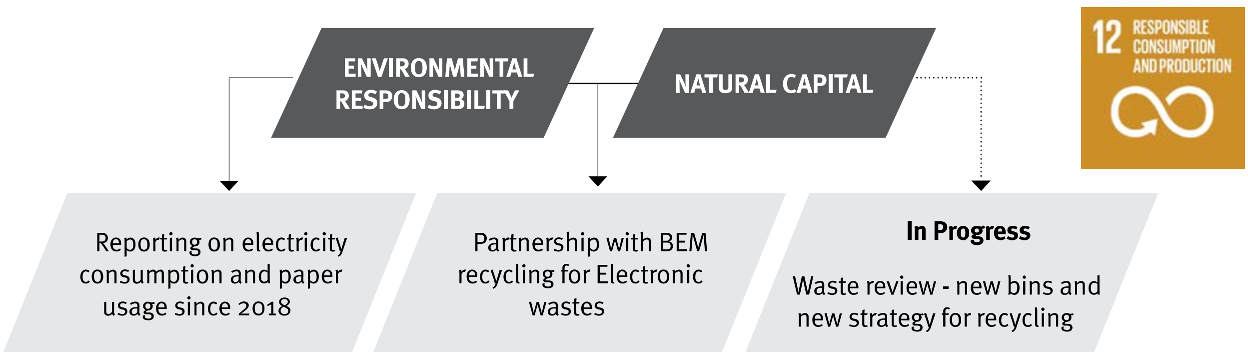
MARKETPLACE RESPONSIBILITY (CONT'D)

Strategy for the development of Marketplace Responsibility Pillar with focus on the development of sustainable product portfolio:



ENVIRONMENTAL RESPONSIBILITY

Strategy for development of Environmental Responsibility Pillar:



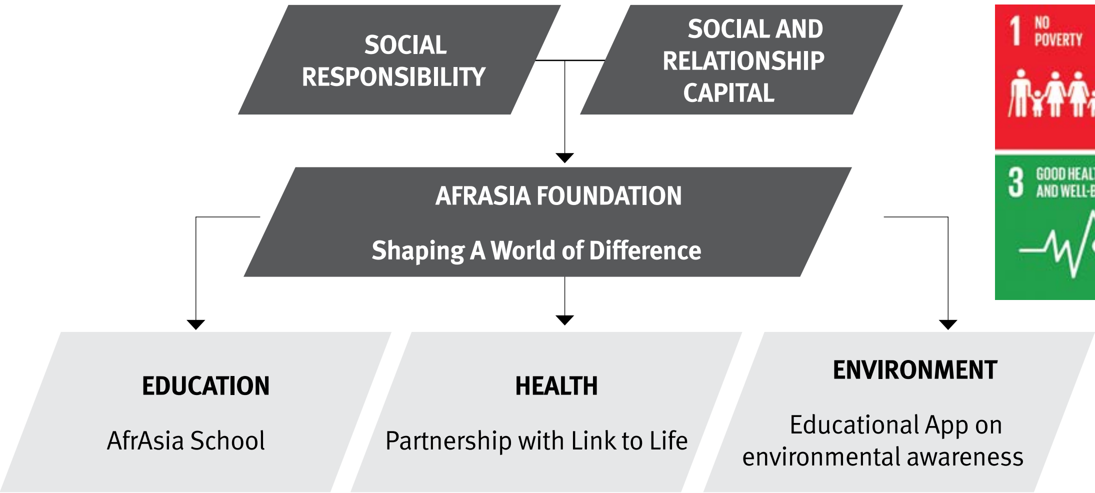
As a responsible bank, ABL commits to continue reporting on its environmental strategy and associated Key Performance Indicators (KPIs). This is in line with our plan to reduce our carbon footprint.

Our waste management strategy at both Ebene and Port Louis premises are being reviewed integrally to promote recycling and reduce waste.

SUSTAINABILITY (CONT'D)

SOCIAL RESPONSIBILITY

Strategy for the development of Social Responsibility Pillar:



The development of the social responsibility pillar is done through the AfrAsia Foundation; whose main project is AfrAsia School. Beneficiaries for AfrAsia School are carefully selected in collaboration with the Non-Governmental Organisation (NGO), Ti Rayons Soleil. Amongst the various programmes implemented are: Pre-primary education, food support system, after school care, adult literacy for the parents etc.

In addition, AfrAsia Foundation is involved in several projects such as the development of a gaming app on the environment, partnership with Link to Life (e.g. fundraising through Movember for the NGO) and other initiatives.

A council governs the fund management of AfrAsia Foundation and the accounts are audited by an external auditor on a yearly basis.

A dedicated section on the foundation and corporate social responsibility is available in our Sustainability Report 2020 through which all projects as well as the allocation of funds are detailed.

SUSTAINABILITY (CONT'D)

SDG 17: PARTNERSHIPS FOR THE GOALS

As part of its commitments towards the SDGs, ABL has been striving to create meaningful partnerships in the business community to promote the 17 SDGs as follows:

- ABL is a participant of the United Nations Global Compact (UNGC) since 2015.
- The Bank is one of the pioneers in the development of the local network of the Global Compact in Mauritius. The Head of Corporate Sustainability and CSR is the chairperson of the Advisory Council of the network.
- Since 2018, ABL has launched the AfrAsia Bank Sustainability Summit, a platform through which international and local players in sustainability collaborate to share best practices and innovative ideas. This event marks the commitment of the Bank to increase the global understanding of sustainability.
- Since 2019, AfrAsia Bank is a member of the GRI Community, which is a global community of practice and knowledge sharing on sustainability trends and reporting.

GRI Community member since 2019

Participant in the United Nations Global Compact (UNGC) since 2015

For further details on the outlook of AfrAsia Bank through the sustainability lenses, the full report is published on the Bank's website:
https://www.afrasiabank.com/en/about/investors/sustainability-reports.

The Annual Report is published in full on the Bank's website. (https://www.afrasiabank.com/en/about/investors/annual-reports) The financial statements are set out in Section B of the Annual Report.

PRINCIPLE SEVEN – AUDIT

DIRECTORS' RESPONSIBILITIES

The Directors are accountable for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and all the requirements of The Companies Act 2001 of Mauritius, The Banking Act 2004 (amended August 2020) and the Financial Reporting Act 2004 and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

EXTERNAL AUDIT

The Bank launched a tender exercise in 2017 whereby the appointed audit firm was Deloitte. Subsequently, at the Board meeting held on 9 May 2019, it was resolved to renew the audit contract with Deloitte as external auditors of the Bank for the financial years ended 30 June 2020 and 2021, with the Bank reserving the right to review its decision at the end of each of the financial year end mentioned and subject to Deloitte's acceptance to renew the audit contract.

Deloitte has served 4 years with the Bank. The Audit Committee evaluates the independence and effectiveness of the external auditor on a continuous basis before making a recommendation to the Board on their appointment and retention.

The Bank is required to comply with the prerequisites of The Banking Act 2004 (amended August 2020) in respect of rotation of auditors after a period of 5 years. As per the Finance Act 2020, the central bank may, upon a request from a financial institution and on just and reasonable grounds shown, grant an approval in writing for the extension of the appointment of its firm of auditors for an additional period of not more than 2 years.

The audit fees and fees for other services were:

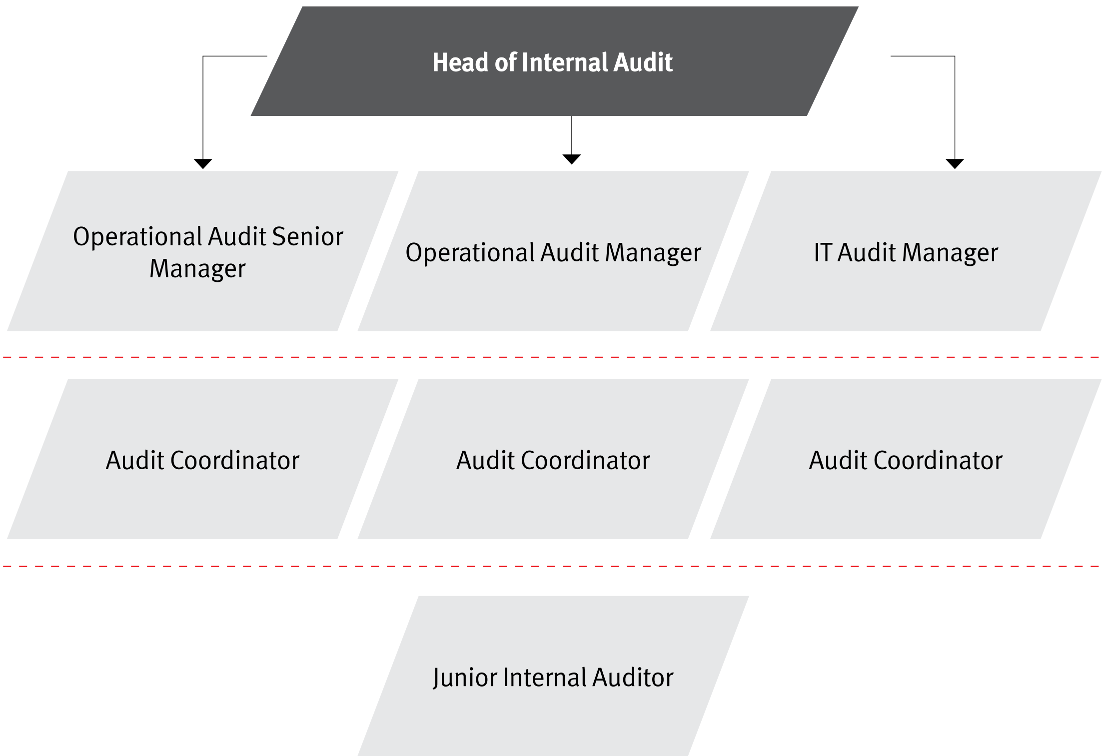
	YEAR ENDED 30 JUNE 2020		YEAR ENDED 30 JUNE 2019		YEAR ENDED 30 JUNE 2018	
	Audit	Other*	Audit	Other	Audit	Other
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Deloitte						
The Bank						
AfrAsia Bank Limited	8,400	6,426	7,200	3,711	2,921	1,137
Ernst & Young						
The Subsidiaries						
AfrAsia Investments Limited	314	329	196	280	189	461
AfrAsia Capital Management Limited	598	33	694	26	518	-
AfrAsia Corporate Finance International Limited (Under liquidation)	-	-	-	-	50	-

*Other services include limited review, internal control review, investigations and review of information memorandum.

INTERNAL AUDIT

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of risk management, control and governance processes. The internal audit function at ABL helps the Board and management maintain and improve the process by which risks are identified and managed and helps the Board discharge its responsibilities for maintaining and strengthening the internal control framework.

The structure is as follows:



Independence of the internal audit team

The internal audit function in ABL remains independent of the activities audited and objective in its work. There have been no restrictions placed over the right of access by internal audit to the records, management or employees of the Bank as part of the audit procedures performed during the year under review. The Head of Internal Audit maintains a direct reporting line with the Audit Committee for direction and accountability and to the Chief Executive Officer for administrative interface and support in line with good governance practices.

The Head of Internal Audit has regular access to the Chairperson of the Audit Committee. He attends quarterly meetings with the Audit Committee and more frequently when the need arises.

Qualifications and experience

Kristy Kumar Ballah, a Fellow of the Institute of Chartered Accountants in England and Wales with over 14 years of experience in the auditing field heads the Internal Audit department. Prior to joining the Bank, he was the Group Internal Audit Manager at the Mauritius Commercial Bank. He started his career with PwC where he grew to become an Audit Manager. Over the years, the Head of Internal Audit had exposure to many local clients operating in diverse sectors and also had significant international exposure. He is well acquainted with strategy setting for risk functions in Banks and risk management activities in general. The profile of the Head of Internal Audit is displayed on the Bank's website.

The Head of Internal Audit is adequately supported by staff members with significant banking and auditing experience. The team includes members with "Big 4 firm" exposure and who are also members of professional bodies such as ACCA, CISA, etc.

INTERNAL AUDIT (CONT'D)

Implementation of the risk-based audit plan

The Internal Audit team implements the yearly risk-based audit plan approved by the Audit Committee. The audit frequency for identified processes is as follows:

Process Risk Category: High	Process Risk Category: Medium	Process Risk Category: Low
Yearly or more frequently where the need arises	Every two years or more frequently where the need arises	Every three years or more frequently where the need arises

The execution of the financial year 2020 audit plan has been impacted by COVID-19 despite all the efforts made by the internal audit team to be as efficient as possible while working from home during the national lockdown. The completion of certain audits has inevitably spilled into the beginning months of financial year 2021.

In addition, several ad-hoc assignments have been performed at the request of management comprising fact finding and other assignments of an advisory nature during financial year 2020.

The Internal Audit team has made use of this unique opportunity COVID-19 provided to closely monitor the execution of the Business Continuity Plan in the real practice. The team also had to execute its advisory role to the fullest during that period and remained available to assist any crisis Committee in a timely and constructive manner.

The crisis has led to an increase in phishing, email scams, social engineering and fraud attempts worldwide. Internal Audit ensured that there was more vigilance, fraud monitoring in place and customer awareness undertaken on security best practices.

The Financial Year 2021 Audit Plan

The Financial Year 2021 audit plan will be purely risk based and Internal Audit will amongst others use the following key criteria to assign inherent and residual risk ratings to the relevant processes in the Bank:

- Past audit findings and cumulative audit knowledge of controls design and performance;
- Financial impact;
- Volume of transactions;
- Whether the process is impacted by key regulatory requirements;
- Whether the process represents a key second line of defense function; and
- Recent or foreseen changes in management, structure, systems impacting the process.

INTERNAL AUDIT (CONT'D)

The Financial Year 2021 Audit Plan (Cont'd)

Internal Audit will maintain a specific focus on Segment B clients and will also keep a close eye on the following factors that could emanate as a result of the sanitary crisis:

- IFRS 9 and accounting for impairment since clients operating in Tourism, Textile, Real Estate and Aviation amongst others are severely impacted.
- The greater use of digital means for payments as opposed to cash, working from home set up might be retained to some extent and higher fraud attempts resulting in more technology-oriented models and structures post crisis requiring specific skills to review;
- The impact of monetary and fiscal policies as major reforms is anticipated in the country to achieve certain macro-economic objectives where such measures may impact in a pertinent manner certain line items in the financial statements of banks; and
- Changes to legislation and regulations.

The internal audit team provides varying degrees of assurance about the effectiveness of the risk management and control processes of selected activities and functions of the organization. The Internal Audit function does not believe that any deficiencies identified so far could at this stage, individually or collectively jeopardize the operations of the Bank.

It is worth mentioning that as at date, the major share of issues categorized as "critical" and "major" have been or are in the process of being addressed by management.

Any risk or deficiency in the system of internal controls revealed during audits performed have been reported in the respective reports issued at the end of the assignment. The audit report includes audit recommendations, management comments, action plan and timeline for implementation. Strict monitoring of implementation is done by Internal Audit and a periodic status is given to the Audit Committee.

Internal Audit also performs a close follow up on the implementation of recommendations in the management letter of the external auditors.

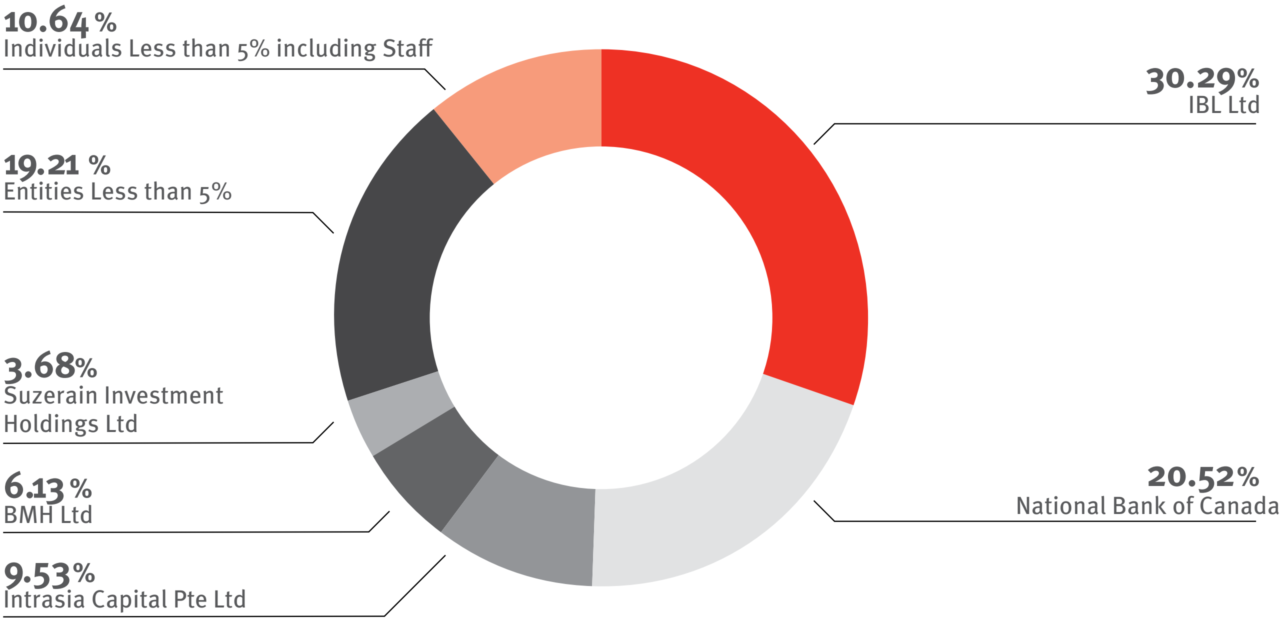
PRINCIPLE EIGHT – RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

ABL's stakeholders are individuals or groups that have an interest in the Bank or are affected by its actions. The primary stakeholders of the Bank are employees and management, shareholders and investors, and government and regulatory authorities.

SHAREHOLDING STRUCTURE

AfrAsia Bank has a good mix of local and international private institutional investors of renowned reputation across various continents and had a capital base of MUR 8.4bn as at 30 June 2020. The Bank ensures that there is proper and efficient information dissemination to all its shareholders and that the rights of minority shareholders are not neglected. It is noted that 0.32% of the Bank's shareholding is held by its staff.

The Bank's shareholding structure as at 30 June 2020 is as follows:



DIVIDEND POLICY

Dividends are proposed by management to its Board in line with the provisions of The Banking Act 2004 (amended August 2020), the "Guideline on Payment of Dividend" issued by BOM, The Companies Act 2001 of Mauritius and the Bank's Constitution. Once the Board is satisfied with the Bank's recommendation and once the solvency tests are met, approval of the Bank of Mauritius is then sought prior to distribution to shareholders.

Dividend on Ordinary Shares

The Bank has achieved a satisfactory financial return to allow dividends of MUR 429.3m (MUR 3.80 per share), declared and paid during the year under review (2019: MUR186.4m that is, MUR 1.65 per share /2018: MUR160.2m that is, MUR 1.50 per share). This can be summarised as follows:

Dividends on Ordinary Shares (MUR'm)			
	2020	2019	2018
Dividend paid	**429.3**	186.4	160.2

DIVIDEND POLICY

Dividend on Class A Shares

Dividend of MUR 73.7m were paid for the 6 months ended 31 December 2019 and MUR 73.7m for the 6 months ended 30 June 2019 (MUR 74.9m were paid for the 6 months ended 31 December 2018 and MUR 72.2m for the 6 months ended 30 June 2018). This can be summarised as follows:

Dividends on Class A Shares – Series 1 and 2 (MUR'm)			
	2020	2019	2018
Dividend paid	**147.4**	147.1	140.0

EQUITY-SETTLED SHARE-BASED PLAN

Please refer to the note on "Retained Earnings and Other Reserves" contained on Note 31 of the Annual Report.

MATERIAL CLAUSES OF CONSTITUTION

Article 21.2 of the Bank's Constitution provides for a list of reserved matters which must be approved by special resolution of the voting shareholders of the Bank.

Restrictions concerning the disposal of shares are set out in Articles 15 and 16 of the Bank's Constitution. Such restrictions include the requirement to obtain the Board's approval in connection with the registration of share transfers.

SHAREHOLDERS AGREEMENT

As regards the Shareholders Agreement, three out of the four shareholders who are parties to the Agreement have terminated the Agreement by notice. The termination is, however, being disputed by one shareholder by way of arbitration and the matter will now be heard by the International Court of Arbitration in April 2021.

SIGNIFICANT CONTRACTS

ABL has not entered into any significant contract with third parties during the financial year ended 30 June 2020.

MANAGEMENT AGREEMENTS

ABL has not entered into any management agreement with third parties during the financial year ended 30 June 2020.

GIFTS AND DONATIONS

The Bank has made MUR 2.0m of gifts and donations during the year ended 30 June 2020 (2019: MUR 0.8m / 2018: MUR 1.5m).

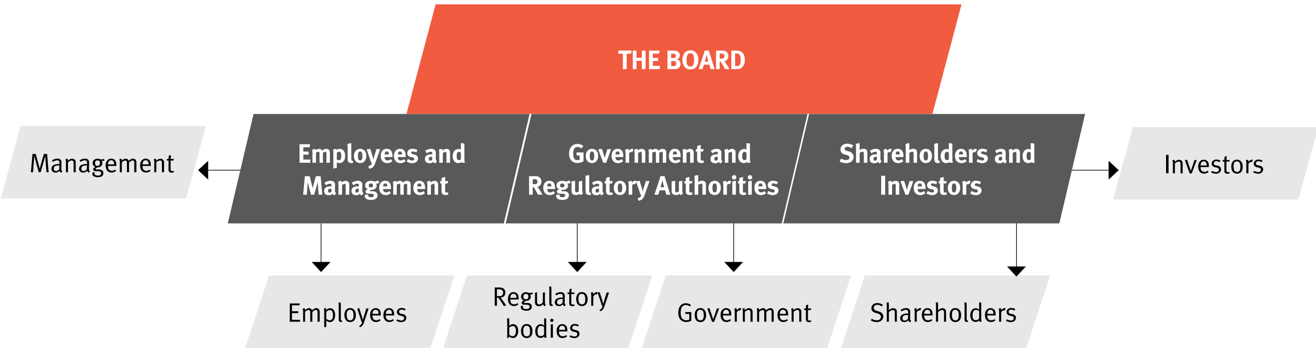
POLITICAL DONATIONS

The Bank has made political donations of MUR 3.5m during the year ended 30 June 2020 (2019 and 2018: Nil)

Related Party Transactions

Please refer to the note on "Related Party Disclosures" contained on Note 36 of the Annual Report.

OUR KEY RELATIONSHIPS



EMPLOYEES AND MANAGEMENT

We continue to take a proactive approach towards our relations with primary stakeholders. When selecting suppliers, contractors or non-governmental organisations, we look for those that align closely to our values and areas of focus.

We offer a variety of ways for stakeholders to interact with us and provide feedback; we use this information towards understanding what is going well and improving areas of concern. We regularly review how we communicate with our stakeholders to ensure it is still appropriate in an ever-changing fast-moving world.

Below is an overview of our main stakeholders and how the Bank engages with them:

HOW WE ENGAGE WITH OUR STAKEHOLDERS	• Face to face meetings • CEO town halls • Social events/activities • Training and coaching • External learning and growth opportunities • Committees • Recognition and rewards • Engagement Surveys/Pulse Checks • Breakfast meetings with EXCO • Virtual workshops and meetings
THEIR CONTRIBUTION TO VALUE CREATION	• Work towards achievement of our strategy - Key Performance Indicators • Demonstrate passion towards a positive customer experience • Help create and build positive working relationships • Enhance trust on the market • Help create a positive employer and corporate brand

EMPLOYEES AND MANAGEMENT (CONT'D)

WHAT OUR STAKEHOLDERS EXPECT FROM US	• An environment that encourages growth and open communication • The opportunity to achieve personal goals whilst aligning to the Bank's objectives
WHAT CONCERNS OUR STAKEHOLDERS	• A safe and healthy place to work • Continued career growth • Open door management style; with mutual trust • A positive work culture • Sustainability and CSR actions • Regular feedback and coaching • Competitive remuneration • Financial and non-financial rewards • Recognition • A high level of empowerment and autonomy

SHAREHOLDERS AND INVESTORS

HOW WE ENGAGE WITH OUR STAKEHOLDERS	• Engage with all stakeholders on building a sustainable business • Regular presentations • AfrAsia Bank Sustainability Summit • External workshops and seminars • Newsletters • Integrated reports, media releases and published results • Board meetings • Annual general meetings • Investor relations • Sustainability and CSR microsite • Social media platforms • Virtual conferences and seminars
THEIR CONTRIBUTION TO VALUE CREATION	• Investors provide the financial capital necessary to sustain growth
WHAT OUR STAKEHOLDERS EXPECT FROM US	• Providing sustained returns on investment through sound risk management, strategic growth opportunities and good governance practices
WHAT CONCERNS OUR STAKEHOLDERS	• Sustainability issues (Environment, Social, Economic) • Delivering sustainable returns • Leadership and strategic direction • Corporate governance and ethics • Progress with project pipelines, business plans and future growth initiatives • A high level of employee engagement, empowerment and autonomy, a positive employer brand

GOVERNMENT AND REGULATORY AUTHORITIES

HOW WE ENGAGE WITH OUR STAKEHOLDERS	• Regular meetings • Workgroups with Bank of Mauritius and Financial Services Commission on regulatory guidelines, new legislations, laws and other matters • Written communication • Regulatory returns • Onsite and offsite supervision by the regulators • Trilateral meeting between the Bank of Mauritius, External Auditors and the Bank • Regulatory approvals • Providing information during Parliamentary debates through the Mauritius Bankers Association, Business Mauritius and National CSR Foundation • Virtual Committees and conferences
THEIR CONTRIBUTION TO VALUE CREATION	• The regulator provides the enabling regulatory framework • Guidelines and instructions from the regulators issued from time to time
WHAT OUR STAKEHOLDERS EXPECT FROM US	• Providing banking and financial services in a transparent, secure and sustainable way • Ensuring and maintaining customer satisfaction • Complying with acts, regulations and guidelines
WHAT CONCERNS OUR STAKEHOLDERS	• Products and services being provided and the communication around same • Compliance with laws, acts and regulations • Transparency and accessibility to accurate, relevant and current information • The Bank's duty of confidentiality and data protection • Duties of the Board and senior management • Appropriate Customer Due Diligence and Know Your Client (KYC) processes and reviews • Risk management and internal controls • Complaints handling and customer care • Compliance with the principles of corporate governance • Sustainable financing

SOME KEY DATES

SHAREHOLDERS' CALENDAR

Financial Year End	June
Annual Meeting of Shareholders	December

PUBLICATION OF FINANCIAL STATEMENTS

30 September quarter end	November
31 December quarter end	February
31 March quarter end	May

30 June year end	September or any other dates permitted by the Bank's regulators

DIVIDENDS

Ordinary shares Dividends

Declaration	Post 30 June 2020 upon closure of accounts
Payment	Upon receipt of approval from local regulators

Class A Shares Dividends

Payment	Post June and December Upon receipt of approval from local regulators, post June and December

The Annual Report is published in its entirety on the Bank's website.
(https://www.afrasiabank.com/en/about/investors/annualreports).

The Corporate Governance Report have been approved on behalf of the Board of Directors:

INDERJIT SINGH BEDI
Interim Chairperson

SANJIV BHASIN
Chief Executive Officer

Date: 19 November 2020

AfrAsia Bank Limited and its Subsidiaries
Year ended 30 June 2020

We, the Directors of AfrAsia Bank Limited, confirm that to the best of our knowledge AfrAsia Bank Limited and its Group Entities have complied with all of its obligations and requirements under the National Code of Corporate Governance 2016 in all material aspects except for the following:

Areas of Non-Compliance	
Principle 1: Governance Structure	As at 30 June 2020, the Board of Directors did not satisfy the requirements of the Code of Corporate Governance in terms of an effective governance structure as per the regulatory requirements. *Reason for AfrAsia non-compliance*: The Bank acknowledges a communication from BOM imposing the need to recompose its Board of Directors to create the prerequisites of an effective Board. A Special Meeting of shareholders was convened on 29 September 2020 wherein 9 new Directors were appointed. Furthermore, as part of the recomposed Board, 1 new director was appointed by the Board.
Principle 2: The Structure of the Board and its Committees	As at 30 June 2020, the Bank did not have Directors from both genders as members of the Board. *Reason for AfrAsia non-compliance:* As at 30 June 2020, the Board had not been able to find a suitable candidate to fill this gap. However, subsequent to reporting date and following the communication from BOM to recompose its Board of Directors, two female Directors have been appointed to serve on the Bank's Board.
Principle 2: The structure of the Board and its Committees	As at 30 June 2020, the Bank was in line with the requisite of Section 18(3) of The Banking Act 2004 (amended August 2020) and to section 23.1 of its Constitution with regards to Board composition in terms of the minimum required number of Directors at date of approval of financial statements. However, subsequent to year end, the Board does not meet the requirement of Section 18(3) requiring it to have a Board of Directors with at least 40 per cent of independent Directors. *Reason for AfrAsia non-compliance*: The recomposition of the Bank's Board of Directors is still an on-going process, the Bank has acknowledged and advised BOM of this current non-adherence and remains committed in finding suitable candidates to address this composition deficiency.
Principle 3: Director appointment procedures	As at 30 June 2020, the Board of Directors did not have a formal suitable plan for the orderly succession of appointments of its members and senior management personnel in order to maintain an appropriate balance of knowledge, skills and experience and to ensure it is progressively refreshing. *Reason for AfrAsia non-compliance*: The term of reference of the Corporate Governance Committee states that Committee is responsible to identify and nominate candidates for the approval of the Board to fill Board vacancies as and when they arise. The Bank has agreed to constitute a special Committee to undertake a succession planning exercise. Given that a new Board has been recomposed, this will be done as a priority.

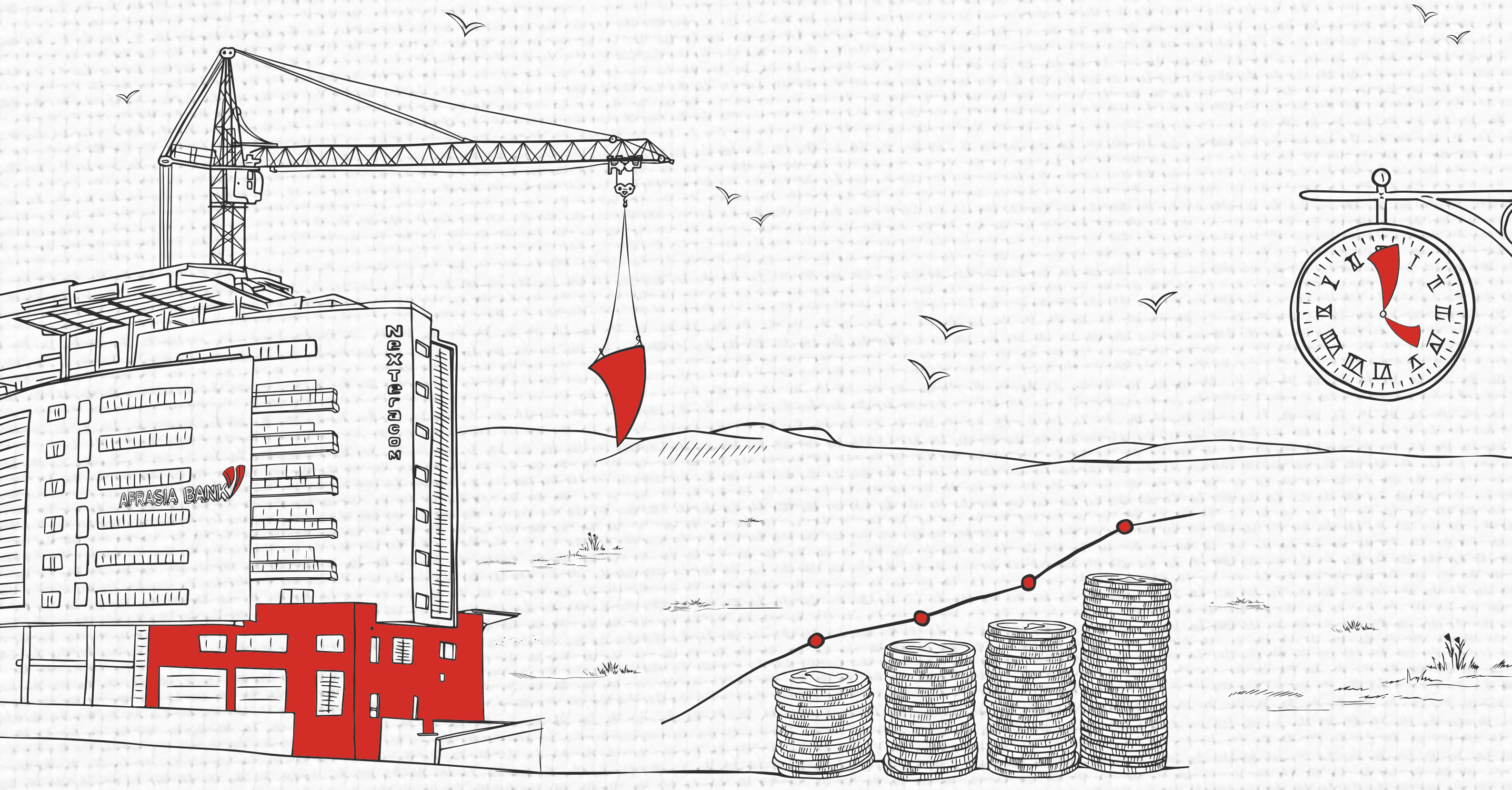
Areas of Non-Compliance	
Principle 4: Director duties, remuneration and performance	As at 30 June 2020, the Board did not undertake a formal, regular and rigorous evaluation of its own performance and that of its Committees and individual Directors and produce a development plan on an annual basis. Reason for AfrAsia non-compliance: Considering the change in directorship in financial years ended 30 June 2020 and 2019, no Board appraisal exercise has been performed during the year under review given that sufficient time is required for the Directors to be familiar with the Bank. The recomposed Board will consider the latter exercise together with a development plan.

INDERJIT SINGH BEDI
Interim Chairperson

SANJIV BHASIN
Chief Executive Officer

Date: 19 November 2020

We believe in timely investments
and optimised returns



BELIEVE. CONCEIVE. ACHIEVE.

FOREWORD

While the health crisis we are confronted with supersedes all other topics in this year's annual report, the core principle of value creation during the economic disruption as we deal with the spiraling effects of this pandemic remains of top priority in the Bank's agenda. We have vowed to keep clients at the absolute center of everything we do as we go all out in delivering tailored services, adapted advice and consequential capital to path our clients towards success and their ultimate well-being.

HIGHLIGHTS FOR THE YEAR UNDER REVIEW

NET PROFIT AFTER TAX ∨

2020: MUR 1.5bn
2019: MUR 1.6bn

COST TO INCOME RATIO ∧

2020: 33%
2019: 30%

LOANS TO DEPOSITS RATIO ∨

2020: 19%
2019: 21%

TOTAL ASSETS ∧

2020: MUR 160.5bn
2019: MUR 139.9bn

TOTAL LIABILITIES ∧

2020: MUR 151.8bn
2019: MUR 132.2bn

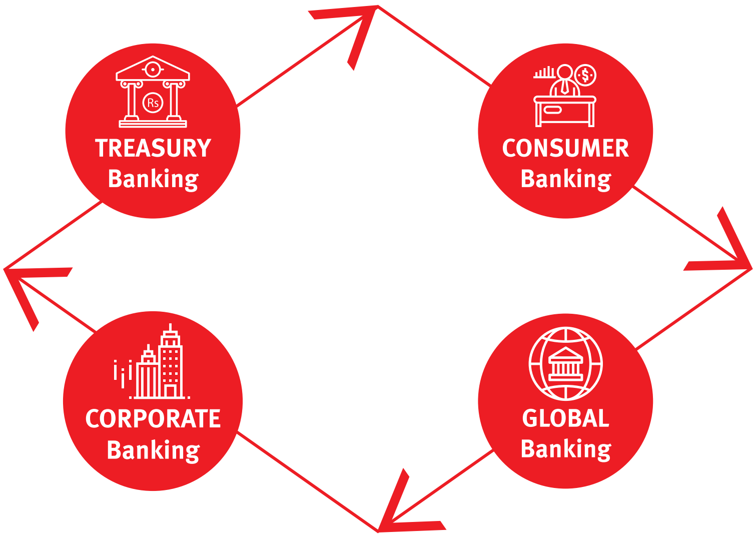
TOTAL EQUITY ∧

2020: MUR 8.6bn
2019: MUR 7.7bn

CAPITAL ADEQUACY RATIO ∨

2020: 15.15%
2019: 15.85%

BUSINESS SEGMENTS REVIEW



TREASURY & MARKETS

ACHIEVEMENTS IN THE FINANCIAL YEAR (“FY”) 20

Major Business Segment’s Achievements

Treasury and Markets’ gross operating income grew by 9% year-on-year, spearheaded by a record performance on the Trading Income side. Trading Income finished in excess of MUR 1.2bn, showcasing a year on year growth of 35%. We saw solid performance on both the FX side and the Money Markets/Fixed Income side of the business, supported by our Structuring desk. Indeed, the bank closed a landmark deal being the first ever USD/MUR Cross Currency Interest Rate Swap (“CCIRS”) in the Mauritian market. Given a sudden reversal in market interest rates, the Treasury and Markets team was also able to position the balance sheet so as to limit the adverse impact of the reduction in interest rates - further shoring up Net Interest Income performance for the bank. The Treasury and Markets team also closed the IBL Bond Issuance mandate for a total amount of MUR 4bn.

Our Strategy

Below is our proposition by unit:

- Treasury: To be the most innovative and avant-gardist Treasury on the island;
- Financial Institutions: To have well diversified and high-quality Financial Institutions partners;
- Custody and Securities Services: To be the best Custody Services provider with state-of-the-art infrastructure; and
- Debt Capital Markets (“DCM”): To be the go-to Bank for local DCM Mandates.

The four key pillars within the Treasury and Markets cluster are Treasury, Financial Institutions, Custody and Securities Services and Debt Capital Markets. Our goal is to ensure that our client facing and support functions are aligned to consistently provide our clients with best in class services. Treasury and Markets’ prerogative is to provide clients with tailored solutions by reinforcing ABL’s position as the market makers for foreign exchange, interest rate, debt, and other structured derivatives. ABL further consolidates its stance as an innovative Financial Markets service provider catering not only to Mauritian demands but also effectively meeting financial requirements in the regional sphere.

“We aspire to be the Trend Setters on the Island”

BUSINESS SEGMENTS REVIEW (CONT'D)

TREASURY & MARKETS (CONT'D)

Our Strategy (Cont'd)

Its local expertise, global access and balance sheet scale allows the Bank to provide clients with a range of financial instruments to meet their risk management, investment and trading needs. Managed by a team of professionals with decades of experience, Treasury and Markets is committed to satisfy its clients' commercial and investment needs.

The Core Ideas

We aim to foster a "trading culture" irrespective of asset class, by increasing the number of in-house traders. Up-skilling of our human capital and research is at core of this strategy, driving Economies of scale in the long run.	A flexible and nimble approach to risk management and a constant diversification strategy, enabling the bank to fully embrace the challenges brought upon by the covid-19 pandemic.	Embarking on the digitalisation journey of our custody & securities solutions platform. We expect rollout of the platform in fy 21.

The Future

The future is riddled with uncertainty. Other than a global recession, the COVID-19 pandemic has created significant turmoil in global markets whereby we are expecting to see increased volatility in financial markets for the foreseeable future. The severe contraction of the local economy coupled with potential EU sanctions on the Mauritian jurisdiction, will also present another set of challenges for

the banking sector. Given the increasingly challenging landscape, our focus shall be on shoring up risk taking by adopting a "Risk and Capital" preservation strategy, as prescribed by our Board. We nevertheless remain ready to support our stakeholders and will keep abreast of market developments, so as to identify the right opportunities.

CORPORATE BANKING

Major Business Segment's Achievements

The ability to give good advice and to execute on transactions smoothly has been our focus and strength. We continue to rely on acquiring clients with potential for long term relationships. We have demonstrated that we can execute across various sectors including but not limited to private equity, telecoms, tourism and logistics. This has only been made possible through our dedication to understanding the strategic objectives of our clients and then determining how best we can help them achieve these. Our activity on the domestic market was also rewarded. The Corporate Banking division received the highest uptick in terms of customer satisfaction

in the IBL Corporate Survey of 2019. The first half of 2020 was, unfortunately, marked by the outbreak of the coronavirus, which not only stalled our progress but led to very volatile economic conditions both locally and globally. The Bank has since, embarked on a prudent asset on-boarding strategy, with focus steered towards helping existing clients navigate the new environment post COVID-19.

Our Strategy

The Corporate Banking division primarily acts as a debt house and originator of assets in foreign currency focused on providing lending solutions ranging from short-term lending, term lending, debt advisory products to corporate syndications. On the domestic front, the division acts as the custodian of the entire client relationship providing a full suite of products across transactional banking, trade finance, debt advisory, lending and forex solutions. Clients range from the Top 100 corporates to parastatals and government bodies. On the International Banking desk, our client coverage is niche, selective and driven by known relationships of our banking partners abroad.

BUSINESS SEGMENTS REVIEW (CONT'D)

CORPORATE BANKING (CONT'D)

Our Strategy (Cont'd)

Although the core markets have been South Africa and India, the division has been successful at diversifying its risks across new markets on the African continent and the emerging markets of Asia.

The Core Ideas

Client relationship: we focus on building lasting relationships with our most active clients and helping them structure and execute transactions seamlessly.

Adaptive & flexible: we partner with our clients by providing them with meaningful advice and helping them navigate this dynamic economic environment, whilst ensuring we exceed their Expectations.

Teamwork: we encourage a culture of teamwork, fostering cooperation and cross selling across our business lines, on a coordinated basis.

The Future

Most businesses are still reeling from the impact of COVID-19 and, we believe, economic recovery will more likely be gradual and drawn-out. Thus, in the near term we will be focusing on:

- Systematic analysis of our credit portfolio.

Reviewing all our significant exposures and risk concentration in our portfolio will remain a continuous process during this period of

high economic volatility. Timely risk identification in the context of COVID-19 is essential to reduce expected losses.

- Supporting credit forbearance requests.

Each and every request will be given very careful consideration. All new lending and restructuring requests will be assessed on their own merits taking account of the client specificities, our security position, forecast and outlook of the sector in which the client operates. We have developed a COVID-19 forbearance policy which provides the Bank with a framework for credit assessment under the current market conditions whilst seeking to preserve the financial integrity of the Bank at the same time.

- Prudent credit extension.

Opportunities will arise in the coming months to foster new customer relationships on both the domestic and international markets, representing good future business for the Bank and to which we will remain open.

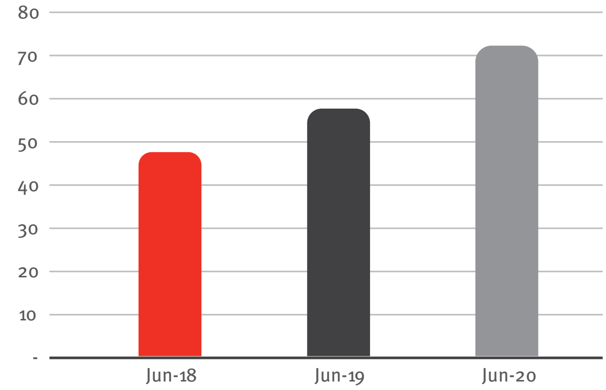
BUSINESS SEGMENTS REVIEW (CONT'D)

GLOBAL BANKING

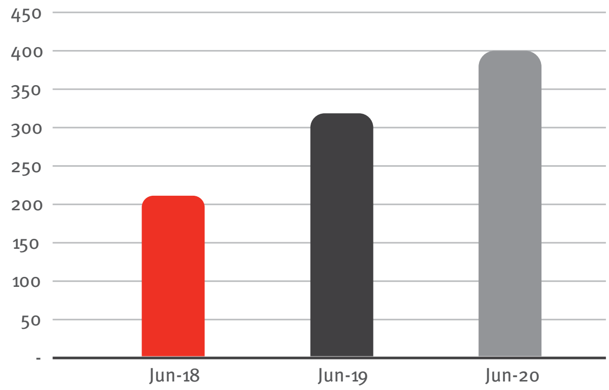
Major Business Segment's Achievements

In spite of the challenges, the performance of the Global Business Desk for the year under review was supported by its strong existing client base and diversification strategy in servicing the financial intermediaries, the Private Equity Funds and the External Asset Managers. This was reflected in the growth of our deposits and assets under custody bases, transactional income and FX volumes as follows:

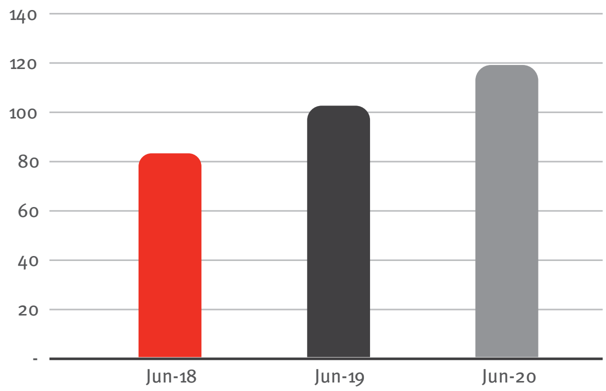
FX Volume (MUR'bn)



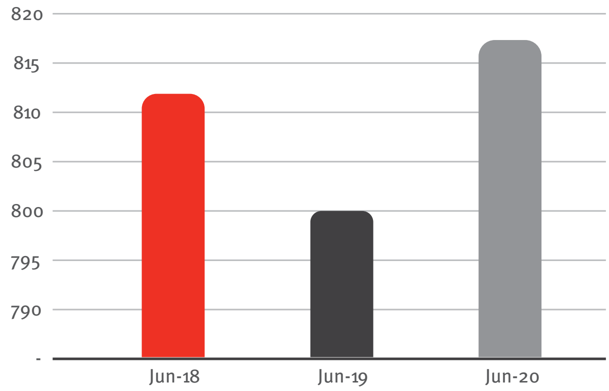
Overseas Transfer (MUR'bn)



Deposits from Customers (MUR'bn)



Custody (USD'm)



Our Strategy

Mauritius, as a whole, has not been spared by the COVID-19 pandemic. The outbreak has brought considerable uncertainty and economic disruptions around the globe. The adverse consequences for the Island are significant with extensive impact on most sectors of the economy. Mauritius, being an International Financial Center (IFC), our financial services sector, in particular, our Global Business sector and, the intricately linked banks, have not been spared.

In the light of the current uncertainties, many international investors have judged it prudent to defer their cross-border investments. Private Equity Funds have seen their closings extended, hedge funds set up are being postponed, general trading of goods and services have reduced, dividend payments are being deferred and borrowers are negotiating payment restructure proposals with their bankers. Many have adopted the 'cash is king' principle in this time of financial crisis. The full extent of the impact of this pandemic is difficult to assess since it is dependent upon the duration and the magnitude of the global economic slowdown.

The easing down of the lockdown measures globally have enabled some sectors to resume business activities in a phased manner although Mauritius as an IFC will take some time to bounce back in view of the external dependencies.

BUSINESS SEGMENTS REVIEW (CONT'D)

GLOBAL BANKING (CONT'D)

Our Strategy (Cont'd)

Mauritius went into a sanitary lockdown on 20 March 2020. Whilst facing up to the unprecedented challenges linked to the COVID-19 pandemic, the Global Business Desk managed to maintain its operations backed by the effective deployment of its business continuity plans whilst taking all the necessary actions for the protection of its employees and the clients.

As a matter of fact, same day value outward payments were maintained during the lockdown and account opening services were continued, although the highest risk management and mitigation frameworks were applied at the same time.

Another major challenge that awaits the Mauritius IFC and its Global Business sector is the potential blacklisting of the jurisdiction by the EU effective 1 October 2020. This announcement came as a surprise to everyone and if it comes true, will have serious consequences on the island, more specifically the financial services and the Global Business sector. We may expect direct consequences at the level of the reputation of the jurisdiction, in terms of new businesses and at the operational level. Fortunately, the Government of Mauritius and all relevant stakeholders are making our best in order to address the deficiencies that have been identified by the FATF and hopefully, this is a temporary issue that we have to live with.

The Core Ideas

Understanding our clients' needs first in order to be the best solution provider.

Our ability to adapt and be flexible whilst ensuring all risks are contained.

Our culture is based on service level, being proactive and disruptive and where the 'customer is always king'.

The Future

The travel restrictions and resumption of business activities in a phased manner will undoubtedly affect the performance of the Bank for the ensuing financial year. However, we remain confident that with the strong network of intermediaries and contacts, the upgrade of our information systems and the strong focus on service delivery, the Desk will be able to turn the tide and overcome all the challenges that present to us in these difficult times.

CONSUMER BANKING

Major Business Segment's Achievements

Consumer Banking had an extraordinarily strong performance in FY20 with 15% growth in deposits book and 43% growth in loans book. This achievement has been made possible based on a few factors:

- The proximity of the relationship managers which was a primordial factor in the growth of the deposits book; and
- The significant growth in financing the Integrated Resort Scheme ("IRS") segment and finally an enhanced appraisal of the international markets (equity, fixed income and commodities). Furthermore, as from Quarter 4, the Private Banking clients are receiving a daily newsletter about new investment opportunities.

BUSINESS SEGMENTS REVIEW (CONT'D)

CONSUMER BANKING (CONT'D)

Our Strategy

For the next financial year, the strategy is to continue to target the following segments: High-net-worth Individuals ("HNWI"), small and medium-sized enterprises, trusts, foundations, and investment holdings. All these segments will be offered a tailor-made solution through dedicated relationship management, advisory mandates and tailor-made investment solutions.

The Core Ideas

Better exposure in the media through recurrent market review and investment solutions.	Offer local entrepreneurs financing options for cash flow requirements and payment of their imports.	Create innovative investment solutions through agreements with new brokers, fund managers or private equity funds.

The Future

With the current pandemic, COVID-19, and with the poor economic outlook in 2020 and 2021, our team will focus mainly on the local market rather than the international market. To optimize our service to our loyal clients, there will be a restructuring of the Consumer Banking sales team. The view is to have a team of relationship managers that focus solely on Private Banking and Wealth clients and a second team on Business Banking clients.

SOUTH AFRICAN REPRESENTATIVE OFFICE ("SAREPO")

Major Business Segment's Achievements

Corporate Banking: Participated in facilities to large South African corporates including a groundbreaking Syndicated Sustainable Linked Loan.

Global Banking: Continued solid growth in private and corporate business.

Financial Institutions ("FI"): Reached out to Systematic Important Financial Institutions in South Africa ("SA").

General: Successful golf day launching ABL's tri-sanctioned golf event for 2019.

Our Strategy

Corporate Banking: A uniquely Mauritian corporate bank offering competitively priced hard currency loans to SA corporate borrowers. Global Banking: The financial year began with networking events and face to face introductions and moved to the new COVID-19 environment offering private and corporate banking accessible from anywhere in the world, where your relationship team meets you virtually in your office and more time can be spent talking and getting to know our clients as opposed to travelling to them.

FI: Mauritian bank that is non-competitive in the South African Financial Institutions markets landscape.

BUSINESS SEGMENTS REVIEW (CONT'D)

SOUTH AFRICAN REPRESENTATIVE OFFICE (CONT'D)

The Core Ideas

Corporate banking: pursue collaborative lending opportunities with local & international banks. Global banking: using lockdown for private banking expansion. Clients have more free time to Pursue their own financial goals, Making financial decisions a Priority in these uncertain times. Fi: pursue good credits & robust Institutions.

Corporate banking: seek select sovereign & corporate lending opportunities in select african markets. Global banking: offering virtual meetings for inexpensive networking functions to our introducers. Fi: attractive pricing.

Corporate banking: seek and increase exposure to food & pharmaceutical sector clients in the covid environment. Global banking: collaboration between corporate banking and private banking seeking out successful clients and cross selling to them. If an individual is doing well in the current environment, so Will their business. Fi: cross selling value propositions To other areas like fx lines, money Market, etc.

The Future

Corporate Banking: To pursue selective opportunities in an environment impacted by the economic fallout from the COVID-19 pandemic.

Global Banking: Seek and expand opportunities within the region as all businesses have become tech savvy taking the cost out of travelling.

FI: Increase financing to top tier banks in SA.

AFRASIA CAPITAL MANAGEMENT ("ACM")

Overview

ACM, the asset management arm of the ABL Group, offers a full range of investment services ranging from portfolio management for HNWI, Corporates and Pension Schemes, in-house Collective Investment Scheme (Funds) to the distribution of a wide range of investment solutions.

ACM's target is to help its clientele, comprising of a diverse mix of institutional and HNWI clients to meet their financial goals and prepare for the future. Given its extensive experience in the local and international markets coupled with a sound understanding of global macroeconomics, ACM has a philosophy of adapting early to shifts in market dynamics and product demands while tailoring its investment solutions to client's objectives and risk profiles.

ACM differentiates itself via its deep understanding and monitoring of a wide range of financial instruments, its long-term approach of investing in the future growth of the business and its network of international partners allowing the sourcing or the best investment opportunities.

BUSINESS SEGMENTS REVIEW (CONT'D)

AFRASIA CAPITAL MANAGEMENT ("ACM") (CONT'D)

Adapting to ever challenging conditions and technological trends

Over the past financial year, ACM further carried out a deep transformation of its organization, processes and tools to better address its business and clientele needs. To this end, ACM invested both in additional human resources and innovative technologies.

The company strengthened its team with the onboarding of new talents and the implementation of an enhanced human resource development policy. This allows for the integration of a broader spectrum of instruments and markets, a wider interaction using six languages with its international clientele and partners and the nurturing of its pool of talents by providing an environment which is accessible and collaborative. Every member of the team is given the opportunity to grow and deliver their best potential.

In further modernizing its portfolio management capabilities, ACM will bring in the following months a cutting-edge experience to its clientele delivering on-the-go portfolio reporting and investment solutions while better monitoring risks and trends. ACM remains committed to placing its clients at the heart of the business, developing and maintaining long-standing relationships which is based on trust, expertise and effective performance delivery.

In the light of the current COVID-19 pandemic and subsequent global economic tensions, ACM is proactive in developing and strengthening its business relations locally and abroad allowing it to remain a step ahead in its asset allocation, product selection and portfolio arbitrage.

ECONOMIC OUTLOOK

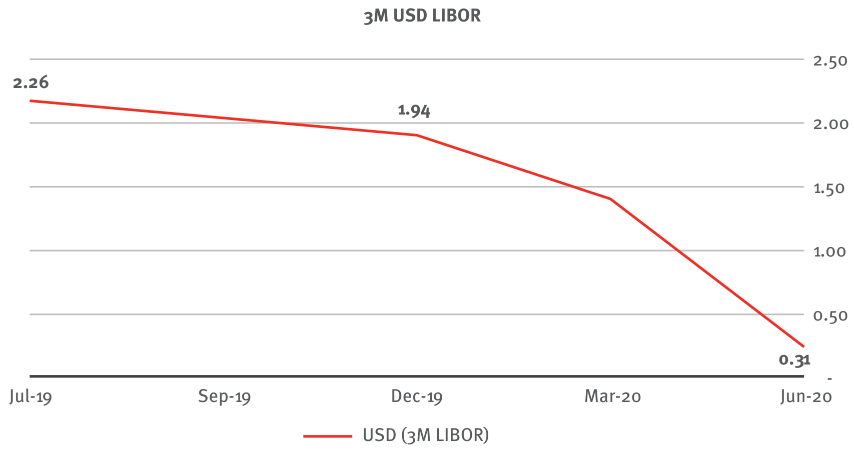
On 1 September 2020, of the 25,298,875 cases reported globally so far, 53% are in Americas. This is followed by Europe and South East Asia with 4.2m cases respectively. The number of deaths stood at 847,602 which were mainly caused by community transmission.

Coronavirus has already impacting global markets, with economic impacts felt beyond China and other effected countries. Stock indices tumbled, spooked by reports that the coronavirus outbreak that emerged in China is spreading to countries including Italy, Iran and South Korea. Trading in stocks across world markets remained choppy, reflecting hope that the economic fallout might be manageable. The markets' movements mirror the uncertainty that prevails and persists not just in the U.S. but all over the world. Several weeks into the coronavirus outbreak that has brought the world's second-largest economy to its knees, some of the most basic aspects of the virus remain unknown.

In its June 2020 report, the IMF projected that the global growth will shrink to –4.9% in 2020, as compared to 2.9% in 2019. The COVID-19 pandemic has had a negative impact on activity in the first half of 2020, and the recovery speed is uncertain. However, it is important to acknowledge that the global economy was already facing some difficulties prior to the COVID-19 pandemic.

Pre-COVID-19

Since 2019, there was a perceived sentiment that a recession might be underway. The global 2019 growth rate was forecast to be 3.2% 1, but the actual rate was 0.3% lower. In addition, there were escalating tensions between the United States of America and China on multiple fronts and widespread social unrest posed challenges to the global economy. Due to the slowdown of several economies, central banks across the globe began to reduce interest rate to stimulate consumption and investment. For example, the 3-months USD Libor decreased from 2.26% to 0.31% in one year (as shown below).



COVID-19 pandemic

With the emergence of the COVID-19 pandemic and as a result, many countries went into lockdown, global activities came to a near standstill. This has induced an economic recession worldwide. The synchronized nature of the downturn has amplified domestic disruptions around the globe. Trade contracted by close to –3.5 percent (year over year) in the first quarter of the calendar year. This reflects the weak demand, the collapse in cross-border tourism, and supply dislocations related to shutdowns (exacerbated in some cases by trade restrictions).

1 https://www.imf.org/en/Publications/WEO/Issues/2019/07/18/WEOupdateJuly2019

ECONOMIC OUTLOOK (CONT'D)

COVID-19 pandemic (Cont'd)

In most recessions, consumers dig into their savings or rely on social safety nets and family support to smooth spending, and consumption is affected relatively less than investment. But this time, consumption and services output have also dropped markedly. This is due to lockdowns needed to slow transmission of the disease, steep income losses, and a general weaker consumer confidence. Firms have also cut back on investment when faced with precipitous demand declines, supply interruptions, and uncertain future earnings prospects. Thus, there is a broad-based aggregate demand shock, compounding near-term supply disruptions due to lockdowns.

Hence, this pandemic required a high level of state intervention that the world hasn't even seen in wartime. Governments worldwide implemented several support and relief measures coupled with regulatory forbearance measures to assist their economic operators. There have been numerous fiscal measures to support ailing business, the self-employed and employees who have been (partly) laid off because of the virus. For instance, the United States of America support package was equal to 12% of its GDP.

The Financial Markets

Due to the liquidity concerns and the general uncertainty about the magnitude of the crisis, equity markets plunged at the beginning of the crisis (Refer to graph below). However, the recent rebound in financial market appears to be ahead of the economic prospects. Yet, the environment remains volatile and uncertain.

The Ongoing Health concern

COVID-19 continues to impact several countries and medical breakthroughs with therapeutics and changes in social distancing behavior might allow health care systems to cope better without requiring extended, stringent lockdowns. Vaccine trials are also proceeding at a rapid pace. Development of a safe, effective vaccine would lift sentiment and could improve growth outcomes in 2021.

Beyond the pandemic, policymakers must cooperate to resolve trade and technology tensions that endanger an eventual recovery from the COVID-19 crisis.

THE MAURITIAN ECONOMY

Outlook

The COVID-19 pandemic started as a sanitary crisis but soon became a global multidimensional crisis. Global economies have been badly hit including Mauritius. The IMF forecasted the Mauritian economy to contract to -7% for 2020[2]. Even though Mauritius has a diversified economy[3], it nevertheless remains vulnerable to global economic trends. Due to the lockdown and closure of our borders, many of our sectors like the tourism, manufacturing and trade industries have been badly impacted.

Year	Period Description	Mauritius GDP Growth
2008	Pre - Financial Crisis	5.40%
2009	Financial Crisis Impact	3.30%
2019	Pre COVID-19	3.60%
2020[4]	COVID-19 Impact	-6.80%

However, over the past few months, we have seen substantial support from the Government of Mauritius and the Bank of Mauritius (as shown below). The government has used fiscal stimulus and eased monetary policies in order to support our economic operators during this unprecedented time. Through the Government support measures, we have observed the prevention of large-scale bankruptcies in the economy. The setting up of the Mauritius Investment Corporation Ltd ("MIC") by the Bank of Mauritius further complements the Bank's Support Program. The main objectives of the MIC are to support employment, investment and exports.

SUPPORT PROGRAMME

- **SPECIAL RELIEF AMOUNT OF MUR 5bn**
- **REDUCTION OF CASH RESERVE RATIO**
- **MORATORIUM ON CAPITAL REPAYMENT FOR LOANS**
- **EASING OF BANKING GUIDELINES**
- **BOM ONE-OFF EXCEPTIONAL CONTRIBUTION**
- **MIC (MAURITIUS INVESTMENT CORPORATION LTD)**

- SPECIAL RELIEF AMOUNT OF MUR 5BN
  - TOURISM/MANUFACTURING: MUR 3bn
  - AGRICULTURE: MUR 1bn and SMEs: MUR 1bn
- REDUCTION OF CASH RESERVE RATIO
  - The ratio for MUR was reduced from 9% to 8%.
- MORATORIUM ON CAPITAL REPAYMENT FOR LOANS
  - A moratorium of 9 months on capital should be granted for deferral requests or extension of existing facilities.
- EASING OF BANKING GUIDELINES
  - BOM put on hold the Guideline on Credit Impairment Measurement and Income Recognition.
  - BOM set out some guiding principles when classifying for Stage 2 and Stage 3 in a COVID-19 context.
- BOM ONE-OFF EXCEPTIONAL CONTRIBUTION
  - MUR 60bn for Economic Stabilization
- MIC
  - USD 2bn at the disposal of the MIC to support economic operators with min. turnover of MUR 100m.

[2] https://www.imf.org/en/Countries/MUS
[3] https://thecommonwealth.org/our-member-countries/mauritius/economy
[4] SWAN_COVID-19: http://www.mauriceactu.mu/wp-content/uploads/2020/05/200515-COVID-19-Aftermath.pdf

THE MAURITIAN ECONOMY (CONT'D)

As countries have tightened their border controls, this pandemic has forced us to rethink the sustainability of an export-led economy. In the Budget 2020/21, we have noted that the Government has encouraged local production, diversified into strategic sectors like the Blue economy and pharmaceuticals as well as promote sustainable development5. Even though Mauritius has been able to contain the impact of the COVID-19 pandemic, there are still some perceived risks looming for the FY21.

Uncertain Outlook

Post Government Support

The Governor stated in a press conference on the 8th of July 2020 that the forbearance period was extended for another 3 months, resulting in a total moratorium period of 9 months[6]. This extension was welcomed by many economic operators, especially those in the tourism sector. Nevertheless, it will now be difficult to assess the financial stability of economic operators post the moratorium period and Government Support Programme. There should be continuous assessments to determine whether some economic operators have experienced permanent damages.

Potential Impact of the EU Blacklist

On 7th May 2020, the European Union ("EU") proposed a number of third countries to their list of countries which money laundering and terrorist financing deficiencies pose a significant threat to the financial system of the EU. The FATF's report highlighted AML/ CFT deficiencies in Mauritius related to DNFBPs (Designated Non-Financial Businesses and Professions), i.e., lawyers, notaries, estate agents, accounting firms etc. and **NOT banks**. On the contrary, the report highlighted that most banks applied standards which went over and above regulatory requirements.

Currently, Mauritius is **largely compliant with 35 out of the 40 recommendations** and it has already met the FATF expectations

in respect of the 'Big Six Recommendations'. Mauritius is addressing the FATF concerns actively in order to be removed from the FATF grey list (and consequently the EU list) as quickly as possible.

The EU blacklist took effect as from the 1st October 2020.

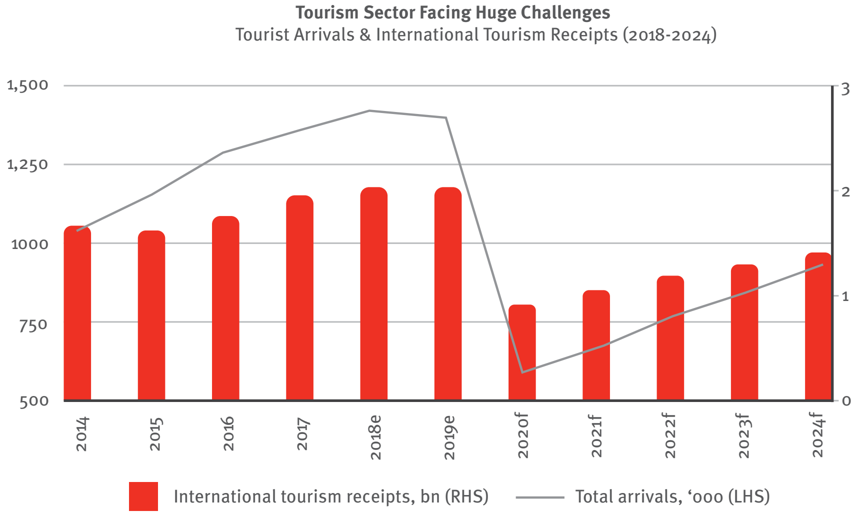
The most impacted sector: Tourism Industry

The closure of borders has brought the tourism sector to a standstill. The recovery of this sector will be slow due to the fear of COVID-19 contamination among citizens and global travel restrictions.

[5] PwC Budget Brief 2020
[6] MPC speech; 8th July 2020: https://www.bom.mu/media/speeches/mpc-meeting-press-statement-governor

THE MAURITIAN ECONOMY (CONT'D)

The most impacted sector: Tourism Industry (Cont'd)



e/f = Fitch Solutions estimate/forecast. Source: National sources. Fitch Solutions

We also need to keep in mind that restrictions might remain in place for longer than we expect if there is the re-emergence of the virus "second-wave". Travelling quarantine policies have been set up for tourists and Mauritians entering the country but the impact of these policies on our tourism sector is yet to be determined.

Gradual Recovery in 2021

In the Budget 2020/21, the government aims to stimulate the economy through government spending by investing in major infrastructure in order to offset the negative effects of COVID-19 outbreak[8]. Mauritius can expect a gradual recovery in 2021. Some sectors will recover more rapidly e.g. construction sector while others will have a more prolonged recovery phase e.g. the tourism industry.

[7] Fitch Solutions: Mauritius Country Risk Report Q3 2020, Page 13
[8] Fitch Solutions: Mauritius Country Risk Report Q3 2020, Page 12

CHIEF FINANCIAL OFFICER STATEMENT

The unanticipated COVID-19 virus has created much havoc, not only in our personal lives but also on the financial standing of the corporate world including the banking sector. Despite this unparalleled situation, the Bank ensured that it maintained the delivery of services to clients on the back of fast-tracked roll-outs of digital applications.

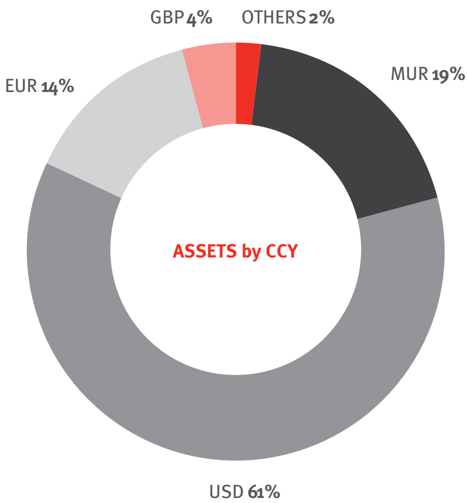
Strong balance sheet maintained

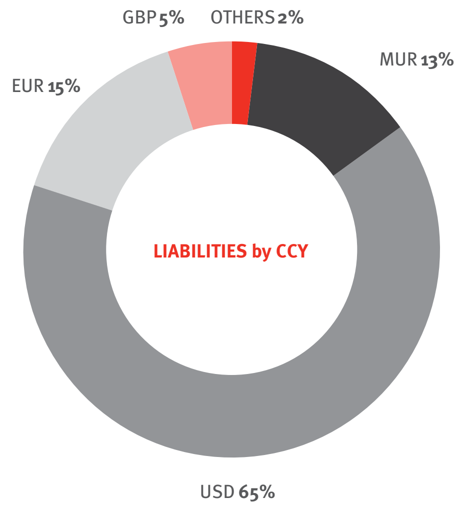
Compared to the last financial year, which benefitted from healthy macroeconomic tailwinds and financial buoyancy, this year's results were affected by the COVID-19 pandemic but which we nevertheless managed to mitigate on the back of in-built resilience.

The Bank recorded a Balance Sheet growth of 15%. Overall, gross loans and advances grew by 2% year-on-year from MUR 30.1bn to MUR 30.7bn as at 30 June 2020 and investment securities showed a growth of 7% with the bulk of the investment in debt instruments at amortised cost, i.e. 96%. 50% of the Balance Sheet assets was in "Cash and Cash equivalents" and "Due from banks", i.e. primarily in placements and nostros in the form of monies held with other banks.

As we travel through these unprecedented and challenging times, we remain shielded by our conservative and solid balance sheet, which managed to contain the Net Profit after Tax (NPAT) with a marginal 4% decrease as we remain confident in the Bank's fundamentals.

Moreover, our customer deposit base grew by 15% to MUR 150.9bn which provided much comfort against a background of global market volatility and the threatening ramifications of the impending EU sanctions.



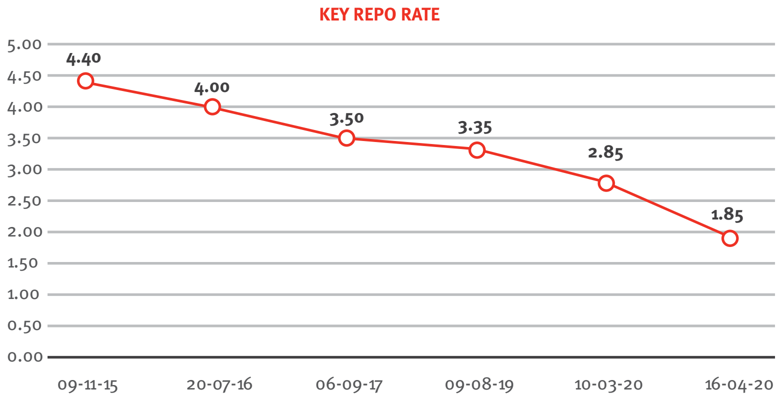


Despite an increase in non-performing assets by 26% to MUR 2.8bn, the Bank's Non-Performing Asset ("NPA") ratio remains stable approximately at 8% with a coverage ratio standing at 76%. Looking at NPA per sector, the major part resides in the Financial and Business Services sector representing 37% of total NPA.

On the regulatory side, the Bank remained well capitalized with a capital base of MUR 8.4bn, split between Common Equity Tier 1 capital of MUR 6.7bn and Tier 1 of MUR 8.0bn. The Bank's Capital Adequacy Ratio stood at 15.15% against the regulatory threshold of 12.88% as at 30 June 2020. Furthermore, the Bank remains a Domestic Systemically Important Bank ("D-SIB"), which imposes an additional buffer of 1.00% over and above the benchmark of 11.88% that applies for non-D-SIB banks.

CHIEF FINANCIAL OFFICER STATEMENT (CONT'D)

Income statement



The Bank's net interest income dropped by 12% resulting from a contraction in yields along with a shift in asset mix to lower yielding assets. Indeed, the financial year was marked by a falling interest rate environment mirroring the movements in the key repo rate and LIBOR (refer to Economic Outlook section), shy growth on the loan and advances side and the plummeting of the yield of bonds.

Regarding non-interest income, we recorded a strong growth of 29% which counterbalanced the contraction in net interest income. This increase was mainly driven by enhanced commissions received on foreign transactions, increased trading income profit largely attributable to fair value gain of MUR 144.1m, profit on disposal of securities of MUR 98.0m and on a CCIRS deal which produced a fair value profit of MUR 98.9m.

We recorded a 79% increase, that is, MUR 370.7m in the impairment loss on financial assets based on the assessment of our loan book and other financial instruments. Major increase in Expected Credit Losses ("ECL") were recorded in the stage 3 on specific NPA accounts.

For the other ECL stages, given the COVID-19 situation with uncertainty in markets, the Bank applied in its Expected Credit Losses ("ECL") methodology a probabilistic approach based on forward looking scenarios together with a scenario-based approach assigning weights signifying the likelihood of event. Moreover, management factored in post model adjustment (management overlay) to reflect the risk of unlikeliness to pay criteria on the restructured debts impacted by the pandemic.

During the year under review the Bank recovered MUR 108.3m of loans previously written off.

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. On the IT front, the increased expenditure of 34% is reflective of the Bank's continued strategy to upgrade the technological platform. The Bank also adopted the new accounting standard, IFRS 16 – "Leases" as from 01st July 2019.

From a taxation perspective, effective tax rate dropped from 13.12% in 2019 to 8.80% for the year under review mainly due to the Government announcing new tax rates applicable to Banks.

A future that cannot be delineated

This year will not only be marked by a global recession but it will also be one of the sharpest and deepest since World War II. The global stock markets have been in their worst shape since the beginning of the financial crisis in 2008 and yields have reached record lows during the year. Our island was unfortunately not insulated from this invisible foe, with shocks in demand and supply in all the sectors of the economy.

The key words as we move into the next financial year are uncertainty and volatility, which require continuous proactive changes in the Bank's strategy to survive this post-COVID era. We remain as ever sensitive to any asset-quality deterioration, based on the economic fallout of the coronavirus, that may lead to knock-on effects on earnings and capitalisation.

However, the Bank remains confident in its capacity to go through these difficult times on the back of a robust balance sheet characterised by ample capital, liquidity and reserves.

JENNIFER JEAN-LOUIS
Chief Financial Officer

PERFORMANCE HIGHLIGHTS

AFRASIA BANK LIMITED	30 JUNE 2018	30 JUNE 2019	30 JUNE 2020
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (MUR'm)			
Net interest income, calculated using EIR method	1,710	2,311	2,028
Non-interest income	1,193	1,382	1,787
Total operating income	2,903	3,693	3,815
Total operating expenses	927	1,109	1,275
Profit after tax after OCI	766	1,579	1,502
STATEMENT OF FINANCIAL POSITION (MUR'm)			
Total assets	120,400	139,873	160,473
Loans and advances to banks and customers	28,066	28,169	28,290
Deposits from banks and customers	111,385	131,208	150,947
Total equity (including Class A shares)	6,899	7,716	8,641
PERFORMANCE RATIOS (%)			
Return on average equity	14	25	21
Return on average assets	0.7	1.2	1.0
Loans-to-deposits ratio	25	21	19
Cost-to-income ratio	32	30	33
CAPITAL ADEQUACY RATIO (%)			
Capital Management	14.71	15.85	15.15

AFRASIA BANK LIMITED AND ITS SUBSIDIARIES	30 JUNE 2018	30 JUNE 2019	30 JUNE 2020
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (MUR'm)			
Net interest income, calculated using EIR method	1,706	2,311	2,028
Non-interest income	1,277	1,417	1,822
Total operating income	2,983	3,728	3,850
Total operating expenses	994	1,200	1,320
Profit after tax after OCI	763	1,627	1,528
STATEMENT OF FINANCIAL POSITION (MUR'm)			
Total assets	121,961	141,361	160,477
Loans and advances to banks and customers	28,066	28,169	28,290
Deposits from banks and customers	111,136	131,033	150,922
Total equity (including Class A shares)	6,836	7,701	8,651
PERFORMANCE RATIOS (%)			
Return on average equity	15	26	21
Return on average assets	0.7	1.2	1.0
Loans-to-deposits ratio	25	21	19
Cost-to-income ratio	33	32	34
CAPITAL ADEQUACY RATIO (%)			
Capital Management	14.10	15.32	15.15

CURRENT YEAR PERFORMANCE AGAINST OBJECTIVES AND FUTURE GROWTH

KPI	OUTCOME	TARGET FOR NEXT FY
Statement of Profit or Loss and Other Comprehensive Income – Total Operating Income		
• Due to challenging market conditions, the Bank is expected to achieve a marginal growth in its total operating income for FY20 at MUR 3.9bn.	• The Bank achieved a total operating income of MUR 3.8bn, that is, 3% under budget.	• Due to impact of COVID-19 and growing uncertainty on the market, the Bank is expected to achieve a lower total operating income for FY21 standing at MUR 2.4bn visà- vis last year.
Statement of Profit or Loss and Other Comprehensive Income – Total Operating Expenses		
• The Bank will further its IT strategy plan which will be reflected in an increase in overall IT costs (maintenance and amortization costs) as a major contributor to the increase in total operating expenses of the Bank at MUR1.4bn in FY20.	• The Bank's total operating expenses was MUR 1.3bn, consistently investing in its human capital, Information Technology and Infrastructure.	• With the current pressures on its revenue the Bank has been applying a cost containment strategy for FY21 to ensure its total operating expenses be kept at par compared to FY20 at MUR 1.3bn.
Statement of Financial Position – Loans and Advances		
• The Bank's gross loans and advances is expected to grow by 18% targeting to reach MUR 35.4bn by end of FY20, with customer deposits continuing to increase and reach MUR 156.5bn – this is expected to result in a loans-to-deposits ratio of 21%.	• In line with its conservative approach towards lending, the Bank's gross loans and advances was MUR 30.7bn while customer deposits of MUR 150.9bn as at end of FY20, resulting in a lower than budgeted loans-todeposits ratio of 19%.	• A lower loans-to-deposits ratio of 17% is expected as a result of gross loans and advances dropping to MUR 28.0bn due to the growing uncertainty around COVID-19 impact in FY21. Growth in customer deposits is expected to be a mere MUR 2.3bn
Statement of Financial Position – Deposits from Customers		
• With total liabilities of MUR 157.6bn, customer deposits are expected to reach MUR 156.5bn.	• Total customer deposits achieved a growth of 15% compared to last FY to reach MUR 150.9bn whilst still 4% under budget.	• Customer deposits are expected to reach MUR 153.2bn
Statement of Financial Position – Asset Quality		
• We expect our ratio of non-performing loans and advances as a percentage of gross loans to be around to 6%.	• The Bank's non-performing loans and advances as a percentage of gross loans stood at 8% as at the end of FY20.	• Due to increased uncertainty regarding COVID-19 impact which has a direct impact on loan book, NPA ratio is expected to reach 11%.
Statement of Financial Position – Capital Management		
• Capital adequacy ratio will be maintained in conformity with the limits set under the regulatory framework.	• The Bank's capital adequacy ratio stood at 15.15% at the end of June 2020, compared to a limit of 12.88% set by the regulators.	• Capital adequacy ratio will be maintained in conformity with the limits set under the regulatory framework.
Performance Ratio – Return on Average Equity		
• The Bank aims to attain a return on average equity of 25% for FY20.	• The Bank achieved a return on average equity of 21% which is below the budgeted 25%.	• Return on average equity is expected to be of 8% for FY21.
Performance Ratio – Cost to Income		
• The cost-to-income ratio is targeted at 35% for the next FY due to more pressures on the Bank's total operating income and an increase in its total operating expenses.	• With a disciplined approach towards spending along with a higher total operating income, the Bank achieved a lower cost-toincome ratio of 33%.	• The cost to income ratio is expected to be around 55% due to a contraction in the total operating income of the bank.

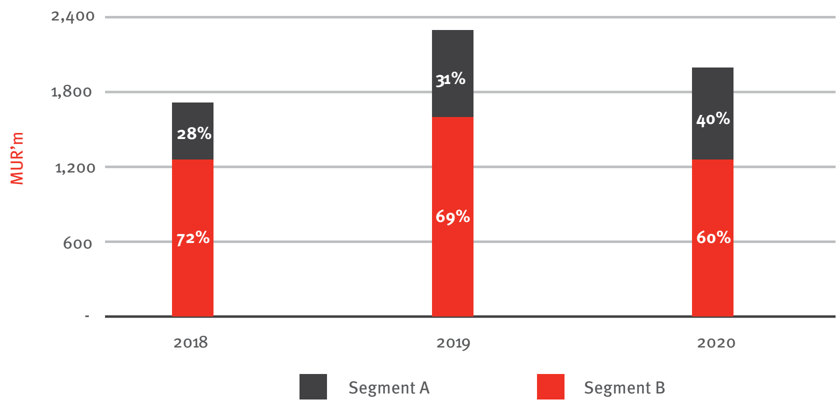
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME REVIEW

REVENUE

NET INTEREST INCOME

AfrAsia Bank reported a net interest income ("NII") of MUR 2.0bn, that is, 12% lower than in the prior year. The year-on-year decrease was mainly driven by higher interest expense of MUR 1.1bn (2019: MUR 0.9bn). This effect was mainly on the back of the COVID-19 pandemic creating trade related uncertainty plunging the average volume and balances of placements and bonds due to financial market volatility and erosion of market value both in the domestic as well as international markets. Terms of many financial assets had to be renegotiated leading to dwindling interest income on customer grounds. While the Bank coped to manage its interest income, the growth in interest expense was the final knockback which dragged the net interest income down.

In terms of split, it is to be noted that the ad-valorem of segment B is MUR 1.2bn making 60% of net interest income compared to 69% last year.



PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME REVIEW (CONT'D)

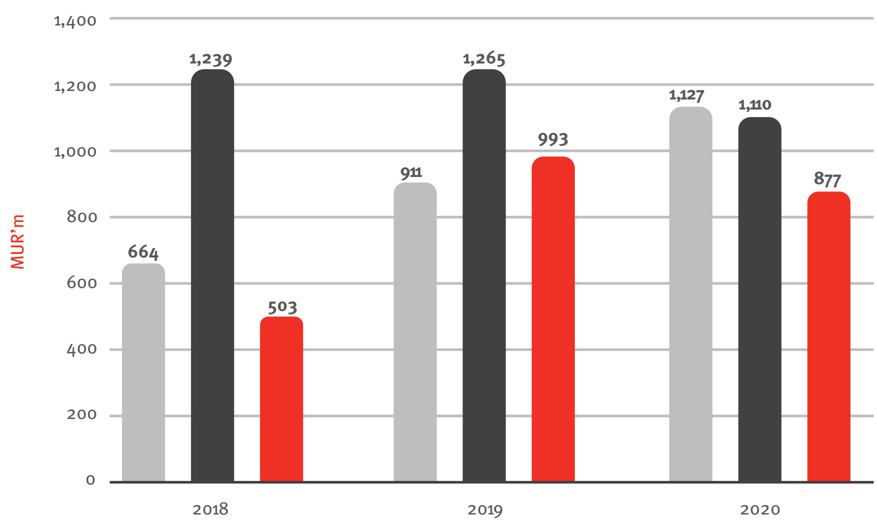
INTEREST INCOME

The underlying contraction in interest income from MUR 3.2bn to MUR 3.1bn is predominantly on the back of reduced interest income on loans as a result of repricing of several loans following the change in Prime Lending Rate and LIBOR. Interest income on placements and nostros was down by MUR 116.2m compared to last year.

Furthermore, interest income on investment securities increase to the tune of MUR 216.2m, that is, 24% to reach MUR 1.1bn from MUR 911.2m. During the year under review, the largest driver on interest income is investment securities. The constituents of the latter are fore mostly sovereign and graded bonds with reputable institutions.

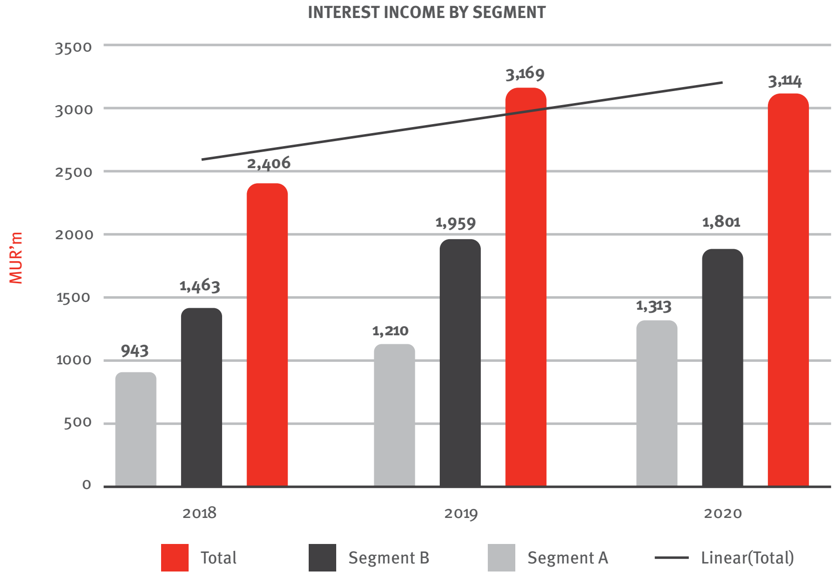
The segmental split of the interest income can be represented by Segment A at 42% and Segment B at 58% compared to a larger bearing in Segment B (62%) last year.

INTEREST INCOME BY PRODUCT



PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME REVIEW (CONT'D)

INTEREST INCOME (CONT'D)

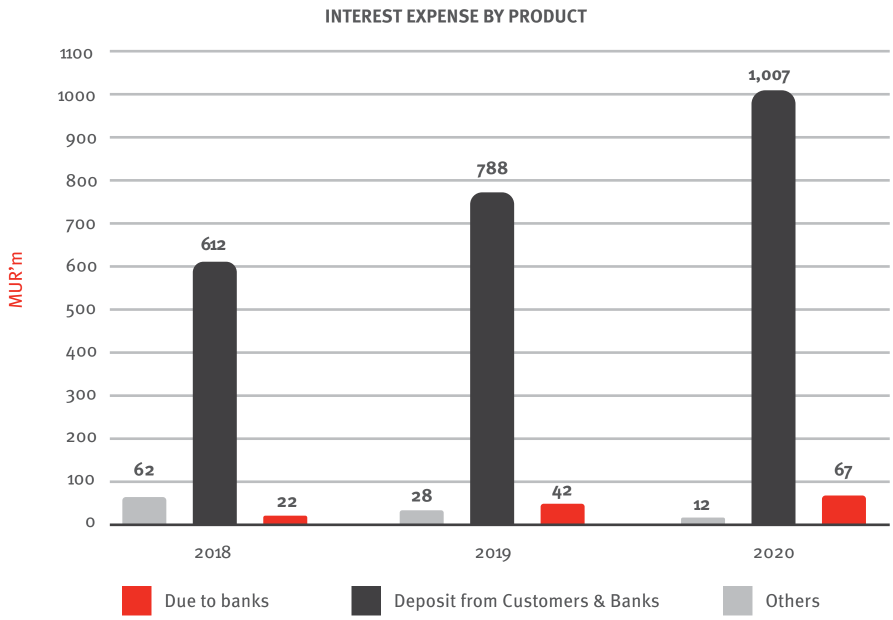


The return on assets is as tabulated below:

%	MUR			FCY (Inclusive of USD)			FCY (USD only)		
	Customers	Banks	Securities	Customers	Banks	Securities	Customers	Banks	Securities
FY20	4.85%	3.13%	3.71%	3.40%	1.27%	1.82%	3.57%	1.84%	1.85%
FY19	6.63%	3.56%	3.83%	4.03%	1.69%	2.24%	4.37%	2.48%	2.42%

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME REVIEW (CONT'D)

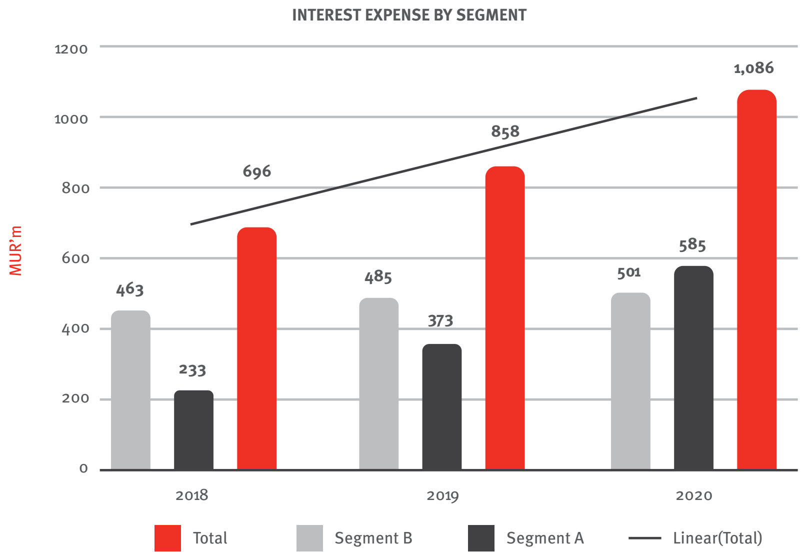
INTEREST EXPENSE



A rise of 27% in interest expense was noted in the reporting year reaching MUR 1.1bn, of which, 93% counted as interest expense on customer deposits as a result of growth in customer deposit base in both local and international markets. An interesting paradigm shift through the segmental lenses, is Segment B's contribution to interest expense being greater than Segment A as compared to previous years.

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME REVIEW (CONT'D)

INTEREST EXPENSE (CONT'D)



The associated cost from deposits is mainly tracked down from the fixed deposits slice of our deposit base which grew by 6% year-on-year.

The cost of funds is as tabulated below:

%	MUR		FCY (Inclusive of USD)		FCY (USD only)	
	Customers	Banks	Customers	Banks	Customers	Banks
FY20	2.15%	2.08%	0.48%	0.65%	0.63%	-
FY19	2.43%	3.58%	0.39%	1.58%	0.57%	2.48%

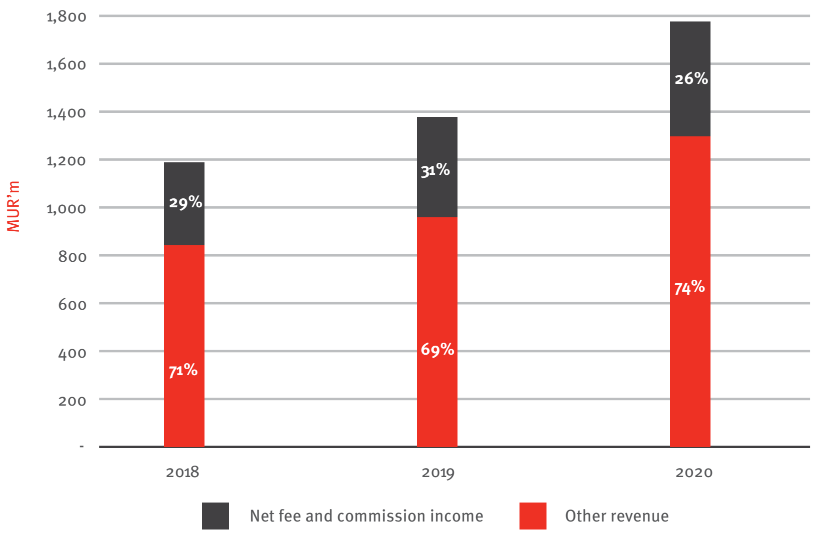
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME REVIEW (CONT'D)

NON-INTEREST INCOME

Non-Interest Income makes up 47% of the total operating income for the year being reported and showed an increase year-on-year of 29% with the main stimuli being:

- Net fee and commission income amounting MUR 0.5bn; and
- Other revenue of MUR 1.3bn.

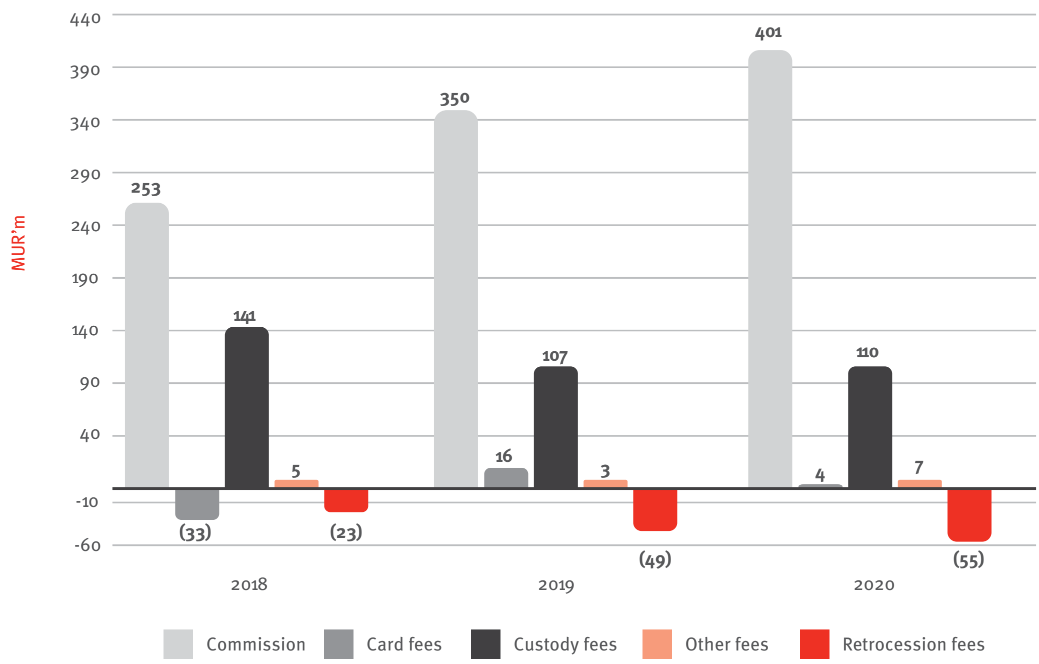
The split can be illustrated as follows:



PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME REVIEW (CONT'D)

NON-INTEREST INCOME (CONT'D)

NET FEE AND COMMISSION INCOME



Net fee and commission grew by 9% from MUR 426.8m to MUR 466.9m with the major component being net commission earnings reckoning a year-on-year growth of MUR 51.0m, i.e. 15%.

Net custody fees showed a positive allocation between its income and expense components rose by 3% up to MUR 110.0m (2019: MUR 107.2m) on the back of cost containment on the custody horizon and increased trading fees induced by the volatility brought about by COVID-19.

Retrocession fees saw an increase of 12% from MUR 48.7m to MUR 54.7m.

We observed considerable fall in net card related income by 74% to reach MUR 4.0m (2019: MUR 15.6m) driving the income down.

OTHER REVENUE

Other revenue stood at MUR 1.3bn representing a 38% increase compared to prior year at MUR 1.0bn. Other income contributes 35% of total operating income. The year-on-year improvement of MUR 364.1m was driven by an increase in trading income relating mainly to fair value gain and profit on disposal of securities. Additionally, the CCIRS deal brought a further gain of MUR 98.9m to the books.

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME REVIEW (CONT'D)

NON-INTEREST INCOME (CONT'D)

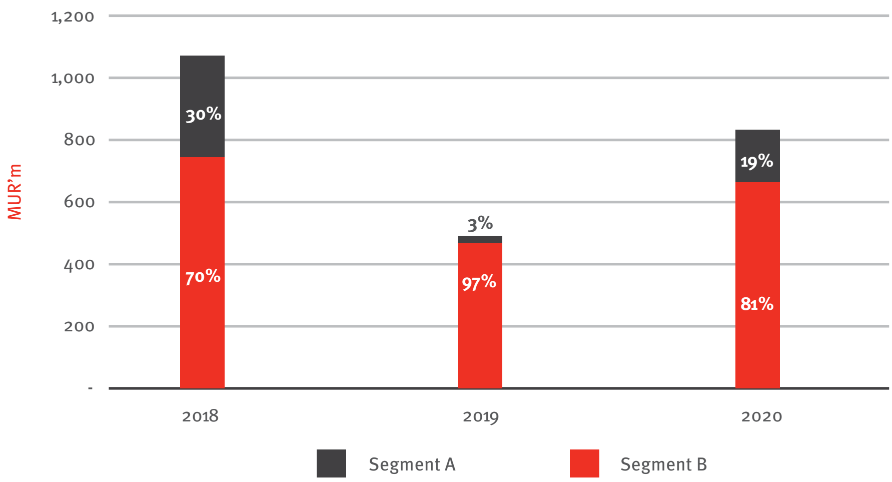
NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

The Bank recorded its impairment loss at MUR 839.1m which represented a jump of 79% compared to MUR 468.4m in 2019.

The net impairment loss on financial assets was MUR 161.5m for Segment A and MUR 677.6m for Segment B as compared to last year of MUR 14.1m for Segment A and MUR 454.3m for Segment B, which is an increase of 1,046% in Segment A and 49% in Segment B respectively.

The impairment figures were attenuated by bad debts recovered of MUR 108.3m (2019: MUR 89.2m).

The segmental split of the impairment is illustrated year-on-year as follows:



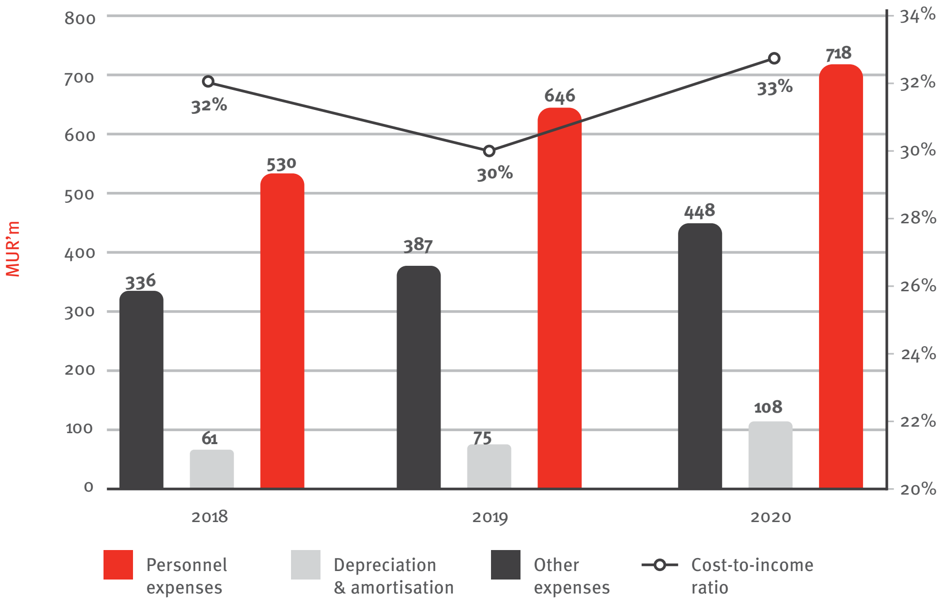
TOTAL OPERATING EXPENSES

The Bank invested MUR 718.1m, that is, 56% of its total operating expenses to impel and sustain its personnel during the year compared to MUR 646.3m last year. The headcount as at 30 June 2020 stood at 413 vis-à-vis 402 the prior year. The Bank ensured that staffs were provided with the paramount safety measures by bringing to their availability all precautionary gears with the endeavor amounting to MUR 3.2m during the pandemic period.

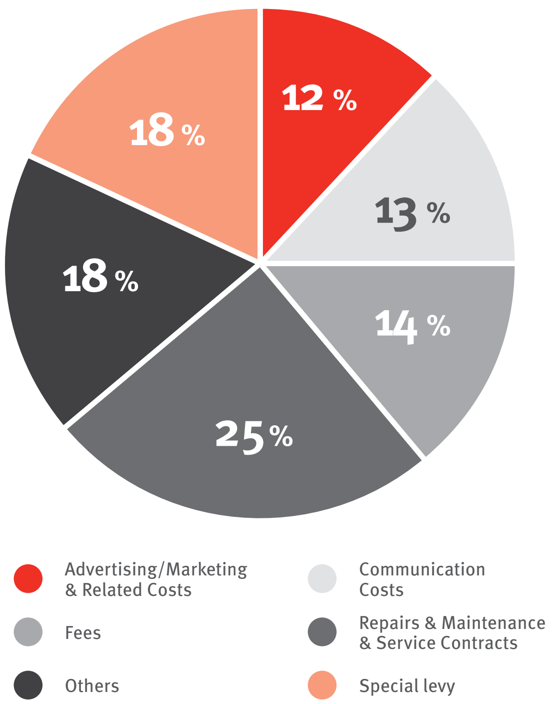
In terms of IT costs, the Bank made continuous outlays to upgrade its banking environment to enhance user experience and produce dynamic improvements from both an employee and a client perspective. During the year under review, IT related expenses comprising running expenses (including amortisation and depreciation) increased by 34% to MUR 166.5m.

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME REVIEW (CONT'D)

TOTAL OPERATING EXPENSES (CONT'D)



The major elements of the Bank's other operating expenses include amongst others:



- Repairs and maintenance and service contracts occupied the major chunk of the other operating expenses, it is to be highlighted that 96% of this figure represent IT related expenses explained earlier in this discussion;
- Communication costs augmented by 33% to MUR 56.2m;
- Professional fees increased by 30% to MUR 62.7m;
- Advertising and marketing expenses was 16% lower than last year reaching MUR 53.4m (2019: MUR 63.7m), expenditure was extenuated by the downturn in economic activities propounded by COVID-19. In line with its usual niche strategy, a substantial chunk of the expenditure resided in the sponsorship of AfrAsia Bank Mauritius Open ("ABMO"); and
- Special levy increased by 28% to MUR 81.7m on the back of an increase in the leviable income.

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME REVIEW (CONT'D)

TAXATION

The Bank's income tax expense as at 30 June 2020 as per its Statement of Profit or Loss and Other Comprehensive Income comprises of Corporate tax, Corporate Social Responsibility ("CSR") and Deferred tax.

Following the recent changes in Income Tax Act, the corporate tax as at 30 June 2020 are as follows:

- Up to MUR 1.5bn taxable income – 5%
- Over MUR 1.5bn taxable income – 15%

However, taxable income above MUR 1.5bn may be subject to graduated tax rate provided as per table below:

- Taxable income of current year exceeds MUR 1.5bn;
- Taxable income of base year exceeds MUR 1.5bn;
- Current year's taxable income exceeds that of its base year; and
- Bank satisfies the prescribed conditions.

Taxable income	Rate of income tax
Up to MUR 1.5bn	**5%**
Exceeding MUR 1.5bn up to amount equivalent to the taxable income of the base year	**15%**
Amount exceeding taxable income of base year	**5%**

As per Income Tax Act, 'base year' refers to taxable income for the year of assessment 2017/18, that is, financial year ended 30 June 2017. CSR is at a rate 2% of Segment A taxable income of the preceding financial year which are paid to Government-approved CSR projects. The Banks' CSR contributions for 2020 is MUR 15.9m compared to MUR 6.5m for 2019.

Special levy is recorded under operating expenses at a rate of 4.5% of leviable income. Leviable income applies to banking transactions of Segment A and is defined as the sum of net interest income and other income before deduction of expenses as per VAT act. The special levy increased from MUR 63.8m in 2019 to MUR 81.7m in 2020 due to increase in leviable income.

The deferred tax asset is computed at the tax rate of 5% representing the rate at which the asset will be utilized in future years.

Overall, the Bank's income tax expense decreased from MUR 239.2m in 2019 to MUR 146.8m in 2020. The effective tax rate decreased from 13.12% in 2019 to 8.80% in 2020. The lower effective tax rate was mainly on account of the change in tax rate.

FINANCIAL POSITION REVIEW

TOTAL ASSETS

The Bank's asset base grew by 15% (MUR 20.6bn) and reached MUR 160.5bn by end of this year under review. This growth was primarily in cash and cash equivalents and due from banks and investment securities, while loans and advances and other assets were relatively stable when compared to last FY.

The bisection of the asset book sat in cash and cash equivalents and due from banks with an increase of MUR 16.5bn in 2020 as compared to the prior year. Investment securities increased by MUR 3.4bn (7%) primarily to upper possession of debt instruments at amortised cost; representing 30% of total assets.

Other assets, with its foremost component being mandatory balances with the Central Bank (MUR 2.2bn), did not experience major change. Furthermore, the proportion of the Bank's total assets to Segment B represented 65% in 2020 which represents a slight increase when compared to 64% in 2019.

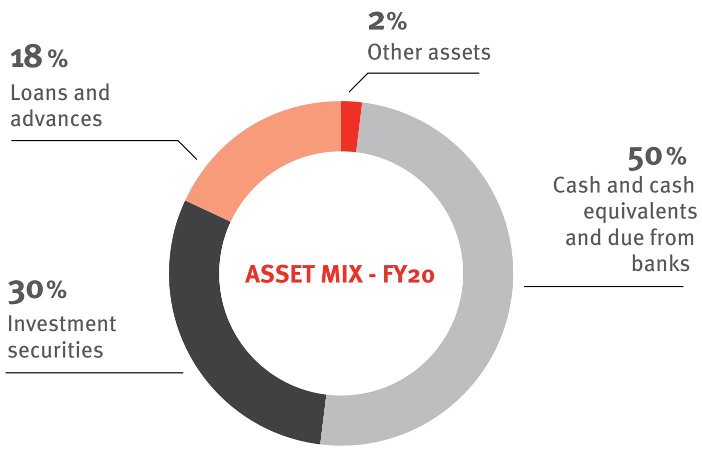
An industry analysis of the Bank's financial assets, without taking account of any collateral held or other credit enhancements, is as follows:

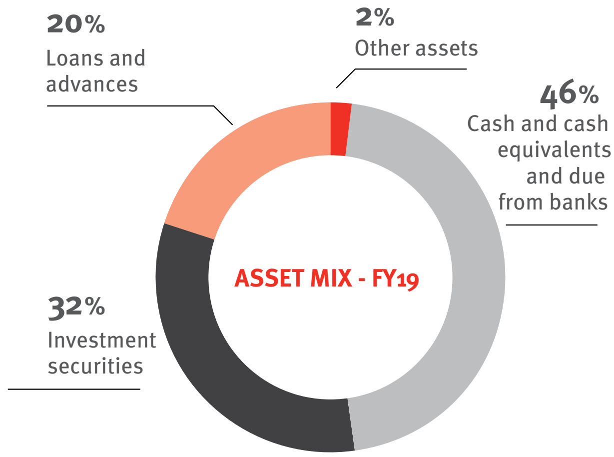
	GROSS MAXIMUM EXPOSURE		
Sectors – MUR'm	**2018**	**2019**	**2020**
	Total	Total	**Total**
Agriculture	2,026	510	**1,095**
Construction, infrastructure and real estate	1,780	1,119	**1,944**
Financial and business services	102,121	121,014	**98,914**
Government and parastatal bodies	1,489	479	**35,408**
Information, communication and technology	46	17	**254**
Manufacturing	2,781	2,726	**4,673**
Personal	1,706	1,912	**2,374**
Tourism	2,413	3,166	**4,538**
Traders	1,561	1,551	**5,342**
Total	120,807	141,194	**162,071**

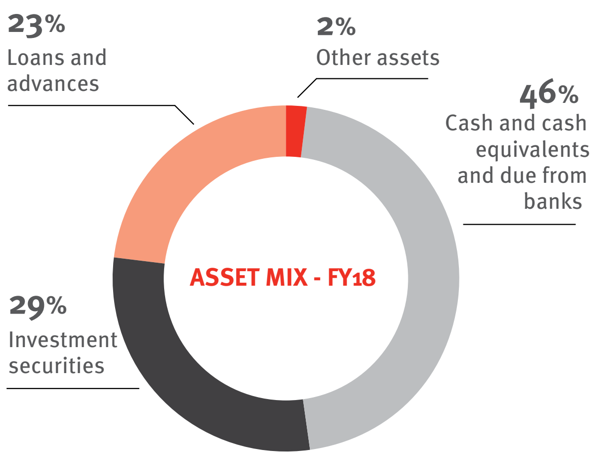
FINANCIAL POSITION REVIEW

TOTAL ASSETS (CONT'D)

Overall, as depicted in the chart below, the Bank fostered its risk diversification over its assets, this can be represented by:







Cash and cash equivalents and due from banks

- MUR 2.7bn (LCY) - 3%
- MUR 77.4bn (FCY) - 97% of which MUR 53.9bn (USD) - 67%

Loans and advances

- MUR 6.5bn (LCY) - 23%
- MUR 21.8bn (FCY) - 77% of which MUR 15.3bn (USD) - 54%

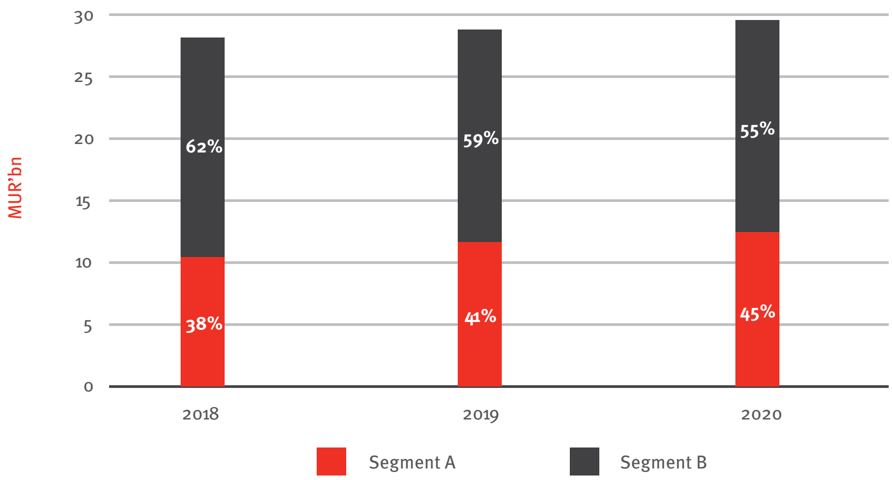
Investment securities

- MUR 17.9bn (LCY) - 37%
- MUR 30.8bn (FCY) - 63% of which MUR 28.9bn (USD) - 60%

FINANCIAL POSITION REVIEW (CONT'D)

LOANS AND ADVANCES TO BANKS AND CUSTOMERS

With the conservative approach towards its lending strategy, the Bank's net loans and advances went up slightly by 0.4% at MUR 28.3bn this year slightly geared more towards Segment B representing 55%. Loans and advances with contractual maturities over 12 months represented 58% of total loans in 2020.



As at 30 June 2020, the Bank has restructured multiple of its loan facilities that can be aggregated to MUR 5.3bn, out of which, in line with the COVID-19 forbearance policy amounted to MUR 5.1bn.

As at 30 June 2020, the credit portfolio of the Bank had a well-variegated credit portfolio with a distributed concentration across different sectors, same is tabulated below:

Sectors – MUR'm	2018	2019	2020
	Total	Total	**Total**
Agriculture and fishing	1,626	510	**1,054**
Manufacturing	2,781	2,726	**4,114**
Tourism	2,381	3,164	**3,902**
Transport	430	364	**380**
Construction, infrastructure and real estate	1,779	1,119	**1,934**
Financial and business services	9,479	10,395	**7,985**
Traders	1,560	1,568	**3,385**
Personal	1,735	1,949	**2,372**
Professional	4	457	**1**
Information, communication and technology	46	251	**247**
Government and parastatal bodies	1,299	102	**386**
Global Business Licence holders ("GBL")	2,614	2,578	**457**
Other entities	3,607	4,914	**4,474**
Total	29,341	30,097	**30,691**

Please refer to Note 41 (X) in Section B for details on segmentation.

FINANCIAL POSITION REVIEW (CONT'D)

LOANS AND ADVANCES TO BANKS AND CUSTOMERS (CONT'D)

ALLOWANCE FOR IMPAIRMENT LOSSES

The Bank's allowance for impairment losses denote estimated losses correlated to impaired loans in the portfolio provided for but not yet written off, and allowances for performing loans, which is our best guesstimate of impairment in the existing portfolio for loans that have not yet been individually identified as impaired. Our approach to establishing and maintaining the allowance for performing loans is based on the requirements of IFRS. Under the IFRS 9 – "Financial Instruments", an allowance is recorded for ECL on financial assets regardless of whether there has been actual impairment. The ECL methodology is based on a 3-stage model:

ECL – Stage 1
MUR 163.4m

ECL – Stage 2
MUR 15.7m

ECL – Stage 3
MUR 2.2bn

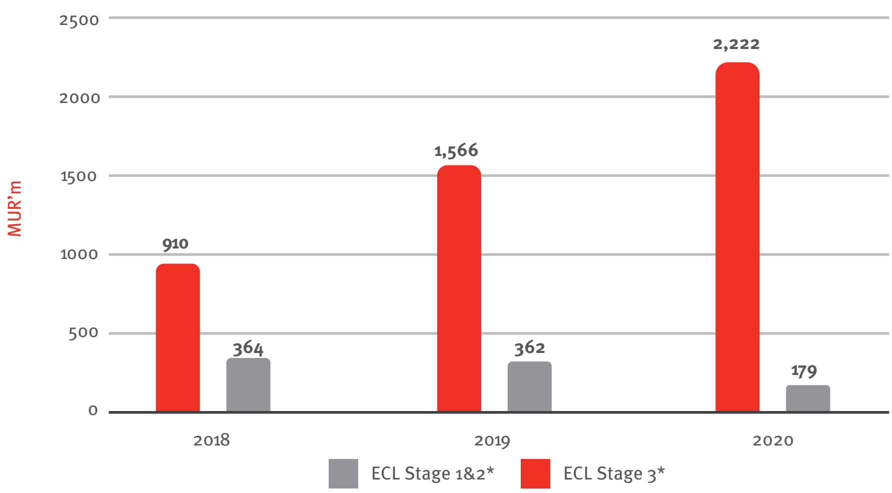
Allowance for impairment losses encompasses ECL stage 3 provisioning, which increased from MUR 1.6bn in 2019 to MUR 2.2bn in 2020. Segment B makes 78% of the total allowance for impairment losses. MUR 506.3m of loans and advances to customers have been written off against provisions in 2020, 77% being in Segment B.

NPA

The Bank's NPA increased to MUR 2.8bn at end June 2020 as compared to MUR 2.2bn for the same period in 2019. Consequently, it is to be noted that the Bank's NPA ratio was 8% (2019: 7%).

Coverage ratio

Coverage ratio is measured as the percentage of stage 3 (specific) impairment over total NPA. As a matter of fact, the Bank coverage went up from 65% in 2019 to 76% in 2020.



*The above includes interest component.

FINANCIAL POSITION REVIEW (CONT'D)

The breakdown of loans and advances vis-à-vis the non-performing portion and its relative provision by sector remains an interesting piece of discussion and analysis, same is tabulated below:

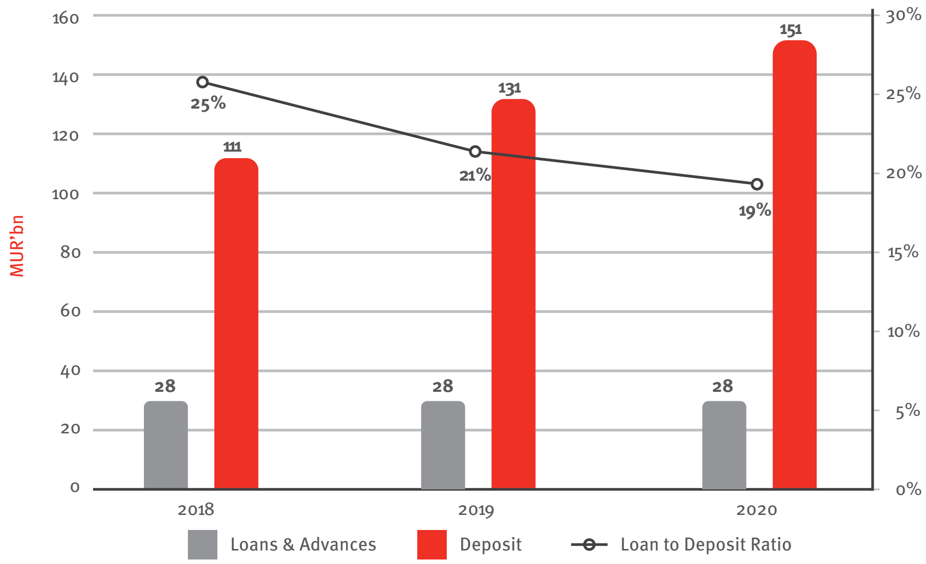
Sectors – MUR'm	2020					
	Gross amount of loans		Non-performing loans		Stage 3 ECL	
	Segment A	Segment B	Segment A	Segment B	Segment A	Segment B
Agriculture and fishing	436	618	-	425	-	209
Manufacturing	307	3,807	150	-	150	-
Tourism	3,385	517	-	-	-	-
Transport	35	345	-	209	-	189
Construction, infrastructure and real estate	1,333	601	111	-	82	-
Financial and business services	2,490	5,495	-	1,040	-	880
Traders	2,052	1,333	14	-	14	-
Personal	1,736	636	91	7	59	1
Professional	1	-	1	-	-	-
Information, communication and technology	247	-	166	-	114	-
Government and parastatal bodies	386	-	-	-	-	-
GBL	-	457	-	-	-	-
Other entities	891	3,583	-	615	-	524
Total	**13,299**	**17,392**	**533**	**2,296**	**419**	**1,803**

In analysing the different sectors in the Bank's portfolio, the sector which is most provided for are within the Financial and business services followed by the transport sector and manufacturing sector. Looking at the figures through year-on-year lenses, the major highlights are; the total provision in the financial and business services which showed a strong 100% augmentation and the manufacturing sector which saw a drop of 61%.

FINANCIAL POSITION REVIEW (CONT'D)

LOANS-TO-DEPOSITS RATIO

A lower than expected loans-to-deposits ("LTD") ratio was achieved in 2020, that is, 19% compared to 21% last year. This ratio can be further broken down into LCY at 34% and FCY at 17%. The driving force behind the falling LTD ratio is at the back of rising deposits from customers greater than the rise observed in loans and advances.



INVESTMENT SECURITIES

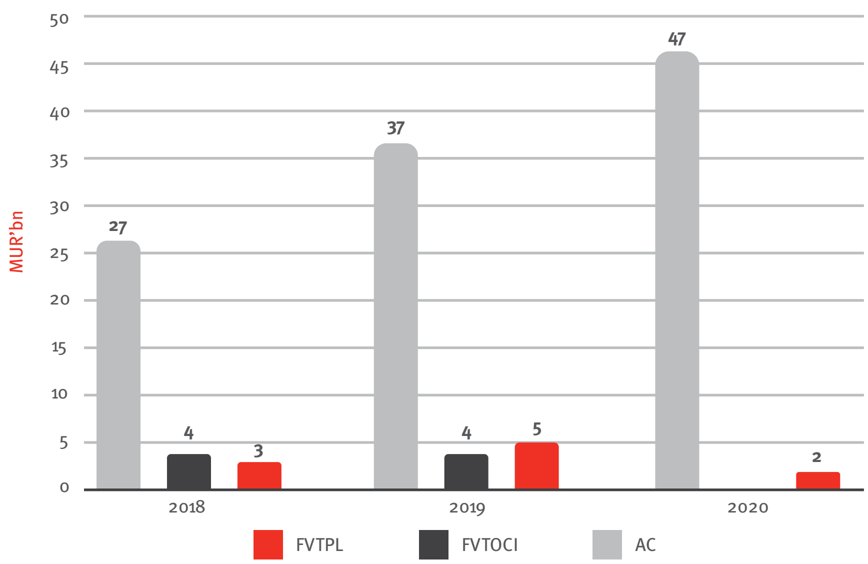
Investment securities which is held in either its trading or banking book grew by 7% to reach MUR 48.7bn as at 30 June 2020 (2019: MUR 45.3bn) with the majority investments being in Government papers both on domestic and global fronts.

The currency split as from 30 June 2020 stands as LCY MUR 17.9bn and FCY MUR 30.8bn (of which USD MUR 28.9bn).

Mandated by IFRS 9, the investment securities are categorized as follows:

- Debt instruments at fair value through profit or loss ("FVTPL");
- Debt instruments at fair value through other comprehensive income ("FVTOCI");
- Debt instruments at amortised cost ("AC"); and
- Equity Investment at fair value through other comprehensive income ("FVTOCI").

The main constituents can be illustrated as follows:



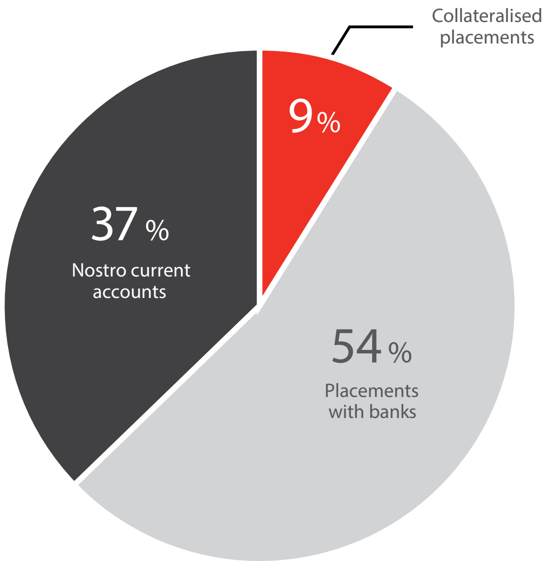
FINANCIAL POSITION REVIEW (CONT'D)

CASH AND CASH EQUIVALENTS AND DUE FROM BANKS

The Bank's conservative tactic towards loaning being maintained, the majority of our asset book remained in the form of Bank's monies held with other banks which moved upwards from MUR 63.7bn to MUR 80.2bn between 2019 and 2020, the main components remain the following:

- Nostro current accounts;
- Placements with other banks; and
- Collateralised placements.

Nostro current accounts were bolstered by 76% from MUR 16.9bn to MUR 29.6bn, placements with other banks rose by 8% from MUR 40.2bn to MUR 43.5bn of which MUR 36.4bn in USD and collateralised placements experienced an increase of 6% from MUR 6.6bn to MUR 7.0bn in 2020 which are money lent to local banks.



NON-CURRENT ASSETS – TANGIBLE AND INTANGIBLE

A transformative technological journey can be protracted and winding, while the customary approach concerning capital investments does not upkeep fast pivots or allow the business to rapidly capitalize on innovation breaks, the Bank still has a hostile expectation for achieving significant return on investment on innovative technologies. Thus, an ample amount of our capital expenditure was channeled towards banking software, computer software and computer equipment, the key highlights for the year can be presented as follows:

- Capitalisation of Assets in Progress:
  - Improvement to buildings – MUR 0.5m
  - Furniture and fittings – MUR 0.7m
  - Office equipment – MUR 0.1m
  - Computer equipment – MUR 8.9m
- Disposals:
  - Motor vehicles – MUR 5.3m
- Additions:
  - Computer equipment – MUR 14.4m
  - Motor vehicles – MUR 2.8m
  - Office equipment – MUR 1.6m
  - Furniture and fittings – MUR 4.5m
  - Assets in progress – MUR 0.6m

For further details of property and equipment, intangible assets and rights of use assets, please refer to Note 19, 20 and 21 respectively in Section B.

FINANCIAL POSITION REVIEW (CONT'D)

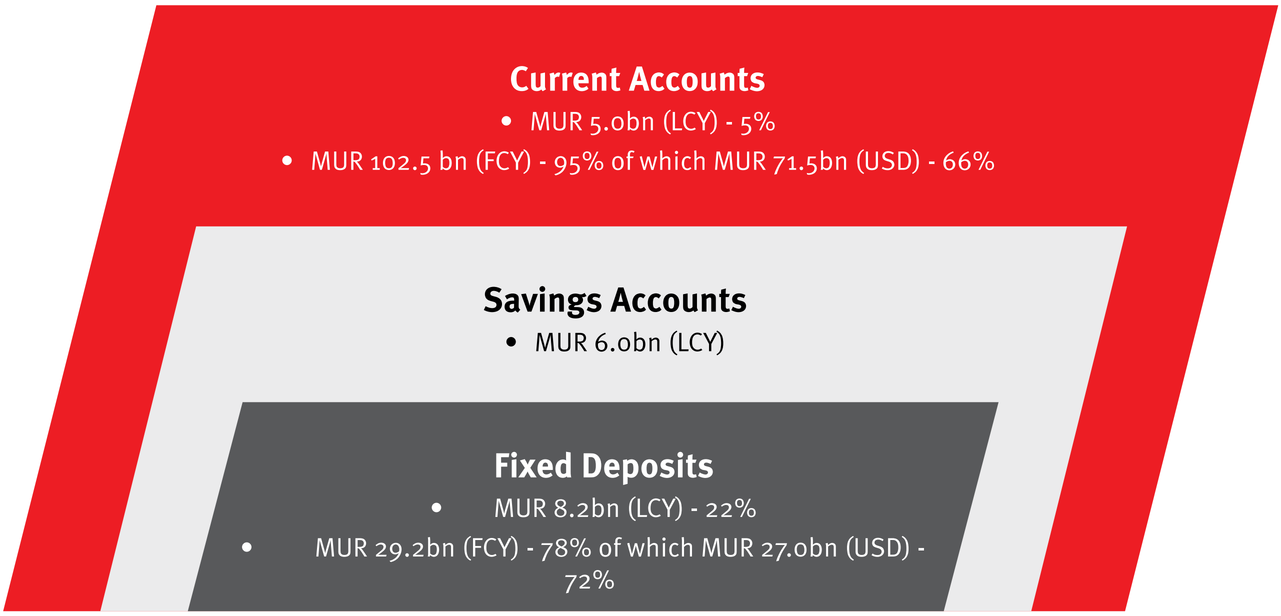
LIABILITIES

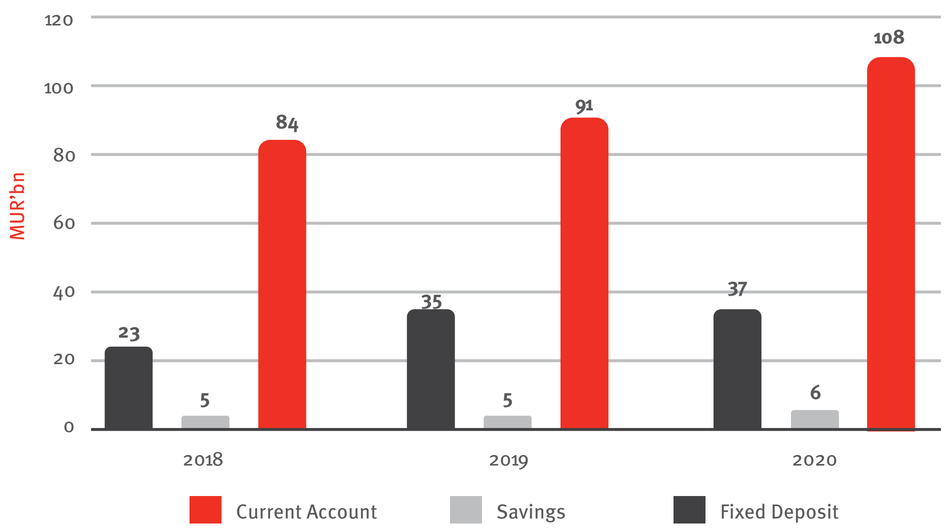
DEPOSITS FROM CUSTOMERS AND BANKS

This financial year was stigmatized by two headlines concerns being the ongoing global pandemic and the classification of Mauritius in the EU blacklist. While the Bank needed to provide its clients with the optimal reassurance with the principal pledge of delivering a purpose beyond banking, the confidence of the client base in the Bank created positive ripples in this cataclysmic environment. As a result, the Bank's deposits base grew from MUR 131.2bn end of June 2019 to reach MUR 150.9bn by the end of June 2020 i.e. a growth of 15%.

Split of customer deposits base was as follows:

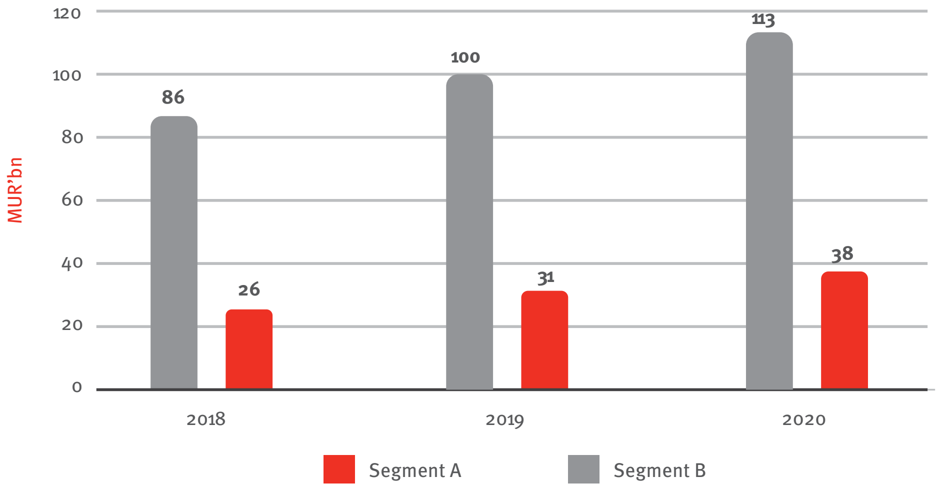
- Current accounts MUR 107.5bn, that is, 71% of total deposits and 18% growth year-on-year;
- Savings accounts MUR 6.0bn, that is, 4% of total deposits and 18% growth year-on-year; and
- Fixed deposits MUR 37.4bn, that is, 25% of total deposits and 6% growth year-on-year.





FINANCIAL POSITION REVIEW (CONT'D)

DEPOSITS FROM CUSTOMERS AND BANKS (CONT'D)

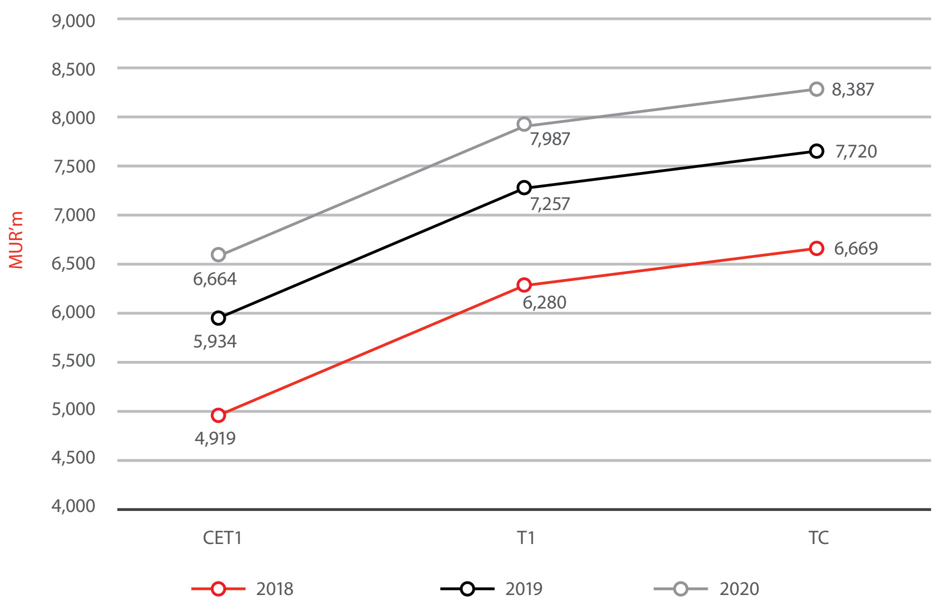


SHAREHOLDERS' EQUITY

ABL's shareholders' equity grew by MUR 0.9bn to reach MUR 8.6bn, i.e., 12%. During the year, the Bank paid MUR 576.7m as dividend (2019: MUR 333.5m) with MUR 429.3m as Ordinary dividend (2019: MUR 186.4m), representing 30% payout and MUR 147.4m Class A dividend (2019: MUR 147.1m).

On the Regulatory side, in line with the capital requirements and regulatory forbearance measures from the Central Bank, the Bank remained well capitalised with a total capital base ("TC") of MUR 8.4bn representing an increase of 9% year-on-year along with Common Equity Tier 1 ("CET1") of MUR 6.7bn, Tier 1 ("T1") of MUR 8.0bn and Tier 2 of MUR 0.4bn.

Risk-weighted assets rose by MUR 6.6bn representing 14% rise year-on-year resulting from a rise in balance sheet size of the Bank. Total CAR dropped by 70 basis points compared to last year reaching 15.15% against an unchanged regulatory limit of 12.88%, and is well above the limit. Being a Domestic Systemically Important Bank, the Bank is required to maintain an additional 1% above the regulatory limit of 11.88% for non-DSIBs.



Note: All of the above includes forward-looking statements and that risks exist that forecasts, projections and assumptions contained therein may not materialise and that actual results may vary materially from the plans and expectations. The Bank has no plan to update any forward-looking statements periodically.

We believe in the safety
of your assets

BELIEVE. CONCEIVE. ACHIEVE.

Message from the Head of Risk

While the COVID-19 pandemic started as a sanitary crisis, its repercussions have cascaded to the overall global economy, resulting in a multidimensional crisis. In order to avoid a systemic financial crisis, we have seen an unprecedented government intervention worldwide. As compared to the 2008 Financial Crisis, Governments have been using banks as a transmission mechanism to implement their support and relief measures.

Despite this, over the past few months, like several sectors, the banking industry has seen an escalation of different risks. There are both direct “on balance sheet” risks such as credit and liquidity risks as well as operational risks, cybersecurity and “off-balance sheet” risks. Banks have been impacted by the daily changing market conditions and worsening credit quality among others. Banks were confronted with a completely new market situation practically overnight. Existing risk analyses of credit risks, expected credit loss (“ECL”), probability of default (“PD”) and loss given default (“LGD”) calibrations were outdated abruptly.

In order to effectively manage this challenging crisis, risk management had to be at the forefront to stabilize the operational and financial disruption. Revisiting the credit risk model was essential as banks had to capture the potential loss with limited and uncertain forward-looking information. Thus, going forward, flexibility will be key. Regarding Enterprise Risk Management (“ERM”) and capital management, conducting stress-tests scenarios and updating forecasts should become part of the daily operations. Re-evaluating strategies and identifying new risks will be crucial to navigate this recession effectively.

Till date, no one can predict how this pandemic will evolve and what will be its long-term impact. The uncertainty on the recovery scenario further adds complexity to assessing a broader range of risks. Hence, Banks will need to proactively keep prepared for the post-pandemic challenges.

RAKESH SEESURN
Head of Risk

RISK MANAGEMENT STRATEGY

Risk management is the process of identifying, evaluating and managing the impact of uncertain events, and monitoring the consequences at acceptable levels. The risk-management cycle is comprised of four phases:

- establishing objectives by identifying the strategic goals and determining constraints;
- analyzing the risks;
- selecting controls and assessing the alternatives to address the risks;
- implementing the alternatives and monitoring the progress and results.

The process organises information about the possibility of a spectrum of undesirable outcomes into an inclusive, orderly structure that helps decision makers to make informed choices about their organisation's ability to reduce risks.

OUR RISK APPETITE FRAMEWORK

The Bank's risk appetite is defined by a risk appetite framework set by the Board. It aids to emphasise its strong risk culture and helps define thresholds to manage aggregate risks through an acceptable scale.

In line with Bank of Mauritius Guidelines on credit and country risk management, the Board has established a set of policies and procedures in respect of cross-border activities, which clearly translate to the Bank's strategic goals and risk parameters.

Stress-Testing

Stress-testing ("ST") is an integral part of the Bank's risk management process as it consists of both sensitivity analysis and scenario analysis.

Stress testing is a fundamental tool to

- facilitate a view of the organisation's **forward risk profile** as a result of portfolio effects and/or changes in economic conditions;
- **Identify potential vulnerability** to unprecedented but plausible events; and
- **Determine appropriate management actions or contingency plans** to limit the impact of such events on the entity;

Results of stress testing must impact decision making, including strategic business decisions via

- Strategic planning and budgeting;
- Internal Capital Adequacy Assessment Process ("ICAAP"), including capital planning and management, and the setting of capital buffers;
- Informing the setting of risk appetite statements;
- Liquidity planning and management; and
- Identifying and proactively mitigating risks through actions such as reviewing and changing risk limits, limiting exposures and hedging;

OUR RISK APPETITE FRAMEWORK (CONT'D)

Stress-Testing (Cont'd)

The various type of scenario analysis performed at ABL are as follows:

Scenario analysis

- Changing **multiple risk inputs simultaneously** with the **source of the stress** event being **well defined**;
- Macroeconomic stress testing involves the creation of a **severe but plausible macroeconomic scenario** and assessing the **impact of key macroeconomic risk drivers** (e.g. GDP, interest rates, inflation) **on key risk inputs** (e.g. PD, LGD and EAD);
- Other hypothetical or historical scenarios: "what-if"; and
- Assessing the impact on statement of profit or loss and other comprehensive income, statements of financial position and capital ratios.

Sensitivity analysis

- **Tweaking of a risk parameter**, or a small number of very closely related risk parameters to understand the impact on a risk position;
- It is important to note that the **event** that gives rise to the movements in the parameters is **hypothetical**;

Reverse stress testing

- **Assessing scenarios and circumstances that would render its business model unviable, thus identifying potential business vulnerabilities**
  - Starts from the point of failure of the Bank's business model and then working backwards to identify circumstances or scenarios under which this might occur; and
  - Point of failure is considered as significant financial losses that impact the Bank's capital or lack of liquidity to such an extent that the **existing business model would no longer be viable** or where **material supervisory intervention** would result.

Universal Perspective on Stress-Testing in COVID-19 context

Both the local and global economies have been severely impacted since the outbreak of the COVID-19 pandemic and this will impact capital adequacy and Stress test requirements of banks. In view of the unprecedented circumstances relating to the COVID-19 outbreak, the European Banking Authority ("EBA") has decided to postpone the EU-wide stress test until 2021. This move was mirrored by the Bank of England, which announced the cancellation of stress testing requirements for eight major UK banks. The objective is to facilitate and incentivise the disbursement of credit to meet households and business requirements and still meet regulatory ratios.

In this current economic environment, similar to other banks, it was quite challenging for ABL to conduct stress-tests and estimate provisions under the IFRS 9 standard; as forward-looking judgement on possible losses from loans is very challenging and uncertain.

OUR RISK APPETITE FRAMEWORK (CONT'D)

Universal Perspective on Stress-Testing in COVID-19 context (Cont'd)

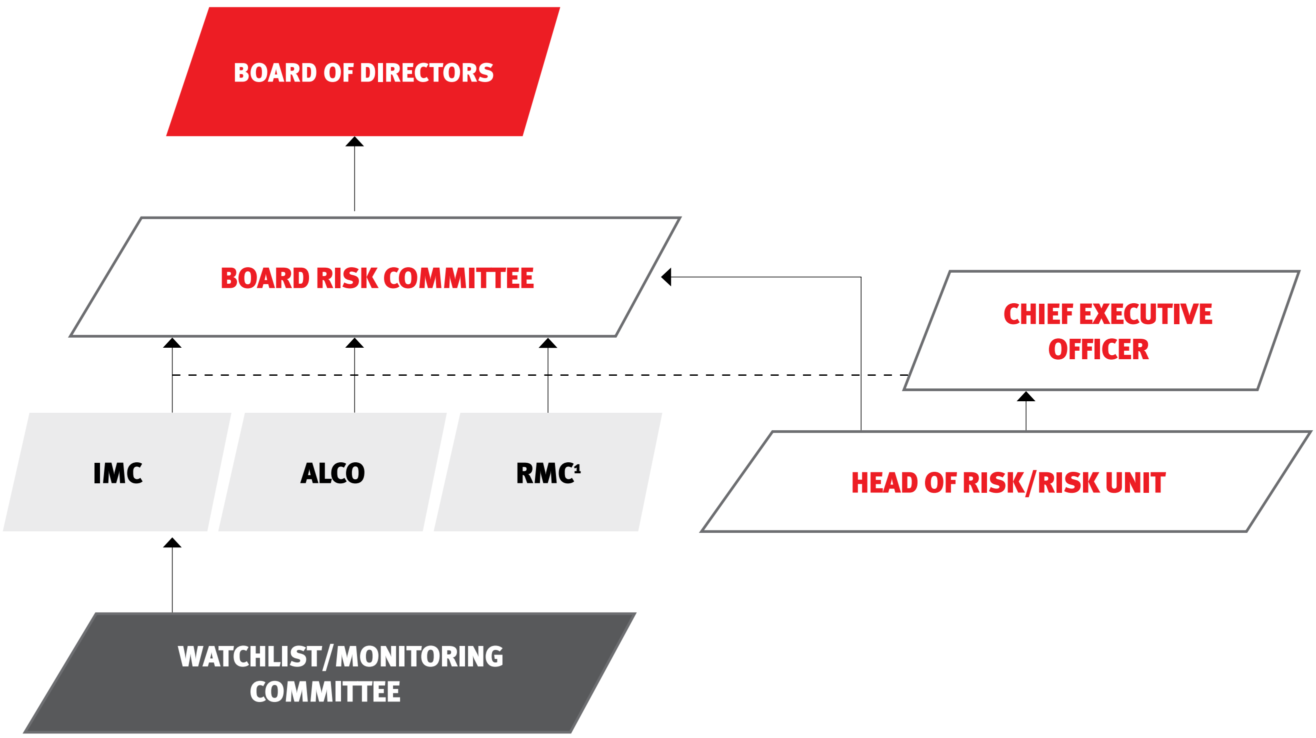
Notwithstanding the above challenges, the Bank has been guided by its Board in conducting a number of "Stress-Test Scenarios" or "What-If Scenarios" in order to assess potential balance sheet and profit or loss impact.

The mitigations are in line with the regulatory Internal Capital Adequacy Assessment Process ("ICAAP") mitigation plan. ICAAP is an internal review requirement that evaluates capital adequacy, capital management and planning at banks with a specific focus on core risk factors.

RISK GOVERNANCE AND OVERSIGHT STRUCTURE

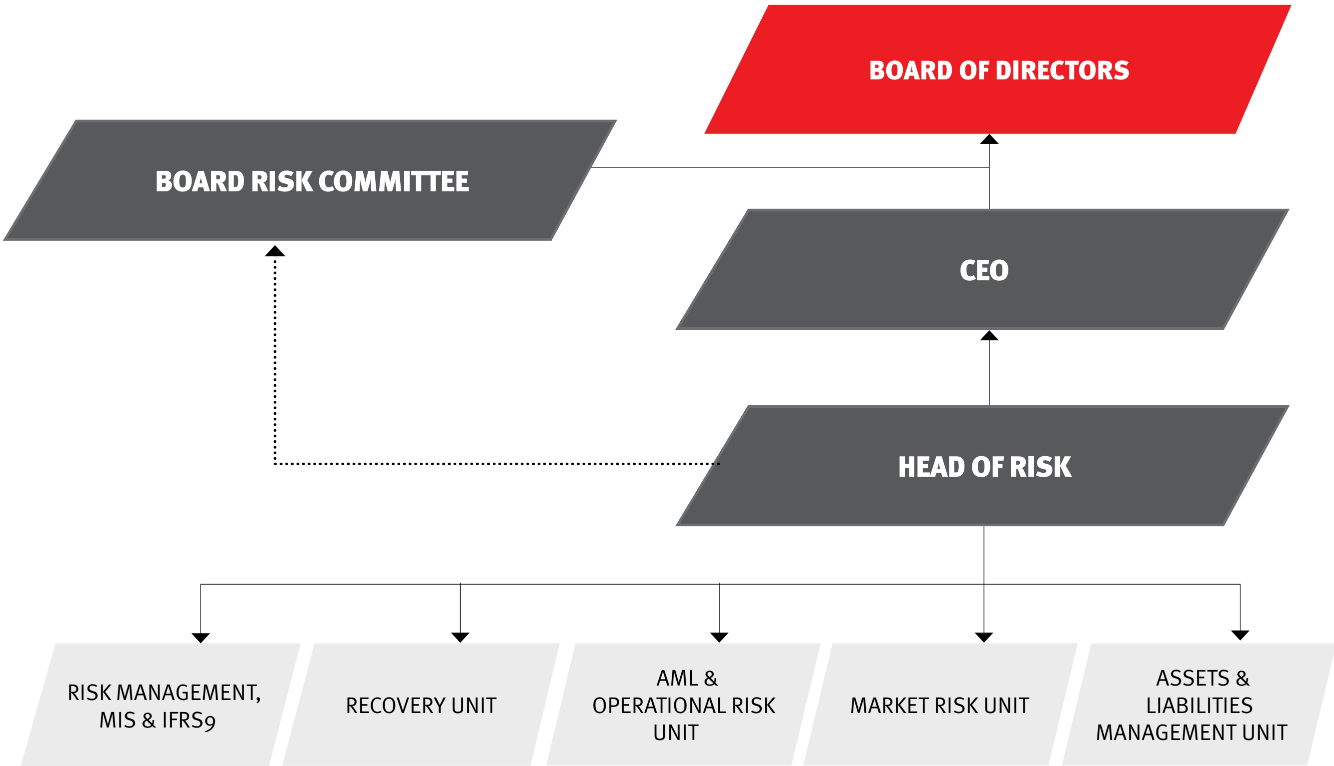
The independent status of the Risk Management function is supported by a governance structure that provides for escalation of risk issues to senior management, Board sub-committees and the Board of Directors, as appropriate.

The chart below illustrates the Board of Directors' and key senior management-level committees in the Firm's risk governance structure.



[1] Risk Management Committee

Fixed Line - Direct reporting to the CEO/Committee
Dotted Line – Operationally reports to the Board Committee



Fixed Line - Direct reporting to the CEO/Committee
Dotted Line – Operationally reports to the Board Committee

Committees established by Management

Management Credit Committee ("MCC")

- The MCC is the senior management credit decision-making committee with a defined delegated authority (up to MUR 50m) as determined by the Board of Directors through the Board Credit Committee and Board Risk Committee from time to time.

- The purpose of the MCC is to
  i. to assist the Board to formulate, approve and implement Credit policies, guidelines and credit practices of the Bank.
  ii. to exercise responsibility for the independent assessment, approval, review and monitoring of all credit risk assets relating to the Bank's business; and
  iii. to ensure that the origination and management of the assets in the portfolio is done in terms of the Bank's policy.

Assets and Liabilities Committee ("ALCO")

- This committee comprises of the Chief Executive Officer, Chief Financial Officer, Head of Risk, the General Manager, Senior Executive - Head Corporate Banking, Senior Executive - Head Global Business, Senior Executive - Treasury and Markets, Head of Treasury and the Head of Credit Risk who meet at least once a month.
- ALCO's overall responsibility is to ensure that the Bank's overall asset and liability structure including its liquidity, currency and interest rate risks are managed within the risk appetite set by the BRC.

Impairment Management Committee ("IMC")

- The Bank's IMC consist of the Chief Executive Officer, the Chief Financial Officer and the Head of Risk and they meet at least once in a quarter or as and when required. The duties of the Committee are as follows:
  - Review updates on top non performing accounts .
  - Review and approve all files, which warrant new/additional specific provision.
  - Approve proposals for restructure of facilities and settlement of liabilities including one-time settlement.
  - Review new NPAs and new accounts downgraded to Watchlist.
  - Review and approve accounts showing Significant Increase in Credit Risk (S.I.C.R).
  - Take cognizance of recoveries and write backs.
  - Review and validate list of accounts proposed for write off.

Risk Management Committee ("RMC")

- This committee includes the Chief Executive Officer, Chief Technology & Operating Officer, Chief Financial Officer, Head of Risk and Head of Compliance and Head of Group Legal as voting members meet at least quarterly or as required to discuss and oversee the overall risk management and internal controls of the Bank.
- The key responsibilities of RMC are
  i. to implement, review and manage risks in line with the risk tolerance limit in the Risk Appetite Framework.
  ii. to review risk implications of new business, projects and products
  iii. to review high risk issues such as financial liquidity & capital risk
  iv. To ensure compliance with guidelines and mitigate regulatory/compliance/legal/AML risk
  v. to report to the board risk committee on the above.

MANAGEMENT OF KEY RISK AREAS

Risk can be defined as the uncertainty of an event to occur in the future. In the banking context, it is the exposure to the uncertainty of an outcome, where exposure could be defined as the position/stake banks take in the market. The main type of risks faced by the Bank are as follows:

Definitions of Risk types and Mitigating Actions

	Type of Risk	Description	Mitigating Actions
FINANCIAL RISK	Credit Risk	It is the risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due. It is composed of obligor risk and concentration risk.	1. Policies & Procedures 2. Regulatory Guidelines 3. Control & Monitoring 4. Key Resources with technical expertise
FINANCIAL RISK	Country Risk	Country risk, also referred to as cross-border country risk, is the uncertainty that obligors (including the relevant sovereign, and the group's branches and subsidiaries in a country) will be able to fulfil obligations due to the group given political or economic conditions in the host country.	1. Regular Country Review 2. Cap in terms of Country Risk Limit 3. Quality Review by Board 4. In line with Risk Appetite Framework
FINANCIAL RISK	Market Risk	Market risk is the risk of a change in the market value, actual or effective earnings, or future cash flows of a portfolio of financial instruments, including commodities, caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables.	1. Work around solution (manually) 2. Market Risk Policy 3. Process & level of acceptance 4. Tolerance limit 5. System Implementation
FINANCIAL RISK	Funding and liquidity Risk	Funding risk is the risk associated with the impact on a project's cash flow from higher funding costs or lack of availability of funds. Liquidity risk is defined as the risk that an entity, although solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.-	1. Liquidity risk is managed in line with the Bank's internal liquidity risk management framework and the Bank of Mauritius ("BoM") Guideline on Liquidity Risk Management. 2. 2. Daily reporting of liquidity metrics and monitoring of Liquidity Early Warning Indicators.
FINANCIAL RISK	Interest rate Risk	-The risk arising from changes in interest rates or the prices of interest rate related securities and derivatives, impacting on the Bank's earnings or economic value of equity.	1. Monitoring of interest rate risk exposure in line with the Bank's internally prescribed limits.
NON-FINANCIAL RISK	Operational Risk	Operational risk is the risk of loss suffered as a result of the inadequacy of, or failure in, internal processes, people and/or systems or from external events.	1. Documented policies, procedures and processes 2. Implementation of systems and internal controls 3. Training-
NON-FINANCIAL RISK	Compliance Risk	Compliance risk is the risk of legal or regulatory sanction, financial loss or damage to reputation that the group may suffer as a result of its failure to comply with laws, regulations and codes of conduct and standards of good practice applicable to its financial services activities.	1. Policies and Procedures- to ensure Bank is compliant to Regulatory Standards 2. Internal Controls 3. Trained and qualified staff 4. Appropriate system/tools

MANAGEMENT OF KEY RISK AREAS (CONT'D)

Definition of Risk types & Mitigating Actions (Cont'd)

	Type of Risk	Description	Mitigating Actions
NON-FINANCIAL RISK	Information Risk	The risk of accidental or intentional unauthorized use, modification, disclosure or destruction of information resources, which would compromise the confidentiality, integrity or availability of information.	1. Documented policies, processes and procedures. 2. Implementation of systems and internal controls 3. Awareness Training and best practices.
NON-FINANCIAL RISK	Cyber Risk	The Risk of failure, unauthorized or erroneous use of information systems resulting into financial loss, disruption or damage to the reputation of the bank.	1. Educating Employees and stakeholders on Information Security including Cyber Security measures. 2. End point Security on Devices including 3. Encryption and Anti-virus Protection 4. Ensure efficient Patch Management on information systems 5. Backup of Critical Data and Systems in line with Data Protection and Privacy 6. Securing Bank's IT Infrastructure including Firewall and Network security alignments 7. Multifactor authentication on critical internal systems and extended to customer facing applications. 8. Cyber Threat detection and online monitoring 24/7, 365/365 9. Ensure that the Cyber Security Response Plan is effective and kept up to date.
TRANSVERSAL RISK	Business strategic risk	Business strategic risk is the risk of earnings variability, resulting in operating revenues not covering operating costs after excluding the effects of market risk, credit risk, structural interest rate risk and operational risk.	1. Documented policies, procedures and processes 2. Implementation of systems and internal controls 3. Training 4. Ensuring that the Bank adheres to its Risk Appetite 5. Ensuring that Business strategy is embedded in the Risk Appetite Framework
TRANSVERSAL RISK	Reputational risk	Reputational risk is the risk of potential or actual damage to the group's image, which may impair the profitability, and/or sustainability of its business.	1. Effective communication, staff training, and HR practices 2. Documented policies, procedures and processes 3. Efficient complaints & feedback handling for continuous improvement of products/ services 4. Constant compliance checks and monitoring 5. Information Security

CREDIT RISK

Credit risk arises from the possibility of financial losses stemming from the failure of clients or counterparties to meet their financial obligations to the Bank. Credit processes control the credit risk of individual and corporate clients. Other sources of credit risk arise from trading activities, including: debt securities, settlement balances with market counterparties, amongst others.

The credit risk management objective is to maintain a rigorous and effective integrated risk management framework to ensure that all controls are in line with risk processes based on international best practices.

Organisation and Structure

The Bank has structured the responsibilities of credit risk management so that decisions are taken as close as possible to the business, whilst ensuring that there is an adequate segregation of tasks. Credit policies and processes are in place to ensure the effective monitoring and managing of credit risk in compliance with the Bank of Mauritius guidelines and AfrAsia Bank's risk appetite.

CREDIT RISK POLICIES

Credit Approval Process

Front - Office → Credit Underwriting → Credit Legal → Credit Management → Approval Process

Customer Service Assistant/Customer Service Officer	Relationship Manager	Credit Manager	Legal Vetting	Credit Risk Management	HOC/MCC/BCC
Account Opening KYC Perfection	Operational Evaluation Provide details on Background and deals	Collect and review data; credit analysis and submission of credit proposal	Vetting of proposed security structure for complex structures	Credit Risk Assessment	Approval by Head of Credit or Management Credit Committee or Board Credit Committee
• Establish contact. • Evaluate first customer information. • Customer meeting. • Shareholding structure. • Segmental information.	• Performs Operational Evaluation on the credit request. • Provides details on the deal and rationale for financing. • Provides details on Client's background, client base and products base & markets. • Highlights the key business risks. • Reviews MCIB and search report.	• Requests supporting documents. • Proposes Facility structuring. • Obtains information. • Completeness and plausibility review. • Financial spreading and Financial Analysis. • Provides recommendation to Relationship Managers (Domestic Banking or Global Business).	• Provides in-depth advice on appropriate security structure; • Vetting of documentation • Review of existing securities (and advises on flaws or pending documentation if any)	• Ensures compliance with regulatory and Internal Credit Risk Policy • Reviews documents and facility structure • Assesses credit-related factors linked to lending • Assesses Loan to Value ratio • Formulates independent analyst and recommendation on the credit request • Evaluates exposure • Industry/Country exposure	• Approval by decision-makers and depending on authority structure

CREDIT RISK (CONT'D)

Impact of IFRS 9 Financial Instruments ("IFRS 9")

AfrAsia Bank Limited has run a centrally managed IFRS 9 programme since 2018, which included business functions and subject matter experts on methodology, data sourcing and modelling, IT processing and reporting. Overall governance of the programme implementation has been through the Bank's IFRS 9 Steering Committee and included representatives from Risk, Credit, IT and Finance department. The adoption of IFRS 9 has enabled AfrAsia Bank to enhance its internal control system with a better end-toend management on an ongoing basis, which is critical to avoid unintended consequences. In addition, IFRS 9 has allowed the Bank to analyze high frequency market data to enhance the risk assessment of our portfolios; while still delivering a consistent customer experience within set risk parameters.

The Bank also complies with the macro-prudential policy measures as set out in the Guideline on Credit Impairment Measurement and Income Recognition to compute Portfolio Provisioning. In the event IFRS 9 provisioning is lower than General Provisioning, the difference is accounted in the general banking reserve.

OUR CREDIT RATING

The CRISIL models is used to rate companies including small and medium enterprises & large corporates and global & domestic banks, while the CRISIL Retail Scoring Solution ("CRESS") is used to rate retail customers.

CRISIL is a global analytical company and is one of India's leading ratings agency and provider of high-end research to the world's largest banks and leading corporations. CRISIL is majority owned by S&P Global Inc.

The system uses the following criteria in determining the credit rating:

- financial information,
- collateral details,
- credentials of the counterparty,
- details of facilities and
- qualitative assessment of industry of operation.

CRISIL rating grades and descriptions for each grade are as follows:

Rating Grades	Description	Definition
AAA	Investment Grade - Highest Safety	Borrowers rated AAA are judged to offer highest safety of timely payment.
AA+	Investment Grade - High Safety	Borrowers rated AA+ are judged to offer highest safety of timely payment.
AA	Investment Grade - High Safety	Borrowers rated AA are judged to offer high safety of timely payment. They differ in safety from AA+ only marginally.
A	Investment Grade - Adequate Safety	Borrowers rated A are judged to offer adequate safety of timely payement.
BBB	Investment Grade - Moderate Safety	Borrowers rated BBB are judged to offer moderate safety of timely payment of interest and principal for the present.
BB	Investment Grade - Moderate Safety	Borrowers rated BB are judged to offer moderate safety of timely payment of interest and principal for the present. There is only a marginal difference in the degree of safety provided by borrowers rated BBB.
B	Investment Grade - Minimum Safety	Borrowers rated B are judged to carry minimum safety of timely payment of interest and principal for the present.
CC	Sub-Investment Grade Safety - Inadequate	Borrowers rated CC are judged to carry inadequate safety of timely payment.
C	Sub-Investment Grade Safety - High Risk	Borrowers rated C have a greater susceptibility to default.
D	Highly Susceptible to Default/Default	Borrowers rated D are in default or are expected to default on maturity.

CREDIT RISK (CONT'D)

CREDIT MONITORING

Credit risk exposures are managed through a robust post disbursement monitoring process. This involves regular portfolio reviews and detection of any early warning signals. Exposures showing signs of deterioration are put on watch list and the files are reviewed at least monthly to ensure prompt actions are taken. Regular and ad-hoc checks are performed to ensure that guidelines and policies set by the Board are adhered to. With the implementation of IFRS 9, all borrowers, regardless of financial health, are subject to a full review of all facilities on at least an annual basis, more frequent interim reviews may be undertaken should circumstances dictate to identify any significant increase in credit risk.

COVID-19 poses a challenge to the country that goes far beyond monetary and financial stability. In response to the COVID-19 pandemic, the Bank has reviewed its Credit Risk Policy and has set up a Forbearance Policy for COVID-19 impacted sectors. Clients falling under those impacted sectors are being closely monitored by the Bank.

GROSS LOANS AND ADVANCES TO BANKS

External Rating Grade	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	TOTAL MUR'000
Performing:				
Credit rating A+ to A-	321,758	-	-	321,758
Credit rating BBB+ to BBB-	1,404,181	-	-	1,404,181
Credit rating BB+ to BB-	3,328,236	-	-	3,328,236
Credit rating B+ to B-	203,422	-	-	203,422
Total gross carrying amount	**5,257,597**	**-**	**-**	**5,257,597**

GROSS LOANS AND ADVANCES TO CUSTOMERS

Internal Rating Grade	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	TOTAL MUR'000
Performing:				
Credit Rating AAA	444,346	-	-	444,346
Credit Rating AA+ to AA-	3,109,194	83,667	-	3,192,861
Credit Rating A+ to A-	12,782,569	50,749	-	12,833,318
Credit Rating BBB+ to BBB-	4,853,103	290,918	-	5,144,021
Credit Rating BB+ to BB-	699,862	26,734	-	726,596
Credit Rating B+ to B-	239,199	6,679	-	245,878
Credit Rating CCC+ to C	-	17,457	-	17,457
Non Performing:	-		-	-
Credit Rating D	-		2,829,328	2,829,328
Total gross carrying amount	**22,128,273**	**476,204**	**2,829,328**	**25,433,805**

During the financial year ended 30 June 2020, AfrAsia Bank has taken active steps in prudently managing its exposures and ensuring that its loan book is judiciously diversified, while periodically conducting stress tests to assess the resilience of its portfolio in case of unfavorable events. Over the years, the Bank has been keeping a close attention on its credit concentration to ensure it meets regulatory requirements.

CONCENTRATION OF RISK

The key focus of the Bank's credit risk management approach is to avoid any undue concentrations in its credit portfolio, whether in terms of counterparty, group, portfolio, and country. The Bank has always kept its large exposures within the regulatory limits. For instance, our concentration ratio of large exposures above 10% was 200.65% as at 30 June 2020, well within the regulatory limit as shown below:

Regulatory Credit Concentration Limit	As at 30 June 2020
Credit exposure to any single consumer shall not exceed 25% of the Bank's Tier 1 Capital	Highest single customer: 16.28%
Credit exposure to any group of closely-related customers shall not exceed 40% of the Bank's Tier 1 Capital	Highest Group of closely related customer: 28.11%
Aggregate large credit exposures to all customers and Banks of closely related customers above 10% of Bank's Tier 1 Capital shall not exceed 800% of Bank's Tier 1 Capital	**200.65%**

Furthermore, economic reports, country and industry analysis are prepared and submitted to the Board Risk Committee to highlight trade developments and risks to the Bank's credit portfolio. These reports are used to define strategies for both our industry portfolio, and individual counterparties within the portfolio.

Industry Concentration

The Bank's financial assets, without taking account of any collateral held or other credit enhancements, is as follows:

Sectorwise distribution of credit	2020	2019	2018
	MUR'000	MUR'000	**MUR'000**
Agriculture	1,094,873	509,649	2,026,262
Construction, infrastructure and real estate	1,944,015	1,119,041	1,780,388
Financial and business services	98,914,194	121,014,380	102,120,488
Government and parastatal bodies	35,407,685	479,419	1,488,649
Information, communication and technology	254,487	16,516	45,544
Manufacturing	4,673,091	2,725,894	2,780,767
Personal	2,373,536	1,912,148	1,706,109
Tourism	4,537,676	3,165,754	2,412,999
Traders	5,342,073	1,550,713	1,561,372
Others	7,529,257	8,700,323	4,884,233
Total	**162,070,887**	**141,193,837**	**120,806,811**

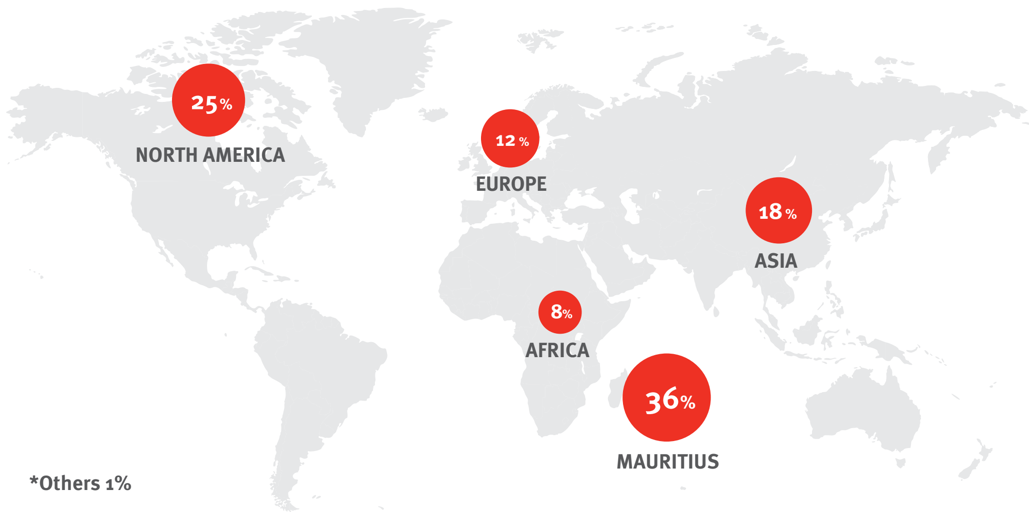
CONCENTRATION OF RISK (CONT'D)

Concentration by Geography

The Bank's financial assets before considering any collateral held or other credit enhancements, can be analysed as follows:

COUNTRY OF EXPOSURE	MUR'000	%
Africa		
Mauritius	58,704,122	36%
Other African countries	12,332,502	8%
North America	41,225,695	25%
Europe	19,632,067	12%
Asia	29,377,200	18%
Others	799,301	0%
	162,070,887	**100%**

Geographical Exposure (%)



Country Risk Assessment

Assessment of country risk involves the determination of the nature of risks associated with individual country exposure and the evaluation of country conditions. In this connection, the Bank conducts a thorough evaluation of risks associated with its cross-border operations and which have the potential to adversely affect its risk profile.

The aim is to identify the risk of a shock, such as an economic crisis or a sudden change in the political environment that would affect those conducting business within a country.

Country risks also arise where borrowers in a particular country are, or are expected to be, unwilling and unable to fulfil their foreign obligations for reasons beyond the usual risk that arise in relation to lending. Political, social and economic factors may give rise to instability in these markets. Thus, in order to mitigate those risks, a country risk assessment is undertaken by ABL to determine the level of risk on a case-to-case basis but within each assigned country limit. The country risk policy is set in line with BOM's Guidelines for Country Risk Management (April 2010).

According to ABL's country risk policy, the Board of Directors sets exposure limits for individual countries in order to manage and monitor country risk. Country exposure limits should apply to all on and off-balance sheet exposures to foreign borrowers.

CONCENTRATION OF RISK (CONT'D)

Country Risk Assessment (Cont'd)

Country risk ratings issued by external credit agencies (S&P, Moody's or BMI research) are also used by the Bank to evaluate the risk exposure of each country. The Bank utilises two other types of approach:

1. A bottom-up approach: analysis of the country risk pertaining in each cross-border by counterparty and product;
2. A top-down approach:
   - Analysis of the concentration/diversification of country risk in the Bank's portfolio; and
   - Analysis of the global or regional economic and political movements and their adverse effects on the country risk profiles.

Country Limit

An appropriate structure of limits is set for each individual country exposure. The determination of limits is based on the following:

- The overall strategy and commercial opportunities;
- The relation with Bank's capital base;
- The perceived economic strength and stability of the borrowing country;
- The degree of perceived risk; and
- The diversification of the Bank's international lending and investment portfolio.

The Board of Directors validates the structure and value of the limits. The Bank's operations are performed strictly within the approved limits.

CREDIT RISK MITIGATION

As a fundamental credit principle, the Bank does not generally grant credit facilities solely on the basis of the collateral provided. All credit facilities are also based on the credit rating, source of repayment and debt-servicing ability of the borrower. Collaterals are taken when required by the bank to mitigate the credit risk. The collateral is monitored on a regular basis with the frequency of the valuation depending on the liquidity and volatility of the collateral value.

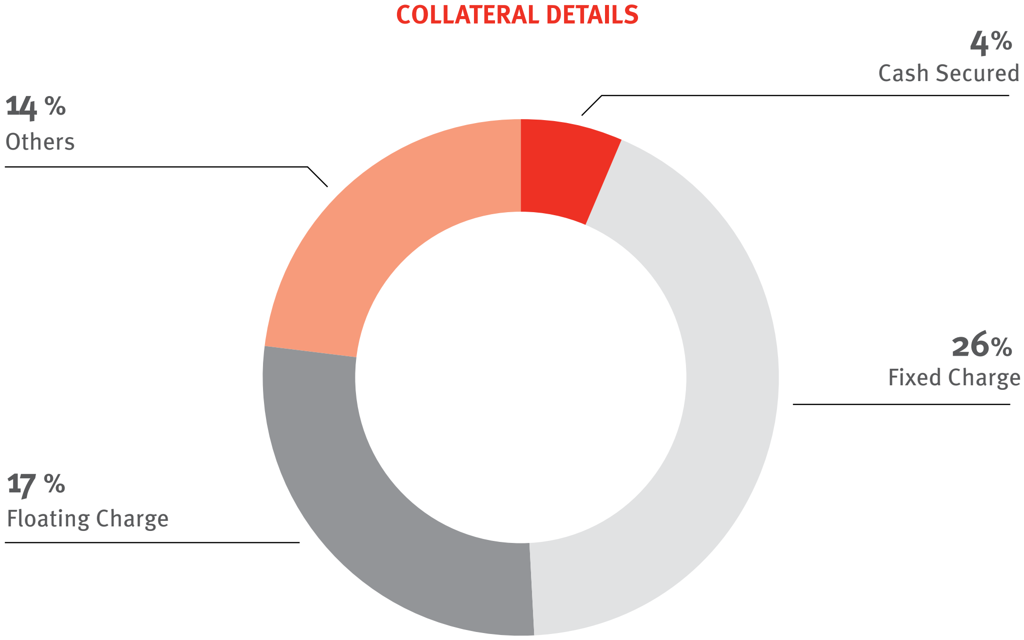
Enforcement legal certainty of enforceability and effectiveness is another technique used to enforce the risk mitigation. Where a claim on counterparty is secured against eligible collateral, the secured portion of the claim is weighted according to the risk weight of the collateral and the unsecured portion against the risk weight of the counterparty. To mitigate counterparty risk, the Bank also requires close out netting agreements. This enables the Bank to offset the positive and negative replacement values of contracts if the counterparty defaults. The Bank's policy is to promote the use of closeout netting agreements and mutual collateral management agreements with an increasing number of products and counterparties in order to reduce counterparty risk.

CREDIT RISK MITIGATION (Cont'd)

As an indication, claims secured by cash and other charges represent 60% of the asset book, whilst unsecured portions account for 40% of total asset book. The value of collateral and other credit enhancements received on loans and advances as at 30 June 2020 is MUR 18.4bn (2019: MUR14.7bn and 2018: MUR18bn). All other financial assets are unsecured except for collateralised placements The main types of collateral obtained are as follows:

Collateral Details	Total	Total
	MUR'000	%
Cash Secured	1,119,385	4%
Fixed Charge	7,986,268	26%
Floating Charge	5,137,440	17%
Others	4,160,955	14%
Total	**18,404,047**	**60%**

COLLATERAL DETAILS



The Group and the Bank also request for personal guarantees from promoters, directors, shareholders and also corporate and cross guarantees from parent and sister companies.

RELATED PARTY TRANSACTIONS, POLICIES AND PRACTICES

The Bank adheres to the Guideline on Related Party Transactions issued by the Bank of Mauritius (BOM) in December 2001 and which was last reviewed in June 2015. In line with this Guideline, the Board of Directors has set up a Conduct Review Committee ("CRC") to review and approve related party transactions.

The Bank's policy on related party transactions sets out the

- rules governing the identification of related parties,
- terms and conditions applicable to transactions entered into with them and
- reporting procedures to the governance Committees.

All related party transactions are reviewed and approved at the level of the Conduct Review Committee, which ensures that market terms and conditions are on arm length basis.

During the normal course of business throughout the year, the Bank entered into a number of banking transactions with its related parties. These include placements or loans to/from Banks, deposits as well as other normal banking transactions. As at 30 June 2020, related party exposure was within regulatory guidelines at 19.50% (Cat 1 and Cat 2).

The Bank has complied with all requirements of the Bank of Mauritius Guideline on Related Party Transactions. Related party reporting to the Bank of Mauritius is made on a quarterly basis. Moreover, all related party transactions (including those transactions, which are exempted as per the Guideline on Related Party Transactions) are monitored and reported to CRC on a quarterly basis.

MARKET RISK

Also known as position or price risk, market risk is the risk of losses on-balance sheet and off-balance sheet positions arising from movement in market prices. The prices include Foreign exchange rates, interest rates, equity prices, commodity prices and include implied volatilities (for options). The key drivers of market risk that the Bank is exposed to is mainly associated with fluctuations in interest rates and foreign exchange rates.

Market risk, also known as "systematic risk", typically affects the entirety of a market. As such, this risk cannot be fully eliminated through diversification but may be reduced using the various hedging products and techniques such as options and futures.

The Bank has in place a sound risk management framework to monitor and manage the market risks that the Bank is exposed to on a daily basis, a framework of limits and triggers as approved and regularly reviewed by ALCO and the BRC which is in line with the Bank's risk appetite and complement the regulatory limits as established by the central bank.

The Market Risk unit, being responsible in identifying and monitoring the Bank's exposure to market risks, works in partnership with business lines to efficiently define market risk policies and procedures. As part of the independent risk management structure, the Market Risk unit reports to the Bank's Head of Risk. The objective of market risk management is to help identify, assess and control risk, facilitate risk-return decision-making, reduce volatility in operating performance and provide transparency into the Bank's market risk profile to senior management, the Board of Directors and regulators.

MARKET RISK (CONT'D)

Interest rate risk

Interest rate risk arises from the likelihood that movements in interest rates will affect future cash flows and the market value of financial instruments. The main approach adopted by the Bank to measure this risk is through a gap analysis and sensitivity analysis.

Foreign Exchange Risk

Foreign exchange or currency risk is the risk that exchange rate fluctuations may result in adverse changes in the value of current holdings and future cash flows that are denominated in currencies other than the base currency. This risk affects the Bank due to the multi-currency investing and lending activities.

For the financial year ended 30 June 2020, the Bank has maintained a daily net FX Open position against the Mauritian rupee that were well under the regulatory limit of 15% of Tier 1 capital as prescribed by the Bank of Mauritius.

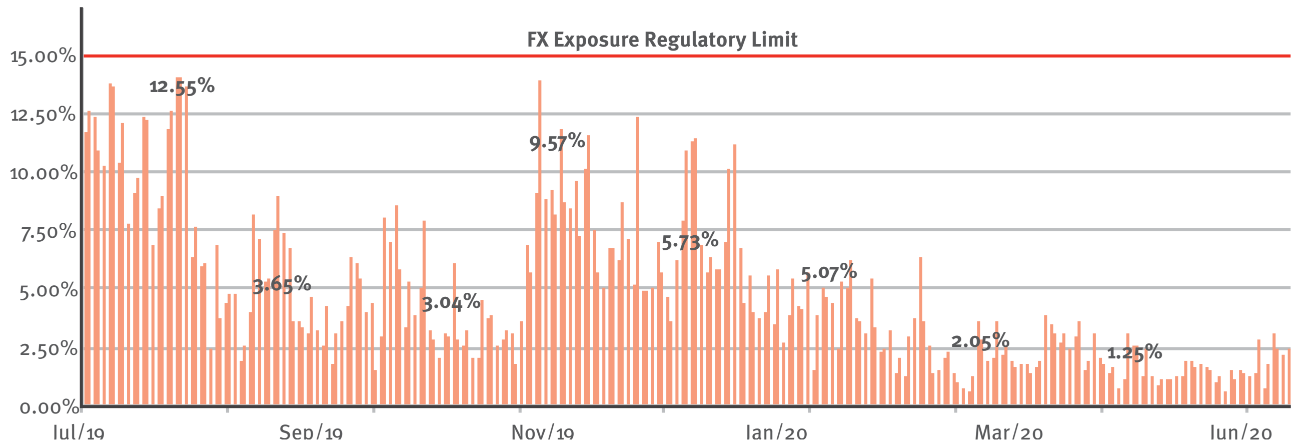


Table 1: FX Exposure for the financial year ended 30 June 2020

Market Risk Monitoring and Controls

The Bank uses a variety of risk measures to estimate the size of potential losses for both moderate and more severe scenarios, under both short-term and long-term time horizons.

Not all activities necessarily to have the same limit structure, as a result, adequate market risk limits are established in accordance with the complexity of the activity and risks undertaken.

Market risk reports are regularly communicated to Senior Management, ALCO and the BRC highlighting all market risk matters and relevant issues are promptly escalated.

Value at Risk ("VaR")

The Value at Risk is a statistical measure of risk that is used to quantify risks across products, per types of risks and aggregate risk on a portfolio basis, from individual trading desks up to the Bank level. VaR models provide an estimate of the potential future loss of a position over a specified horizon, given a required degree of confidence in the estimate.

MARKET RISK (CONT'D)

Foreign Exchange Risk (Cont'd)

Value at Risk ("VaR") (Cont'd)

The Bank has adopted a parametric approach (Variance-Covariance method) to compute the VaR at a 99 percent confidence level using a 10 days daily volatility change. The holding period used is one day due to the fluid composition of the portfolio so as to proactively manage the underlying risk on a day-to-day basis.

Sensitivity Limits

Sensitivity limits are used to monitor the risk incurred due to changes in several pricing parameters. These measurements include Portfolio Duration limits and PV01 limits.

The PV01 is a measure of sensitivity to a 1bp (basis point) change in interest rates. The outcomes may be positive or negative reflecting the percentage change in value for a 1bp or a 100bp (PV100) rise or fall in interest rates.

Gross Position Limits and Transaction Limits

Absolute gross position limits are set up to mitigate concentration risk, thus restricting the maximum exposure which the Bank can be exposed to vis-a-vis one particular market, sector, or instrument.

These limits are usually referred to as portfolio restrictions upon creation of the portfolio. Many trading portfolios have limits on the number of certain products that can be held in the portfolio and these are often due to liquidity issues (e.g. limits on the maximum $ amount or percentage of portfolio in corporate bonds, etc.).

Maturity Limits

The majority of fixed income products are contracts that expire at a certain date. In general, the marked-to-market valuations of these products are more difficult to obtain if the products have long-term maturity, low liquidity or low credit rating. Maturity limits are established for portfolios that trade those types of products.

ASSETS AND LIABILITIES MANAGEMENT (ALM)

Liquidity and funding risk are the risk that the Bank will be unable to meet its daily cash and financial obligations as they fall due or do so at materially significant costs. Liquidity risk arises from mismatched cash flows related to the Bank's assets and liabilities as well as the characteristics of some products with ambiguous maturities.

The Bank's primary objective as a financial institution is to manage liquidity such that it supports the Bank's business strategy and allows it to honor its commitments when they come due, even under stress. This is done primarily by implementing a liquidity risk policy framework approved by the Board, which establishes a risk appetite, triggers, risk indicators, monitoring structures and escalation trees.

ASSETS AND LIABILITIES MANAGEMENT (ALM) (CONT'D)

The Bank's Assets and Liabilities Committee ("ALCO") under guidance from the Board Risk Committee ("BRC") is responsible for the assessment, monitoring and management of the Bank's liquidity risk and strategy and ensuring compliance with both internal and regulatory limits.

As per the principles outlined in the Bank's liquidity risk policy, the following approach is adopted to manage liquidity risk both under a business-as-usual and stressed scenario.

Short-term liquidity risk management	Structural (longer-term) liquidity risk management	Contingency Liquidity Risk Management
Managing intra-day liquidity positions	Identification of structural liquidity mismatches against tolerance limits and breaches are escalated to ALCO	Setting of appropriate early warning indicators
Monitoring daily and short-term cash flow requirements	Managing term lending capacity by considering behavioural profiling of ambiguous maturity assets and liabilities	Undertaking liquidity stress testing and scenario analysis
Setting up of interbank and repo lines	Monitoring depositor concentration against internal limits and holding sufficient marketable assets against the Bank's deposit base.	Ensuring a contingency funding plan is in place with appropriate actions plans and escalation process.
Setting of deposit rates according to market conditions and ALCO approved targets.	Managing long-term cash flows	

Regulatory Environment

The Bank works closely with the central bank to implement regulatory liquidity standards. The Bank adapts its processes and policies to reflect the Bank's liquidity risk appetite towards these new requirements.

Liquidity Coverage Ratio ("LCR")

The Bank of Mauritius, in line with Basel principles, issued Liquidity Coverage Ratio requirements for banks in November 2017, as part of the Guideline on Liquidity Risk Management.

The LCR was introduced primarily to ensure banks maintain an adequate stock of unencumbered high-quality liquid assets ("HQLA"), that consist of cash or assets convertible into cash at little or no loss of value in private markets, to meet liquidity needs for a 30-calendar day time period, under a severe liquidity stress scenario.

$$\text{LCR} = \frac{\text{Stock of HQLA}}{\text{Total net cash outflows over the next 30 calendar days}}$$

The Bank publishes the LCR on a quarterly basis and reports to the Bank of Mauritius on a fortnightly basis.

ASSETS AND LIABILITIES MANAGEMENT (ALM) (CONT'D)

Liquidity Coverage Ratio ("LCR") (Cont'd)

The Bank of Mauritius adopted the following phased in approach to the LCR requirement:

	As from 30 November 2017	As from 31 January 2018	As from 31 January 2019	As from 31 January 2020
LCR in Mauritian rupees	100%	100%	100%	100%
LCR in material foreign currencies	60%	70%	80%	100%
Consolidated LCR	60%	70%	80%	100%

The following table provides average LCR data, calculated using month end data for the quarter ended 30 June 2020. The bank's average LCR was 349%, well above the 100% regulatory requirement, demonstrating a robust liquidity position.

LCR Disclosure Requirements

	(Consolidated in MUR'm)	TOTAL UNWEIGHTED VALUE (quarterly average of monthly observations)[1]	TOTAL WEIGHTED VALUE (quarterly average of monthly observations)[1]
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets ("HQLA")	47,387	46,860
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	19,811	1,981
3	*Stable deposits*	-	-
4	*Less stable deposits*	19,811	1,981
5	Unsecured wholesale funding, of which:	-	-
6	*Operational deposits (all counterparties)*	-	-
7	*Non-operational deposits (all counterparties)*	101,396	50,011
8	*Credit and liquidity facilities*	1,105	90
9	Other contingent funding obligations	1,982	1,628
10	**TOTAL CASH OUTFLOWS**	**124,294**	**53,709**
CASH INFLOWS			
11	Inflows from fully performing exposures	43,213	41,544
12	Other cash inflows	1,693	1,693
13	**TOTAL CASH INFLOWS**	**44,906**	**43,237**
			TOTAL ADJUSTED VALUE
14	**TOTAL HQLA**		**46,860**
15	**TOTAL NET CASH OUTFLOWS**		**13,428**
16	**LIQUIDITY COVERAGE RATIO (%)**		**349%**
17	**QUARTERLY AVERAGE OF DAILY HQLA**[2]	**38,248**	

[1] The quarterly average of monthly observations is based on April to June 2020 month end figures.
[2] The quarterly average of daily HQLA is based on close of day figures over the 1st April 2020 to 30th June 2020 period.

ASSETS AND LIABILITIES MANAGEMENT (ALM) (CONT'D)

LCR Disclosure Requirements (Cont'd)

Liquidity stress tests and Contingency Funding Plan

As part of its annual ICAAP process, the Bank applies a stress on its stock of liquid assets, based on stressed depositor outflow simulations. These scenarios factor in both bank specific and systemic risk.

In assessing the adequacy of its stock of liquid assets, the Bank applies a haircut on the market value of its liquid assets to reflect forced sale discounts.

In line with Bank of Mauritius requirements, the Bank maintains a comprehensive liquidity contingency funding plan with well-defined action plans and an approved escalation tree in the event of a liquidity crisis. Qualitative and quantitative liquidity early warning indicators are tracked and reported at ALCO on a monthly basis.

Liquidity Risk Appetite

The Bank monitors various liquidity risk limits and ratios against an internally approved risk appetite. The Bank's liquidity risk appetite is based on the following principles:

- ensuring the Bank has a sufficient amount of unencumbered liquid assets to cover its financial requirements, in both normal and stressed conditions;
- ensuring the Bank keeps a liquidity buffer above the minimum regulatory requirements and
- ensuring the Bank maintains diversified and stable sources of funding.

Liquid Assets

To protect depositors from unexpected crisis situations, the Bank holds a portfolio of unencumbered liquid assets that can be readily liquidated to meet financial obligations. The majority of unencumbered liquid assets are held in Mauritian Rupees or United States Dollars. Moreover, all assets that can be quickly monetized are considered liquid assets. The Bank's liquidity reserves do not factor in the availability of the Bank of Mauritius' overnight borrowing quota.

The table below provides a breakdown of the Bank's eligible liquid and marketable instruments as defined by the Basel committee on banking supervision and the Banking Act 2004.

As at 30 June 2020 (MUR'm)	Bank-owned liquid assets[1]	Liquid assets received[2]	Total Liquid assets	Encumbered liquid assets[3]	Unencumbered liquid assets
Cash and deposits with financial institutions	56,565	-	56,565	-	56,565
Securities					
Issued or guaranteed by US Treasury	22,228	-	22,228	-	22,228
Issued or guaranteed by local government/ central bank	16,183	10,006	26,189	-	26,189
Other debt securities	1,101	-	1,101	-	1,101
Total	96,077	10,006	106,083	-	106,083

ASSETS AND LIABILITIES MANAGEMENT (ALM) (CONT'D)

LCR Disclosure Requirements (Cont'd)

Liquid Assets (Cont'd)

As at 30 June 2020, the Bank's liquid assets ratio was 77% against an internal limit of 25%.

(1) Bank-owned liquid assets include assets for which there are no legal or geographic restrictions.
(2) Securities received as collateral with respect to reverse repo transactions.
(3) Encumbered assets relate to assets pledged as collateral against bank borrowing.

Funding Mix & depositor concentration ratio

The Bank maintains a good balance of its funding through appropriate diversification of its funding sources. The Bank also diversifies its funding by currency, geography and maturity. Management's objective is to achieve an optimal balance between demand and term deposits in line with the Bank's asset deployment strategy.

Funding and liquidity levels remained sound and robust throughout the year and the Bank does not foresee any event, commitment or demand that might have a significant impact on its funding and liquidity risk position.

As at 30 June 2020, the Bank's depositor concentration ratios were as follows:

Depositor Concentration

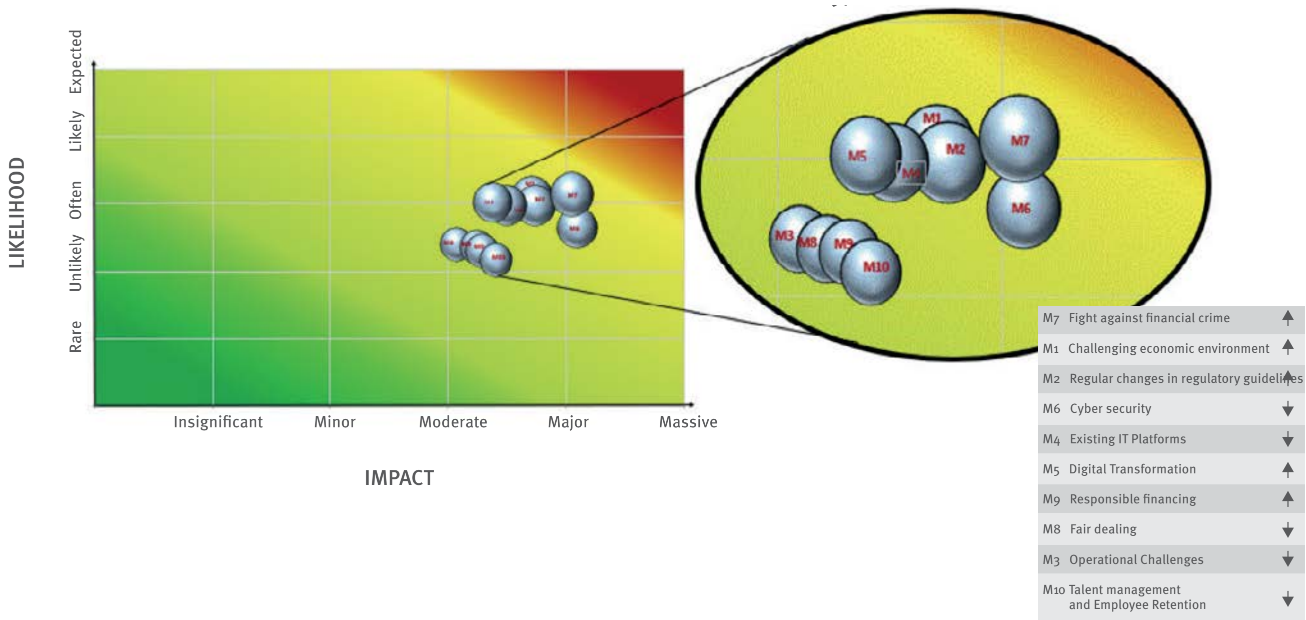
MUR deposits	
Single depositor	4.70%
Top 10 depositors	15.22%
FCY deposits	
Single depositor	5.88%
Top 10 depositors	12.76%

ENTERPRISE RISK MANAGEMENT

The Top 10 Principal Risks of the Bank have been evaluated where all departments were requested to provide their assessment through a rating exercise with regards to their actual business activities. The snapshot below depicts the inherent risks of the Top 10 Principal Risks in terms of likelihood and impact.

ENTERPRISE RISK MANAGEMENT (CONT'D)

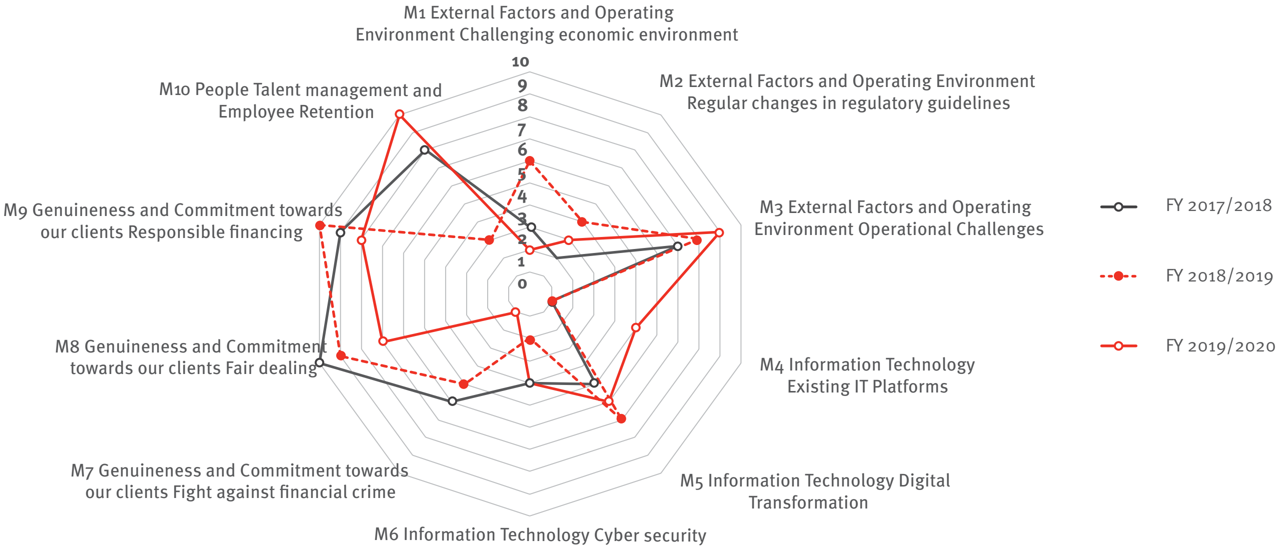
TOP 10 ENTERPRISE RISK HEAT MAP FOR FY 2019/20



The diagram below depicts the trends of the Top 10 Principal Risks between the FY 2017/2018, FY 2018/2019 and FY 2019/2020. Fight against Financial Crimes, Challenging Economic Environment and Regular Changes in regulatory guidelines which position themselves first, second and third among the heightened risks during this financial year. On the other side risk associated with Existing IT Platform and Cyber Security which were previously positioned first and second in previous year have moved to fifth and fourth position respectively. Talent Management which was placed third in the previous financial year has moved to the tenth place.

ENTERPRISE RISK MANAGEMENT (CONT'D)

TRENDS ANALYSIS OF ENTERPRISE RISK LAST 3 YEARS



The Bank is taking appropriate actions to mitigate the inherent risk in these areas. No major movement observed for the other remaining risks identified and they are containable within the Bank's risk profile.

OPERATIONAL RISK MANAGEMENT

OPERATIONAL RISK MANAGEMENT FRAMEWORK

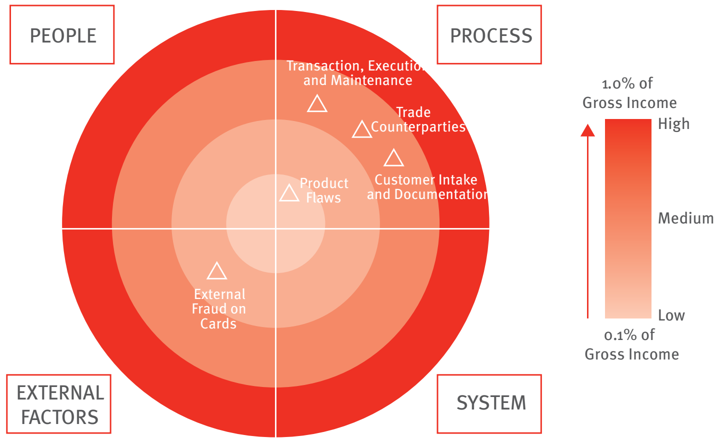
AfrAsia always promotes a culture where operational risk is everyone's responsibility. Operational risk ("OR") is the risk of achieving our strategy or objectives as a result of inadequate or failed in internal processes, people, and systems or from external events which can lead to adverse customer impact, reputational damage, litigation or financial loss. Operational risk is inherent in the day to day operations, activities and products and services which the Bank offered.

The Bank has a well-defined structure for operational risk that complies with regulatory and best practice requirements and is aligned with the risk culture and the risk profile of its activities. This is supplemented through an operational risk charter and operational risk framework which include the three lines of defense (BUs, Control Units, and Internal/External Auditors) and involvement of senior management ensuring the coverage that all operational risks are efficiently managed across its activities.

The OR framework includes a risk control self-assessment ("RCSA") process, risk impact likelihood matrix, key risk and control indicators, Early Warning Indicators ("EWIs"), a robust operational risk event management tool and escalation process, scenario analysis, audit recommendations, external information sources (external events or industry reports) and operational losses process.

OPERATIONAL RISK MANAGEMENT (CONT'D)

OPERATIONAL RISK RADAR



AfrAsia continuously improve operational control procedures to keep pace with new regulation and best practice in the market through holistic follow up of risks and their mitigating controls.

The AfrAsia fosters awareness and knowledge of operational risks at all level of organizations through its risk pro-culture. During the financial year ended 30 June 2020, a number of different training sessions were conducted using the e-learning platform ("LMS") and face to face sessions which addressed general knowledge of operational risk.

AfrAsia calculates its minimum (Pillar I) operational risk capital requirement using the Basic Indicator Approach (BIA) where the capital charge is 15% of average gross income over the last 3 years.

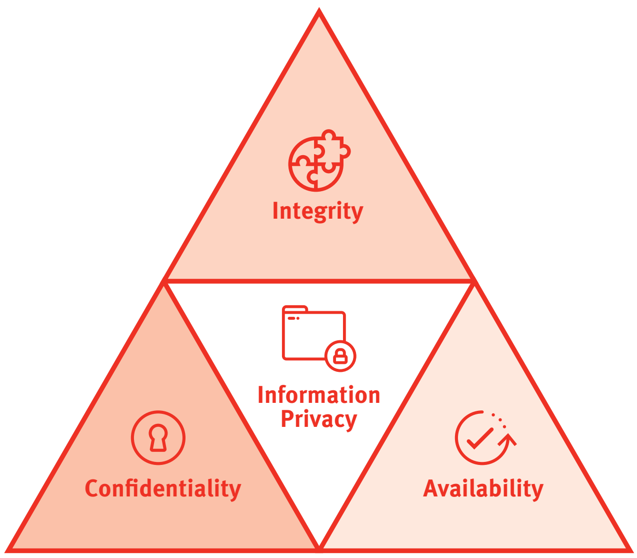
AfrAsia has an Early Warning Indicators ("EWIs") for Operational Risk Loss which is 0.1% to 1.0 % of gross income.

The Operational Risk Radar depicts the position of operational risk incidents with operational losses according to the Basel Event Classification under the four-quadrant people, process, system and external factors vis a vis the Early Warning Indicators ("EWIs") set.

INFORMATION TECHNOLOGY

At AfrAsia, Information Technology is more geared towards enabling sophisticated product development, better market infrastructure, and helps the Bank reach geographically distant and diversified markets. The Bank leverage maximum effort on FinTech to keep pace in the digitalized market while keeping aligned to its IT Security policies.

Data and information: Effective deployment of data and information assets is in the form of Management information system, business intelligence / analytics, decision support and forecasting. Data and information being among the most valuable assets of the organization, the information strategy of the Bank focuses not only on the above but also on data governance, to ensure integrity and consistency of data at every stage of the data lifecycle, maintaining adherence to the General Data Protection Regulation ("GDPR") and the Mauritius Data Protection Act ("DPA") 2017. AfrAsia is committed to ensure that privacy rights and entitlements are adequately protected in relation to the techniques used to capture, transmit, manipulate, record or store data relating to individuals.



INFORMATION TECHNOLOGY (CONT'D)

Technology, Infrastructure and Security: With technology evolving faster than ever, the primary challenge for an enabling technology is to ensure that the Bank is adequately prepared and equipped to sustain the rigorous and continuous evolution of requirements for new technologies in the era of digital innovation and artificial intelligence, whilst managing the costs and the associated risks.

The Bank's Information Technology ("IT") and Information Security ("IS") frameworks are built on global standards like ITIL, ISO 27001 etc. and the governance principles are modeled along the lines of COBIT, ISO/IEC 27014:2013. The practice of governance includes regular reviews with executive management and extends up to the Board with regular updates and feedback to and from the Board. Internal, external and regulatory audits play a crucial role in the governance cycle with intermittent checks on the policies and implementation of same.

Information Risk: Information Risk aims to maintain the confidentiality, integrity and availability of information assets when being stored, processed and transmitted. Management focus is oriented to ensure that all measures converge towards adopting the best practices including governance through frameworks & standards, and establish efficiency and consistency of protections.

Cyber Risk

AfrAsia Bank Limited (ABL) is constantly improving information security to ensure that our systems are not compromised and the customers retain the confidence in our connectivity. ABL follows international cybersecurity frameworks as part of its cybersecurity activities.

Globally, all categories of cyber-attacks have witnessed an increase during the COVID-19 pandemic. Being aware of the risks and impact associated with cyber-attacks, ABL has had to reboot its cyber risk management and also to support remote working capabilities for its staff. Additional controls and guidance for staff working remotely include but are not limited to:

- Training and education on remote working risk.
- Full disk encryption on laptops.
- Enforcing VPN use with two factor authentications.

Cyber Risk initiatives being an integral part of the overall information risk & security have been allocated more resources to ensure complete safety. Preventing cyber-attacks remains an integral part of risk management.

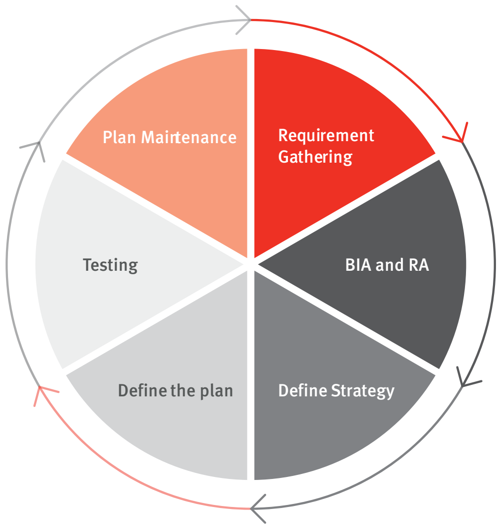
Therefore, ABL remains committed to ensure that continuous enhancement are made towards our cyber security system.

BUSINESS CONTINUITY MANAGEMENT

Business Continuity Management ("BCM") Policy includes plans to mitigate operational risks, and as a commitment to continue business to our shareholders, customers and employees. Business Impact Analysis, Business Recovery Strategies and Emergency Response plans are defined and implemented to provide for a Disaster Recovery site with data being updated as per preset recovery time objectives. This minimizes operational, financial, legal, reputational and other material consequences arising from any disruption to the primary IT infrastructure.

The BCM policy reviewed in May 2019 is in line with the Business Continuity Institute Good Practice Guidelines 2018 ("BCI GPG 2018"), which is built on ISO requirements namely ISO 22301:2012 for business continuity management and ISO/TS 22317:2015 for Business Impact Analysis (BIA).

The management team of the Bank is committed to the following statement:



"We will take all necessary measures to ensure the continuity of business operations and to minimize recovery time in the case of disaster (natural or otherwise) or in the event of an emergency."

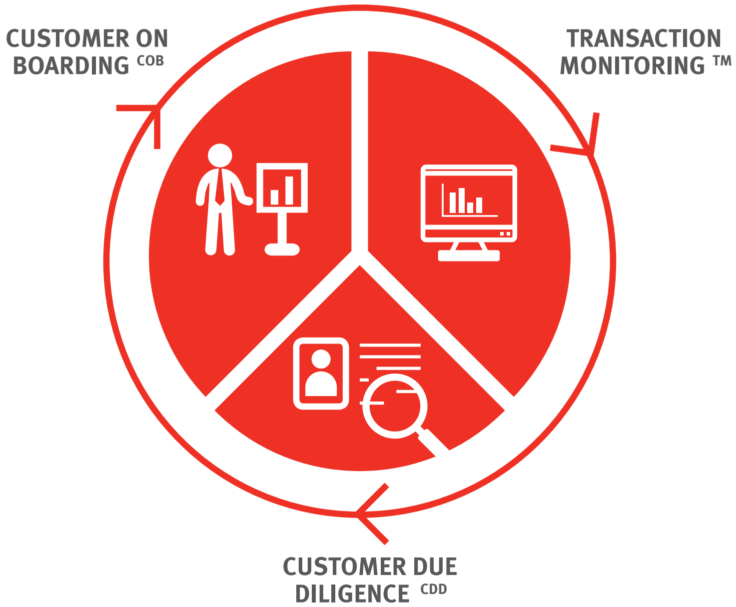
The Bank has a BCM Steering Committee to review the processes after each testing exercise and to review the policy every year with a view to continuously improve resilience. The ultimate objective is to cater for any eventual disruption of operations to be restored within a minimum lapse of time such that the Bank resumes to normal operations within a reasonable time frame.

At least one BCM test is performed annually for all critical infrastructure involving all functions and user groups of the Bank to ensure the effectiveness of the processes and the readiness of the infrastructure and people. The Bank has adopted a cyclical approach residing on the four pillars: Readiness, Prevention, Response and Recovery /Resumption to continuously improve on the BCM and attain an efficient and acceptable level. Rigorous administration and maintenance, as well as any event experienced, will necessitate revisions and/or plan additions. The strategy adopted for an efficient BCM is to continuously test, train, evaluate and maintain the BCP.

The BCM policy is in place for moving towards a better resilient framework to protect the interest of all stakeholders of the Bank. During the COVID-19 lock down period, the Bank followed our BCM policy and Government of Mauritius and World Health Organization protocols. The Bank also adapted our customer services among others, to be more gear towards technology, while maintaining our controls to run the Bank's operations. Furthermore, we applied strict sanitary measures and perpetuate our usual awareness campaign to keep our staffs informed about the evolving situation and kept employee welfare.

Source: BCI Good Practice guideline 2018

CUSTOMER RISK MANAGEMENT



Customer Risk is the risk associated to the Customer profile, product and services/transactions, channels, jurisdictions and segmentation among others. To better address and effectively manage KYC/AML Risk, the AML desk has been revamped and attached under the risk management arena.

The AML desk as a second line of defense ensures the implementation of effective AML framework with adequate processes and controls with a view rendering its products and services away from financial crimes and tracked down effectively and promptly suspicious transactions.

The Bank is continuously enhancing its processes on a risk-based approach to tackle customer due diligence requirements, apply best practices for customer onboarding, leverage on tools and techniques to efficiently monitor transactions and detect any anomalies.

To perform its daily activities effectively, the Bank depends on in house and external technology to ensure that customer risks are captured and mitigated accordingly.

CAPITAL STRUCTURE AND ADEQUACY

AFRASIA BANK LIMITED		2020	2019	2018
		MUR'000	MUR'000	MUR'000
Common Equity Tier 1 capital: instruments and reserves				
Share Capital		3,641,049	3,641,049	3,641,049
Statutory reserve		920,631	692,398	454,679
Retained earnings		2,297,788	1,836,242	1,277,521
Accumulated other comprehensive income and other disclosed reserves		198,526	108,365	88,728
Common Equity Tier 1 capital before regulatory adjustments		**7,057,994**	**6,278,054**	**5,461,977**
Common Equity Tier 1 capital: regulatory adjustments				
Other intangible assets		(269,914)	(243,398)	(249,585)
Deferred Tax		(124,388)	(100,953)	(141,462)
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)				(151,650)
Total regulatory adjustments to Common Equity Tier 1 capital		**(394,302)**	**(344,351)**	**(542,697)**
Common Equity Tier 1 capital (CET1)		**6,663,692**	**5,933,703**	**4,919,280**
Additional Tier 1 capital: instruments				
Instruments issued by the Bank that meet the criteria for inclusion in Additional Tier 1 capital (not included in CET1)		1,323,265	1,323,552	1,360,715
Additional Tier 1 capital (AT1)		**1,323,265**	**1,323,552**	**1,360,715**
Tier 1 capital (T1 = CET1 + AT1)		**7,986,957**	**7,257,255**	**6,279,995**
Tier 2 capital: instruments and provisions				
Instruments issued by the Bank that meet the criteria for inclusion in Tier 2 capital (and are not included in Tier 1 capital)				11,380
Provisions or loan-loss reserves (subject to a maximum of 1.25 percentage points of credit risk-weighted risk assets calculated under the standardised approach)		399,896	463,159	415,825
Tier 2 capital before regulatory adjustments		**399,896**	**463,159**	**427,205**
Tier 2 capital: regulatory adjustments				
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)				(37,913)
Total regulatory adjustments to Tier 2 capital				**(37,913)**
Tier 2 capital (T2)		**399,896**	**463,159**	**389,292**
Total Capital (capital base) (TC = T1 + T2)		**8,386,853**	**7,720,414**	**6,669,287**
Risk weighted assets				
Credit Risk		49,912,135	43,810,049	41,591,459
Market Risk		245,359	499,978	332,436
Operational Risk		5,205,652	4,404,267	3,421,490
Total risk weighted assets		**55,363,146**	**48,714,294**	**45,345,385**
Capital ratios (as a percentage of risk weighted assets)	**Regulatory Limits**			
CET1 capital ratio	9.38%	12.04%	12.18%	10.85%
Tier 1 capital ratio	10.88%	14.43%	14.90%	13.85%
Total capital ratio	12.88%	15.15%	15.85%	14.71%

RECONCILIATION WITH AFRASIA BANK'S AUDITED FINANCIAL STATEMENTS

	30 June 2020	
	Statement of Financial Position as in published financial statements	Statement of Financial Position as per Basel III
ASSETS	**MUR'000**	**MUR'000**
Cash and cash equivalents	69,032,249	71,208,501
Due from banks	11,132,738	11,137,615
Derivative financial instruments	321,961	321,961
Loans and advances to banks	5,245,927	5,257,597
Loans and advances to customers	23,043,922	23,211,433
Investment securities	48,664,900	48,672,693
Debt instruments at fair value through profit or loss	2,042,480	2,042,480
Debt instruments at amortised cost	46,612,747	46,620,540
Equity Investment at fair value through other comprehensive income	9,673	9,673
Investment in Subsidiary	-	-
of which: Significant capital investments in financial sector entities exceeding 10% threshold	-	-
Asset held for distribution	38,277	38,277
Property and equipment	170,977	170,977
Intangible assets	269,914	269,914
Right of use assets	80,017	80,017
Deferred tax assets	124,388	124,388
Other assets	2,347,559	174,633
TOTAL ASSETS	**160,472,829**	**160,668,006**
LIABILITIES AND EQUITY		
Due to banks	13,252	13,252
Deposits from banks	96,365	96,365
Deposits from customers	150,850,619	150,850,619
Derivative financial instruments	107,168	107,168
Debts issued		
Financial liabilities measured at fair value through profit or loss		
Retirement benefits obligation	99,851	99,851
Current tax liabilities	13,618	13,618
Lease liabilities	82,571	82,571
Provisions		202,334
of which: Provision reflected in regulatory capital		202,334
Other liabilities	568,061	560,904
TOTAL LIABILITIES	**151,831,505**	**152,026,682**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		
Ordinary Shares	3,641,049	3,641,049
of which amount eligible for CET1		3,641,049
Class A shares	1,385,768	1,385,768
of which amount eligible for AT1		1,323,265
Retained earnings	2,297,788	2,297,788
Other reserves	1,316,719	1,316,719
of which: Provision reflected in regulatory capital		
TOTAL EQUITY	**8,641,324**	**8,641,324**
TOTAL LIABILITIES AND EQUITY	**160,472,829**	**160,668,006**

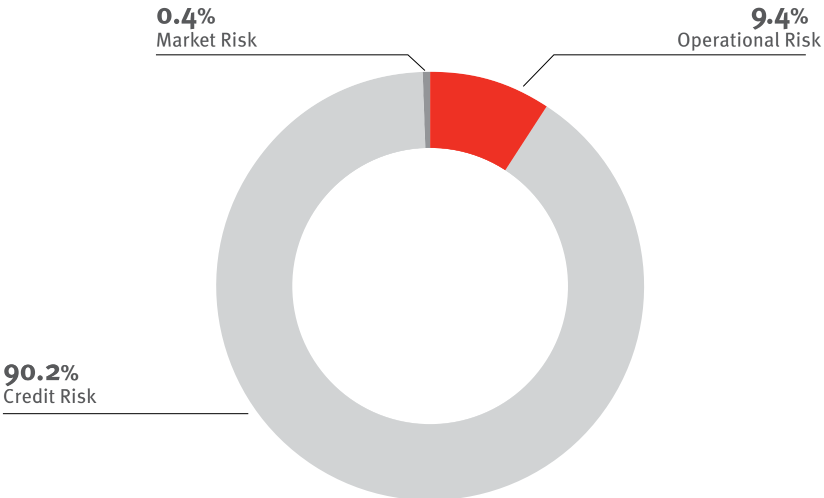
RISK WEIGHTED ASSETS

The total asset book witnessed a growth of MUR 20.6bn for the year ended June 2020 versus the same period in 2019. The total risk weighted assets as at end of the current financial year stood at MUR 55.4bn, demonstrating an increase of 14% in comparison to MUR 48.7bn as at end of June 2019. Despite the recognition of a net profit after tax of MUR 1.5bn in retained earnings, the capital adequacy ratio fell from 15.85% to 15.15% as at end of June 2020 on the back of an increase in risk weighted assets of MUR 6.7bn. The capital adequacy ratio was well above the regulatory limit of 12.88 % for the year 2020. The regulatory limits include a capital surcharge of 1.00% in 2020, given that the Bank is classified as a Domestic Systemically Important Bank.

Analysis by risk type:

- Credit Risk MUR 49.9bn
- Market Risk MUR 0.3bn
- Operational Risk MUR 5.2bn

RISK WEIGHTED ASSETS



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated and separate financial statements of the Group's and the Bank's operations in Mauritius presented in this annual report have been prepared by management, which is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards of the International Accounting Standards Board as well as the requirements of The Companies Act 2001 of Mauritius, The Banking Act 2004 (amended August 2020) and the guidelines issued by the Bank of Mauritius, have been applied in the preparation and fair presentation of the financial statements for the year ended 30 June 2020 and management has exercised its judgement and made best estimates where deemed necessary.

The Group and the Bank have designed and maintained its accounting systems, related internal controls and supporting procedures, to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorised use or disposal. These supporting procedures include careful selection and training of qualified staff, the implementation of organisation and governance structures providing a well-defined division of responsibilities, authorisation levels and accountability for performance and communication of the Bank's policies, procedure manuals and guidelines of the Bank of Mauritius throughout the Bank.

The Bank's Board of Directors, acting in part through the Audit Committee, Conduct Review Committee, Corporate Governance Committee, Credit Committee, Risk Management Committee and Technology, Digitalization and Platforms Committee, which comprise executive, non-executive and independent directors, oversee management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant and related party transactions.

The Bank's Internal Auditors, who has full and free access to the Audit Committee, conduct a well-designed program of internal audits. In addition, the Bank's compliance function maintains policies, procedures and programs directed at ensuring compliance with regulatory requirements.

Pursuant to the provisions of The Banking Act 2004 (amended August 2020), the Bank of Mauritius makes such examination and inquiry into the operations and affairs of the Bank as it deems necessary.

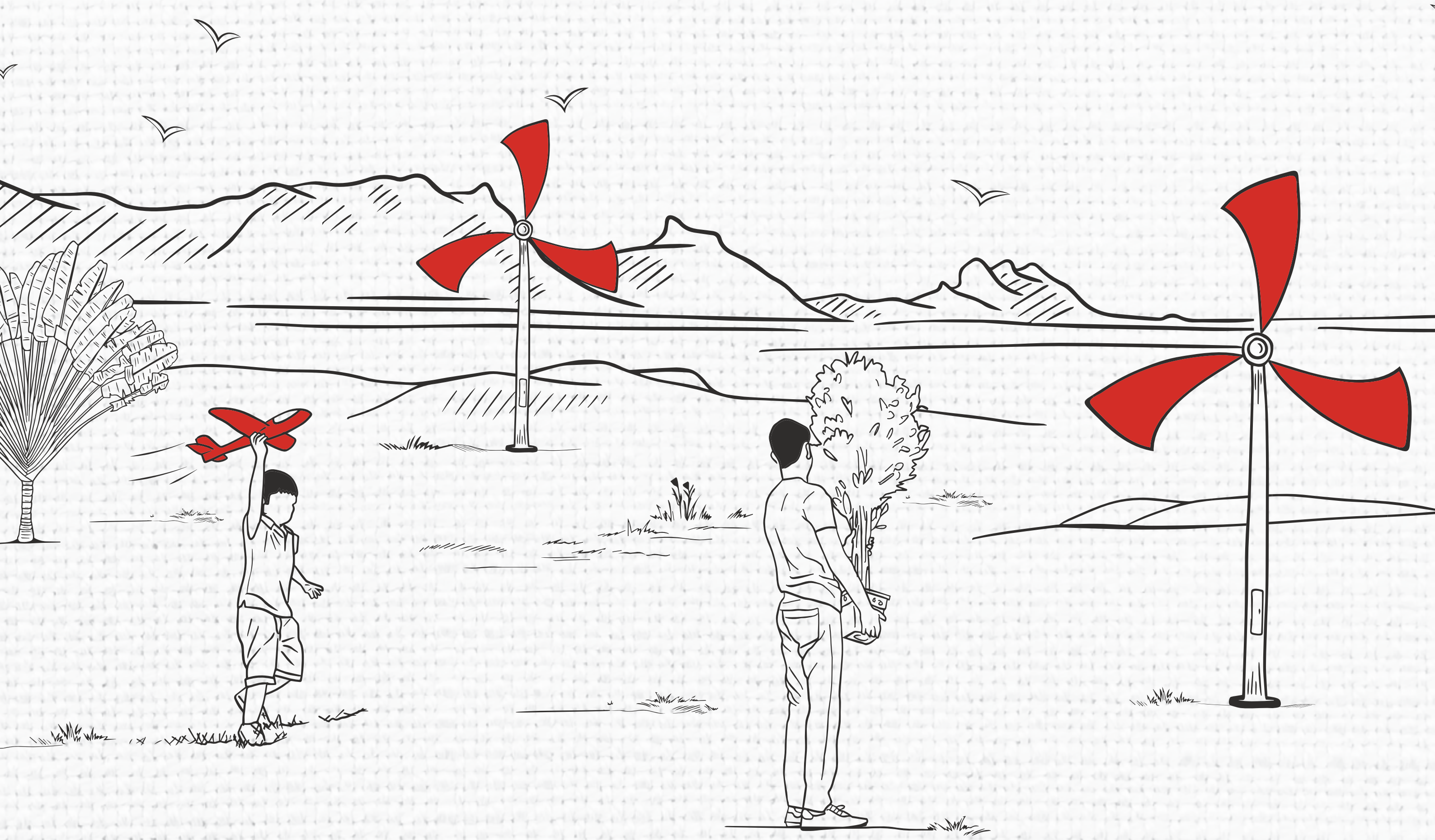
The Bank's external auditors, Deloitte, have full and free access to the Board of Directors and its committees to discuss the audit and matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

INDERJIT SINGH BEDI Interim Chairperson	**SANJIV BHASIN** Chief Executive Officer	**JOAN JILL WAN BOK NALE** Director

Date: 19 November 2020

We believe in a

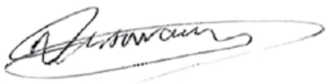
sustainable tomorrow



BELIEVE. CONCEIVE. ACHIEVE.

CERTIFICATE FROM THE COMPANY SECRETARY

In terms of Section 166 (d) of the Mauritius Companies Act 2001, we certify that to the best of our knowledge and belief, AfrAsia Bank Limited (the "Bank"), has filed with the Registrar of Companies all such returns as are required of the Bank under the Mauritius Companies Act 2001 for the year ended 30 June 2020.



NEEVEN N. PARSOORAMEN
Company Secretary

Date: 19 November 2020

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 forwardlooking basis using the most appropriate macro-economic forecasts. The macroeconomic 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.

Key audit matter (Cont'd)	How our audit addressed the key audit matter
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.
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
Licensed by FRC

Date: 19 November 2020

		THE GROUP			THE BANK		
		2020	2019	2018	**2020**	2019	2018
	Notes	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Interest income	4(a)	**3,114,028**	3,169,022	2,405,712	**3,114,028**	3,169,047	2,405,556
Interest expense	4(b)	**(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	5(a)	**804,205**	767,392	739,778	**764,389**	718,151	649,327
Fee and commission expense	5(b)	**(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	6	**(2,003)**	23,927	-	**(2,003)**	23,927	-
Net trading income	7(a)	**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	7(b)	**(3,046)**	98	34,582	**(3,046)**	98	34,582
Net gain from foreign exchange and derivatives	7(c)	**675,795**	684,180	642,260	**685,796**	687,941	640,063
Other operating income	7(d)	**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	8	**(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	9	**(751,396)**	(685,120)	(570,135)	**(718,079)**	(646,296)	(529,664)
Depreciation of property and equipment	19	**(36,153)**	(37,726)	(35,608)	**(35,713)**	(36,361)	(34,370)
Depreciation of right of use assets	21	**(31,735)**	-	-	**(31,735)**	-	-
Amortisation of intangible assets	20	**(40,934)**	(72,014)	(37,310)	**(40,923)**	(38,586)	(27,005)
Other operating expenses	10	**(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	18	**-**	-	-	**-**	(189,563)	-
Impairment loss on receivable from subsidary	22	**-**	-	-	**(33,057)**	(103,000)	-
Loss on winding up of subsidiary	18	**-**	(57,210)	(10,353)	**-**	-	-
Impairment loss on goodwill	20	**-**	(134,903)	-	**-**	-	-
Impairment of available-for-sale investment		**-**	-	-	**-**	-	-
Profit before tax		**1,690,310**	1,866,798	910,977	**1,668,326**	1,824,002	907,678
Tax expense	11(b)	**(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	7(b)	**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	30	**(20,723)**	(10,179)	(11,611)	**(21,731)**	(9,269)	(11,611)
Deferred tax on remeasurement of retirement benefit obligations	11(d)	**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

The notes on pages 164 to 293 form an integral part of these financial statements.
Auditor's report on pages 155 to 158.

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2020

		THE GROUP			THE BANK		
		2020	2019	2018	**2020**	2019	2018
ASSETS	**Notes**	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Cash and cash equivalents	**13**	**69,036,975**	50,700,638	50,105,076	**69,032,249**	50,698,992	49,974,647
Due from banks	**14**	**11,132,738**	12,967,930	5,164,742	**11,132,738**	12,967,930	5,164,742
Derivative financial instruments	**15**	**321,961**	744,595	897,052	**321,961**	92,413	208,490
Loans and advances to banks	**16(a)**	**5,245,927**	6,019,048	5,769,229	**5,245,927**	6,019,048	5,769,229
Loans and advances to customers	**16(b)**	**23,043,922**	22,150,196	22,297,254	**23,043,922**	22,150,196	22,297,254
Investment securities	**17**	**48,696,565**	46,203,952	35,290,627	**48,664,900**	45,308,171	34,374,414
Investment in subsidiary	**18(a)**	**-**	-	-	**-**	-	189,563
Asset held for distribution	**18(b)**	**-**	-	-	**38,277**	-	-
Property and equipment	**19**	**171,195**	187,071	192,285	**170,977**	185,675	189,854
Intangible assets	**20**	**269,990**	243,401	417,919	**269,914**	243,398	249,585
Right of use assets	**21**	**80,017**	-	-	**80,017**	-	-
Deferred tax assets	**11(d)**	**124,506**	101,664	141,747	**124,388**	100,953	141,462
Other assets	**22**	**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	**23**	**13,252**	30,434	932,755	**13,252**	30,434	932,755
Deposits from banks	**24(a)**	**96,365**	14,106	33,341	**96,365**	14,106	33,341
Deposits from customers	**24(b)**	**150,826,106**	131,018,499	111,102,759	**150,850,619**	131,194,259	111,352,126
Derivative financial instruments	**15**	**107,168**	702,177	752,944	**107,168**	49,995	64,382
Debts issued	**25**	**1,083**	320,662	855,302	**-**	184,205	600,208
Financial liabilities measured at fair value through profit or loss	**27**	**4,398**	872,139	897,654	**-**	-	-
Retirement benefit obligations	**30**	**102,034**	67,307	42,776	**99,851**	64,652	41,688
Current tax liabilities	**11(a)**	**13,618**	112,116	34,780	**13,618**	112,116	31,281
Lease liabilities	**21**	**82,571**	-	-	**82,571**	-	-
Other liabilities	**26**	**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	**28**	**3,641,049**	3,641,049	3,641,049	**3,641,049**	3,641,049	3,641,049
Class A shares	**29**	**1,399,768**	1,399,768	1,399,768	**1,385,768**	1,385,768	1,385,768
Retained earnings	**31**	**2,285,239**	1,801,294	1,200,350	**2,297,788**	1,836,242	1,277,521
Other reserves	**31**	**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

The financial statements have been approved by the Board of Directors and authorised for issue on 19 November 2020

INDERJIT SINGH BEDI
Interim Chairperson

SANJIV BHASIN
Chief Executive Officer

JOAN JILL WAN BOK NALE
Director

The notes on pages 164 to 293 form an integral part of these financial statements.
Auditor's report on pages 155 to 158.

(a) THE GROUP

	Notes	Ordinary shares MUR'ooo	Class A shares MUR'ooo	Retained earnings MUR'ooo	Other reserves MUR'ooo	Total MUR'ooo
Attributable to owners of the Bank						
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	31	-	-	(122,355)	122,355	-
Issue of shares	28	446,291	-	-	-	446,291
Reclassification adjustments relating to foreign operations disposed during the year		-	-	-	615	615
Indemnity costs	28	(2,850)	-	-	-	(2,850)
Dividends	12	-	-	(300,159)	-	(300,159)
At 30 June 2018		3,641,049	1,399,768	1,200,350	594,913	6,836,080
At 1 July 2018		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 01 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	31	-	-	(254,286)	254,286	-
Dividends	12	-	-	(333,508)	-	(333,508)
At 30 June 2019		3,641,049	1,399,768	1,801,294	858,427	7,700,538
At 1 July 2019		**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	**31**	**-**	**-**	**(316,858)**	**316,858**	**-**
Dividends	**12**	**-**	**-**	**(576,684)**	**-**	**(576,684)**
At 30 June 2020		**3,641,049**	**1,399,768**	**2,285,239**	**1,325,426**	**8,651,482**

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(b) THE BANK

	Notes	Ordinary shares MUR'000	Class A shares MUR'000	Retained earnings MUR'000	Other reserves MUR'000	Total 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	**28**	446,291	-	-	-	446,291
Indemnity costs	**28**	(2,850)	-	-	-	(2,850)
Appropriation of reserves	**31**	-	-	(122,355)	122,355	-
Dividends	**12**	-	-	(300,159)	-	(300,159)
At 30 June 2018		3,641,049	1,385,768	1,277,521	594,914	6,899,252
At 01 July 2018		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 01 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	**31**	-	-	(254,286)	254,286	-
Dividends	**12**	-	-	(333,508)	-	(333,508)
At 30 June 2019		3,641,049	1,385,768	1,836,242	853,345	7,716,404
At 01 July 2019		**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	**31**	**-**	**-**	**(316,858)**	**316,858**	**-**
Dividends	**12**	**-**	**-**	**(576,684)**	**-**	**(576,684)**
At 30 June 2020		**3,641,049**	**1,385,768**	**2,297,788**	**1,316,719**	**8,641,324**

The notes on pages 164 to 293 form an integral part of these financial statements.
Auditor's report on pages 155 to 158.

		THE GROUP			THE BANK		
		2020	2019	2018	2020	2019	2018
	Notes	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
OPERATING ACTIVITIES							
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	33(b)	**(1,475,158)**	(19,884,438)	(7,248,568)	**(2,958,049)**	(19,958,143)	(6,783,738)
Change in operating liabilities	33(c)	**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	33(d)	**910,179**	774,650	1,165,372	**942,556**	839,717	1,142,392
Payment of gratuity	30	**(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	19	**(23,891)**	(33,821)	(45,121)	**(23,891)**	(33,491)	(44,470)
Purchase of intangible assets	20	**(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	28	**-**	-	446,291	**-**	-	446,291
Indemnity paid on shares issued	28	**-**	-	(2,850)	**-**	-	(2,850)
Payment of lease liabilities	21	**(31,026)**	-	-	**(31,026)**	-	-
Repayment of subordinated debt	25	**(170,556)**	(385,033)	(682,475)	**(170,556)**	(385,033)	(682,475)
Dividends paid	12	**(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	33(a)	**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

The notes on pages 164 to 293 form an integral part of these financial statements.
Auditor's report on pages 155 to 158.

1. GENERAL INFORMATION

1A. CORPORATE INFORMATION

AfrAsia Bank Limited ("the Bank") is a public company incorporated and domiciled in the Republic of Mauritius. The principal activity of the Bank and those of its subsidiaries (together referred to in this report as "the Group") is the provision of financial services in the Indian Ocean region. Its registered office is at 10, Dr Ferrière Street, Port Louis, Mauritius.

The Bank has 1 offshore representative office in Johannesburg. The relevant costs and income derived from this office have been included in these financial statements.

1B. IMPACT OF COVID-19 OUTBREAK

The continued spread of coronavirus presents immense challenges in credit and financial market locally and internationally. All industries and sectors of the global economy are expected to be impacted by the COVID-19 outbreak. Some industries like Tourism, including SMEs linked to the hospitality sector, Airlines and Construction and Real Estate are heavily impacted as these sectors will not only depend on the success of the local outbreak containment but also on the global situation and recovery. Given that Mauritius is heavily dependent on the tourism sector and the export industry, the negative impact on the Mauritian economy is more pronounced.

In light of the above, the Government of Mauritius has announced various measures to support businesses and households, like relief on housing loan interest and moratorium periods. The implementation of the new Impairment Guideline has been put on hold and exemptions will be applicable for reliefs/loans extended by Banks. However, the assessment on the implications from an IFRS 9 perspective is still ongoing. Facilities granted to companies in the tourism sector are likely to be restructured to help the industry during the difficult period.

Government support measures

The Bank of Mauritius (BOM) has come up with various measures to help those sectors impacted by COVID-19.

a) All Mauritian households impacted by COVID-19 may request their commercial banks for a moratorium of 6 months on capital repayment on their existing households' loans. Additionally, for households earning a combined monthly basic salary of MUR 50,000 or less, the Central Bank will bear the interest payable for period 1st April 2020 to 31 July 2020.

b) A new line of credit (Special Foreign Currency-USD) has been introduced, targeting operators having foreign currency earnings. This fund will be made available through commercial banks for an amount of USD 300m at 6 month-USD LIBOR.

c) BOM is providing, through commercial banks, a Special Relief Amount of MUR 5bn to all sectors (including SMEs) whose activities are impacted by COVID-19.

d) A Swap arrangement (USD/MUR) is made to support import-oriented businesses, through commercial banks.

Key impacts on financial reporting

COVID-19 outbreak is expected to significantly disrupt the operating environment of financial institutions. Following are some of the key accounting and financial reporting considerations:

Loans and advances to banks and customers

Credit-risk forbearance policy

COVID-19 pandemic has necessitated the Bank to introduce stricter credit assessment measures to protect the financial stability of the Bank. In order to manage the credit risk properly, the Bank has implemented a new forbearance policy which defines the criteria that needs to be considered when assessing credit risk in the current economic situation.

1B. IMPACT OF COVID-19 OUTBREAK (CONTINUED)

Key impacts on financial reporting (Continued)

Impact on Expected credit losses ("ECL")

Considering COVID-19, the Bank revisited its ECL framework to cater for the higher level of uncertainty in markets both locally and across borders. Moreover, management ensured that while doing so, the Bank remains in line with the statements released by local and international body with regards to IFRS 9 in a COVID-19 context, mainly the Bank of Mauritius and IASB – factoring in the government support measures being implemented.

Key factors that were impacted by COVID-19 include the Probability of Default (PD), Loss Given Default (LGD), staging and bucketing parameters, forbearance measures, relief programmes, as well as forward-looking information and scenario-weights allocations.

The Bank has adopted a probabilistic approach based on forward looking scenarios given uncertainties prevailing across markets. As such, the Bank has defined 3 scenarios (upside, baseline/most likely and downside) and assigned weights suggesting the likelihood of such event occurring based on assessments of economic and market conditions in the context of COVID-19. The scenarios assumed were very bearish to properly reflect the current and projected global economic environment. The baseline scenario was derived through the CDS curves movement of different countries, capturing market information and investors sentiment arising from the crisis effect brought on by the pandemic.

The Bank also enhanced its Significant Increase in Credit Risk (SICR) assessment framework using more objective and subjective factors to adapt to this unprecedented situation. Further in-depth analysis was performed independently on the different portfolios at 3 levels i.e. Business, Credit and the Watchlist Monitoring Committee.

The increase in ECL provision following the application of a scenario-based approach was reduced by the release in ECL Stage 1 due to the above refinements as a result of refinements brought in the ECL model. Coupled with it, the Bank had a minor portfolio attracting stage 2 ECL as compared to last year.

Tourism sector being directly impacted by Covid-19 benefited to some extent from prolonged repayment period as per the forbearance policy of the Bank and as such these exposures were not transferred to stage 2. The Bank has applied a post-model adjustment on the restructured accounts in tourism sector and the ECL impact on loans and advances in this sector were to the tune of MUR 44.8m for an outstanding amount of MUR 3.9bn categorised in stage 1 representing an ECL percentage of 1.15%.

Stage 3 assets have been reassessed considering COVID-19 impact and appropriate provisions has been made at 30 June 2020.

Investment securities

Following the changes in the interest rates and the depreciation of Mauritian rupee against other currencies, the fair value of bills, bonds and notes that are measured at fair value through profit or loss will tend to rise. Any adverse changes in market rates included interest rates and foreign currency exchange rates as well as changes in credit quality of the instruments will have an impact on the fair value.

Deposits

Our deposit base was contained from the withdrawal risks emanating from the on-going pandemic from March to June. As at 30 June 2020, there was a drop in major foreign currency-based deposits, however, this fall was negated by an increase in exchange rate, with the net impact being an inflated deposit base when retranslated into MUR equivalent.

1B. IMPACT OF COVID-19 OUTBREAK (CONTINUED)

Key impacts on financial reporting (Continued)

Property and equipment and intangible assets

The recognition and measurement of existing, or additions to, property and equipment and intangible assets may be significantly affected by changes resulting from coronavirus. The Bank had assets under 'work in progress'. Due to the outbreak, there were delays in various projects to go 'live', and thus were not capitalized. The Bank plans to continue works on these projects in the coming months.

Right of use assets

The Bank has leased building floors (expiry date: Oct 2023 with renewal option) together with parking slots which was recognized as right of use assets in its statement of financial position. These assets are not impacted by COVID-19 and hence not subject to impairment. No rent concessions were provided by landlords for these leases. The right of use assets are measured at its carrying amount (after accumulated depreciation).

Retirement benefits obligations

The significant economic uncertainty associated with the COVID-19 pandemic affects the measurement of retirement benefit obligations and plan assets, particularly when quoted prices in active markets for identical assets do not exist. The methodology used is to derive a yield curve based on available local government bonds with terms ranging from 0.25 to 20 years from which the discount rate commensurate with the duration of liabilities. The discount rate is one of the actuarial assumptions. Compared to prior year, the discount rate decreased from 5.70% to 3.70%.

Taxes

The virus could affect future profits as a result of direct and indirect (effect on customers, suppliers, service providers) factors. Deferred tax assets are recognized for deductible temporary differences that exist at each reporting date. Based on the budget exercise for the next 12 months, despite the outbreak will have an impact on the Bank's operations, it is probable that future taxable profits will be available against which the deductible temporary difference can be utilised.

Government grants

The Bank monitored government actions and legislations to identify all assistance given amid COVID-19 outbreak that may meet the definition of a government grant. The Bank has not opted to receive any government grants that may have an impact on financial reporting.

Liquidity risk

The Bank's internal and regulatory liquidity ratios demonstrate a healthy liquidity position at 30 June 2020. The Bank's average Liquidity Coverage Ratio (LCR) was 349% which is well above the current regulatory minimum LCR requirement of 100%, demonstrating a robust liquidity position. The LCR is a stressed liquidity measure as it applies stressed outflow rates on depositor balances and haircuts on liquidation of High-Quality Liquid Assets (HQLAs) and cash inflows. Stress test based on several scenarios is being performed on a regular basis and the LCR remain well above the regulatory limit.

Interest rate risk

As an emergency COVID-19 response, the Bank of Mauritius and United States Federal Reserve both cut their respective policy rates. The Bank's statement of financial position being predominantly USD and MUR based was adversely impacted in term of the Net Interest Income by the decline in the Bank's Net Interest Margin between January 2020 and June 2020.

Capital adequacy ratio

The Bank has prepared a capital plan in a crisis situation of COVID-19 by running a few scenarios to demonstrate how the regulatory ratios fluctuate based on different ECL simulations.

1B. IMPACT OF COVID-19 OUTBREAK (CONTINUED)

Key impacts on financial reporting (Continued)

Regulatory limit for 2020

The regulatory limits for financial year 2020 as set out in the "Guideline on Scope of Application of Basel III and Eligible Capital (June 2014)" is provided in the table below. In apprehension of the challenges posed by the COVID-19 pandemic, as per the correspondence from BOM on 20 May 2020, titled "Regulatory Forbearance", BOM has deferred the implementation of the last tranche of the capital conservation buffer("CCB") amounting to 0.625% to 1 January 2021. Thus, for financial year 2020, banks are required to maintain a CCB of 1.875%. This measure has helped release more capital whilst also allowing greater flexibility in terms of funding capacity and support which can be provided to customers.

In compliance with the "Guideline for dealing with Domestic-Systemically Important Banks ("D-SIB")", the Bank is further subject to additional buffer of 1.0% for FY 2020, following a yearly assessment carried out by BOM.

Regulatory Limits			
Minimum Capital Requirement	**CY 2020 – Pre COVID**	**CY 2020 – Post COVID**	**CY 2021 – Post COVID**
Common Equity Tier 1 ("CET1")	6.50%	6.50%	6.50%
Tier 1	8.00%	8.00%	8.00%
Capital Adequacy Ratio ("CAR")	10.00%	10.00%	10.00%
Capital Conservation Buffer	**2.50%**	**2.50%**	**2.50%**
CET1 + CCB	9.00%	8.38%	9.00%
TIER1 + CCB	10.50%	9.88%	10.50%
CAR + CCB	12.50%	11.88%	12.50%
Domestic Systemically Important Bank	**1.00%**	**1.00%**	**1.00%**
CET1 + CCB + D-SIB	10.00%	9.38%	10.00%
TIER1 + CCB +D-SIB	11.50%	10.88%	11.50%
CAR + CCB +D-SIB	13.50%	12.88%	13.50%

The Bank continue to carry stress testing on a regular basis using several scenarios and the CAR remains within the regulatory CAR ratio.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

In the current year, the Group and the Bank have applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 01 July 2019.

New and revised Standards that are effective for the current year

The following relevant revised Standards have been applied in these financial statements. Except for IFRS 16, their application has not had any significant impact on the amounts reported

IAS 12	Income Taxes – Amendments resulting from Annual Improvements 2015-2017 Cycle (income tax consequences of dividends)
IAS 19	Employee Benefits – Amendments regarding plan amendments, curtailments or settlements
IFRS 3	Business Combinations – Amendments resulting from Annual Improvements 2015-2017 Cycle (remeasurement previously held interest)
IFRS 9	Financial Instruments – Amendments regarding pre-payment features with negative compensation and modifications of financial liabilities

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

New and revised Standards that are effective for the current year (Continued)

IFRS 16	Leases – Original issue
IFRIC 23	Uncertainty over Income Tax Treatments

Impact of initial application of IFRS 16 Leases

In the current year, the Group and the Bank have applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's and the Bank's financial statements is described below. The date of initial application of IFRS 16 for the Group and the Bank is 01 July 2019. The Group and the Bank have applied IFRS 16 using the cumulative catch-up approach (option 2B) which:

- requires the Group and the Bank to measure the right-of-use assets at amount equal to the lease liability at the date of initial application; and
- does not permit the restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

(a) Impact of the new definition of a lease

The Group and the Bank have made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or modified before 01 July 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group and the Bank applied the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or modified on or after 01 July 2019 (whether it is a lessor or a lessee in the lease contract). The new definition in IFRS 16 has not significantly changed the scope of contracts that meet the definition of a lease for the Group and the Bank.

(b) Impact on Lessee Accounting (former operating leases)

IFRS 16 changes how an entity accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Applying IFRS 16, for all leases (except as noted below), an entity:

i. Recognise right-of-use assets and lease liabilities in the consolidated and separate statements of financial position, initially measured at the present value of the future lease payments, with the right-of-use adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);
ii. Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated and separate statements of profit or loss and other comprehensive income;
iii. Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated and separate statements of cash flows.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

New and revised Standards that are effective for the current year (Continued)

Impact of initial application of IFRS 16 Leases (Continued)

(b) Impact on Lessee Accounting (former operating leases) (Continued)

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36, Impairment of assets.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Group and the Bank have opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other operating expenses in profit or loss.

The Group and the Bank have used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

i. The Group and the Bank have applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
ii. The Group and the Bank have elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
iii. The Group and the Bank have excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
iv. The Group and the Bank have used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(c) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

Because of this change, the Group has reclassified certain of its operating sublease agreements as finance leases and accounted for them as new finance leases entered into at the date of initial application. As required by IFRS 9, an allowance for expected credit losses has been recognised on the finance lease receivables.

(d) Financial impact of the initial application of IFRS 16

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the statement of financial position on 01 July 2019 is 6.18%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 30 June 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

New and revised Standards that are effective for the current year (Continued)

Impact of initial application of IFRS 16 Leases (Continued)

(d) Financial impact of the initial application of IFRS 16 (Continued)

	THE GROUP AND THE BANK
	MUR'000
Operating lease commitments at 30 June 2019	101,631
Effect of discounting the above amounts	(9,467)
Present value of the variable lease payments that depend on a rate or index	(2,850)
Lease liabilities recognised at 01 July 2019	602
	92,766

The Group and the Bank have recognized MUR 93m of right-of-use assets and MUR 93m of lease liabilities upon transition to IFRS 16 with no impact on retained earnings at 01 July 2019.

New and revised Standards in issue but not yet effective

At the date of authorisation of these financial statements, the following relevant Standards were in issue but effective on annual periods beginning on or after the respective dates as indicated:

IAS 1	Presentation of Financial Statements – Amendments regarding the definition of material (effective 1 January 2020)
IAS 1	Presentation of Financial Statements – Amendments regarding the classification of liabilities (effective 1 January 2023)
IAS 1	Presentation of Financial Statements – Amendments to defer the effective date of the January 2020 amendments (effective 1 January 2023)
IAS 8	Accounting Policies, Change in Accounting Estimates and Errors – Amendments regarding the definition of material (effective 1 January 2020)
IAS 16	Property, Plant and Equipment – Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produces while the company is preparing the asset for its intended uses (effective 1 January 2022)
IAS 37	Provisions, Contingent Liabilities and Contingent Assets – Amendments regarding the costs to include when assessing whether a contract is onerous (effective 1 January 2022)
IFRS 3	Business Combinations – Amendments to clarify the definition of a business (effective 1 January 2020)
IFRS 3	Business Combinations – Amendments updating a reference to the Conceptual Framework (effective 1 January 2022)
IFRS 7	Financial Instruments: Disclosures – Amendments regarding pre-replacement issues in the context of the IBOR reform (effective date 1 January 2020)
IFRS 9	Financial Instruments – Amendments regarding pre-replacement issues in the context of the IBOR reform (effective date 1 January 2020)
IFRS 9	Financial Instruments – Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (fees in the '10 per cent' test for derecognition of financial liabilities) (effective date 1 January 2022)
IFRS 16	Leases – Amendment to provide lessees with an exemption from assessing whether a COVID-19-related concession is a lease modification (effective 1 June 2020)

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

New and revised Standards in issue but not yet effective (Continued)

Conceptual Framework - Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regards to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework (effective 1 January 2020)

The directors anticipate that these Standards and Interpretations will be applied in the Group's and the Bank's financial statements at the above effective dates in future periods. The directors have not yet had the opportunity to consider the potential impact of the application of these amendments.

3A. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the consolidated and separate financial statements are set out below.

(a) Basis of preparation

The consolidated and separate financial statements of the Group and the Bank have been prepared on a historical cost basis, except as modified by the fair valuation of certain financial instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Bank take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36.

Statement of compliance

The consolidated and separate financial statements of the Group and the Bank have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and in compliance with the Mauritius Companies Act 2001, the Guidelines and Guidance Notes issued by the Bank of Mauritius, the Financial Reporting Act 2004 and the Banking Act 2004.

Presentation of financial statements

The financial statements are presented in Mauritian Rupees ('MUR') and all values are rounded to the nearest thousand except when otherwise indicated. The Group and the Bank present their statements of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 37 (c).

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and entities controlled by the Bank (its subsidiaries). Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Bank controls an investee if and only if the Bank has:

i. Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
ii. Exposure, or rights, to variable returns from its involvement with the investee; and
iii. The ability to use its power over the investee to affect its returns.

When the Bank has less than a majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

i. The contractual arrangement with the other vote holders of the investee;
ii. Rights arising from other contractual arrangements;
iii. The Bank's voting rights and potential voting rights; and
iv. A combination of (i) – (iii).

The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

<u>Changes in the Group's ownership interests in existing subsidiaries</u>

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

i. the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
ii. the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 (previously IAS 39), when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency translation

The consolidated and separate financial statements are presented in Mauritian Rupees ('MUR'). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

i. *Transactions and balances*

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange at the reporting date and all differences are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the dates of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

ii. Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Mauritian Rupees at the rate of exchange prevailing at the reporting date. The income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period. The exchange differences arising on translation for consolidation are recognised in 'Other comprehensive income'. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at the closing rate.

(d) Recognition of income and expenses

i. Net interest income

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognised in 'Net interest income' as 'Interest income' and 'Interest expense' in profit or loss using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the year in 'Net trading income'.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument. The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)).

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Recognition of income and expenses (Continued)

(ii) Net fee and commission income

Fee and commission income and expense include fees other than those that are an integral part of EIR. The Group and the Bank earn fee and commission income from a diverse range of services being provided to its customers. Fee income can be categorised as follows:

Fee income earned from services provided

These fees include commission income, asset management, custody and other management and advisory fees. The fees are recognised as the related services are provided. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis. A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the performance obligations.

Fee and commission expense

Fee and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(iii) Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held-for-trading.

(iv) Dividend income

Revenue is recognised when the Group's and the Bank's right to receive the payment is established, which is generally when the shareholders approve the dividend.

(e) Financial instruments

Policy applicable after 01 July 2018

Financial assets and financial liabilities

Financial assets and financial liabilities are recognised in the statement of financial position when the Group and the Bank become a party to the contractual provisions of the instrument. Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

Policy applicable after 01 July 2018 (Continued)

Financial assets and financial liabilities (Continued)

If the transaction price differs from fair value at initial recognition, the entity will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

The Group and the Bank have not applied hedge accounting to its financial instruments during the years ended 30 June 2018, 2019 and 2020.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss. For all financial assets the amount presented on the statements of financial position represent all amounts receivable including interest accruals.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI); and
- all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

Policy applicable after 01 July 2018 (Continued)

Financial assets (Continued)

However, the entity may make the following irrevocable election / designation at initial recognition of a financial asset on an asset-by-asset basis:

- the entity may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; and
- the entity may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

The Group and the Bank have not designated any debt instruments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

Debt instruments measured at amortised cost or at FVTOCI

The Group and the Bank assess the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are SPPI. For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The entity determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The entity's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group and the Bank have more than one business model for managing their financial instruments which reflect how they manage their financial assets in order to generate cash flows. The business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group and the Bank consider all relevant information available when making the business model assessment.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

Policy applicable after 01 July 2018 (Continued)

Debt instruments measured at amortised cost or at FVTOCI (Continued)

However, this assessment is not performed on the basis of scenarios that the Group and the Bank do not reasonably expect to occur, such as ‘worst case’ or ‘stress case’ scenarios. The Group and the Bank take into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity’s key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Group and the Bank determine whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group and the Bank reassess their business models at each reporting period to determine whether the business models have changed since the preceding period.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Financial assets measured at FVTPL

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

Equity instruments designated at FVTOCI

On initial recognition, the entity may make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the entity manages together and has evidence of a recent actual pattern of short-term profit taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

Policy applicable after 01 July 2018 (Continued)

Equity instruments designated at FVTOCI (Continued)

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Cash and cash equivalents

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Reclassifications

If the business model under which the entity holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the financial assets. During the current financial year there was no change in the business model under which the Group and the Bank hold financial assets and therefore no reclassifications were made.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost, exchange differences are recognised in profit or loss;
- for debt instruments measured at FVTOCI, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss and other exchange differences are recognised in the OCI in fair value reserve;
- for financial assets measured at FVTPL, exchange differences are recognised in profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in the OCI in the fair value reserve.

Financial guarantees

In the ordinary course of business, the Group and the Bank give financial guarantees, consisting of letters of credit, bank guarantees and acceptances.

Financial guarantee contracts issued by an entity are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the entity's revenue recognition policies.

Any increase in the liability relating to financial guarantees is recorded in the statements of profit or loss and other comprehensive income. The premium received is recognised in the statements of profit or loss and other comprehensive income in 'Fees and commission income' on a straight-line basis over the life of the guarantee.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

Policy applicable after 01 July 2018 (Continued)

Impairment of financial assets

The Group and the Bank recognise loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- loans and advances to banks and customers;
- due from banks;
- debt instruments at amortised cost;
- debt instruments at FVTOCI;
- loan commitments issued; and
- financial guarantee contracts issued.

No impairment loss is recognised on equity investments designated at FVTOCI.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instruments that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instruments (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided in Note 37 (b).

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the entity under the contract and the cash flows that the entity expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the entity if the holder of the commitment draws down the loan and the cash flows that the entity expects to receive if the loan is drawn down.

For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the entity expects to receive from the holder, the debtor or any other party.

The Group and the Bank measure ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

More information on measurement of ECLs is provided in Note 37.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

Policy applicable after 01 July 2018 (Continued)

Credit impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event - instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group and the Bank assess whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group and the Bank consider factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

The Group and the Bank do not have purchased or originated credit impaired financial assets.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk (see Note 37 (b)).

The Group and the Bank consider the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Group and the Bank; or
- the borrower is unlikely to pay its credit obligations to the Group and the Bank in full.

This definition of default is used by the Group and the Bank for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default. The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

Policy applicable after 01 July 2018 (Continued)

Definition of default (Continued)

When assessing if the borrower is unlikely to pay its credit obligation, the Group and the Bank take into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Group and the Bank use a variety of sources of information to assess default which are either developed internally or obtained from external sources. More details are provided in Note 37. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired. Therefore credit impaired assets will include defaulted assets, but will also include other non-defaulted asset given the definition of credit impaired is broader than the definition of default.

Significant increase in credit risk (SICR)

The Group and the Bank monitor all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group and the Bank will measure the loss allowance based on lifetime rather than 12-month ECL. The Group's and the Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Group and the Bank monitor all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group and the Bank compare the risk of default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Group and the Bank consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forwardlooking information that is available without undue cost or effort, based on the Group and the Bank's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

For corporate lending, forward-looking information includes the future prospects of the industries in which the Group's and the Bank's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail lending, forward-looking information includes the same economic forecasts as corporate lending with additional forecasts of local economic indicators, particularly for regions with a concentration to certain industries, as well as internally generated information of customer payment behaviour. The Group and the Bank allocate their counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- the remaining lifetime PD at the reporting date with
- the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

Policy applicable after 01 July 2018 (Continued)

Significant increase in credit risk (SICR) (Continued)

The PDs used are forward-looking and the Group and the Bank use the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However the Group and the Bank still consider separately some qualitative factors to assess if credit risk has increased significantly. For corporate lending, there is particular focus on assets that are included on a 'watch list' given an exposure is on a watch list once there is concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending, the Group considers the expectation of forbearance and payment holidays, credit scores and events such as unemployment, bankruptcy, sale of assets.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD. As a back-stop when an asset becomes 30 days past due, the Group and the Bank consider that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL. In addition, loans that are individually assessed and are included on a watch list are in stage 2 of the impairment model. As noted, if there is evidence of credit impairment, the assets are moved to stage 3 of the impairment model.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Group and the Bank renegotiate loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness), change in interest rates and amendments to covenants. The Bank has established a forbearance policy during the current financial year. When a financial asset is modified, the Group and the Bank assess whether this modification results in derecognition. In accordance with the Group's and the Bank's policy, a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms, the Group and the Bank consider the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or when rights to cash flows between the original counterparties expire because a new debtor replaces the original debtor (unless both debtors are under common control), the extent of change in interest rates, and maturity. If these do not clearly indicate a substantial modification, then;

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

Policy applicable after 01 July 2018 (Continued)

Modification and derecognition of financial assets (Continued)

- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest rate. If the difference in present value is greater than 10% the Group deems the arrangement is substantially different leading to derecognition. When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the Group and the Bank consider the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the entity considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation. In the case where the financial asset is derecognized, the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification.

The Group and the Bank monitor credit risk of modified financial assets by evaluating qualitative and quantitative information, as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the entity determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the ability to collect the modified cash flows taking into account the previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. If a forborne loan is credit impaired due to the existence of evidence of credit impairment (see above), the Group and the Bank perform an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit-impaired. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition, the Group and the Bank calculate the modification loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Modification losses for financial assets are included in the profit or loss account. Then the Group and the Bank measure ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

Policy applicable after 01 July 2018 (Continued)

Modification and derecognition of financial assets (Continued)

The Group and the Bank derecognise a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group and the Bank neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the transferred asset, the Group and the Bank recognise their retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Bank retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Bank continue to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss. On derecognition of a financial asset other than in its entirety (e.g. when the Group and the Bank retain an option to repurchase part of a transferred asset), the Group and the Bank allocate the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.

The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

Write-off

Loans and debt securities are written off when the Group and the Bank have no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group and the Bank determine that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the writeoff. A write-off constitutes a derecognition event. The Group and the Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's and the Bank's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets' in the statement of profit or loss.

Presentation of allowance for ECL in the statements of financial position

Loss allowances for ECLs are presented in the statements of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the statements of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the fair value reserve;
- for loan commitments and financial guarantee contracts: as a provision; and

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

Policy applicable after 01 July 2018 (Continued)

Presentation of allowance for ECL in the statements of financial position (Continued)

- where a financial instrument includes both a drawn and an undrawn component, and the entity cannot identify the ECL on the loan commitment component separately from those on the drawn component: the entity presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Financial liabilities and equity

Debt and equity instruments that are issued are classified as either the financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group and the Bank or a contract that will or may be settled in the Group's and the Bank's own equity instruments and is a non-derivative contract for which the Group and the Bank are or may be obliged to deliver a variable number of their own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's and the Bank's own equity instruments.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Bank are recognised at the proceeds received, net of direct issue costs. Repurchase of the Group's and the Bank's own equity instruments is recognised and deducted directly in equity. No gain/loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's and the Bank's own equity instruments.

Ordinary shares are classified as equity.

The Bank's Class A shares are classified as equity as they are calleable at the option of the Bank. These shares carry noncumulative dividends which are payable at the discretion of the Board. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

Financial liabilities

Financial liabilities include deposits from banks, deposits from customers, due to banks, debts issued and other liabilities and are initially measured at fair value, net of transaction costs. These financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

Policy applicable after 01 July 2018 (Continued)

Financial liabilities measured at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL. The Group has financial liabilities held for trading which are measured at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains/losses arising on remeasurement recognised in profit or loss. The net gain/loss recognised in profit or loss incorporates any interest paid on the financial liability.

Derecognition and modification of financial liabilities

The Group and the Bank derecognise financial liabilities when, and only when, the Group's and the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. When the entity exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the entity accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. To determine if the modified terms of a liability are substantially different to the original terms a similar process with modification of financial assets is followed. The modification is assessed at first on a qualitative basis, factors such as a change in currency or the introduction of a non-closely related embedded derivative that significantly modifies the cash flows are regarded as substantially different.

If it is not clear from the qualitative assessment that a modification has resulted in a substantial change in a financial liability, a quantitative assessment is applied. It is assumed that the terms of the financial liability are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the Group and the Bank recalculate the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original effective interest rate. The Group and the Bank recognise any adjustment to the amortised cost of the financial liability in profit or loss as income or expense at the date of the modification. The financial liability modification gain/loss is not significant for the Group and the Bank. Modification gains are presented in 'other operating income' and modification losses are presented in 'other operating expenses' in profit or loss.

Policy applicable prior to 01 July 2018

Financial instruments - initial recognition and subsequent measurement

(i) Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e. the date that the Group and the Bank become a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

Policy applicable prior to 01 July 2018 (Continued)

Financial instruments - initial recognition and subsequent measurement (Continued)

(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the purpose and characteristics and management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

(iii) Derivatives recorded at fair value through profit or loss

The Group and the Bank use derivatives such as forward foreign exchange contracts and options on foreign currencies. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value are included in Net trading income.

(iv) Financial assets or financial liabilities held-for-trading

Financial assets or financial liabilities held-for-trading are recorded in the statements of financial position at fair value. Changes in fair value are recognised in 'Net trading income'. Interest and dividend income or expense is recorded in 'Net trading income' according to the terms of the contract, or when the right to receive the income /make the payment has been established. Included in this classification are debt securities, which have been acquired principally for the purpose of selling or repurchasing in the near term.

(v) 'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group and the Bank immediately recognise the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Net trading income'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the statements of profit or loss and other comprehensive income when the inputs become observable, or when the instrument is derecognised.

(vi) Held-to-maturity (HTM) financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and have fixed maturities, which the Group and the Bank have the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial assets are subsequently measured at amortised cost using the effective interest method less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in 'Interest income' in profit or loss. The losses arising from impairment of such assets are recognised in profit or loss.

(vii) Available-for-sale (AFS) financial investments

Available-for-sale investments include equity securities and investment in preference shares. Equity investments classified as available-for-sale are those which are neither classified as held-for-trading nor designated at fair value through profit or loss. The Group and the Bank have not designated any loans or receivables as available-for-sale. After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in other comprehensive income and accumulated in equity in the fair value reserve. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Where the Group and the Bank hold more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. The losses arising from impairment of such investments are recognised in profit or loss and removed from the fair value reserve.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

Policy applicable prior to 01 July 2018 (Continued)

Financial instruments - initial recognition and subsequent measurement (Continued)

(viii) Due from banks, loans and advances to banks and customers and other assets

'Due from banks', 'Loans and advances to banks' and customers' and 'other assets' include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Group and the Bank intend to sell immediately or in the near term and those that the Group and the Bank, upon initial recognition, designate as at fair value through profit or loss;
- Those that the Group and the Bank upon initial recognition, designate as available-for-sale;
- Those for which the Group and the Bank may not recover substantially all of their initial investment, other than because of credit deterioration.

After initial measurement, these financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest income' in the statements of profit or loss and other comprehensive income. The losses arising from impairment are recognised in profit or loss in 'Net impairment loss on financial assets'.

The Group and the Bank may enter into certain lending commitments where the loan on drawdown, is expected to be classified as held-for-trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss. Where the loan, on drawdown, is expected to be retained by the Group and the Bank, and not sold in the short term, the commitment is recorded only when the commitment is an onerous contract that is likely to give rise to a loss (e.g., due to a counterparty credit event).

(ix) Cash and cash equivalents

Cash and cash equivalents as referred to in the statements of cash flows comprise cash in hand, non-restricted current accounts with the central bank and amounts due from banks on demand or with an original maturity of three months or less, net of bank overdrafts.

(x) Debts issued

Financial instruments issued by the Group and the Bank that are not designated at fair value through profit or loss, are classified as liabilities under 'Debts issued' where the substance of the contractual arrangement results in the Group and the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, debts issued and other borrowed funds are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. An analysis of the Group's and the Bank's issued debt is disclosed in Note 25 to the financial statements.

(xi) Effective interest rate

The effective interest method is a method of calculating the cost of a financial asset/financial liability and of allocating interest income/cost over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts/ payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of financial asset/financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

Policy applicable prior to 01 July 2018 (Continued)

Financial instruments - initial recognition and subsequent measurement (Continued)

(xii) Impairment of financial assets

The Group and the Bank assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; default or delinquency in interest or principal payments; the probability that they will enter bankruptcy or other financial reorganisation; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The following sets out the policies of the Group and the Bank regarding the impairment of specific classes of assets:

Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers as well as held-to-maturity investments), the Group and the Bank first assess individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If the Group and the Bank determine that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest income'. Loans together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Bank.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the statements of profit or loss and other comprehensive income. The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Group or the Bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

Policy applicable prior to 01 July 2018 (Continued)

Financial instruments - initial recognition and subsequent measurement (Continued)

(xii) Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's and the Bank's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors. Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group and the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group and the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Available-for-sale financial investments

For available-for-sale financial investments, the Group and the Bank assess at each reporting date whether there is objective evidence that an investment is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss, is removed from equity and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in the fair value after impairment are recognised in 'Other comprehensive income'.

Financial liabilities

Financial liabilities include deposits from customers and due to banks, debts issued and other liabilities and are initially measured at fair value, net of transaction costs. These financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For details on EIR see the "net interest income section" below.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

Policy applicable prior to 01 July 2018 (Continued)

Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Group or the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  a. the Group or the Bank has transferred substantially all the risks and rewards of the asset, or
  b. the Group or the Bank has neither transferred nor retained substantially all the risks and rewards on the asset, but has transferred control of the asset.

When the Group or the Bank has transferred its rights to receive cash flows from an asset or has entered into a 'passthrough' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's and the Bank's continuing involvement in the asset. In that case, the Group and the Bank also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Bank have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

(f) Derivative financial instruments

The Group and the Bank enter into a variety of derivative financial instruments some of which are held for trading while others are held to manage its exposure to interest rate risk; credit risk; and foreign exchange rate risk. Derivative held include forward contracts, spot position, Option linked notes, Index linked notes, swaps and option contracts. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Dividend payable

Dividends on ordinary shares and Class A shares are recognised as a liability and deducted from equity when they are approved by the Bank's directors and the Bank of Mauritius. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

(h) Equity reserves

The reserves recorded in equity on the statement of financial position include:

- 'Equity–settled share-based payments' reserve relates to expenses arising from equity-settled share-based payment transactions;
- 'Fair value reserve' relates to the gain or loss arising from changes in the fair value of debt instruments measured at FVTOCI;
- 'Statutory reserve' which represents 15% of the net profit transferred in accordance with the Banking Act 2004 until the amount equals the stated capital of the Group and the Bank; and
- 'General banking reserve' which comprises amounts set aside for general banking risks including country risk.
- 'Foreign currency translation reserve' which arises on retranslation of foreign operations on consolidation.

(i) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the statements of financial position.

Income and expense will not be offset in the statements of profit or loss and other comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies.

(j) Fair value measurement

The Group and the Bank measure financial instruments, such as, derivatives at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 32 (b).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group and the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Fair value measurement (Continued)

The Group and the Bank use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Bank determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group and the Bank have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. An analysis of fair values of financial instruments and further details as to how they are measured is provided in Note 32 (a).

(k) Investment in a subsidiary

Investment in a subsidiary is accounted at cost in the Bank's separate financial statements, less any accumulated impairment in value.

(l) Asset held for distribution

The Group classifies non-current assets and disposal groups as held for distribution if their carrying amounts will be recovered principally through a distribution of the shares held rather than through continuing use. Non-current assets classified as held for distribution are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for distribution classification is regarded as met only when the distribution is highly probable, and the asset or disposal group is available for immediate distribution in its present condition. Management must be committed to the plan to distribute the asset and the distribution is expected to be completed within one year from the date of classification.

(m) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Business combination and goodwill (Continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses, if any. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(n) Property and equipment

Property and equipment are stated at cost excluding the costs of day-to-day servicing, less subsequent accumulated depreciation and subsequent accumulated impairment in value.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

	Rate
Improvement to buildings	10%
Furniture and fittings	10% - 20%
Office equipment	10% - 20%
Motor vehicles	14.29% - 20%
Computer equipment	25% - 33.33%

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the statements of profit or loss and other comprehensive income in the year the asset is derecognised. Residual values and useful lives are reviewed at least at each financial year end. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Intangible assets (excluding goodwill)

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group or the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is presented as a separate line item in the statements of profit or loss and other comprehensive income. Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

	Rate
Computer software	25%
Banking software	14.29%
Customer relation	13% - 20%
Other	33.33%

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statements of profit or loss and other comprehensive income when the asset is derecognised.

(p) Leases

The Group and the Bank have applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable from 1 July 2019

The Group and the Bank as a lessee

The Group and the Bank assess whether a contract is or contains a lease, at inception of the contract. The Group and the Bank recognise a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as printers). For these leases, the Group and the Bank recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Leases (Continued)

Policies applicable from 1 July 2019 (Continued)

The Group and the Bank as a lessee (Continued)

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group and the Bank remeasure the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group and the Bank did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Group and the Bank incur an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group and the Bank expect to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Leases (Continued)

Policies applicable from 1 July 2019 (Continued)

The Group and the Bank as a lessee (Continued)

The Group and the Bank apply IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other operating expenses' in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The lease contracts do not have lease and non-lease components and hence the Group and the Bank have not used this practical expedient.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(q) Impairment of non-financial assets

The Group and the Bank assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Bank estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group and the Bank assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Bank estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group and the Bank estimate the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Provisions and other contingent liabilities

Provisions are recognised when the Group and the Bank have a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursement.

The Group and the Bank operate in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, they are involved in various litigation, arbitration and regulatory investigations and proceedings both in local and in other jurisdictions, arising in the ordinary course of the Group's and the Bank's business. When the Group and Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group and the Bank record a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Group and the Bank are of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Group and the Bank do not include detailed, case-specific disclosures in their financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group and the Bank take into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

(s) Pension benefits

(i) Defined contribution pension plan

The Group and the Bank operate a defined contribution pension plan. The contribution payable to the defined contribution plan is in proportion to the services rendered to the Group and the Bank by the employees and is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

(ii) Retirement and other benefit obligations

The present value of retirement gratuities under The Workers' Rights Act 2019 is recognised in the statement of financial position as a liability. Re-measurement, comprising actuarial gains and losses, is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expense or income
- Remeasurement

The Group and the Bank present the first two components of defined benefit costs in profit or loss in the line item personnel expenses. Curtailment gains and losses are accounted for as past service costs.

State plan

Contributions to the National Pension Scheme are expensed to profit or loss in the period in which they fall due.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Taxation

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current tax also includes any tax arising from dividends. The Bank is subject to the Advance Payment System (APS) whereby it pays income tax on a quarterly basis.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

(ii) Deferred Tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences,

- except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Taxation (Continued)

(iii) Corporate Social Responsibility

The Corporate Social Responsibility (‘CSR’) was legislated by the Government of Mauritius in July 2009. In terms of the legislation, the Bank is required to allocate 2% of its chargeable income of the preceding financial year under Segment A. The required CSR fund for the year is recognised in tax expense in the statements of profit or loss and other comprehensive income. The net amount of CSR fund payable to the taxation authority is included in current tax liabilities in the statements of financial position.

(u) Special Levy

The Bank is liable to pay a special levy on its leviable income [Net interest income + other income from banking transactions with residents, before deduction of expenses] at the rate of 5.5% if the leviable income is less than MUR 1.2bn or at 4.5% if the leviable income exceeds MUR 1.2bn.

The special levy is currently included in other operating expenses and other liabilities in the financial statements.

(v) Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment income, segment expenses and segment performance include transfers between business segments and between geographical segments.

The Bank has prepared its separate financial statements in line with the requirements of the Bank of Mauritius Guideline on ‘Segmental Reporting under a Single Banking Licence Regime’ and Bank of Mauritius Guideline on ‘Public Disclosure of Information’ which require that segment information should be provided by Segment A and Segment B banking businesses.

Segment A

Segment A activity relates to all banking business other than Segment B activity. The financial services provided under Segment A may be funded and/or non-fund based. Segment A business will essentially consist of transactions with residents of Mauritius, both on the liability side and asset side.

Segment B

Segment B activity essentially relates to the provision of international financial services that give rise to ‘foreign source income’. Such services may be fund based and/or non-fund based. Segment B assets will generally consist of placements with and advances to foreign resident companies, institutions as well as individuals including stocks and debt instruments and claims on non-resident and/or entities holding Global Business Licence (‘GBLs’). Segment B liabilities will normally arise from deposits, borrowings, funds deposited by non-residents and GBLs.

(w) Comparatives

Where necessary, comparative figures are reclassified to conform to the current year’s presentation.

3B. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in accordance with IFRS requires the directors and management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Judgements and estimates are continuously evaluated and re based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The actual results could, by definition therefore, often differ from related accounting estimates.

Where applicable, the notes to the financial statements set out areas where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, or estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Judgements

Going concern

Directors have made an assessment of the Group's and the Bank's ability to continue as a going concern and are satisfied that the Group and the Bank have the resources to continue in business for the foreseeable future. Furthermore, directors are not aware of any material uncertainties that may cast significant doubt upon the Group's and the Bank's ability to continue as a going concern. Hence, the financial statements continue to be prepared on the going concern basis.

Determination of functional currency

The determination of the functional currency of the Group and the Bank is critical since the way in which every transaction is recorded and whether exchange differences arise are dependent on the functional currency selected. The directors have considered those factors therein and have determined the functional currency of the Group and Bank as Mauritian Rupees (MUR).

Deferred tax assets

Recognition of deferred tax assets depends on management's intention of the Group and the Bank to generate future taxable profits which will be used against temporary differences and to obtain tax benefits thereon. The outcome of their actual utilisation may be different.

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group and the Bank determine the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group and the Bank monitor financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's and the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

3B. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (Continued)

Calculation of ECL allowance

• Significant increase of credit risk: ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group and the Bank take into account qualitative and quantitative reasonable and supportable forward-looking information.

• Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to Note 3 for details of the characteristics considered in this judgement. The Group and the Bank monitor the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differs.

• Models and assumptions used: The Group and the Bank use various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Determination of lease term

In determining the lease term, management considers all fact and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, there was no revision of lease terms.

Estimates and assumptions

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable market data where possible, but where observable data is not available, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

Useful lives of property and equipment and intangible assets

The Group and the Bank review the estimated useful lives of property and equipment and intangible assets at the end of each reporting period. The cost of the property and equipment and intangible assets are depreciated and amortised over the estimated useful life of the asset. The estimated life is based on expected usage of the asset and expected physical wear and tear which depends on operational factors.

3B. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimates and assumptions (Continued)

Provision for retirement benefit

Retirement benefit obligation has been valued by Actuary on accounting estimates and as per provision of the Workers' Rights Act 2019. Management considers that they have used their best estimates to value the retirement benefit obligation provisions. Actual results may be different from their estimates.

Provisions and other contingent liabilities

Provision is recognised in the financial statements when the Group and the Bank have met the recognition criterion. The directors measure the provision at the best estimate of the amount required to settle the obligation at the reporting date. Actual results may be different from their estimates.

In specific circumstances, significant judgement is required from directors to identify the financial effects to be disclosed attributable to the uncertainties inherent in contingent liabilities.

Impairment losses on financial assets

The Group's and the Bank's ECL calculation are output of complex models with underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting estimates include:

- Forward looking information: When measuring ECL the Bank and Group use reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 37 for more details.
- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical information, assumptions and expectations of future conditions. Refer to Note 37 for more details.
- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Refer to Note 37 for more details.

Actual loss experience may differ from changes in estimated forward looking information and economic drivers.

The Group and the Bank also review their individually credit-impaired loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statements of profit or loss and other comprehensive income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group and the Bank make judgements about the borrower's financial situation and the net realisable value of collaterals. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

4 NET INTEREST INCOME

4(a) INTEREST INCOME

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Interest income on financial instruments measured at amortised cost:						
- Due from banks (includes cash and cash equivalents)	**823,913**	943,876	473,972	**823,913**	943,901	473,816
- Loans and advances to banks	**189,899**	214,044	174,192	**189,899**	214,044	174,192
- Loans and advances to customers	**919,697**	1,050,485	1,065,221	**919,697**	1,050,485	1,065,221
- Investment securities	**1,109,195**	802,098	562,204	**1,109,195**	802,098	562,204
- Placements with the Central Bank	**53,129**	49,377	29,091	**53,129**	49,377	29,091
	3,095,833	3,059,880	2,304,680	**3,095,833**	3,059,905	2,304,524
Interest income on financial instruments measured at fair value through other comprehensive income:						
- Investment securities	**18,195**	109,142	101,032	**18,195**	109,142	101,032
Total interest income calculated using EIR	**3,114,028**	3,169,022	2,405,712	**3,114,028**	3,169,047	2,405,556

4(b) INTEREST EXPENSE

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Interest expense on financial instruments measured at amortised cost:						
- Due to banks	**67,309**	42,390	21,702	**67,265**	42,390	21,702
- Deposits from banks	**603**	-	-	**603**	-	-
- Deposits from customers	**1,006,402**	787,711	612,195	**1,006,402**	787,711	612,195
- Subordinated debts issued	**6,671**	28,173	61,668	**6,671**	28,173	61,668
- Lease liabilities	**4,845**	-	-	**4,845**	-	-
- Loan notes	**-**	133	3,826	**-**	-	-
Total interest expense	**1,085,830**	858,407	699,391	**1,085,786**	858,274	695,565
NET INTEREST INCOME	**2,028,198**	2,310,615	1,706,321	**2,028,242**	2,310,773	1,709,991

5 NET FEE AND COMMISSION INCOME

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
5(a) Fee and commission income						
Commission and fee income	**495,549**	438,263	332,718	**495,549**	438,263	332,718
Credit card income	**93,214**	107,796	70,835	**93,214**	107,796	70,835
Custody fees income	**166,004**	163,279	238,868	**166,715**	164,330	239,718
Other fees received	**8,847**	8,632	12,863	**8,911**	7,762	6,056
Asset management fees	**40,591**	49,422	84,494	**-**	-	-
Total fee and commission income	**804,205**	767,392	739,778	**764,389**	718,151	649,327
5(b) Fee and commission expense						
Commission to other banks	**(94,657)**	(88,380)	(80,085)	**(94,657)**	(88,381)	(80,085)
Credit card expenses	**(89,176)**	(92,226)	(103,476)	**(89,176)**	(92,226)	(103,476)
Custody fees expense	**(56,689)**	(57,279)	(99,284)	**(56,715)**	(57,178)	(99,134)
Retrocession fees	**(54,685)**	(48,651)	(22,852)	**(54,685)**	(48,651)	(22,852)
Other fees paid	**(4,697)**	(6,548)	(3,731)	**(2,259)**	(4,943)	(855)
Total 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

The asset management fees are earned on fiduciary activities where the Group holds or invests in assets on behalf of its customers.

6 NET (LOSS)/GAIN FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

	THE GROUP AND THE BANK		
	2020	2019	2018
	MUR'000	MUR'000	MUR'000
Loans and advances to banks	**-**	(15,687)	-
Loans and advances to customers	**19,846**	41,002	-
Debt instruments measured at amortised cost	**(21,849)**	(1,388)	-
	(2,003)	23,927	-

The Bank sold some assets measured at amortised cost in 2020 and 2019 as these assets were no longer in line with the Bank's policy due to risks associated with these assets.

7(a) NET TRADING INCOME

	THE GROUP AND THE BANK		
	2020	2019	2018
	MUR'000	MUR'000	MUR'000
Net trading income:			
- Net gain on debt instruments measured at fair value through profit or loss	**499,320**	235,878	115,015
- Fair value gain/(loss) on derivatives held for trading	**117,234**	(7,016)	27,107
	616,554	228,862	142,122

7(c) NET GAIN FROM FOREIGN EXCHANGE AND DERIVATIVES

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Fair value gain/(loss) on derivatives held for risk management (foreign exchange)	**74,598**	(105,279)	-	**74,598**	(105,279)	-
Gain on foreign exchange	**679,701**	789,459	642,260	**689,702**	793,220	640,063
Foreign exchange difference on impairment	**(78,504)**	-	-	**(78,504)**	-	-
	675,795	684,180	642,260	**685,796**	687,941	640,063

Gain on foreign exchange difference for financial year 2018 includes derivative held for risk management.

7(d) OTHER OPERATING INCOME

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Profit on disposal of motor vehicle	**769**	-	89	**402**	-	89
Transaction and other related fees	**29,257**	5,598	27,618	**22,312**	15,118	32,888
	30,026	5,598	27,707	**22,714**	15,118	32,977

8 NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Cash and cash equivalents (Note 13)	**(22,774)**	(24,449)	-	**(22,774)**	(24,449)	-
Due from banks (Note 14)	**991**	3,660	270,720	**991**	3,660	270,720
Loans and advances to banks (Note 16(a))	**(3,508)**	(2,662)	52,796	**(3,508)**	(2,662)	52,796
Loans and advances to customers (Note 16(b))	**977,437**	577,719	752,618	**977,437**	577,719	752,618
Debt instruments measured at FVTOCI (Note 17(b))	**(1,074)**	527	-	**(1,074)**	527	-
Debt instruments measured at amortised cost (Note 17(c))	**(586)**	2,395	-	**(586)**	2,395	-
Financial guarantee contracts and loan commitments (Note 37)	(3,116)	390	-	(3,116)	390	-
Trade receivables (Note 22)	60	(65)	-	-	-	-
Net impairment losses	947,430	557,515	1,076,134	947,370	557,580	1,076,134
Bad debts recovered	(108,275)	(89,200)	(8,553)	(108,275)	(89,200)	(8,553)
	839,155	468,315	1,067,581	839,095	468,380	1,067,581

9 PERSONNEL EXPENSES

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Salaries	**425,126**	369,667	354,088	**401,348**	339,654	320,190
Staff benefits	**275,923**	269,962	175,261	**268,263**	264,204	171,769
Retirement benefit cost (Note 30)	**15,489**	14,353	8,165	**14,953**	13,697	7,077
Pension cost - defined contribution scheme	**27,234**	24,533	21,310	**25,972**	22,414	19,376
Training expenses	**7,624**	6,605	11,311	**7,543**	6,327	11,252
	751,396	685,120	570,135	**718,079**	646,296	529,664

10 OTHER OPERATING EXPENSES

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Advertising and marketing expenses	**54,363**	64,312	51,067	**53,411**	63,736	49,188
Rental expense (non-cancellable)	**-**	36,713	34,423	**-**	38,862	36,500
Administrative expenses	**255,811**	179,159	191,054	**250,236**	171,208	178,671
Equipment and intangibles written off	**206**	1,309	8,601	**206**	1,309	8,601
Professional fees	**68,097**	60,212	66,233	**62,708**	48,391	63,402
Special Levy	**81,665**	63,797	-	**81,665**	63,797	-
	460,142	405,502	351,378	**448,226**	387,303	336,362

11 TAXATION

Income tax is calculated on the profit for the year as adjusted for income tax for the Bank purposes as follows:

- up to MUR 1.5bn - 5%
- over to MUR 1.5bn - 15%

However, taxable income above MUR 1.5bn may be subject to graduated tax rate provided as per table below:

- the taxable income of current year exceeds MUR 1.5bn;
- the taxable income of base year exceeds MUR 1.5bn;
- the current year's taxable income exceeds that of its base year; and
- the bank satisfies prescribed conditions.

Taxable income	Rate of income tax
Up to MUR 1.5bn	5%
Exceeding MUR 1.5bn up to amount equivalent to the taxable income of the base year	15%
Amount exceeding taxable income of base year	5%

As per Income tax Act, 'base year' refer to taxable profit of year of assessment 2017/18, that is, financial year ended 30 June 2017. The bank has complied with the prescribed conditions for the year under review and has applied the graduated tax rate.

The Bank is being subject to tax review for the year of assessment 2014 and 2015 and the tax assessment is still ongoing with the regulators.

The income tax rate applicable for 2019 and 2018 was 15%.

Up to 30 June 2019, the Bank, was entitled to a tax credit equivalent to 80% of Mauritius tax payable in respect of its foreign source income (Segment B) thus reducing its maximum effective tax rate on segment B to 3%.

Income tax of the subsidaries is calculated at the rate of 15% (2019 and 2018: 15%)

Corporate Social Responsibility fund

The Corporate Social Responsibility ('CSR') was legislated by the Government of Mauritius in July 2009. In terms of the legislation, the Bank is required to allocate 2% of its chargeable income under Segment A ('Resident') of the preceding financial year to Government-approved CSR projects. Where the amount paid out of the CSR fund is less than the amount provided under the fund, the difference shall be remitted to the Mauritius Revenue Authority at the time of submission of the income tax return on the year under review.

Special levy

Special levy on banks was amended under the Finance Act 2018 and 2019 and is now governed under the VAT Act. Every bank shall in every year be liable to pay the taxation authorities a special levy calculated at 5.5% where leviable income is less than or equal to MUR 1.2bn or at 4.5% where leviable income is greater than MUR 1.2bn. Leviable income applies to banking transactions of Segment A and is defined as the sum of net interest income and other income before deduction of expenses as per VAT act.

As from 30 June 2019, special levy has been reclassified under other operating expenses. (Note 10).

Up to 30 June 2018, special levy was calculated at (a) 10% on chargeable income for Segment A ('Resident'); and (b) 3.4% of its book profit and 1% of its operating income for Segment B, derived during the previous year. Operating income means the sum of net interest income and other income before deductiing non-interest expense.

Total tax paid (including levy, APS ,CSR and tax assessment review) during the year ended 30 June 2020 was MUR 328.6m (2019: MUR 96.3m, 2018: MUR 230.5m).

11(a) Statements of financial position

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Corporate tax liability:						
Provision for the year	**139,890**	170,618	84,815	**139,890**	170,618	79,318
Overprovision in income tax in previous years	**-**	-	442	**-**	-	-
Tax paid under advance payment scheme	**(128,282)**	(63,408)	(93,800)	**(128,282)**	(59,312)	(91,054)
	11,608	107,210	(8,543)	**11,608**	111,306	(11,736)
CSR liability	**2,010**	1,040	1,754	**2,010**	810	1,448
Special levy	**-**	-	41,569	**-**	-	41,569
Current tax liabilities	**13,618**	108,250	34,780	**13,618**	112,116	31,281
Analysed as follows:						
Current tax liabilities	**13,618**	112,116	34,780	**13,618**	112,116	31,281
Current tax assets (included in other assets Note 22)	**-**	(3,866)	-	**-**	-	-
	13,618	108,250	34,780	**13,618**	112,116	31,281

11(b) Statements of profit or loss and other comprehensive income

The components of income tax expense for the years ended 30 June 2020, 2019 and 2018 are as follows:

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Current income tax	**139,890**	170,618	84,815	**139,890**	170,618	79,318
Overprovision in income tax in previous years	**425**	(1,053)	225	**425**	(311)	(850)
Amount paid under tax assessment review	**10,176**	-	-	**10,176**	-	-
Withholding tax	**2,541**	431	3,190	**2,541**	431	3,191
CSR expense	**15,856**	7,199	12,316	**15,856**	6,469	11,582
Special levy	**-**	-	41,569	**-**	-	41,569
Overprovision in deferred tax in previous years	**(394)**	34	(2,767)	**(393)**	31	(2,570)
Deferred tax movement (Note 11(d))	**(21,180)**	61,597	8,767	**(21,724)**	61,981	8,984
Tax expense for the year	**147,314**	238,826	148,115	**146,771**	239,219	141,224

11 TAXATION (CONTINUED)

11(c) Reconciliation of the total tax expense

A reconciliation between the tax expense and the accounting profit multiplied by the tax rate for the years ended 30 June 2020, 2019 and 2018 is as follows:

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Accounting profit before tax	**1,690,310**	1,866,798	910,977	**1,668,326**	1,824,002	907,678
Taxed at 7% (2019: 17% and 2018: 17%)	**118,322**	317,356	154,866	**116,783**	310,080	154,305
Deemed credit on Segment B profits	**-**	(247,039)	(142,555)	**-**	(247,039)	(142,555)
Over provision of deferred tax asset in prior years	**(394)**	34	(2,767)	**(393)**	31	(2,570)
Overprovision in income tax in previous years	**425**	(1,053)	225	**425**	(311)	(850)
Amount paid under tax assessment review	**10,176**	-	-	**10,176**	-	-
Non deductible expenses	**13,426**	57,753	10,252	**11,579**	63,658	1,666
Bad debt written off subject to tax	**8,710**	31,368	163,147	**8,710**	31,368	164,499
Non taxable income	**(6,470)**	(9,875)	(2,796)	**(3,628)**	(6,442)	(1,015)
Withholding tax	**2,541**	431	3,190	**2,541**	431	3,191
CSR adjustment	**(6,414)**	(8,521)	5,080	**(6,437)**	(9,333)	5,080
Tax rate differential	**6,992**	98,372	(82,096)	**7,015**	96,776	(82,096)
Special levy	**-**	-	41,569	**-**	-	41,569
Tax expense	**147,314**	238,826	148,115	**146,771**	239,219	141,224

The applicable tax rate used for the above is on the basis that the majority of taxable income is being taxed at income tax rate of 5%.

Prior to 30 June 2020, deferred tax was calculated on all temporary differences under the liability method at the rate of 17% for Segment A and 3% for Segment B. Following the enactment of the new tax rates in August 2018, deferred tax is calculated at the rate of 7% for Segment A and 5% for Segment B.

11(d) Deferred tax

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
At 1 July	**(101,664)**	(141,747)	(146,928)	**(100,953)**	(141,462)	(147,057)
Effect of adoption of IFRS 9	**-**	(21,122)	-	**-**	(21,122)	-
At 1 July	**(101,664)**	(162,869)	(146,928)	**(100,953)**	(162,584)	(147,057)
Charge to profit or loss:						
Overprovision in deferred tax in previous years (Note 11 (b))	**(394)**	34	(2,767)	**(393)**	31	(2,570)
Movement for the year	**(21,180)**	61,597	8,767	**(21,724)**	61,981	8,984
Charge to other comprehensive income:						
Movement for the year	**(1,268)**	(426)	(819)	**(1,318)**	(381)	(819)
At 30 June	**(124,506)**	(101,664)	(141,747)	**(124,388)**	(100,953)	(141,462)
Analysed as follows:						
Deferred tax liabilities	**-**	-	-	**-**	-	-
Deferred tax assets	**(124,506)**	(101,664)	(141,747)	**(124,388)**	(100,953)	(141,462)
Deferred tax liabilities	**(124,506)**	(101,664)	(141,747)	**(124,388)**	(100,953)	(141,462)

THE GROUP

	At 1 July 2018	Charge/ (credit) to profit or loss	Charge/ (credit) to OCI	At 30 June 2018	Charge to retained earnings	Charge/ (credit) to profit or loss	Charge/ (credit) to OCI	At 30 June 2019	Charge/ (credit) to profit or loss	Charge/ (credit) to OCI	At 30 June 2020
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Deferred tax assets											
Impairment losses on loans and advances to banks and customers	(144,755)	2,737	-	(142,018)	(18,096)	53,852	-	(106,262)	(24,834)	-	(131,096)
Other temporary differences	-	(285)	-	(285)	-	(253)	-	(538)	(31)	-	(569)
Impairment loss on bond and other financial assets	(10,994)	(408)	-	(11,402)	(3,026)	8,438	-	(5,990)	5,017	-	(973)
Retirement benefit obligations	(1,817)	(303)	(819)	(2,939)	-	(480)	(426)	(3,845)	(293)	(1,268)	(5,406)
	(157,566)	1,741	(819)	(156,644)	(21,122)	61,557	(426)	(116,635)	(20,141)	(1,268)	(138,044)
Deferred tax liability											
Accelerated capital allowances	10,638	4,259	-	14,897	-	74	-	14,971	(1,433)	-	13,538
	(146,928)	6,000	(819)	(141,747)	(21,122)	61,631	(426)	(101,664)	(21,574)	(1,268)	(124,506)

THE BANK

	At 1 July 2018	Charge/ (credit) to profit or loss	Charge/ (credit) to OCI	At 30 June 2018	Charge to retained earnings	Charge/ (credit) to profit or loss	Charge/ (credit) to OCI	At 30 June 2019	Charge/ (credit) to profit or loss	Charge/ (credit) to OCI	At 30 June 2020
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Deferred tax assets											
Impairment losses on loans and advances to banks and customers	(144,755)	2,737	-	(142,018)	(18,096)	53,852	-	(106,262)	(24,834)	-	(131,096)
Impairment loss on bond and other financial assets	(10,994)	(408)	-	(11,402)	(3,026)	8,438	-	(5,990)	5,017	-	(973)
Retirement benefit obligations	(1,817)	(303)	(819)	(2,939)	-	(392)	(381)	(3,712)	(867)	(1,318)	(5,897)
	(157,566)	2,026	(819)	(156,359)	(21,122)	61,898	(381)	(115,964)	(20,684)	(1,318)	(137,966)
Deferred tax liability											
Accelerated capital allowances	10,509	4,388	-	14,897	-	114	-	15,011	(1,433)	-	13,578
	(147,057)	6,414	(819)	(141,462)	(21,122)	62,012	(381)	(100,953)	(22,117)	(1,318)	(124,388)

12 DIVIDENDS

	THE GROUP AND THE BANK		
	2020	2019	2018
	MUR'000	MUR'000	MUR'000
Dividends on Ordinary shares:			
Dividend paid	**429,313**	186,412	160,185
Dividends on Class A shares - Series 1 & Series 2:			
Dividend paid	**147,371**	147,096	139,974
Total dividends	**576,684**	333,508	300,159

Ordinary Shares
During the year ended 30 June 2020, the Directors proposed that a dividend of MUR 3.80 (2019: MUR 1.65, 2018: MUR 1.50) per share be paid to the holders of Ordinary shares with respect to the year ended 30 June 2019. The Board of Directors approved the dividend on 19 September 2019 and it was paid in November 2019. Total dividend paid is MUR 429M (2019: MUR 186M; 2018: MUR 160M).

Class A Shares
During the year ended 30 June 2020, the Directors proposed that an interim dividend of MUR 19.26 per share be paid to the holders of Class A shares Series 1 and MUR 4.40 per share to be paid to the holders of Class A shares series 2. The Board of directors approved the dividends on 6 February 2020 and these were paid in March 2020. The total amount paid were MUR 73m.

In relation to the year ended 30 June 2019, the Board proposed a final dividend of MUR 19.26 per share to the holders of Class A shares Series 1 and MUR 4.39 per share to be paid to the holders of Class A shares Series 2. The Board of directors approved the dividends on 19 September 2019 and these were paid in November 2019. The total amount paid were MUR 74m.

The dividend paid in 2019 and 2018 were MUR 38.15 and MUR 33.27 per share to the holders of Class A shares Series 1 and MUR 8.85 and MUR 9.18 per share to the holders of Class A shares series 2 and amounted to MUR 147m and MUR 140m respectively.

13 CASH AND CASH EQUIVALENTS

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Cash in hand	**40,108**	42,087	30,086	**40,108**	42,087	30,086
Unrestricted balances with the Central Bank (Note 1)	**8,500,527**	3,988,536	1,490,484	**8,500,527**	3,988,536	1,490,484
Short term placements with other banks	**39,092,753**	33,808,173	30,172,195	**39,092,753**	33,808,173	30,172,195
Short term placements with the Central Bank	**281,945**	-	-	**281,945**	-	-
Current accounts with other banks	**21,124,814**	12,887,788	18,412,311	**21,120,088**	12,886,142	18,281,882
	69,040,147	50,726,584	50,105,076	**69,035,421**	50,724,938	49,974,647
Less: allowance for impairment losses	**(3,172)**	(25,946)	-	**(3,172)**	(25,946)	-
	69,036,975	50,700,638	50,105,076	**69,032,249**	50,698,992	49,974,647

Cash and cash equivalents' include notes and coins on hand, unrestricted balances held with Central Bank and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group and the Bank in the management of its short-term commitments

Note 1: Unrestricted balances with the Central Bank represent amounts above the minimum cash reserve requirement.

Allowance for impairment losses

The balances were classified in stage 1 and 12-month ECL was calculated hereon at 30 June 2020 and 2019.

	THE GROUP AND THE BANK	
	2020	2019
	MUR'000	MUR'000
Loss allowance as at 01 July	25,946	-
- Effect of adopting IFRS 9	-	50,395
Loss allowance as at 01 July (as restated)	25,946	50,395
Movement in ECL during the year	(22,774)	(24,449)
Loss allowance as at 30 June	3,172	25,946

14 DUE FROM BANKS

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
At amortised cost:						
Short term collateralised placements	**7,039,627**	4,844,692	-	**7,039,627**	4,844,692	-
Medium term collateralized placements	**-**	1,781,279	3,489,079	**-**	1,781,279	3,489,079
Medium term placements with the Central Bank	**507,262**	1,009,464	1,675,663	**507,262**	1,009,464	1,675,663
Long term placements with Central Bank	**-**	507,181	-	**-**	507,181	-
Medium term placements with other banks	**3,590,726**	4,829,200	-	**3,590,726**	4,829,200	-
	11,137,615	12,971,816	5,164,742	**11,137,615**	12,971,816	5,164,742
Less: allowance for impairment losses	**(4,877)**	(3,886)	-	**(4,877)**	(3,886)	-
	11,132,738	12,967,930	5,164,742	**11,132,738**	12,967,930	5,164,742

The collateralised placements relate to reverse repurchase agreement (Repo) with local banks, with government securities held as collateral. The fair value of the collateral at 30 June 2020 was MUR 10.9bn (2019: MUR 9.4bn, 2018: MUR 5.6bn).

THE GROUP AND THE BANK

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's external credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

The financial assets were classified in Stage 1 and 12 month ECL was calculated hereon at 30 June 2020 and 2019.

	THE GROUP AND THE BANK	
	2020	2019
External rating grade	**MUR'000**	MUR'000
Performing:		
Credit rating AAA	**507,262**	1,516,644
Credit rating AA+ to AA-	**-**	1,069,659
Credit rating A+ to A-	**985,804**	712,354
Credit rating BBB+ to BBB-	**2,012,429**	8,955,768
Credit rating BB+ to BB-	**6,829,589**	717,391
Credit rating B+ to B-	**802,531**	-
Total gross carrying amount	**11,137,615**	12,971,816
Loss allowance	**(4,877)**	(3,886)
Carrying amount at 30 June	**11,132,738**	12,967,930

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	2020	2019
	MUR'000	MUR'000
Gross carrying amount at 01 July	**12,971,816**	5,164,742
New financial assets originated	**11,137,616**	12,971,817
Financial assets that have been repaid	**(12,971,817)**	(5,164,743)
Gross carrying amount at 30 June	**11,137,615**	12,971,816

	2020	2019
Allowance for impairment losses	**MUR'000**	MUR'000
Loss allowance as at 01 July	**3,886**	-
- Effect of adopting IFRS 9	**-**	226
Loss allowance as at 01 July	**3,886**	226
New financial assets originated	**4,877**	3,886
Financial assets that have been repaid	**(3,886)**	(226)
Loss allowance as at 30 June	**4,877**	3,886

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15 DERIVATIVE FINANCIAL INSTRUMENTS

(a) THE GROUP

	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	2020	2020	2019	**2019**	2018	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Foreign exchange option contracts	**2,062**	(1,759)	8,361	**(7,945)**	11,815	(11,392)
Foreign exchange contracts	**125,451**	(7,706)	84,052	**(42,050)**	196,675	(52,990)
Cross currency interest rate swap	**97,580**	-	-	**-**	-	-
Interest rate swap	**3,906**	(4,741)	-	**-**	-	-
	92,962	(92,962)	-	**-**	-	-
Option Linked Notes	**-**	-	-	**-**	85,625	(85,625)
Index Linked Notes	**-**	-	652,182	**(652,182)**	602,937	(602,937)
	321,961	(107,168)	744,595	**(702,177)**	897,052	(752,944)

The Index linked notes represented investments made on behalf of clients in 2019. During the current year, all these investments have been transferred to the respective client accounts.

(b) THE BANK

	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	2020	**2020**	2019	2019	2018	2018
	MUR'000	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000
Foreign exchange option contracts	**2,062**	**(1,759)**	8,361	(7,945)	11,815	(11,392)
Foreign exchange contracts	**125,451**	**(7,706)**	84,052	(42,050)	196,675	(52,990)
Cross currency interest rate swap	**97,580**	**-**	-	-	-	-
Interest rate swaps	**3,906**	**(4,741)**	-	-	-	-
Options contracts	**92,962**	**(92,962)**	-	-	-	-
	321,961	**(107,168)**	92,413	(49,995)	208,490	(64,382)

The Group and the Bank have positions in the following types of derivatives:

Forward contracts
Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forward are customised contracts transacted in the over-the-counter market.

Spot Position
The current balance on spot position account reflect the bought/sold amounts (FX deals) in original currencies and equivalent amounts corresponding to the prevaling FX spot 'Accounting' rate as of the settlement date.

Swaps
Swaps are derivatives in which two counterparties exchange cash flows of one party's financial instrument for those of the other party's financial instrument. The benefits in question depend on the type of financial instruments involved.

Option contracts
Option contracts give the buyer the right, but not the obligation, to buy (in the case of a call) or sell (in the case of a put) the underlying asset at a specific price on or before a certain date.

Option Linked Notes
Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. These options do not bear any downside risk as the Group will not exercise the options should these prove unfavourable to the Group.

Index linked notes
Index linked notes are investment products that combine a fixed income investment with additional potential returns that are tied to the performance of equities. Equity linked notes are usually structured to return the initial investment with a variable interest portion that depends on the performance of the linked equity.

16(a) LOANS AND ADVANCES TO BANKS

	THE GROUP AND THE BANK		
	2020	2019	2018
	MUR'000	MUR'000	MUR'000
Banks:			
Segment A	**1,002,583**	-	-
Segment B	**4,255,014**	6,034,226	5,827,242
Gross core loans and advances to banks	**5,257,597**	6,034,226	5,827,242
Less: allowance for impairment losses	**(11,670)**	(15,178)	(58,013)
	5,245,927	6,019,048	5,769,229

All the loans and advances to banks are classified in stage 1 and 12 months ECL calculated thereon as from 2019.

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's external credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

External rating grade	THE GROUP AND THE BANK	
	2020	2019
	MUR'000	MUR'000
Performing:		
Credit rating A+ to A-	**321,758**	1,521,469
Credit rating BBB+ to BBB-	**1,404,181**	2,763,402
Credit rating BB+ to BB-	**3,328,236**	1,425,850
Credit rating B+ to B-	**203,422**	323,505
Total gross carrying amount	**5,257,597**	6,034,226
Loss allowance	**(11,670)**	(15,178)
Carrying amount	**5,245,927**	6,019,048

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

Gross carrying amount	THE GROUP AND THE BANK	
	2020	2019
	MUR'000	MUR'000
Gross carrying amount at 01 July	**6,034,226**	5,827,242
New financial assets originated	**2,130,461**	3,455,025
Financial assets that have been repaid	**(2,918,440)**	(2,794,423)
Financial assets that have been derecognised	**-**	(514,200)
Other movements	**11,350**	60,582
Gross carrying amount at 30 June	**5,257,597**	6,034,226

Allowance for impairment losses	THE GROUP AND THE BANK	
	2020	2019
	MUR'000	MUR'000
Loss allowance at 01 July	**15,178**	58,013
- Effect of adopting IFRS 9	**-**	(35,258)
Loss allowance as at 01 July	**15,178**	22,755
Financial assets that have been derecognised	**-**	(4,915)
New financial assets originated	**5,333**	4,748
Financial assets that have been repaid	**(9,585)**	(12,079)
Other movements	**744**	4,669
Loss allowance as at 30 June	**11,670**	15,178

16(b) LOANS AND ADVANCES TO CUSTOMERS

	THE GROUP AND THE BANK		
	2020	2019	2018
	MUR'000	MUR'000	MUR'000
Retail and personal	**2,297,051**	1,460,455	1,147,945
Business	**10,173,536**	9,434,693	8,933,679
Government and parastatal bodies	**386,062**	992,546	1,160,169
Entities outside Mauritius	**12,501,874**	12,065,223	12,139,078
Credit cards	**75,282**	109,796	132,324
Gross loans and advances to customers	**25,433,805**	24,062,713	23,513,195
Less: allowance for impairment losses	**(2,389,883)**	(1,912,517)	(1,215,941)
	23,043,922	22,150,196	22,297,254

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	THE GROUP AND THE BANK			
	2020			
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Performing:				
Credit rating AAA	**444,346**	**-**	**-**	**444,346**
Credit rating AA+ to AA-	**3,109,194**	**83,667**	**-**	**3,192,861**
Credit rating A+ to A-	**12,782,569**	**50,749**	**-**	**12,833,318**
Credit rating BBB+ to BBB-	**4,853,103**	**290,918**	**-**	**5,144,021**
Credit rating BB+ to BB-	**699,862**	**26,734**	**-**	**726,596**
Credit rating B+ to B-	**239,199**	**6,679**	**-**	**245,878**
Credit rating CCC+ to C	**-**	**17,457**	**-**	**17,457**
Non performing:				
Credit rating D	**-**	**-**	**2,829,328**	**2,829,328**
Total gross carrying amount	**22,128,273**	**476,204**	**2,829,328**	**25,433,805**
Loss allowance	**(151,766)**	**(15,745)**	**(2,222,372)**	**(2,389,883)**
Carrying amount at 30 June	**21,976,507**	**460,459**	**606,956**	**23,043,922**

	THE GROUP AND THE BANK			
	2019			
Internal rating grade	Stage 1	Stage 2	Stage 3	Total
	MUR'000	MUR'000	MUR'000	MUR'000
Performing:				
Credit rating AAA	63,306	-	-	63,306
Credit rating AA+ to AA-	947,278	-	-	947,278
Credit rating A+ to A-	13,099,640	-	-	13,099,640
Credit rating BBB+ to BBB-	4,647,832	-	-	4,647,832
Credit rating BB+ to BB-	1,665,110	-	-	1,665,110
Credit rating B+ to B-	279,795	-	-	279,795
Credit rating CCC+ to C	-	1,117,417	-	1,117,417
Non performing:				
Credit rating D	-	-	2,242,335	2,242,335
Total gross carrying amount	20,702,961	1,117,417	2,242,335	24,062,713
Loss allowance	(120,351)	(226,360)	(1,565,806)	(1,912,517)
Carrying amount at 30 June 2019	20,582,610	891,057	676,529	22,150,196

16(b) LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	THE GROUP AND THE BANK			
	2020			
Gross carrying amount	**Stage 1**	**Stage 2**	**Stage 3**	
	12-months ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Gross carrying amount at 01 July	**20,702,962**	**1,117,415**	**2,242,336**	**24,062,713**
Changes in the gross carrying amount				
Transfer to stage 1	**20,382**	**(8,280)**	**(12,102)**	**-**
Transfer to stage 2	**(268,182)**	**300,663**	**(32,481)**	**-**
Transfer to stage 3	**(766,067)**	**(357,015)**	**1,123,082**	**-**
New financial assets originated	**9,413,781**	**218,772**	**59,100**	**9,691,653**
Financial assets that have been repaid	**(7,305,655)**	**(28,030)**	**(271,977)**	**(7,605,662)**
Financial assets that have been derecognised	**-**	**(708,726)**	**-**	**(708,726)**
Write-offs	**-**	**-**	**(506,314)**	**(506,314)**
Other movements	**331,052**	**(58,595)**	**227,684**	**500,141**
Gross carrying amount at 30 June	**22,128,273**	**476,204**	**2,829,328**	**25,433,805**

	THE GROUP AND THE BANK			
	2019			
Gross carrying amount	Stage 1	Stage 2	Stage 3	
	12-months ECL	Lifetime ECL	Lifetime ECL	Total
	MUR'000	MUR'000	MUR'000	MUR'000
Gross carrying amount at 01 July 2018	18,901,352	2,815,420	1,796,423	23,513,195
Changes in the gross carrying amount				
Transfer to stage 1	149,260	(128,110)	(21,150)	-
Transfer to stage 2	(486,171)	486,173	(2)	-
Transfer to stage 3	(240,702)	(1,030,318)	1,271,020	-
New financial assets originated	11,821,407	4,700	17,233	11,843,340
Financial assets that have been repaid	(8,524,383)	(590,152)	(533,458)	(9,647,993)
Financial assets that have been derecognised	-	(310,091)	-	(310,091)
Write-offs	-	-	(213,662)	(213,662)
Other movements	(917,801)	(130,207)	(74,068)	(1,122,076)
Gross carrying amount at 30 June 2019	20,702,962	1,117,415	2,242,336	24,062,713

16(b) LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

	THE GROUP AND THE BANK			
	2020			
	Stage 1	Stage 2	Stage 3	
Allowance for impairment losses	12-months ECL	Lifetime ECL	Lifetime ECL	Total
	MUR'000	MUR'000	MUR'000	MUR'000
Loss allowance as at 01 July	120,351	226,360	1,565,806	1,912,517
Changes in the loss allowance				
Transfer to stage 1	4,028	(440)	(3,588)	-
Transfer to stage 2	(2,115)	3,952	(1,837)	-
Transfer to stage 3	(702)	(76,060)	76,762	-
Financial assets that have been derecognised	-	(139,932)	-	(139,932)
Write-offs	-	-	(506,314)	(506,314)
Net remeasurement of loss allowance	(3,965)	2,909	888,644	887,588
New financial assets originated	38,284	2,976	44,003	85,263
Financial assets that have been repaid	(38,741)	(392)	(78,051)	(117,184)
Other movements	34,626	(3,628)	236,947	267,945
Loss allowance as at 30 June	151,766	15,745	2,222,372	2,389,883

	THE GROUP AND THE BANK			
	2019			
	Stage 1	Stage 2	Stage 3	
Allowance for impairment losses	12-months ECL	Lifetime ECL	Lifetime ECL	Total
	MUR'000	MUR'000	MUR'000	MUR'000
Loss allowance as at 01 July 2018	306,304	-	909,637	1,215,941
- Effect of adopting IFRS 9	(147,203)	565,679	-	418,476
Loss allowance as at 01 July 2018 (as restated)	159,101	565,679	909,637	1,634,417
Changes in the loss allowance				
Transfer to stage 1	26,348	(4,752)	(21,596)	-
Transfer to stage 2	(1,576)	1,578	(2)	-
Transfer to stage 3	(1,027)	(220,518)	221,545	-
Financial assets that have been derecognised	-	(142,023)	-	(142,023)
Write-offs	-	-	(192,203)	(192,203)
Net remeasurement of loss allowance	(64,666)	79,059	665,767	680,160
New financial assets originated	60,180	83	3,964	64,227
Financial assets that have been repaid	(47,311)	(33,028)	(202,904)	(283,243)
Other movements	(10,698)	(19,718)	181,598	151,182
Loss allowance as at 30 June 2019	120,351	226,360	1,565,806	1,912,517

Allowance for impairment losses include both capital and interest on non-performing loans. Interest provision amounts to MUR 250m at 30 June 2020 (2019: MUR 296m, 2018: MUR 341m) on non-performing loans which are in arrears for more than 90 days (included in stage 3).

The interest suspensed for the year ended 30 June 2020 amounts to MUR 67.7m (2019: MUR 54.7m and 2018: MUR 93.1m).

Revaluation adjustments on ECL have been accounted under ' Net gain from foreign exchange and derivatives'.

16(b) LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The following is a reconciliation of the allowance for impairment losses for loans and advances at 30 June 2018:

	THE GROUP AND THE BANK		
	Specific impairment	Collective impairment	Total
	MUR'000	MUR'000	MUR'000
At 1 July 2017	1,409,713	294,569	1,704,282
Amount written off against allowance	(1,364,156)	-	(1,364,156)
Charge for the year	864,080	11,735	875,815
At 30 June 2018	909,637	306,304	1,215,941

17 INVESTMENT SECURITIES

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Financial assets mandatorily measured at fair value through profit or loss (Note 17(a))	**2,046,878**	5,715,984	3,855,950	**2,042,480**	4,843,845	2,958,296
Debt instruments measured at fair value through other comprehensive income (Note 17(b))	**-**	3,571,880	4,055,941	**-**	3,571,880	4,055,941
Debt instruments measured at amortised cost (Note 17(c))	**46,612,747**	36,884,143	27,360,177	**46,612,747**	36,884,143	27,360,177
Equity Investments designated at fair value through other comprehensive income (Note 17(d))	**36,940**	31,945	18,559	**9,673**	8,303	-
	48,696,565	46,203,952	35,290,627	**48,664,900**	45,308,171	34,374,414

(a) FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Trading assets:						
Government of Mauritius debt securities	**850,043**	1,416,463	1,749,284	**850,043**	1,416,463	1,749,284
Bank of Mauritius bonds and notes	**920,011**	3,427,026	1,209,012	**920,011**	3,427,026	1,209,012
Unquoted equity investments	**4,398**	58,356	203,247	**-**	-	-
Quoted equity investments	**-**	813,783	694,407	**-**	-	-
Foreign Securities: Corporate bonds and notes	**272,426**	356	-	**272,426**	356	-
	2,046,878	5,715,984	3,855,950	**2,042,480**	4,843,845	2,958,296

The 2018 comparative figures were presented as financial investments held for trading under the previous standard.

(b) DEBT INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Government of Mauritius debt securities	**-**	-	119,091	**-**	-	119,091
Bank of Mauritius bonds and notes	**-**	-	451,389	**-**	-	451,389
Foreign Securities treasury bills and bonds	**-**	3,571,880	3,485,461	**-**	3,571,880	3,485,461
	-	3,571,880	4,055,941	**-**	3,571,880	4,055,941

The 2018 comparative figures were presented as available for sale financial investments under the previous standard.

No loss allowance is recognised in the statement of financial position for debt instruments measured at FVTOCI as the carrying amount is at fair value.

17 INVESTMENT SECURITIES (CONTINUED)

(b) DEBT INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The balances were classified in stage 1 and 12month ECL was calculated hereon.

External rating grade	THE GROUP AND THE BANK	
	2020	2019
	MUR'000	MUR'000
Performing:		
Credit rating A+ to A-	**-**	3,571,880
Carrying amount	**-**	3,571,880
Loss allowance	**-**	(1,074)
Carrying amount at 30 June	**-**	3,570,806

An analysis of changes in the carrying amount and the corresponding ECLs is, as follows:

Carrying amount	THE GROUP AND THE BANK	
	2020	2019
	MUR'000	MUR'000
Carrying amount at 01 July	**3,571,880**	4,055,941
Financial assets that have been repaid	**(3,569,000)**	(570,480)
Other movements	**-**	83,845
Fair value movement	**(2,880)**	2,574
Carrying amount at 30 June	**-**	3,571,880

Allowance for impairment loss	THE GROUP AND THE BANK	
	2020	2019
	MUR'000	MUR'000
Loss allowance at 01 July	**1,074**	-
- Effect of adopting IFRS 9	**-**	547
Loss allowance as at 01 July	**1,074**	547
Financial assets that have been repaid	**(1,074)**	(77)
Other movements	**-**	604
Loss allowance as at 30 June	**-**	1,074

(c) DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	THE GROUP AND THE BANK		
	2020	2019	2018
	MUR'000	MUR'000	MUR'000
Government of Mauritius treasury bills and bonds	**12,250,207**	7,291,728	6,116,458
Bank of Mauritius bonds and notes	**2,279,722**	5,056,172	2,246,969
Corporate debt securities and bonds	**2,370,619**	1,792,723	812,251
Foreign Securities treasury bills and bonds	**29,719,992**	22,751,899	18,184,499
	46,620,540	36,892,522	27,360,177
Less: allowance for impairment losses	**(7,793)**	(8,379)	-
	46,612,747	36,884,143	27,360,177

The 2018 comparative figures were presented as financial assets held to maturity under the previous standard.

17 INVESTMENT SECURITIES (CONTINUED)

(c) DEBT INSTRUMENTS MEASURED AT AMORTISED COST (CONTINUED)

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's external rating system and year-end stage classification. The balances were classified in stage 1 and 12-month ECL was calculated hereon. The amounts presented are gross of impairment allowances.

External rating grade	THE GROUP AND THE BANK	
Performing:	**2020**	2019
	MUR'000	MUR'000
Credit rating AAA	**37,518,100**	28,837,100
Credit rating AA+ to AA-	**3,152,204**	3,846,157
Credit rating A+ to A-	**3,579,616**	2,416,542
Credit rating BBB+ to BBB-	**100,025**	-
Credit rating BB+ to BB-	**2,270,595**	1,792,723
Total gross carrying amount	**46,620,540**	36,892,522
Loss allowance	**(7,793)**	(8,379)
Carrying amount at 30 June	**46,612,747**	36,884,143

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

Gross carrying amount	THE GROUP AND THE BANK	
	2020	2019
	MUR'000	MUR'000
Gross carrying amount at 01 July	**36,892,522**	27,360,177
New financial assets originated	**36,825,566**	25,605,260
Financial assets that have been repaid	**(26,742,405)**	(16,047,518)
Financial assets that have been derecognised	**(595,253)**	(89,762)
Other movements	**240,110**	64,365
Gross carrying amount at 30 June	**46,620,540**	36,892,522

An analysis of the movement of the loss allowance is as follows:

Allowance for impairment losses	THE GROUP AND THE BANK	
	2020	2019
	MUR'000	MUR'000
Loss allowance at 01 July	**8,379**	-
- Effect of adopting IFRS 9	**-**	6,029
Loss allowance as at 01 July	**8,379**	6,029
New financial assets originated	**3,403**	6,284
Financial assets that have been repaid	**(3,135)**	(2,980)
Financial assets that have been derecognised	**-**	(45)
Other movements	**(854)**	(909)
Loss allowance as at 30 June	**7,793**	8,379

17 INVESTMENT SECURITIES (CONTINUED)

(d) EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Equity securities:						
At 01 July	**31,945**	18,559	18,559	**8,303**	-	-
Reclassification from other assets	**-**	7,181	-	**-**	7,181	-
Fair value movement	**4,995**	6,205	-	**1,370**	1,122	-
At 30 June	**36,940**	31,945	18,559	**9,673**	8,303	-

Prior to 2019, these investments were classified as available for sale investment and measured at cost. The investments are expected to be held for the long term for strategic purposes and have been designated at FVTOCI. There was no disposal during the year. No dividend income was recognised on these investments during the year under review (2019 and 2018: Nil).

18 (a) INVESTMENT IN SUBSIDIARY

	THE BANK		
	2020	2019	2018
	MUR'000	MUR'000	MUR'000
Cost			
At 01 July	**-**	189,563	189,563
Impairment loss recognised	**-**	(189,563)	-
Addition	**38,277**	-	-
Less Asset held for distribution (Note 18(b))	**(38,277)**	-	-
At 30 June	**-**	-	189,563

During the year, all shares of AfrAsia Capital Management Ltd ("ACML") held by AfrAsia Investments Limited ("AIL") were acquired by AfrAsia Bank Limited ("ABL") for a consideration of MUR 38,276,797. The directors are of the opinion that the investment is not impaired at 30 June 2020.
The directors are of the opinion that the investment in AIL is fully impaired at 30 June 2020 as the subsidiary has accumulated losses and a shareholder's deficit.

The details of the direct and indirect subsidiaries are as follows:

	Country of Incorporation	Class of Shares	Effective % Holdings		
			2020	2019	2018
			%	%	%
Direct subsidiaries					
AfrAsia Investments Limited	**Mauritius**	Ordinary	**100**	100	100
AfrAsia Capital Management Ltd	**Mauritius**	Ordinary	**100**	-	-
Indirect subsidiary					
AfrAsia Capital Management Ltd	**Mauritius**	Ordinary	**-**	100	100

18 (b) ASSET HELD FOR DISTRIBUTION

The asset held for sale pertain to the propose distribution of the shares of ACML as dividend in specie subsequent to 30 June 2020. Refer to Note 39 - Events after reporting date for more information.

19 PROPERTY AND EQUIPMENT

(a) THE GROUP

	Improvement to buildings	Furniture and fittings	Office equipment	Motor vehicles	Computer equipment	Assets in progress	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
COST							
At 1 July 2017	43,070	72,630	12,824	12,549	83,028	25,001	249,102
Additions for the year	12,198	1,442	2,974	-	13,873	14,634	45,121
Adjustment	1	103	16	-	141	-	261
Capitalisation of assets in progress	4,511	13,163	127	-	7,200	(25,001)	-
Disposal for the year	-	-	-	(671)	-	-	(671)
Assets written off	(2,046)	(5,586)	(1,015)	-	(3,736)	-	(12,383)
At 30 June 2018	57,734	81,752	14,926	11,878	100,506	14,634	281,430
At 1 July 2018	57,734	81,752	14,926	11,878	100,506	14,634	281,430
Additions for the year	602	292	1,916	-	8,803	22,208	33,821
Capitalisation of assets in progress	602	53	182	-	13,688	(14,525)	-
Assets written off	-	(417)	(676)	-	(2,283)	-	(3,376)
At 30 June 2019	58,938	81,680	16,348	11,878	120,714	22,317	311,875
At 1 July 2019	**58,938**	**81,680**	**16,348**	**11,878**	**120,714**	**22,317**	**311,875**
Additions for the year	**-**	**4,481**	**1,647**	**2,800**	**14,384**	**579**	**23,891**
Capitalisation of assets in progress	**527**	**683**	**141**	**-**	**8,923**	**(10,274)**	**-**
Disposal	**-**	**-**	**-**	**(8,965)**	**-**	**-**	**(8,965)**
Reclassification of assets	**-**	**-**	**(2)**	**-**	**2**	**-**	**-**
Assets written off	**-**	**-**	**(136)**	**-**	**(451)**	**-**	**(587)**
Recognised to expense	**-**	**-**	**-**	**-**	**-**	**(32)**	**(32)**
At 30 June 2020	**59,465**	**86,844**	**17,998**	**5,713**	**143,572**	**12,590**	**326,182**
ACCUMULATED DEPRECIATION							
At 1 July 2017	10,464	17,435	6,881	3,692	21,343	-	59,815
Adjustment	-	102	13	-	134		249
Charge for the year	5,170	7,483	2,282	1,792	18,881	-	35,608
Assets written off	(905)	(2,076)	(566)	-	(2,309)	-	(5,856)
Disposal for the year	-	-	-	(671)	-	-	(671)
At 30 June 2018	14,729	22,944	8,610	4,813	38,049	-	89,145
At 1 July 2018	14,729	22,944	8,610	4,813	38,049	-	89,145
Charge for the year	5,293	7,175	2,213	1,789	21,256	-	37,726
Assets written off	-	(175)	(329)	-	(1,563)	-	(2,067)
At 30 June 2019	20,022	29,944	10,494	6,602	57,742	-	124,804
At 1 July 2019	**20,022**	**29,944**	**10,494**	**6,602**	**57,742**	**-**	**124,804**
Charge for the year	**5,343**	**7,486**	**2,148**	**821**	**20,355**	**-**	**36,153**
Disposal	**-**	**-**	**-**	**(5,589)**	**-**	**-**	**(5,589)**
Assets written off	**-**	**-**	**(69)**	**-**	**(312)**	**-**	**(381)**
Reclassification of assets	**-**	**-**	**7**	**-**	**(7)**	**-**	**-**
At 30 June 2020	**25,365**	**37,430**	**12,580**	**1,834**	**77,778**	**-**	**154,987**
CARRYING AMOUNT							
At 30 June 2020	**34,100**	**49,414**	**5,418**	**3,879**	**65,794**	**12,590**	**171,195**
At 30 June 2019	38,916	51,736	5,854	5,276	62,972	22,317	187,071
At 30 June 2018	43,005	58,808	6,316	7,065	62,457	14,634	192,285

The directors have reviewed the carrying amount of the Group's property and equipment and are of the opinion that no impairment is required at the reporting date (2019 and 2018: Nil)

19 PROPERTY AND EQUIPMENT (CONTINUED)

(b) THE BANK

	Improvement to buildings	Furniture and fittings	Office equipment	Motor vehicles	Computer equipment	Assets in progress	Total
COST	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
At 1 July 2017	43,219	70,611	14,783	8,800	82,126	25,001	244,540
Adjustment	1	103	16	-	141	-	261
Capitalisation of assets in progress	4,511	13,163	127	-	7,200	(25,001)	-
Additions for the year	12,198	1,442	2,974	-	13,222	14,634	44,470
Disposal for the year	-	-	-	(671)	-	-	(671)
Assets written off	(2,046)	(5,586)	(1,015)	-	(3,736)	-	(12,383)
At 30 June 2018	57,883	79,733	16,885	8,129	98,953	14,634	276,217
At 1 July 2018	57,883	79,733	16,885	8,129	98,953	14,634	276,217
Additions for the year	602	283	1,916	-	8,482	22,208	33,491
Capitalisation of assets in progress	602	53	182	-	13,688	(14,525)	-
Assets written off	-	(417)	(676)	-	(2,283)	-	(3,376)
At 30 June 2019	59,087	79,652	18,307	8,129	118,840	22,317	306,332
At 1 July 2019	**59,087**	**79,652**	**18,307**	**8,129**	**118,840**	**22,317**	**306,332**
Additions for the year	**-**	**4,481**	**1,647**	**2,800**	**14,384**	**579**	**23,891**
Capitalisation of assets in progress	**527**	**683**	**141**	**-**	**8,923**	**(10,274)**	**-**
Reclassification of assets	**-**	**-**	**(2)**	**-**	**2**	**-**	**-**
Recognised to expense	**-**	**-**	**-**	**-**	**-**	**(32)**	**(32)**
Disposal	**-**	**-**	**-**	**(5,275)**	**-**	**-**	**(5,275)**
Assets written off	**-**	**-**	**(136)**	**-**	**(451)**	**-**	**(587)**
	59,614	**84,816**	**19,957**	**5,654**	**141,698**	**12,590**	**324,329**
ACCUMULATED DEPRECIATION							
At 1 July 2017	10,755	16,586	7,796	2,225	20,909	-	58,271
Adjustment	-	102	13	-	134	-	249
Charge for the year	5,170	7,404	2,282	1,045	18,469	-	34,370
Disposal for the year	-	-	-	(671)	-	-	(671)
Assets written off	(905)	(2,076)	(566)	-	(2,309)	-	(5,856)
At 30 June 2018	15,020	22,016	9,525	2,599	37,203	-	86,363
At 1 July 2018	15,020	22,016	9,525	2,599	37,203	-	86,363
Charge for the year	5,293	7,146	2,213	1,045	20,664	-	36,361
Assets written off	-	(175)	(329)	-	(1,563)	-	(2,067)
At 30 June 2019	20,313	28,987	11,409	3,644	56,304	-	120,657
At 1 July 2019	**20,313**	**28,987**	**11,409**	**3,644**	**56,304**	**-**	**120,657**
Charge for the year	**5,343**	**7,474**	**2,148**	**821**	**19,927**	**-**	**35,713**
Disposal	**-**	**-**	**-**	**(2,637)**	**-**	**-**	**(2,637)**
Assets written off	**-**	**-**	**(69)**	**-**	**(312)**	**-**	**(381)**
Reclassification of assets	**-**	**-**	**7**	**-**	**(7)**	**-**	**-**
At 30 June 2020	**25,656**	**36,461**	**13,495**	**1,828**	**75,912**	**-**	**153,352**
CARRYING AMOUNT							
At 30 June 2020	**33,958**	**48,355**	**6,462**	**3,826**	**65,786**	**12,590**	**170,977**
At 30 June 2019	38,774	50,665	6,898	4,485	62,536	22,317	185,675
At 30 June 2018	42,863	57,717	7,360	5,530	61,750	14,634	189,854

19 PROPERTY AND EQUIPMENT (CONTINUED)

(b) THE BANK (CONTINUED)

COST	Improvement to buildings MUR'000	Furniture and fittings MUR'000	Office equipment MUR'000	Motor vehicles MUR'000	Computer equipment MUR'000	Assets in progress MUR'000	Total MUR'000
NET BOOK VALUE AT 30 JUNE 2020							
SEGMENT A	15,426	21,966	2,935	1,738	29,884	5,719	77,668
SEGMENT B	18,532	26,389	3,527	2,088	35,902	6,871	93,309
	33,958	48,355	6,462	3,826	65,786	12,590	170,977
NET BOOK VALUE AT 30 JUNE 2019							
SEGMENT A	14,448	18,878	2,570	1,671	23,304	8,315	69,186
SEGMENT B	24,326	31,787	4,328	2,814	39,232	14,002	116,489
	38,774	50,665	6,898	4,485	62,536	22,317	185,675
NET BOOK VALUE AT 30 JUNE 2018							
SEGMENT A	12,430	16,738	2,134	1,604	17,907	4,244	55,057
SEGMENT B	30,433	40,979	5,226	3,926	43,843	10,390	134,797
	42,863	57,717	7,360	5,530	61,750	14,634	189,854

For the year ended 30 June 2020, an amount of MUR 0.6M (2019: MUR 3.4M) with respect to certain categories of assets have been written off due to damage.

For the year ended 30 June 2018, an amount of MUR 12.4M with respect to certain categories of assets have been written off due to existing structure and partitions were dismantled following renovations made.

The directors have reviewed the carrying amount of the Bank's property and equipment and are of the opinion that no impairment is required at the reporting date (2019 and 2018: Nil)

20 INTANGIBLE ASSETS

(a) THE GROUP

	Computer software	Banking software	Other	Assets in progress	Goodwill	Customer relations	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
COST							
At 1 July 2017	33,314	112,156	8,039	60,070	212,116	124,609	550,304
Additions	19,375	83,049	1,832	18,553	-	-	122,809
Capitalisation of assets in progress	1,822	26,415	1,308	(29,545)	-	-	-
Assets written off	-	-	(2,074)	-	-	-	(2,074)
At 30 June 2018	54,511	221,620	9,105	49,078	212,116	124,609	671,039
At 1 July 2018	54,511	221,620	9,105	49,078	212,116	124,609	671,039
Additions for the year	4,412	8,936	526	19,818	-	-	33,692
Capitalisation of assets in progress	18,755	10,763	-	(29,518)	-	-	-
Recognised to Expense	-	-	-	(1,293)	-	-	(1,293)
At 30 June 2019	77,678	241,319	9,631	38,085	212,116	124,609	703,438
At 1 July 2019	**77,678**	**241,319**	**9,631**	**38,085**	**212,116**	**124,609**	**703,438**
Additions for the year	**5,195**	**3,170**	**-**	**59,158**	**-**	**-**	**67,523**
Capitalisation of assets in progress	**1,056**	**10,235**	**-**	**(11,291)**	**-**	**-**	**-**
	83,929	**254,724**	**9,631**	**85,952**	**212,116**	**124,609**	**770,961**
ACCUMULATED AMORTISATION/IMPAIRMENT LOSS							
At 1 July 2017	15,601	37,110	4,969	-	77,213	80,917	215,810
Charge for the year	7,348	18,323	1,359	-	-	10,280	37,310
At 30 June 2018	22,949	55,433	6,328	-	77,213	91,197	253,120
At 1 July 2018	22,949	55,433	6,328	-	77,213	91,197	253,120
Charge for the year	11,958	25,291	1,353	-	-	33,412	72,014
Impairment loss	-	-	-	-	134,903	-	134,903
At 30 June 2019	34,907	80,724	7,681	-	212,116	124,609	460,037
At 1 July 2019	**34,907**	**80,724**	**7,681**	**-**	**212,116**	**124,609**	**460,037**
Charge for the year	**12,923**	**26,912**	**1,099**	**-**	**-**	**-**	**40,934**
At 30 June 2020	**47,830**	**107,636**	**8,780**	**-**	**212,116**	**124,609**	**500,971**
NET CARRYING AMOUNT							
At 30 June 2020	**36,099**	**147,088**	**851**	**85,952**	**-**	**-**	**269,990**
At 30 June 2019	42,771	160,595	1,950	38,085	-	-	243,401
At 30 June 2018	31,562	166,187	2,777	49,078	134,903	33,412	417,919

The directors have reviewed the carrying amount of the Group's intangible assets and are of the opinion that no impairment is required at the reporting date (2019 and 2018: Nil).

(a) CUSTOMER RELATIONS

Customer relations arising on acquisition of ACML represent that income stream that both investees are expected to generate based on the good relations that were previously developed and maintained with their customers. The customer relations were fully amortised during the year ended 30 June 2019.

(b) IMPAIRMENT TESTING OF GOODWILL

Goodwill generated on acquisition of ACML was fully impaired during the year ended 30 June 2019, as a result of the fall in the financial performance of ACML. The impairment review was based on a value-in-use calculation using cash flow projections from financial budgets reviewed by senior management covering a five year period. The discount rate used was 15.6% in 2019 and 12% in 2018.

20 INTANGIBLE ASSETS (CONTINUED)

(b) THE BANK

	Computer software	Banking software	Other	Assets in progress	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
COST					
At 1 July 2017	32,722	112,157	8,036	60,070	212,985
Additions for the year	19,375	83,049	1,832	18,553	122,809
Reclassification of assets in progress	1,822	26,415	1,308	(29,545)	-
Assets written off	-	-	(2,074)	-	(2,074)
At 30 June 2018	53,919	221,621	9,102	49,078	333,720
At 1 July 2018	53,919	221,621	9,102	49,078	333,720
Additions for the year	4,412	8,936	526	19,818	33,692
Capitalisation of assets in progress	18,755	10,763	-	(29,518)	-
Recognised to expense	-	-	-	(1,293)	(1,293)
At 30 June 2019	77,086	241,320	9,628	38,085	366,119
At 1 July 2019	**77,086**	**241,320**	**9,628**	**38,085**	**366,119**
Additions for the year	**5,111**	**3,170**	**-**	**59,158**	**67,439**
Capitalisation of assets in progress	**1,056**	**10,235**	**-**	**(11,291)**	**-**
At 30 June 2020	**83,253**	**254,725**	**9,628**	**85,952**	**433,558**
ACCUMULATED AMORTISATION/IMPAIRMENT LOSS					
At 1 July 2017	15,051	37,110	4,969	-	57,130
Charge for the year	7,323	18,323	1,359	-	27,005
At 30 June 2018	22,374	55,433	6,328	-	84,135
At 1 July 2018	22,374	55,433	6,328	-	84,135
Charge for the year	11,942	25,291	1,353	-	38,586
At 30 June 2019	34,316	80,724	7,681	-	122,721
At 1 July 2019	**34,316**	**80,724**	**7,681**	**-**	**122,721**
Charge for the year	**12,912**	**26,912**	**1,099**	**-**	**40,923**
At 30 June 2020	**47,228**	**107,636**	**8,780**	**-**	**163,644**
CARRYING AMOUNT					
At 30 June 2020	**36,025**	**147,089**	**848**	**85,952**	**269,914**
At 30 June 2019	42,770	160,596	1,947	38,085	243,398
At 30 June 2018	31,545	166,188	2,774	49,078	249,585
NET BOOK VALUE AS AT 30 JUNE 2020					
SEGMENT A	**16,366**	**66,816**	**385**	**39,044**	**122,611**
SEGMENT B	**19,659**	**80,273**	**463**	**46,908**	**147,303**
	36,025	**147,089**	**848**	**85,952**	**269,914**
NET BOOK VALUE AS AT 30 JUNE 2019					
SEGMENT A	15,937	59,842	725	14,191	90,695
SEGMENT B	26,833	100,754	1,222	23,894	152,703
	42,770	160,596	1,947	38,085	243,398
NET BOOK VALUE AS AT 30 JUNE 2018					
SEGMENT A	9,148	48,195	804	14,233	72,380
SEGMENT B	22,397	117,993	1,970	34,845	177,205
	31,545	166,188	2,774	49,078	249,585

The directors have reviewed the carrying amount of the Bank's intangible assets and are of the opinion that no impairment is required at the reporting date (2019 and 2018: Nil).

21. LEASE

The Group and the Bank lease building and the average lease term is 3 years. The Group and the Bank do not have the option to purchase the leased assets at the end of the lease term. The Group and the Bank's obligations are secured by the lessor's title to the leased assets for such leases.

RIGHT OF USE ASSETS	THE GROUP AND THE BANK
	2020
COST	**MUR'000**
At 01 July 2019	-
Effect of adopting IFRS 16	**92,766**
At 01 July 2019 (as restated)	**92,766**
Additions	**20,830**
At 30 June 2020	**113,596**
ACCUMULATED DEPRECIATION	
At 01 July 2019	-
Charge for the year	(33,579)
At 30 June 2020	(33,579)
CARRYING AMOUNT	
AT 30 June 2020	80,017

MUR 1.8m of the depreciation charge has been presented under personal expenses in the statements of profit or loss and other comprehensive income as it relates to staff benefits.
One of the lease contract for property expired during the current financial year. The expired contract was replaced by new lease for identical underlying asset. In addition new parking contract was entrered during the year. This resulted in additions to right-of-use assets of MUR 21m.

LEASE LIABILITIES	THE GROUP AND THE BANK
	2020
	MUR'000
Analysed as:	
Non-current	48,501
Current	34,070
	82,571
Disclosure required by IFRS 16	
Maturity Analysis	
Year 1	37,526
Year 2	30,647
Year 3	15,568
Year 4	5,189
	88,930

The Group and the Bank do not face a significant liquidity risk with regard to its lease liabilities. The leases are denominated in MUR and ZAR.

For disclosure under IAS 17, please refer to Note 35 - Contingent liabilities and commitments.

21. LEASE (CONTINUED)

AMOUNTS RECOGNISED IN PROFIT OR LOSS

	THE GROUP AND THE BANK
	2020
	MUR'000
Depreciation expense on right-of-use assets	31,735
Depreciation expense on right-of-use assets - staff benefits	1,844
Interest expense on lease liabilities	4,845
Interest expense accounted under staff costs	215
	38,639

RECONCILIATION OF LEASE LIABILITIES ARISING FROM FINANCING ACTIVITIES

	THE GROUP AND THE BANK
	2020
	MUR'000
Balance as at 01 July 2019	-
Effect of adopting IFRS 16	92,766
Financing cash flows	(31,026)
New right-of-use assets	20,831
Balance as at 30 June 2020	82,571

Interest on lease are accounted in interest expense (MUR 4.8m) and staff cost (MUR 0.2m).

22. OTHER ASSETS

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Mandatory balances with the Central Bank	**2,174,086**	1,865,835	1,519,797	**2,174,086**	1,865,835	1,519,797
Trade receivable (net)	**874**	146	18,576	**-**	-	-
Contract assets	**9,110**	11,908	-	**-**	-	-
Current tax receivable (Note 11)	**-**	3,866	-	**-**	-	-
Indirect and other taxes receivable	**84,393**	73,870	59,816	**84,393**	73,870	59,816
Due from credit card service provider	**12,510**	25,866	18,412	**12,510**	25,866	18,412
Prepaid expenses	**43,331**	37,183	33,279	**42,936**	36,722	32,850
Other receivables	**28,777**	23,541	28,447	**32,712**	18,544	23,383
Other investments at cost	**-**	-	7,181	**-**	-	7,181
Amount due from subsidiaries	**-**	-	-	**922**	85,885	179,734
	2,353,081	2,042,215	1,685,508	**2,347,559**	2,106,722	1,841,173

Mandatory balances with the central bank are not available for use in the Bank's day-to-day operations. Mandatory balances with the Central Bank are based on the daily ratio applied for the maintenance of minimum rupee and foreign currency balances as at 30 June 2020, 2019 and 2018 respectively.

Contract assets are initially recognised for revenue as per the agreement in place between ACML and its customers. Upon invoicing of the fees, the amount recognised as contract assets are reclassified to trade receivables.

Receivable from subsidiary is nil (2019: MUR 85M and 2018: MUR 179M) bears interest at 3.60%, is unsecured and is repayable on demand. Receivable from subsidiary amounting to MUR 1M (2019: 1M and 2018: Nil) is unsecured, interest free and payable on demand.

22. OTHER ASSETS

During the year ended 30 June 2020, an impairment review has been performed on the amount due from subsidiaries, as a result of a fall in its financial performance. The movement in impairment loss is as follows:

	2020	2019
	MUR'000	MUR'000
Loss allowance as at 01 July	**50,000**	-
Impairment during the year	**91,473**	103,000
Financial assets that have been repaid	**(58,416)**	-
Write off	**(44,000)**	(53,000)
Other movement	**8,661**	-
Loss allowance as at 30 June	**47,718**	50,000

The ageing of trade receivables are as follows:

THE GROUP	**< 30 days**	**31 - 60 days**	**61 - 90 days**	**> 90 days**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
2020	**789**	**-**	**80**	**5**	**874**
2019	-	33	77	36	146
2018	16,619	38	1,155	764	18,576

During the year under review, ECL on the trade receivables amounted to MUR 96,000 (2019: MUR 36,000 and 2018: Nil). The credit term is 30 days and the average credit period is 90 days.

	2020	2019	2018
Movement in allowance for expected credit loss	**MUR'000**	MUR'000	MUR'000
Loss allowance as at 01 July	**36**	-	-
- Effect of adopting IFRS 9	**-**	101	-
Loss allowance as at 01 July (as restated)	**36**	101	-
Movement in ECL during the year (Note 8)	**60**	(65)	-
Loss allowance as at 30 June	**96**	36	-

23. DUE TO BANKS

	THE GROUP			**THE BANK**		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
At amortised cost:						
Borrowings from the Central Bank	**6,376**	29,787	72,432	**6,376**	29,787	72,432
Borrowings from other banks	**-**	-	860,210	**-**	-	860,210
Bank overdraft	**6,876**	647	113	**6,876**	647	113
	13,252	30,434	932,755	**13,252**	30,434	932,755

The borrowings from the Central Bank are secured by the Bank's cash balances held with the Central Bank.

For the year under review, the borrowings from Central Bank of MUR 6.4m are secured and long-term with tenor of 360 days attracting interest rate of 0.68%

The borrowings from the Central Bank of MUR 29.8m for 2019 and MUR 72.4m for 2018 are unsecured and long-term with tenor days ranging from 207 to 722 for 2019 and 573 to 1,088 days fro 2018 attracting interest rate of 0.63% for 2019 and 0.68% for 2018.

The borrowings from the other banks of MUR 860.2m were from other local banks. Those borrowings are unsecured and short-term with minimum tenor days of 3 to 7 days along with interest rate ranging from 3.4% to 3.6% for the year ended 2018.

24 (a). DEPOSITS FROM BANKS

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
At amortised cost:						
- Current account	**15,754**	14,106	33,341	**15,754**	14,106	33,341
- Savings account	**80,611**	-	-	**80,611**	-	-
	96,365	14,106	33,341	**96,365**	14,106	33,341

24 (b). DEPOSITS FROM CUSTOMERS

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
At amortised cost:						
Personal						
- Current accounts	**15,583,148**	10,111,598	3,046,551	**15,583,148**	10,111,598	3,046,551
- Savings accounts	**4,965,847**	4,537,142	4,005,417	**4,965,847**	4,537,142	4,005,418
- Term deposits	**11,265,782**	9,978,045	6,813,915	**11,265,782**	9,978,045	6,813,915
Business						
- Current accounts	**91,180,935**	80,350,818	80,909,243	**91,205,309**	80,526,578	81,120,996
- Savings accounts	**970,602**	570,048	475,927	**970,602**	570,048	475,927
- Term deposits	**25,418,203**	25,200,564	15,830,019	**25,418,203**	25,200,564	15,830,019
Government institutions						
- Current accounts	**717,204**	248,093	-	**717,204**	248,093	37,613
- Savings accounts	**22,604**	22,191	21,687	**22,604**	22,191	21,687
- Term deposits	**701,781**	-	-	**701,920**	-	-
	150,826,106	131,018,499	111,102,759	**150,850,619**	131,194,259	111,352,126

Included in 'Deposits from customers' are deposits of MUR 1.1bn (2019: MUR 790.2m and 2018: MUR 558.6m) held as collateral against loans and advances to the respective customers.

25. DEBTS ISSUED

		THE GROUP			THE BANK		
		2020	2019	2018	**2020**	2019	2018
		MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
(i)	Loan notes	**1,083**	136,457	334,304	**-**	-	-
(ii)	Unsecured subordinated bonds	**-**	184,205	520,998	**-**	184,205	600,208
		1,083	320,662	855,302	**-**	184,205	600,208

(i) Loan notes

The loan notes issued represent the discounted value of capital guaranteed to investors on the structured products issued by the subsidiary.

	THE GROUP		
	2020	2019	2018
	MUR'000	MUR'000	MUR'000
The notes are due as follows:			
Within 1 year	**1,083**	136,457	255,094
After 1 year but before 5 years	**-**	-	79,210
	1,083	136,457	334,304

The loan notes are unsecured and interest free. The loan notes for 2019 and 2018 were capital protected contracts and represented the discounted of the capital of investors, subject to the credit risk of the issuer.

25. DEBTS ISSUED (CONTINUED)

(ii) Unsecured subordinated bonds

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
The bonds are due as follows:	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Within 1 year	**-**	184,205	404,758	**-**	184,205	404,758
After 1 year but before 5 years	**-**	-	116,240	**-**	-	195,450
	-	184,205	520,998	**-**	184,205	600,208

Interest on unsecured subordinated bonds denominated in MUR ranges between 5.85% to 7.00% for 2019 and between 6.35% to 8.50% for 2018 while USD-denominated bonds bear interest between 4.19% to 6.67% for 2019 and between 4.19% to 6.02% for 2018.

The table below details changes in the Group's and the Bank's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which flows were, or future cash flows will be, classified in the statement of cash flows from financing activities.

	THE GROUP		
	2020	2019	2018
	MUR'000	MUR'000	MUR'000
At 01 July	**320,662**	855,302	1,673,625
Acquisition of unsecured bonds	**-**	-	172,150
Repayment of unsecured bonds	**(170,556)**	(385,033)	(682,475)
Movement in operating activities	**(149,023)**	(149,607)	(307,998)
At 30 June	**1,083**	320,662	855,302

	THE BANK		
	2020	2019	2018
	MUR'000	MUR'000	MUR'000
At 01 July	**184,205**	600,208	1,111,493
Acquisition of unsecured bonds	**-**	-	172,150
Repayment of unsecured bonds	**(170,556)**	(385,033)	(682,475)
Other movements	**(13,649)**	(30,970)	(960)
At 30 June	**-**	184,205	600,208

26. OTHER LIABILITIES

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Dividend payable	**344**	344	344	**344**	344	344
Advance commission	**253**	50,369	68,280	**253**	50,369	68,280
Special levy	**81,665**	63,797	-	**81,665**	63,797	-
Other payables	**277,599**	192,788	255,541	**266,860**	178,640	227,873
Loss allowance on financial guarantee contracts and loan commitments (Note 37)	**7,361**	10,476	-	**7,361**	10,476	-
Personnel expenses related accruals	**211,578**	204,958	148,883	**211,578**	203,701	148,883
	578,800	522,732	473,048	**568,061**	507,327	445,380

Accounted under other payables are funds received from deposit clients at reporting date which has not yet been allocated to the respective client accounts.

For prior years, upfront fees received on credit advances was allocated under advance commission. These fees are classified to loans and advances as from this financial year.

Up to 2018 special levy was classified under income tax expense.

27 Financial liabilities measured at fair value through profit or loss

	THE GROUP		
	2020	2019	2018
Held for trading:	**MUR'000**	MUR'000	MUR'000
Equities	**4,398**	813,783	694,407
Bonds	**-**	58,356	203,247
	4,398	872,139	897,654

Financial liabilities measured at FVTPL are portfolio of funds that are managed on a fair value basis by the subsidiary. The corresponding financial asset measured at FVTPL are disclosed in Note 17.

28. ORDINARY SHARES

	THE GROUP AND THE BANK		
	2020	2019	2018
	MUR'000	MUR'000	MUR'000
Ordinary shares of no par value			
Issued and fully paid	**3,641,049**	3,641,049	3,641,049

Analysed as follows:

Issued and fully paid

	THE GROUP AND THE BANK					
	2020		2019		2018	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
		MUR'000		MUR'000		MUR'000
At 1 July	**112,977,210**	**3,641,049**	112,977,210	3,641,049	106,745,800	3,197,608
Issue of ordinary shares	**-**	**-**	-	-	6,231,410	446,291
Indemnity costs	**-**	**-**	-	-	-	(2,850)
At 30 June	**112,977,210**	**3,641,049**	112,977,210	3,641,049	112,977,210	3,641,049

Each of the above share confer to its holder the following rights:

(a) the right to vote at meetings of shareholders and on a poll to cast one vote for each share held;

(b) subject to the rights of any other class of shares, the right to an equal share in dividends and other distributions made by the Bank;

(c) subject to the rights of any other class of shares, the right to an equal share in the distribution of the surplus assets of the Bank on its liquidation.

On 8 June 2018, the Board of Directors has approved the allotment and issue of 5,981,143 ordinary shares, all fully paid.

29. CLASS A SHARES

THE GROUP

Issued and fully paid	2020		2019		2018	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
		MUR'000		MUR'000		MUR'000
USD 20,000,000 Class A Series 1 Shares	**2,000,000**	**604,580**	2,000,000	604,580	2,000,000	604,580
MUR 800,000,000 Class A Series 2 Shares	**8,000,000**	**800,000**	8,000,000	800,000	8,000,000	800,000
Transaction costs	**-**	**(4,812)**	-	(4,812)	-	(4,812)
	10,000,000	**1,399,768**	10,000,000	1,399,768	10,000,000	1,399,768

THE BANK

Issued and fully paid	2020		2019		2018	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
		MUR'000		MUR'000		MUR'000
USD 20,000,000 Class A Series 1 Shares	**2,000,000**	**604,580**	2,000,000	604,580	2,000,000	604,580
MUR 800,000,000 Class A Series 2 Shares	**8,000,000**	**800,000**	8,000,000	800,000	8,000,000	800,000
Transaction costs	**-**	**(18,812)**	-	(18,812)	-	(18,812)
	10,000,000	**1,385,768**	10,000,000	1,385,768	10,000,000	1,385,768

THE GROUP AND THE BANK

Analysed as follows:	2020		2019		2018	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
		MUR'000		MUR'000		MUR'000
USD 20,000,000 Class A Series 1 Shares						
At 30 June	**2,000,000**	**604,580**	2,000,000	604,580	2,000,000	604,580

	2020		2019		2018	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
		MUR'000		MUR'000		MUR'000
MUR 800,000,000 Class A Series 2 Shares						
At 30 June	**8,000,000**	**800,000**	8,000,000	800,000	8,000,000	800,000

The Class A shares do not carry any general voting right at any shareholders meeting of the Bank other than an irrevocable right to vote on any proposal to amend the Class A shares Terms and Conditions.

The shares are callable, at the option of the issuer, six years after the issue date (30 June 2014), with the prior approval of the Bank of Mauritius. The bank has not exercise the option to redeem the shares as at 30 June 2020.

Dividends are payable at the discretion of the Board of Directors of AfrAsia Bank Limited and subject to the prior approval of Bank of Mauritius.

30. RETIREMENT BENEFIT OBLIGATION

The Group and the Bank have a defined contribution (DC) scheme which is a funded obligation administered by Swan Life Ltd.
The liability relates to retirement gratuities payable under The Workers' Right Act 2019 which is unfunded.
The actuarial valuation was carried out at 30 June 2020 by Swan Life Ltd.
The plan expose the Group and the Bank to normal risks associated with defined benefit pension plans such as interest risk and salary risk.
Interest risk: If the bond/bill yields decrease, the liabilities would be calculated using a lower discount rate, and would therefore increase.
Salary risk: If salary increases are higher than assumed in our basis, the liabilities would increase giving rise to actuarial losses.

Retirement gratuities

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Present value of obligations	**102,034**	67,307	42,776	**99,851**	64,652	41,688

Movement in liability recognised in statements of financial position:

	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Net liability at start of year	**67,307**	42,776	23,000	**64,652**	41,688	23,000
Amount recognised in profit or loss	**15,489**	14,353	8,165	**14,953**	13,697	7,077
Amount recognised in other comprehensive income	**20,723**	10,178	11,611	**21,731**	9,267	11,611
Benefits paid	**(1,485)**	-	-	**(1,485)**	-	-
Net liability at end of the year	**102,034**	67,307	42,776	**99,851**	64,652	41,688

Amounts recognised in statements of profit or loss and other comprehensive income

	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Current service cost	**11,689**	11,126	6,071	**11,310**	10,550	5,697
Net interest cost	**3,800**	3,227	2,094	**3,643**	3,147	1,380
Components of amount recognised in profit or loss	**15,489**	14,353	8,165	**14,953**	13,697	7,077
Remeasurement of defined benefit obligations:						
Liability experience loss	**10,979**	1,998	7,267	**12,934**	1,630	7,267
Liability loss due to change in financial assumptions	**9,744**	8,180	4,344	**8,797**	7,637	4,344
	36,212	24,531	19,776	**36,684**	22,964	18,688

Changes in the present value of the defined benefit obligations:

	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
At 1 July	**67,307**	42,776	23,000	**64,652**	41,688	23,000
Interest cost	**3,800**	3,227	2,094	**3,643**	3,147	1,380
Current service cost	**11,689**	11,126	6,071	**11,310**	10,550	5,697
Liability experience loss	**10,979**	1,998	7,267	**12,934**	1,630	7,267
Liability loss due to change in financial assumptions	**9,744**	8,180	4,344	**8,797**	7,637	4,344
Benefits paid	**(1,485)**	-	-	**(1,485)**	-	-
At 30 June	**102,034**	67,307	42,776	**99,851**	64,652	41,688

Future cash flows:
The funding policy is to pay benefits out of the reporting entity's cash flow as and when due.
The weighted average duration of the defined benefit obligation is 14 years for the Bank and 21 years for the subsidiary.

30. RETIREMENT BENEFIT OBLIGATION (CONTINUED)

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Sensitivity analysis:						
Increase in defined benefit obligation due to 1% decrease in discount rate	**18,932**	13,464	12,652	**18,318**	12,652	12,652
Decrease in defined benefit obligation due to 1% increase in discount rate	**15,675**	11,160	10,494	**15,185**	10,494	10,494
Increase in defined benefit obligation due to 1% increase in future long-term salary assumption	**18,763**	13,613	12,796	**18,164**	12,796	12,796
Decrease in defined benefit obligation due to 1% decrease in future long-term salary assumption	**15,836**	11,459	10,779	**15,347**	10,779	10,779

The sensitivity analyses above have been determined based on sensibly possible changes of the discount rate or salary increase rate occurring at the end of the reporting period if all other assumptions remained unchanged.

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
The principal actuarial assumptions used for accounting purposes are:						
Discount rate	**3.7% - 3.8%**	5.7% - 5.9%	6.4% - 6.7%	**3.70%**	5.70%	6.40%
Salary increases	**3.5% - 5%**	5.00%	5.00%	**3.50%**	5.00%	5.00%
Average retirement age	**60 years**	60 years	60 years	**60 years**	60 years	60 years

The rate per annum of withdrawal from service before retirement for the Bank is between 10% and 15% for age upto 30, reducing to 0% after 50 years. The rate per annum of withdrawal from service for the subsidiary is 15% up to age 20, reducing to 0% after 45.

The discount rate is determined by reference to the yield on government bonds of duration equivalent to the duration of liabilities.

31. RETAINED EARNINGS AND OTHER RESERVES

	THE GROUP								THE BANK						
	Retained Earnings	Equity-settled share-based payment reserve	Fair value reserve	Statutory reserve	General banking reserve	Foreign currency translation reserve	Provision reserve	Total	Retained Earnings	Equity-settled share-based payment reserve	Fair value reserve	Statutory reserve	General banking reserve	Provision reserve	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July 2017	870,794	2,862	(12,839)	339,711	134,964	(615)	-	464,083	944,373	2,862	(12,838)	339,711	134,964	-	464,699
Profit for the year	762,862	-	-	-	-	-	-	-	766,454	-	-	-	-	-	-
Remeasurement losses in pension plan	(10,792)	-	-	-	-	-	-	-	(10,792)	-	-	-	-	-	-
Appropriation of reserves	(122,355)	-	-	114,968	7,387	-	-	122,355	(122,355)	-	-	114,968	7,387	-	122,355
Dividends	(300,159)	-	-	-	-	-	-	-	(300,159)	-	-	-	-	-	-
Expense arising from equity-settled share-based payment	-	(2,862)	-	-	-	-	-	(2,862)	-	(2,862)	-	-	-	-	(2,862)
Movement in fair value reserve	-	-	10,722	-	-	-	-	10,722	-	-	10,722	-	-	-	10,722
Foreign currency translation	-	-	-	-	-	(523)	-	(523)	-	-	-	-	-	-	-
Recycling of translation reserve on winding up	-	-	-	-	-	523	-	523	-	-	-	-	-	-	-
Reclassification adjustments relating to foreign operations disposed during the year	-	-	-	-	-	615	-	615	-	-	-	-	-	-	-
At 30 June 2018	1,200,350	-	(2,117)	454,679	142,351	-	-	594,913	1,277,521	-	(2,116)	454,679	142,351	-	594,914
At 01 July 2018	1,200,350	-	(2,117)	454,679	142,351	-	-	594,913	1,277,521	-	(2,116)	454,679	142,351	-	594,914
Effect of adopting IFRS 9	(429,481)	-	547	-	-	-	-	547	(429,380)	-	547	-	-	-	547
At 01 July 2018 (as restated)	770,869	-	(1,570)	454,679	142,351	-	-	595,460	848,141	-	(1,569)	454,679	142,351	-	595,461
Profit for the year	1,627,972	-	-	-	-	-	-	-	1,584,783	-	-	-	-	-	-
Remeasurement losses in pension plan	(9,753)	-	-	-	-	-	-	-	(8,888)	-	-	-	-	-	-
Appropriation of reserves	(254,286)	-	-	237,719	16,567	-	-	254,286	(254,286)	-	-	237,719	16,567	-	254,286
Dividends	(333,508)	-	-	-	-	-	-	-	(333,508)	-	-	-	-	-	-
Gains arising during the year	-	-	2,047	-	-	-	-	2,047	-	-	2,047	-	-	-	2,047
Reclassification of losses included in profit or loss on derecognition	-	-	(98)	-	-	-	-	(98)	-	-	(98)	-	-	-	(98)
ECL for financial assets at FVTOCI	-	-	527	-	-	-	-	527	-	-	527	-	-	-	527
Gain on equity instruments designated at fair value through other comprehensive income	-	-	6,205	-	-	-	-	6,205	-	-	1,122	-	-	-	1,122
At 30 June 2019	1,801,294	-	7,111	692,398	158,918	-	-	858,427	1,836,242	-	2,029	692,398	158,918	-	853,345

At 01 July 2019	1,801,294	-	7,111	692,398	158,918	-	-	858,427	1,836,242	-	2,029	692,398	158,918	-	853,345
Profit for the year	1,542,996	-	-	-	-	-	-	-	1,521,555	-	-	-	-	-	-
Remeasurement losses in pension plan	(19,455)	-	-	-	-	-	-	-	(20,413)	-	-	-	-	-	-
Additional provision in relation to Bank of Mauritius Guideline	(146,054)	-	-	-	-	-	146,054	146,054	(146,054)	-	-	-	-	146,054	146,054
Appropriation of reserves	(316,858)	-	-	228,233	88,625	-	-	316,858	(316,858)	-	-	228,233	88,625	-	316,858
Dividends	(576,684)	-	-	-	-	-	-	-	(576,684)	-	-	-	-	-	-
Fair value losses arising during the year	-	-	(2,880)	-	-	-	-	(2,880)	-	-	(2,880)	-	-	-	(2,880)
Reclassification of gains included in profit or loss on derecognition	-	-	3,046	-	-	-	-	3,046	-	-	3,046	-	-	-	3,046
ECL for financial assets at FVTOCI	-	-	(1,074)	-	-	-	-	(1,074)	-	-	(1,074)	-	-	-	(1,074)
Gain on equity instruments designated at fair value through other comprehensive income	-	-	4,995	-	-	-	-	4,995	-	-	1,370	-	-	-	1,370
At 30 June 2020	2,285,239	-	11,198	920,631	247,543	-	146,054	1,325,426	2,297,788	-	2,491	920,631	247,543	146,054	1,316,719

EQUITY-SETTLED SHARE-BASED PAYMENT RESERVE

Movement in equity-settled share-based payment reserve relates to expense recognised for employee services received. The remaining balance on the scheme was settled during the year ended 30 June 2018 and the Bank no longer has a share option scheme as from 01 July 2018.

FAIR VALUE RESERVE

This reserve includes movement in fair value in relation to financial assets measured at FVTOCI.

STATUTORY RESERVE

This reserve represents transfers from retained earnings in accordance with the Banking Act 2004. A sum equal to not less than 15% of the Bank's profit for the year is transferred each year until the balance is equal to the amount paid as stated capital.

GENERAL BANKING RESERVE

This reserve comprises amounts set aside for general banking risks, including future losses and other unforeseen risks. It also includes provision made to meet other regulatory provision including country risk.

FOREIGN CURRENCY TRANSLATION RESERVE

This reserve arises on retranslation of foreign operations on consolidation.

PROVISION RESERVE

The Bank has accounted for the incremental regulatory provision through a charge to the equity as allowed in Bank of Mauritius Guideline on 'Credit Impairment Measurement and Income Recognition (April 2016)' and 'Additional Macroprudential Measures For the Banking Sector (January 2015)'. The incremental provision is recognised in provision reserve. This reserve is non-distributable.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

Determination of fair value and fair value hierarchy

The Group and the Bank use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

THE GROUP

	2020				2019				2018		
	Quoted prices in active markets	**Significant observable inputs**	**Significant unobservable inputs**		Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs		Quoted prices in active markets	Significant observable inputs	
	Level 1	**Level 2**	**Level 3**	**Total fair value**	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Total fair value
Financial assets at amortised cost	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Derivative financial instruments											
Foreign exchange option contracts	-	**2,062**	-	**2,062**	-	8,361	-	8,361	-	11,815	11,815
Forward foreign exchange contracts and swaps	-	**125,451**	-	**125,451**	-	84,052	-	84,052	-	196,675	196,675
Spot position account	-	-	-	-	-	-	-	-	-	85,625	85,625
Cross currency interest rate swap	-	**97,580**	-	**97,580**	-	-	-	-	-	-	-
Interest rate swaps	-	**3,906**	-	**3,906**	-	-	-	-	-	-	-
Options contracts	-	**92,962**	-	**92,962**	-	652,182	-	652,182	-	602,937	602,937
	-	**321,961**	-	**321,961**	-	744,595	-	744,595	-	897,052	897,052
Debt instruments mandatorily measured at fair value through profit or loss											
Government of Mauritius debts securities	-	**850,043**	-	**850,043**	-	1,416,463	-	1,416,463	-	1,749,284	1,749,284
Bank of Mauritius bonds and notes	-	**920,011**	-	**920,011**	-	3,427,026	-	3,427,026	-	1,209,012	1,209,012
Unquoted equity investments	-	**4,398**	-	**4,398**	-	58,356	-	58,356	-	203,247	203,247
Listed equity shares		-	-	-	-	813,783	-	813,783	-	694,407	694,407
Corporate debt secutrities	**190,635**	**81,791**	-	**272,426**	356	-	-	356	-	-	-
	190,635	**1,856,243**	-	**2,046,878**	356	5,715,628	-	5,715,984	-	3,855,950	3,855,950

Debt instruments at fair value through other comprehensive income											
Government of Mauritius treasury bills and bonds	-	-	-	-	-	-	-	-	-	119,091	119,091
Bank of Mauritius bonds and notes	-	-	-	-	-	-	-	-	-	451,389	451,389
Foreign Securities treasury bills and bonds	-	-	-	-	-	3,571,880	-	3,571,880	-	3,485,461	3,485,461
	-	-	-	-	-	3,571,880	-	3,571,880	-	4,055,941	4,055,941
Equity investment designated at fair value through other comprehensive income*											
Equity investments	-	-	**36,940**	**36,940**		-	31,945	31,945		18,559	18,559
	-	-	**36,940**	**36,940**	-	-	31,945	31,945	-	18,559	18,559
	190,635	**2,178,204**	**36,940**	**2,405,779**	356	10,032,103	31,945	10,064,404	-	8,827,502	8,827,502
Financial liabilities at amortised cost											
Derivative financial instruments											
Foreign exchange option contracts	-	**(1,759)**	-	**(1,759)**	-	(7,945)	-	(7,945)	-	(11,392)	(11,392)
Forward foreign exchange contracts	-	**(7,706)**	-	**(7,706)**	-	(42,050)	-	(42,050)	-	(52,990)	(52,990)
Interest rate swap	-	**(4,741)**	-	**(4,741)**	-	-	-	-	-	(85,625)	(85,625)
Options contracts	-	**(92,962)**	-	**(92,962)**	-	(652,182)	-	(652,182)	-	(602,937)	(602,937)
	-	**(107,168)**	-	**(107,168)**	-	(702,177)		(702,177)	-	(752,944)	(752,944)
Financial liabilities measured at fair value through profit or loss											
Equities	-	**4,398**	-	**4,398**	-	813,783	-	813,783	-	694,407	694,407
Bonds	-	-	-	-	-	58,356	-	58,356	-	203,247	203,247
	-	**4,398**	-	**4,398**	-	872,139	-	872,139	-	897,654	897,654

* An increase in Net Asset Value/share price will lead to an increase in fair value of investment and a decrease in NAV will lead to a decrease in fair value of investments.

The reconcilation for level 3 has been disclosed in note 17(d).

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments recorded at fair value (Continued)

THE BANK

	2020				2019				2018		
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs		Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs		Quoted prices in active markets	Significant observable inputs	
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Total fair value
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Financial assets at amortised cost											
Derivative financial instruments											
Foreign exchange option contracts	-	2,062	-	2,062	-	8,361	-	8,361	-	11,815	11,815
Foreign exchange contracts	-	125,451	-	125,451	-	84,052	-	84,052	-	196,675	196,675
Cross currency interest rate swap	-	97,580	-	97,580	-	-	-	-	-	-	-
Interest rate swaps	-	3,906	-	3,906	-	-	-	-	-	-	-
Options contracts	-	92,962	-	92,962	-	-	-	-	-	-	-
	-	321,961	-	321,961	-	92,413	-	92,413	-	208,490	208,490
Financial assets mandatorily measured at fair value through profit or loss											
Government of Mauritius debts securities	-	850,043	-	850,043	-	1,416,463	-	1,416,463	-	1,749,284	1,749,284
Bank of Mauritius bonds and notes	-	920,011	-	920,011	-	3,427,026	-	3,427,026	-	1,209,012	1,209,012
Corporate debt securities and bonds	190,635	81,791	-	272,426	356	-	-	356	-	-	-
	190,635	1,851,845	-	2,042,480	356	4,843,489	-	4,843,845	-	2,958,296	2,958,296
Debt instruments measured at fair value through other comprehensive income											
Government of Mauritius treasury bills and bonds	-	-	-	-	-	-	-	-	-	119,091	119,091
Bank of Mauritius bonds and notes	-	-	-	-	-	-	-	-	-	451,389	451,389
Foreign Securities treasury bills and bonds	-	-	-	-	-	3,571,880	-	3,571,880	-	3,485,461	3,485,461
	-	-	-	-	-	3,571,880	-	3,571,880	-	4,055,941	4,055,941
Equity investments designated at fair value through other comprehensive income *											
Equity investments	-	-	9,673	9,673	-	-	8,303	8,303	-	-	-
	-	-	9,673	9,673	-	-	8,303	8,303	-	-	-
	190,635	2,173,806	9,673	2,374,114	356	8,507,782	8,303	8,516,441	-	7,222,727	7,222,727
Financial liabilities at amortised cost											

Derivative financial instruments											
Foreign exchange option contracts	**-**	**(1,759)**	**-**	**(1,759)**	-	(7,945)	-	(7,945)	-	(11,392)	(11,392)
Forward foreign exchange contracts and swaps	**-**	**(7,706)**	**-**	**(7,706)**	-	(42,050)	-	(42,050)	-	(52,990)	(52,990)
Interest rate swaps	**-**	**(4,741)**	**-**	**(4,741)**	-	-	-	-	-	-	-
Options contracts	**-**	**(92,962)**	**-**	**(92,962)**	-	-	-	-	-	-	-
	-	**(107,168)**	**-**	**(107,168)**	-	(49,995)	-	(49,995)	-	(64,382)	(64,382)
	-	(107,168)	-	(107,168)	-	(49,995)	-	(49,995)	-	(64,382)	(64,382)

* An increase in Net Asset Value/share price will lead to an increase in fair value of investment and a decrease in NAV will lead to a decrease in fair value of investments.
The reconcilation for level 3 has been disclosed in note 17(d).

Valuation techniques
Debt instruments mandatorily measured at fair value through profit or loss
(i) Unquoted equity investments
Unquoted equity investments relate to investments in equity funds. The fair value of these investments has been based on their published share price used for trading.
(ii) Government of Mauritius debts securities and Bank of Mauritius bonds and notes
Those investments are valued based on the weighted yield bond curve of similar instruments as made publicly available by the local regulator.
(iii) Corporate debt securities
Those investments are valued based on the market yield of similar instruments which is publicly available.

Equity Investments designated at fair value through other comprehensive income
The investment in equity shares has been fair valued at year end based either on the net assets value of the investee or are based on the market yield of similar instruments as made publicly available by the local regulator.
Derivative Financial Instruments
Derivative products valued using a valuation technique with market observable inputs include forward foreign exchange contracts and option contracts across several asset classes, including but not limited to Funds, commodities, indices and equities. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves, volatility curves and feeds from appointed valuation/calculation agents.

Index linked notes
Index linked notes are investment products that combine a fixed income investment with additional potential returns that are tied to the performance of equities. Equity linked notes are usually structured to return the initial investment with a variable interest portion that depends on the performance of the linked equity.

Transfers between hierarchy
There was no transfer between fair value hierarchy during the year under review.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial assets and liabilities not measured at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not measured at fair value in the financial statements:

Assets and liabilities for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than one year), it is assumed that the carrying amount approximates their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Fixed and floating rate financial instruments

The fair value of fixed and floating rate financial assets and liabilities carried at amortised cost is estimated by comparing market interest rates when they are first recognised with current market rates for similar financial instruments. The estimated fair value of fixed and floating interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining terms to maturity and credit spreads.

The fair value of the below financial assets and financial liabilities are classified in level 3 in the fair value hierarchy.

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's and the Bank's financial instruments that are not carried at fair value in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

THE GROUP

	2020		**2019**		2018	
	Carrying amount	**Total fair value**	**Carrying amount**	Total fair value	Carrying amount	Total fair value
	MUR'000	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000
Financial assets						
Cash and cash equivalents	**69,036,975**	**69,036,975**	**50,700,638**	50,700,638	50,105,076	50,105,076
Due from banks	**11,132,738**	**11,132,738**	**12,967,930**	12,967,930	5,164,742	5,164,742
Loans and advances to banks	**5,245,927**	**5,245,927**	**6,019,048**	6,019,048	5,769,229	5,300,039
Loans and advances to customers	**23,043,922**	**23,513,051**	**22,150,196**	22,284,503	22,297,254	22,610,456
Debt instruments at amortised cost	**46,612,747**	**48,583,089**	**36,884,143**	37,553,867	27,360,177	26,187,282
Other assets (excluding prepayments, accrued income,inventory and taxes)	**2,216,920**	**2,216,920**	**1,922,348**	1,922,348	1,587,987	1,587,987
	157,289,229	159,728,700	130,644,303	131,448,334	112,284,465	110,955,582

	2020		2019		2018	
	Carrying amount	**Total fair value**	Carrying amount	Total fair value	Carrying amount	Total fair value
	MUR'000	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000
Financial liabilities						
Due to banks	**(13,252)**	**(13,252)**	(30,434)	(30,434)	(932,755)	(932,755)
Deposits from banks	**(96,365)**	**(96,365)**	(14,106)	(14,106)	(33,341)	(33,341)
Deposits from customers	**(150,826,106)**	**(151,219,408)**	(131,018,499)	(131,424,988)	(111,102,759)	(111,688,506)
Debts issued	**(1,083)**	**(1,083)**	(320,662)	(361,671)	(855,302)	(788,257)
Lease liabilities	**(82,571)**	**(82,571)**	-	-	-	-
Other liabilities (excluding advance commission and taxes)	**(484,907)**	**(484,907)**	(394,083)	(394,083)	(434,769)	(434,769)

(151,504,284)	**(151,897,586)**	(131,777,784)	(132,225,282)	(113,358,926)	(113,877,628)

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial assets and liabilities not carried at fair value (Continued)

THE BANK

	2020		2019		2018	
	Carrying amount	**Total fair value**	Carrying amount	Total fair value	Carrying amount	Total fair value
Financial assets	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	**69,032,249**	**69,032,249**	50,698,992	50,698,992	49,974,647	49,974,647
Due from banks	**11,132,738**	**11,132,738**	12,967,930	12,967,930	5,164,742	5,164,742
Loans and advances to banks	**5,245,927**	**5,245,927**	6,019,048	6,019,048	5,769,229	5,300,039
Loans and advances to customers	**23,043,922**	**23,513,051**	22,150,196	22,284,503	22,297,254	22,610,456
Debt instruments at amortised cost	**46,612,747**	**48,583,089**	36,884,143	37,553,867	27,360,177	26,187,282
Other assets (excluding prepayments, accrued income,inventory and taxes)	**2,211,795**	**2,211,795**	1,991,181	1,991,181	1,744,081	1,744,081
	157,279,378	**159,718,849**	130,711,490	131,515,521	112,310,130	110,981,247

	2020		2019		2018	
	Carrying amount	**Total fair value**	Carrying amount	Total fair value	Carrying amount	Total fair value
Financial liabilities	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000
Due to banks	**(13,252)**	**(13,252)**	(30,434)	(30,434)	(932,755)	(932,755)
Deposits from banks	**(96,365)**	**(96,365)**	(14,106)	(14,106)	(33,341)	(33,341)
Deposits from customers	**(150,850,619)**	**(151,243,920)**	(131,194,259)	(131,600,749)	(111,352,126)	(111,919,291)
Debts issued	**-**	**-**	(184,205)	(225,214)	(600,208)	(765,310)
Lease liabilities	**(82,571)**	**(82,571)**	-	-	-	-
Other liabilities (excluding advance commission and taxes)	**(474,168)**	**(474,168)**	(378,678)	(378,678)	(373,263)	(373,263)
	(151,516,975)	**(151,910,276)**	(131,801,682)	(132,249,181)	(113,291,693)	(114,023,960)

33. ADDITIONAL CASH FLOW INFORMATION

	Notes	THE GROUP			THE BANK		
		2020	2019	2018	**2020**	2019	2018
(a) Cash and cash equivalents	**Notes**	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Cash in hand		**40,108**	42,087	30,086	**40,108**	42,087	30,086
Unrestricted balances with the Central Bank		**8,500,527**	3,988,536	1,490,484	**8,500,527**	3,988,536	1,490,484
Short term placements with other banks		**39,092,753**	33,808,173	30,172,195	**39,092,753**	33,808,173	30,172,195
Short term placements with the central bank		**281,945**	-	-	**281,945**	-	-
Current accounts with other banks		**21,124,814**	12,887,788	18,412,311	**21,120,088**	12,886,142	18,281,882
Allowance for impairment losses		**(3,172)**	(25,946)	-	**(3,172)**	(25,946)	-
		69,036,975	50,700,638	50,105,076	**69,032,249**	50,698,992	49,974,647
Bank overdrafts		**(6,876)**	(647)	(113)	**(6,876)**	(647)	(113)
	13	**69,030,099**	50,699,991	50,104,963	**69,025,373**	50,698,345	49,974,534
(b) Change in operating assets							
Net change in mandatory balances with the Central Bank		**(308,251)**	(346,038)	(231,082)	**(308,251)**	(346,038)	(231,082)
Net change in placement with the Central Bank		**1,009,383**	159,017	(835,295)	**1,009,383**	159,017	(835,293)
Net change in placement with the other banks		**824,818**	(7,966,092)	152,054	**824,818**	(7,966,092)	422,774
Net change in derivative financial instruments		**422,634**	152,457	(308,211)	**(229,548)**	116,077	20,043
Net change in loans and advances to banks		**776,629**	(206,984)	(2,282,642)	**776,629**	(206,984)	(2,282,642)
Net change in loans and advances to customers		**(1,762,888)**	(764,854)	661,323	**(1,762,888)**	(764,854)	661,323
Net change in investment securities		**(2,432,270)**	(10,901,117)	(4,537,972)	**(3,300,007)**	(10,926,637)	(4,503,129)
Net change in other assets		**(5,213)**	(10,827)	133,257	**31,815**	(22,632)	(35,732)
		(1,475,158)	(19,884,438)	(7,248,568)	**(2,958,049)**	(19,958,143)	(6,783,738)
(c) Change in operating liabilities							
Net change in due to banks		**(23,411)**	(902,854)	(561,981)	**(23,411)**	(902,854)	(561,923)
Net change in derivative financial instruments		**(595,009)**	(50,767)	458,898	**57,173**	(14,387)	(140,078)
Net change in debts issued		**(149,023)**	(149,607)	(307,999)	**(13,649)**	(30,970)	(960)
Net change in deposits from banks		**82,259**	(19,234)	24,927	**82,259**	(19,234)	24,927
Net change in deposits from customers		**19,807,608**	19,915,739	20,509,841	**19,656,360**	19,842,132	20,277,976
Net change in other liabilities		**122,981**	39,204	100,432	**127,648**	51,471	84,033
Net change in Financial liabilities measured at fair value through profit or loss		**(867,741)**	(25,515)	35,977	**-**	-	-
		18,377,664	18,806,966	20,260,095	**19,886,380**	18,926,158	19,683,975
(d) Non-cash items included in profit before tax							
Depreciation of property and equipment	**19**	**36,153**	37,726	35,606	**35,713**	36,361	34,370
Depreciation of right of use assets	**21**	**33,579**	-	-	**33,579**	-	-
Amortisation of intangible assets	**20**	**40,934**	72,014	37,310	**40,923**	38,586	27,005
Profit on disposal of property and equipment	**7(d)**	**(769)**	-	(89)	**(402)**	-	(89)
Property and equipment written off	**19**	**206**	1,309	6,527	**206**	1,309	6,527
Intangible assets written off	**20**	**-**	134,903	2,074	**-**	-	2,074
Adjustment for property and equipment	**19**	**32**	1,293	(12)	**32**	1,293	(12)
Retirement benefit obligation	**30**	**15,489**	14,352	8,164	**14,953**	13,697	7,077
Share based payments		**-**	-	(2,862)	**-**	-	(2,862)
Impairment loss on investment in subsidiary		**-**	-	-	**-**	189,563	-
Loss on winding up of subsidiary		**-**	57,210	10,352	**-**	-	-
Impairment on financial investments - held for trading		**(54,600)**	(12,472)	721	**(54,600)**	(12,472)	721
Net impairment loss on financial assets	**8**	**839,155**	468,315	1,067,581	**839,095**	468,380	1,067,581
Impairment on receivable from subsidary	**22**	**-**	-	-	**33,057**	103,000	-
		910,179	774,650	1,165,372	**942,556**	839,717	1,142,392

34. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The Group and the Bank classify an asset or liability as current when:
- they expect to realise the asset/settle the liability within 12 months after the reporting period;
- they expect to settle the liability in its normal operating cycle;
- they hold the asset or liability primarily for the purpose of trading;
- they expect to realise the asset, or intend to sell or consume it, in its normal operating cycle;
- the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period; or
- they do not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group and the Bank classify all other assets and liabilities as current.

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

(a) THE GROUP

	2020			2019			2018		
	Current	**Non-current**	**Total**	Current	Non-current	Total	Current	Non-current	Total
ASSETS	**MUR'000**	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	**69,036,975**	**-**	**69,036,975**	50,700,638	-	50,700,638	50,105,076	-	50,105,076
Due from banks	**11,132,738**	**-**	**11,132,738**	12,460,749	507,181	12,967,930	5,164,742	-	5,164,742
Derivative financial instruments	**127,513**	**194,448**	**321,961**	92,413	652,182	744,595	242,106	654,946	897,052
Loans and advances to banks	**2,524,197**	**2,721,730**	**5,245,927**	3,620,346	2,398,702	6,019,048	1,854,489	3,914,740	5,769,229
Loans and advances to customers	**9,416,916**	**13,627,006**	**23,043,922**	8,588,332	13,561,864	22,150,196	8,573,878	13,723,376	22,297,254
Investment securities	**34,859,445**	**13,837,120**	**48,696,565**	35,224,940	10,979,012	46,203,952	19,693,066	15,597,561	35,290,627
Property and equipment	**-**	**171,195**	**171,195**	-	187,071	187,071	-	192,285	192,285
Intangible assets	**-**	**269,990**	**269,990**	-	243,401	243,401	-	417,919	417,919
Right of use assets	**-**	**80,017**	**80,017**	-	-	-	-	-	-
Deferred tax assets	**-**	**124,506**	**124,506**	-	101,664	101,664	-	141,747	141,747
Other assets	**2,353,081**	**-**	**2,353,081**	2,042,215	-	2,042,215	1,685,508	-	1,685,508
TOTAL ASSETS	**129,450,865**	**31,026,012**	**160,476,877**	112,729,633	28,631,077	141,360,710	87,318,865	34,642,574	121,961,439
Due to banks	**13,252**	**-**	**13,252**	19,204	11,230	30,434	860,323	72,432	932,755
Deposits from banks	**96,365**	**-**	**96,365**	14,106	-	14,106	33,341	-	33,341
Deposits from customers	**143,336,876**	**7,489,230**	**150,826,106**	123,730,906	7,287,593	131,018,499	105,643,470	5,459,289	111,102,759
Derivative financial instruments	**9,465**	**97,703**	**107,168**	49,995	652,182	702,177	97,998	654,946	752,944
Debts issued	**1,083**	**-**	**1,083**	320,662	-	320,662	659,852	195,450	855,302
Financial liabilities measured at fair value through profit or loss	**4,398**	**-**	**4,398**	813,783	58,356	872,139	842,777	54,877	897,654
Retirement benefits obligation	**-**	**102,034**	**102,034**	-	67,307	67,307	-	42,776	42,776
Current tax liabilities	**13,618**	**-**	**13,618**	112,116	-	112,116	34,780	-	34,780
Lease liabilities	**34,070**	**48,501**	**82,571**	-	-	-	-	-	-
Other liabilities	**578,800**	**-**	**578,800**	522,732	-	522,732	473,048	-	473,048
TOTAL LIABILITIES	**144,087,927**	**7,737,468**	**151,825,395**	125,583,504	8,076,668	133,660,172	108,645,589	6,479,770	115,125,359

34. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

(b) THE BANK

	2020			2019			2018		
	Current	**Non-current**	**Total**	Current	Non-current	Total	Current	Non-current	Total
ASSETS	**MUR'000**	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	**69,032,249**	**-**	**69,032,249**	50,698,992	-	50,698,992	49,974,647	-	49,974,647
Due from banks	**11,132,738**	**-**	**11,132,738**	12,460,749	507,181	12,967,930	5,164,742	-	5,164,742
Derivative financial instruments	**127,513**	**194,448**	**321,961**	92,413	-	92,413	190,433	18,057	208,490
Loans and advances to banks	**2,524,197**	**2,721,730**	**5,245,927**	3,620,346	2,398,702	6,019,048	1,854,489	3,914,740	5,769,229
Loans and advances to customers	**9,416,916**	**13,627,006**	**23,043,922**	8,588,332	13,561,864	22,150,196	8,573,878	13,723,376	22,297,254
Investment securities	**34,827,829**	**13,837,071**	**48,664,900**	34,387,515	10,920,656	45,308,171	18,831,730	15,542,684	34,374,414
Investment in subsidiary									
Asset held for distribution									
Property and equipment	**-**	**170,977**	**170,977**	-	185,675	185,675	-	189,854	189,854
Intangible assets	**-**	**269,914**	**269,914**	-	243,398	243,398	-	249,585	249,585
Right of use assets									
Deferred tax assets	**-**	**124,388**	**124,388**	-	100,953	100,953	-	141,462	141,462
Other assets	**2,347,559**	**-**	**2,347,559**	2,106,722	-	2,106,722	1,841,173	-	1,841,173
TOTAL ASSETS			**129,447,278**			31,025,551			160,472,829
LIABILITIES									
Due to banks	**13,252**	**-**	**13,252**	19,204	11,230	30,434	860,323	72,432	932,755
Deposits from banks	**96,365**	**-**	**96,365**	14,106	-	14,106	33,341	-	33,341
Deposits from customers	**143,361,389**	**7,489,230**	**150,850,619**	123,906,666	7,287,593	131,194,259	105,892,837	5,459,289	111,352,126
Derivative financial instruments	**9,465**	**97,703**	**107,168**	49,995	-	49,995	46,325	18,057	64,382
Debts issued	**-**	**-**	**-**	184,205	-	184,205	404,758	195,450	600,208
Retirement benefits obligation	**-**	**99,851**	**99,851**	-	64,652	64,652	-	41,688	41,688
Current tax liabilities	**13,618**	**-**	**13,618**	112,116	-	112,116	31,281	-	31,281
Lease liabilities	**34,070**	**48,501**	**82,571**	-	-	-	-	-	-
Other liabilities	**568,061**	**-**	**568,061**	507,327	-	507,327	445,380	-	445,380
TOTAL LIABILITIES	**144,096,220**	**7,735,285**	**151,831,505**	124,793,619	7,363,475	132,157,094	107,714,245	5,786,916	113,501,161

35. CONTINGENT LIABILITIES AND COMMITMENTS

To meet the financial needs of customers, the Group and the Bank enter into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Even though the obligations may not be recognised on the statements of financial position they do contain credit risk and are therefore part of the overall risk of the Group and the Bank.

One of the subsidiary, ACML entered into an arrangement with its clients, where the latter are now managing their own funds.

Contingent liabiliites

	THE GROUP	
	2020	2019
	MUR'000	MUR'000
At 1 July	**3,814**	-
Amounts received during the year from clients	**1,238**	3,814
At 30 June	**5,052**	3,814

	THE BANK		
	2020	2019	2018
	MUR'000	MUR'000	MUR'000
Financial guarantees	**281,866**	353,258	649,276
Letters of credit	**151,588**	208,486	225,412
Bills for collection	**825,895**	323,703	121,546
	1,259,349	885,447	996,234
Commitments			
Undrawn commitments to lend	**914,812**	1,093,881	1,102,424
Total	**2,174,161**	1,979,328	2,098,658

Refer to note 37 for disclosure on allowance for impairment losses.

Contingent liabilities
Financial guarantees and letters of credit (including standby letters of credit) commit the Group and the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods.

Legal claims
Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Group and the Bank have formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Group and the Bank make adjustments to account for any adverse effects which the claims may have on its financial standing.

During the reporting period, a customer of the Bank instigates proceedings against it for breach of contract in connection to an outward transfer payment of MUR 5M.

Management considers that no liability will arise as the case is currently still at preliminary stage before the Supreme Court of Mauritius and is remote.

Undrawn commitments to lend
Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards. The Group and the Bank monitor the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Lease commitment

The Group and the Bank as lessee

Disclosure as per IAS 17
The Group and the Bank have entered into commercial leases on premises and vehicles. These leases have an average life that ranges between three and five years with no renewal option included in the contract. There are no restrictions placed upon the lessee by entering the leases.

35. CONTINGENT LIABILITIES AND COMMITMENTS

Future minimum lease payments under the non-cancellable operating leases at 30 June are as follows:

	THE GROUP		THE BANK	
	2019	2018	2019	2018
	MUR'000	MUR'000	MUR'000	MUR'000
Within one year	33,261	23,518	34,143	26,220
After one year but not more than five years	62,171	45,659	67,488	54,262
	95,432	69,177	101,631	80,482

36. RELATED PARTY DISCLOSURES

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
Compensation to key management personnel (Including executive director)	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Short-term employee benefits	**153,694**	132,870	111,835	**142,602**	112,262	100,345
Share-based payments	**-**	-	2,862	**-**	-	2,862
	153,694	132,870	114,697	**142,602**	112,262	103,207

Transactions with directors and key management personnel of the Group and the Bank

The following table provides the total amount of transactions, which have been entered into with key management personnel for the relevant financial year:

THE GROUP	**2020**		2019		2018	
	Balances as at 30 June 2020	**Income from / (expense to)**	Balances as at 30 June 2019	Income from / (expense to)	Balances as at 30 June 2018	Income from / (expense to)
Directors and key management personnel of the Group:	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000
Loans and advances	**49,496**	**2,093**	51,530	2,509	33,198	2,030
Deposits from customers:						
- Term deposits	**50,662**	**(1,286)**	47,719	(1,433)	21,228	(450)
- Savings and current accounts	**130,706**	**(2,352)**	105,930	(3,582)	50,704	6,597
	181,368	**(3,638)**	153,649	(5,015)	71,932	6,147
Class A shares	**12,500**	**-**	12,850	-	12,690	-
Directors' fees	**3,833**	**(10,381)**	4,230	(8,062)	3,766	(6,387)
Other fees	**6,341**	**(3,071)**	3,761	(2,150)	2,571	(2,040)
Other expense	**36,847**	**(314)**	21,190	(531)	14,973	-
	240,889	**(17,404)**	195,680	(15,758)	105,932	(2,280)

36. RELATED PARTY DISCLOSURES (CONTINUED)

THE BANK	2020		2019		2018	
	Balances as at 30 June 2020	**Income from / (expense to)**	Balances as at 30 June 2019	Income from / (expense to)	Balances as at 30 June 2018	Income from / (expense to)
Directors of the Bank:	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000
Loans and advances	**12,595**	**922**	27,076	1,070	3,791	240
Deposits from customers:						
- Term deposits	**43,674**	**(1,179)**	39,003	(966)	21,228	(450)
- Savings and current accounts	**27,465**	**(367)**	26,625	(1,209)	17,862	(815)
	71,139	**(1,546)**	65,628	(2,175)	39,090	(1,265)
Directors' fees	**3,273**	**(10,381)**	4,230	(7,502)	3,766	(6,387)
Other fees	**6,341**	**(3,073)**	3,761	(2,150)	2,571	(2,040)
	80,753	**(15,000)**	73,619	(11,827)	45,427	(9,692)

Chairmanship fees paid to related parties is MUR 7.8m (2019: MUR 5.8m, 2018: MUR 5m)

	2020		2019		2018	
	Balances as at 30 June 2020	**Income from / (expense to)**	Balances as at 30 June 2019	Income from / (expense to)	Balances as at 30 June 2018	Income from / (expense to)
Key management personnel of the Bank:	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000
Loans and advances	**36,879**	**1,148**	18,559	987	20,593	1,588
Deposits from customers:						
- Term deposits	**6,426**	**(107)**	8,716	(467)	26,180	(471)
- Savings and current accounts	**48,181**	**(301)**	21,812	(657)	20,220	1,460
	54,607	**(408)**	30,528	(1,124)	46,400	989
Class A shares	**12,500**	**-**	12,850	-	12,690	-
Other expense	**36,847**	**(314)**	21,190	(530)	14,973	-
	103,954	**(722)**	64,568	(1,654)	74,063	989

Transactions with other related parties

In addition to transactions with key management personnel, the Group and the Bank entered into transactions with entities having significant influence over the Group and the Bank. The following table shows the outstanding balance and the corresponding transaction during the year.

(a) THE GROUP	Fees from related parties	Fees to related parties	Interest from related parties	Interest to related parties	Amount owed by related parties	Amount owed to related parties	Bank balances with related parties
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
2020							
Entities with significant influence over the Group	**12,139**	**69,794**	**145,041**	**11,375**	**2,265,234**	**288,638**	**86,230**
2019							
Entities with significant influence over the Group	7,455	70,025	181,419	18,853	14,398,153	510,382	148,606
2018							
Entities with significant influence over the Group	15,627	78,333	153,411	19,039	14,600,871	745,881	104,086

36. RELATED PARTY DISCLOSURES (CONTINUED)

(b) THE BANK	Fees from related parties	Fees to related parties	Interest from related parties	Interest to related parties	Amount owed by related parties	Amount owed to related parties	Bank balances with related parties
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
2020							
Entities with significant influence over the Bank	11,961	69,794	145,041	8,274	2,265,234	267,816	86,230
Subsidiary companies	1,704	2,995	-	1,502	39,198	32,307	-
	13,665	72,789	145,041	9,776	2,304,432	300,123	86,230
2019							
Entities with significant influence over the Bank	7,392	70,025	181,132	17,135	14,392,484	452,889	148,606
Subsidiary companies	7,649	-	200	2,648	84,843	177,678	-
	15,041	70,025	181,332	19,783	14,477,327	630,567	148,606
2018							
Entities with significant influence over the Bank	15,266	78,333	152,468	13,256	14,571,117	713,039	104,086
Subsidiary companies	136	-	766	67,942	178,266	742,007	-
	15,402	78,333	153,234	81,198	14,749,383	1,455,046	104,086

The dividend paid to related parties on Class A Shares is MUR 4.9m (2019: MUR 1.2m, 2018: MUR 1.1m).
The dividend paid to related parties on Ordinary Shares is MUR 231.7m (2019: MUR 95.1m, 2018: MUR 97.5m).

Terms and conditions of transactions with related parties

The above mentioned outstanding balances arose in the normal course of business. For the year ended 30 June 2020/2019, the Group and the Bank have raised expected credit losses for doubtful debts relating to amounts owed by relating parties as per ECL model currently being applied on financial assets (2018:Nil). At 30 June 2020, none of the facilities to related parties was non-performing (2019: MUR Nil, 2018: MUR Nil). In addition, for the year ended 30 June 2020 the Bank has not written off any amount owed by related party (2019: MUR Nil, 2018: MUR Nil).

The total on and off balance sheet exposure to the related parties amounted to MUR 1.7 bn (2019: MUR 3.0 bn, 2018: MUR 2.4bn) representing 5.5% (2019: 10%, 2018: 8%) of loan and advances exposure.

The Bank acts as custodian for AfrAsia Capital Management Ltd. The latter has deposits in Kingdom Bank Limited amounting to USD 1.2m (2019: USD 1.2m and 2018: USD 1.2m).

Amount due to/from related parties

The related party transactions were carried out under market terms and conditions with the exception of loans to Key Management Personnel who benefited from preferential rates as applicable to staff. The above balances were unsecured.

37. FINANCIAL RISK MANAGEMENT

Introduction

Risk is inherent in the Group's and the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's and the Bank's continuing profitability and each individual within the Group and the Bank is accountable for the risk exposures relating to his or her responsibilities. The Group and the Bank are exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operational risks.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks. However, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors as well as the Group's and the Bank's senior management are responsible for understanding both the nature and level of risks taken by the institution and how the risks relate to adequate capital level. The Board is also responsible for the overall risk management approach and for approving the risk strategies and principles.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Management/Conduct Review Committee

The Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Committee is responsible for managing risk decisions and monitoring risk levels.

Treasury Function

The Bank's Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for managing the funding and liquidity risks of the Bank.

Internal Audit

The Bank's policy is that risk management processes throughout the Bank are audited annually by the Internal Audit Function, which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

(a) Risk measurement and reporting systems

The Group's and the Bank's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group and the Bank also run worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Group and the Bank. These limits reflect the business strategy and market environment of the Group and the Bank as well as the level of risk that the Group and the Bank are willing to accept, with additional emphasis on selected industries. In addition, the Group's and the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the business is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors, the Risk Committee and the Head of each business division. The report includes aggregate credit exposure, hold limit exceptions, liquidity ratios and risk profile changes. On a monthly basis, detailed reporting of industry, customer and geographic risks take place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis.

Risk mitigation

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in foreign currencies.

The Bank has set in place a Watchlist committee that monitors accounts in arrears rigourously. Weekly reports are circulated for follow up and tabled at the committee. Through its Impairment committee, Management are provided with a status on Loans and Advances in arrears so as to ensure that appropriate actions have been taken.

The Bank actively uses collaterals to reduce their credit risks on loans and advances.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

(b) Credit risk

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the entity. The Group and the Bank main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers and other banks (including related commitments to lend such as loan or credit card facilities), investment in debt securities, derivatives that are an asset position, trade receivables and receivables from related parties. The Group and the Bank consider all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (CONTINUED)

Credit risk management

The Bank has established a number of approaches to manage credit risk including:
- maintaining a culture of responsible lending and a robust risk policy and control framework
- defining, implementing and re-evaluating credit risk appetite
- expert scrunity and approval of credit risk and its mitigation independently of the business functions
- ongoing monitoring of exposure relative to set appetite and limits and quality of assets and counterparty
- ongoing independent risk oversight and reporting to the governance committee, in respect of breaches of limits, policies/procedure and risk appetite
- Appropriate credit policies and procedures are in place
- Ensuring that the Bank has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.

The Bank is using a combination of credit rating (internal and external) and statistical regression analysis to determine the probability of default. Internal credit ratings are mapped to S&P table on default rates to arrive at the Bank's PD for each customer. Statistical Regression is derived using an analysis of historical data, whereby the Bank has estimated relationships between macro-economic variables, credit risk and credit losses. Country rating is also factored in our ECL computation for non-resident counterparties.

Internal Credit Risk Ratings

In order to minimise credit risk, the Bank has tasked its Risk Management Committee to develop and maintain the Bank's Credit Risk grading to categorise exposures according to their degree of risk of default. Board Credit and Risk committee have oversight on the credit rating. The credit rating information is based on a range of data that is determined to be predictive of the risk of default. The nature of the exposure and type of borrower are taken into account in the analysis.

The Bank's Risk Appetite Framework ('RAF') comprises of quantitative and qualitative factors that are indicative of risk of default and are used to define credit risk grades. The RAF has been designed and calibrated to reflect the risk of default as credit risk deteriorates.

As the credit risk increases, the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure. The following data are typically used to monitor the Bank's exposures:'- Payment record and ageing analysis;
- Extent of utilisation of granted limit;
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies; and
- For retail exposures internally generated data of customer behaviour or other metrics.

The Bank uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Bank collects performance and default information about its credit risk exposure analysed by type of products and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The table below provides a mapping of the Bank's internal credit risk grades to external ratings.

2020

Internal Rating	External Rating Equivalent	Description	Average 1YR PD Range
AAA	AAA	Prime	0.04%-0.04%
AA+	A+	Upper Medium Grade	0.06%-0.06%
AA			
AA-	BBB	Lower Medium Grade	0.20%-0.20%
A+	BB+	Non-Investment Grade Speculative	0.33%-0.43%
A	BB		0.54%-1.09%
A-			
BBB+	BB-		1.09%-1.95%
BBB			
BBB-	B+	Highly Speculative	2.41%-4.24%
BB+	B		3.91%-6.85%
BB			
BB-	B-		7.79%-13.88%
B+			
B			
B-			
CCC/C	CCC/C	Highly Vulnerable	27.08%
D	D	In Default	100%

2019

Internal Rating	Corresponding S&P rating	Description	Average PD Range
AAA	AAA	Prime	0.03%-0.03%
AA+	A+	Upper Medium Grade	0.05%-0.05%
AA			
AA-	BBB	Lower Medium Grade	0.16%-0.16%
A+	BB+	Non-Investment Grade Speculative	0.32%-0.33%
A	BB		0.53%-0.99%
A-			
BBB+	BB-		0.95%-0.98%
BBB			
BBB-	B+	Highly Speculative	2.01%-3.74%
BB+	B		3.41%-4.22%
BB			
BB-	B-		6.75%-7.07%
B+			
B			
B-			
CC	CCC/C	Highly Vulnerable	34.44%-34.44%
D	D	In Default	100%

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

Internal Credit Risk Ratings (Continued)

Significant Increase in Credit Risk

The Bank monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial

recognition. If there has been a significant increase in credit risk, the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

At each reporting date, the Bank must assess whether the credit risk on a financial instrument has increased significantly.
- This assessment shall be based on the risk of default (as opposed to the overall expected loss).
- If an asset is considered "low risk" at the reporting date, the entity may assume that it is not subject to SICR.
- If forward looking information is available without undue cost, this shall be used in the assessment of SICR, whether this be on an individual or collective basis.
- A 30-days past due backstop criterion shall be used to identify SICR. An entity may challenge this backstop if it has evidence that exposures may become 30 days past due without a significant increase in credit risk.

In addition, the Bank has developed a number of objective and subjective factors to consider when evaluating whether an account exhibits SICR:
- Negative market information: if there is negative market information which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring.
- Changes in credit worthiness/ratings: if the external/internal S&P rating on the borrower drops to below A- and has dropped by two or more notches
- Adverse changes in economic/business environment: An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations, such as a decline in the demand for the borrower's sales product because of a shift in technology.

Modification to a borrower due to financial difficulty: Where the loan does not meet the definition of Credit Impaired, it will be classified in stage 2 for a 6-month cooling period before returning to stage 1.

Financial difficulty: If there is an adverse financial information that may impact on the operating results of the borrower resulting in a possible change in the borrower's ability to meet its full debt obligations.
- Application of court order: if the borrower is subject to legal proceedings from a third party that may impair their ability to pay future instalments.
- Significant country downgrade: if the external country rating on the borrower drops to below A- and has dropped by two or more notches.

Loan commitments are assessed along with the category of loan the Bank is committed to provide, i.e. commitments to provide corporate loans are assessed using similar criteria to corporate loans.

The Bank has monitoring procedures in place to make sure that the qualitative and quantitative criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due.

Incorporation of forward looking information

The Bank incorporates forward looking information that is available without undue cost and effort into both its assessment of whether the credit risk of an instrument has increased significantly since its intial recognition and its measurement of ECL.

The Bank asset book is split into two segments, namely Segment A for local exposures and Segment B for cross-border exposures. The Segment A portfolio is further segregated into 2 distinct homogenous group namely Mid-Corporate and Large-Corporate, whereby clients fall into either one of the 15 sectors, based on a Bank of Mauritius classification criteria. Marginal PDs for each facility are generated through the respective PD function built upon the logistic regression equation of each sector/sub-sector. Via these econometric models, the relationships between movements in macroeconomic variables and default behaviours of our clients are investigated and where evidence could be found, relevant PDs are derived embedding forward looking information. A wide array of Macroeconomic variables have been considered in assessing for significant predictive power within the PD models; these include GDP, Inflation, PPI as well as key market indicators such as the SEMDEX and DEMEX. For clients belonging to sectors with no internal default experience, PDs are derived based on the internal rating models as assessments support that movements in the macroeconomic variables do not have a significant impact on default behaviours. The Segment B portfolio on the other hand is segregated by country of risk. The PD attached to each facility, derived from the Bank's rating based approach is subsequently adjusted to incorporate forward-looking information based on the movements of Sovereign Credit Default Swap (CDS) curves.

In light of COVID-19, ABL revised its ECL framework so as to cater for the higher level of uncertainty in markets, both local and across borders. The bank ensured that in doing so, it remains in line with the many guiding principles released by local and international body on IFRS9 in a COVID-19 context. Adjusting for forward looking information during this unprecedented event, the bank has adopted a probabilistic approach based on forward looking scenarios, as prescribed in the IFRS9 framework, given uncertainties prevailing across markets. As such, the bank has defined 3 scenarios (upside, baseline/most likely and downside) and assigned weights suggesting the likelihood of such event occurring based on economic and market conditions assessments in the context of COVID-19. The scenarios assumed are very bearish, so as to properly reflect the current and projected global economic environment. The baseline scenarios for both Segment A and B are determined by means of the CDS curves movement of the different countries, capturing the market information and investors sentiment arising from the crisis effect brought on by the pandemic; CDS Proxies have been derived and used on exposures residing in countries where no adequate CDS curves are available.

The Bank has factored in post model adjustment to take into account the unlikeliness to pay criteria on certain sectors impacted by COVID-19. The adjustment is based on borrowers' non-payment behaviors observed in the current economic environment which may result in an increasing amount of balances becoming past due and having a higher probability of default in the future.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

ECL Measurement

The key inputs into the measurement of ECL are the following:

i. probability of default (PD);
ii. loss given default (LGD);
iii. exposure at default (EAD).

These parameters are derived as detailed below and they are adjusted to reflect forward-looking information as described above.

The IFRS 9 ECL is calculated every quarter, or as frequently as required. Separate IFRS9 ECL calculation is done for Stage 1, Stage 2 and Stage 3 accounts.

The ECL for all accounts in Stage 1 is calculated by multiplying the PD, LGD and EAD. For Stage 2 accounts, ECL is calculated separately for the first 12 months, months

13-24 and so on until the contractual maturity. Lastly, ECL for Stage 3 accounts is calculated simply by multiplying the EAD and LGD, given that the account is in default

(i.e. the PD is 100%).

PD is an estimate of the likelihood of default over a given time horizon. PDs are estimated considering the contractual maturities of exposures and the estimation is based on current conditions, adjusted to take into account estimates of future conditions that will potentially impact PD.

The PD of the domestic accounts is derived either through the econometric models where available or alternatively, based on the Bank's internal rating models (as explained above). For international accounts, the PD is determined based on the external rating of the counterparty if available. Otherwise, the Bank uses the internal rating models, capped to the respective country rating. The PDs are thereafter duly adjusted to include any forward looking premium as required.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral.

LGD for performing accounts is dependent on the collateral held against the exposure. The Bank derives the LGD based on the type of collateral rather than the estimated collateral value. The LGD for non-performing accounts is prudently calculated under the assumption that the Bank will take possession of the collateral and liquidate.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For overdraft, credit card and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract. As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

The Bank measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contact extension or renewal is common business practice. However, for financial instruments such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. For such financial instruments the Bank measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period. However, the Bank does not enforce in the normal day-to-day management the contractual right to cancel these financial instruments. This is because these financial instruments are managed on a collective basis and are canceled only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment.

Groupings based on shared risks characteristics

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as:

- Instrument type
- Sector/sub-sector
- Geographic location

The groupings are review on a regular basis to ensure that each group is comprised of homogenous exposures.

Individually assessed allowances

The Group and the Bank determine the allowances to be appropriate for each facility assessed on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Regulatory provision

Regulatory provision is conducted in accordance with the Bank of Mauritius Guideline on 'Credit Impairment Measurement and Income Recognition (April 2016)' and 'Additional Macroprudential Measures For the Banking Sector (January 2015)' which require the Bank to take a minimum portfolio provision of 1% on standard credits and an additional portfolio provision as a macro prudential policy measure ranging between 0.5% to 1% depending on the sectors. The Bank has recognized a regulatory provision of MUR 146m in portfolio reserve during the year which represents the difference between minimum portfolio provision and the stage 1 and 2 provision for loans and advances.

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group and the Bank address impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Credit-related commitments risks

The Bank make available for its customers guarantees which may require that the Bank make payments on their behalf and enter into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control process and policies.

Country risk

Country risk is the uncertainty whether obligors will be able to fulfil financial obligations given political or economic conditions in the country in question. The Bank make a thorough evaluation of risks, which may be associated with their cross-border operations and which have the potential to adversely affect its risk profile. These risks can be elaborated below:

Transfer Risk - Where a country suffers economic, political or social problems, leading to a drainage in its foreign currency reserves, the borrowers in that country may not be able to convert their funds from local currency into foreign currency to repay their external obligations.

Sovereign Risk - This risk denotes a foreign government's capacity and willingness to repay its direct and indirect (i.e., guaranteed) foreign currency obligations. It arises as a result of a bank having any type of lending, extension of credit, or advance to a country's government.

Currency Risk - The risk that a borrower's domestic currency holdings and cash flow become inadequate to service its foreign currency obligations because of devaluation.

Contagion Risk - The risk that adverse developments in one country may, for instance, lead to a downgrade of rating or credit squeeze not only for that country but also for other countries in the region, notwithstanding the fact that those countries may be more creditworthy and that the adverse developments do not apply.

Indirect Country Risk - The risk that the repayment ability of a domestic borrower is endangered owing to the deterioration of the economic, political or social conditions in a foreign country where the borrower has substantial business relationship or interest.

Macroeconomic Risk - The risk that the borrower in a country may, for example, suffer from the impact of high interest rates due to measures taken by the government of that country to defend its currency.

According to the Bank of Mauritius guideline on country risk management, the Bank is required to prudently make provisions on country risk. A provision of MUR 50M was raised for the year ended 30 June 2017. No incremental provisioning was required for the year ended 30 June 2018, 30 June 2019 and 30 June 2020. This is posted in the general banking reserve, which comprises amounts set aside for general banking risks, including future losses and other unforeseen risks. It also includes provision made to meet other regulatory provision including country risk.

Conferring to ABL's country risk policy, the Bank would set exposure limits for individual countries to manage and monitor Country risk. Country exposure limits should apply to all on and off balance sheet exposures to foreign borrowers. While it is the responsibility of the Board Risk Committee (BRC) to approve the proposed structure of limits, investment strategy and the related limits with regards to the Bank risk appetite , the Board of Directors is also repsonsible for setting the Bank's tolerance for country risks.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Risk concentrations: Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The Group's and the Bank's concentrations of risk are managed by client/counterparty (excluding government), by geographical region and by industry sector. The maximum credit exposure to any client or counterparty as of 30 June 2020 was MUR 17.6bn (2019: MUR 18.5bn and 2018: MUR 13.4bn) before taking account of collateral or other credit enhancements.

The following table shows the maximum exposure to credit risk for the components of the statement of financial position, including derivatives, by geography and by industry before the effect of mitigation through the use of master netting and collateral agreements. Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
Financial assets	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Cash and cash equivalents	**69,040,147**	50,726,584	50,105,076	**69,035,421**	50,724,938	49,974,647
Due from banks	**11,137,615**	12,971,816	5,164,742	**11,137,615**	12,971,816	5,164,742
Derivative financial instruments	**321,961**	744,595	897,052	**321,961**	92,413	208,490
Loans and advances to banks	**5,257,597**	6,034,226	5,827,242	**5,257,597**	6,034,226	5,827,242
Loans and advances to customers	**25,433,805**	24,062,713	23,513,195	**25,433,805**	24,062,713	23,513,195
Investment securities	**48,704,358**	46,212,331	35,290,627	**48,672,693**	45,316,550	34,374,414
Other assets (excluding prepayments, accrued income, inventory and taxes)	**2,216,920**	1,922,348	1,587,987	**2,211,795**	1,991,181	1,744,081
	162,112,403	142,674,613	122,385,921	**162,070,887**	141,193,837	120,806,811

The Group's and the Bank's financial assets before taking into account any collateral held or other credit enhancements, can be analysed as follows by the following geographical regions:

	GROSS MAXIMUM EXPOSURE					
	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Africa						
Mauritius	**58,739,539**	52,199,588	38,659,219	**58,704,122**	52,243,133	38,666,325
Other African countries	**12,332,502**	13,310,034	10,168,891	**12,332,502**	13,310,034	10,168,891
North America	**41,225,695**	35,588,651	17,724,199	**41,225,695**	35,279,049	17,429,263
Europe	**19,636,463**	10,005,145	38,244,748	**19,632,067**	10,005,145	38,154,156
Asia	**29,377,200**	26,778,439	13,920,174	**29,377,200**	26,778,439	13,920,174
Others	**801,004**	4,792,756	3,668,690	**799,301**	3,578,037	2,468,002
	162,112,403	142,674,613	122,385,921	**162,070,887**	141,193,837	120,806,811

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

An industry analysis of the Group's and the Bank's financial assets, without taking account of any collateral held or other credit enhancements, is as follows:

	GROSS MAXIMUM EXPOSURE					
	THE GROUP			THE BANK		
	2020	2019	2018	**2020**	2019	2018
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Agriculture	**1,094,873**	509,649	2,026,262	**1,094,873**	509,649	2,026,262
Construction, infrastructure and real estate	**1,944,015**	1,119,041	1,780,388	**1,944,015**	1,119,041	1,780,388
Financial and business services	**98,955,710**	122,495,156	103,699,598	**98,914,194**	121,014,380	102,120,488
Government and parastatal bodies	**35,407,685**	479,419	1,488,649	**35,407,685**	479,419	1,488,649
Information, communication and technology	**254,487**	16,516	45,544	**254,487**	16,516	45,544
Manufacturing	**4,673,091**	2,725,894	2,780,767	**4,673,091**	2,725,894	2,780,767
Personal	**2,373,536**	1,912,148	1,706,109	**2,373,536**	1,912,148	1,706,109
Tourism	**4,537,676**	3,165,754	2,412,999	**4,537,676**	3,165,754	2,412,999
Traders	**5,342,073**	1,550,713	1,561,372	**5,342,073**	1,550,713	1,561,372
Others	**7,529,257**	8,700,323	4,884,233	**7,529,257**	8,700,323	4,884,233
	162,112,403	142,674,613	122,385,921	**162,070,887**	141,193,837	120,806,811

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are as follows:

- Floating charges for commercial lending;
- Fixed charges for retail lending and for commercial lending;
- Cash deposits held under lien; and
- Pledge of quoted shares.

The Group and the Bank also request for personal guarantees from promoters, directors, shareholders and also corporate and cross guarantees from parent and sister companies.

The value of collateral and other credit enhancements received on loans and advances as at 30 June 2020 is MUR 18.4bn (2019: MUR 14.7bn and 2018: MUR 18bn). All other financial assets are unsecured except for collateralised placements.

Credit quality per class of financial assets

THE GROUP AND THE BANK

The Group and the Bank monitor credit risk per class of financial instrument. The table below outlines the classes identified, as well as the financial statement line item and the note that provides an analysis of the items included in the financial statement line for each class of financial instrument for the year ended 30 June 2020 and 30 June 2019.

Class of financial instrument	Financial statement line	Note
Short term placements and Nostro	Cash and cash equivalents	Note 13
Medium term placements	Due from banks	Note 14
Loans and advances to banks	Loans and advances to banks	Note 16(a)
Loans and advances to customers	Loans and advances to customers	Note 16(b)
Debt instruments measured at amortised cost	Investment securities	Note 17(c)
Debt instruments measured at FVTOCI	Investment securities	Note 17(b)
Loans commitments and financial guarantee contracts	Other liablities	Note 37 (b)

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

The table below shows the credit quality by class of asset for loan-related statement of financial position lines as at 30 June 2018:

THE GROUP

	Neither past due nor impaired				
	High Grade (1-3)	Standard Grade (4-5)	Past due but not impaired	Individually impaired	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
30 June 2018					
Cash and cash equivalents	50,105,076	-	-	-	50,105,076
Due from banks	5,164,742	-	-	-	5,164,742
Derivative financial instruments	897,052	-	-	-	897,052
Financial assets mandatorily measured at fair value through profit or loss	3,855,950	-	-	-	3,855,950
Loans and advances to banks and customers	27,826,169	24,045	15,832	1,474,391	29,340,437
Debt instruments measured at fair value through other comprehensive income	4,074,500	-	-	-	4,074,500
Debt instruments measured at amortised cost	27,360,177	-	-	-	27,360,177
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,587,987	-	-	-	1,587,987
	120,871,653	24,045	15,832	1,474,391	122,385,921

THE BANK

	Neither past due nor impaired				
	High Grade (1-3)	Standard Grade (4-5)	Past due but not impaired	Individually impaired	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
30 June 2018					
Cash and cash equivalents	49,974,647	-	-	-	49,974,647
Due from banks	5,164,742	-	-	-	5,164,742
Derivative financial instruments	208,490	-	-	-	208,490
Financial assets mandatorily measured at fair value through profit or loss	2,958,296	-	-	-	2,958,296
Loans and advances to banks and customers	27,826,169	24,045	15,832	1,474,391	29,340,437
Debt instruments measured at fair value through other comprehensive income	4,055,941	-	-	-	4,055,941
Debt instruments measured at amortised cost	27,360,177	-	-	-	27,360,177
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,744,081	-	-	-	1,744,081
	119,292,543	24,045	15,832	1,474,391	120,806,811

It is the Group's and the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. These facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All risk ratings are tailored to the various categories and are derived in accordance with the Group's and the Bank's rating policy. The attributable risk ratings are assessed and updated regularly.

Analysis of loans and advances to banks and customers by past due status:

THE GROUP AND THE BANK

Loans and advances to customers	30 JUNE 2020		30 JUNE 2019	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
	MUR 000	MUR 000	MUR 000	MUR 000
0-29 days	22,601,874	168,192	20,707,171	121,006
30-59 days	-	-	2,998	78
60-89 days	-	-	1,127,597	226,227
90-180 days	795,389	629,677	72,870	31,973
More than 181 days	2,036,542	1,592,014	2,152,077	1,533,233
Total	25,433,805	2,389,883	24,062,713	1,912,517

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

The past due status for loans and advances to banks fall under the '0-29 days' category for both years ended 30 June 2020 and 30 June 2019.

	Amount in arrears				
	More than 91 days	61 to 90 days	31 to 60 days	Less than 30 days	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
30 June 2018					
Loans and advances to customers					
- Corporate lending	-	-	-	14,148	14,148
- Business banking	-	-	10	765	775
- Private/personal	-	-	107	802	909
	-	-	117	15,715	15,832

See Note 16 for more detailed information with respect to the allowance for impairment losses on loans and advances to customers.

The fair value of the collaterals that the Group and the Bank hold relating to loans that were past due but not impaired and loans individually determined to be impaired at 30 June 2020 amounts to MUR 507m (2019: MUR 665m and 2018: MUR 437m) and MUR 810m (2019: MUR 658m and 2018: MUR 1.6bn) respectively.

Collateral repossessed

During the year, the Group and the Bank did not take possession of any collateral (2019: Nil and 2018: Nil).

Modified financial assets

As a results of the Bank's forbearance activities financial assets might be modified. The following refer to the modified financial assets where modification does not result in derecognition.

Financial assets (with loss allowance based on lifetime ECL) modified during the year

	30-Jun-20
	MUR'000
Gross carrying amount after modification	5,278,916
Loss allowance after modification	48,227
	5,327,143

Financial guarantees and unutilised commitments are assessed and provision made in similar manner as for loans.

Commitments and guarantees

To meet the financial needs of customers, the Group and the Bank enter into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statements of financial position, they do contain credit risk and are therefore part of the overall risk of the Group and the Bank.

The table below shows the Group's and the Bank's maximum credit risk exposure for commitments and guarantees.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Group and the Bank could have to pay if the guarantee is called on. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the statement of financial position.

	THE GROUP AND THE BANK		
	2020	2019	2018
	MUR'000	MUR'000	MUR'000
Financial guarantees	281,866	353,258	649,276
Letters of credit	151,588	208,486	225,412
Bills for collection	825,895	323,703	121,546
Undrawn commitments to lend	914,812	1,093,881	1,102,424
	2,174,161	1,979,328	2,098,658

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Financial guarantee contracts and loan commitments

The allowance for impairment losses on off balance sheet items has been calculated on financial guarantees, letters of credit and undrawn commitments. The loss allowance has been classified under other liabilities. Revolving credit facilities amounting to MUR 3bn has been included in the IFRS 9 disclosure below but not included in the undrawn commitments balance.

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's external credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	2020			
External rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Performing:				
Credit rating AAA	**139,426**	**-**	**-**	**139,426**
Credit rating AA+ to AA-	**2,202,413**	**-**	**-**	**2,202,413**
Credit rating A+ to A-	**1,156,176**	**-**	**-**	**1,156,176**
Credit rating BBB+ to BBB-	**641,455**	**-**	**-**	**641,455**
Credit rating BB+ to BB-	**80,906**	**-**	**-**	**80,906**
Credit rating B+ to B-	**109,469**	**-**	**-**	**109,469**
Credit rating CCC+ to C	**-**	**-**	**-**	**-**
Non performing:				
Credit rating D	**-**	**-**	**786**	**786**
Total gross carrying amount	**4,329,845**	**-**	**786**	**4,330,631**
Loss allowance	**(7,311)**	**-**	**(50)**	**(7,361)**
Carrying amount	**4,322,534**	**-**	**736**	**4,323,270**

	2019			
External rating grade	Stage 1	Stage 2	Stage 3	Total
	MUR'000	MUR'000	MUR'000	MUR'000
Performing:				
Credit rating AAA	40	-	-	40
Credit rating BBB+ to BBB-	3,535	-	-	3,535
Credit rating BB+ to BB-	205,048	-	-	205,048
Credit rating B+ to B-	347,710	-	-	347,710
Credit rating CCC+ to C	-	4,615	-	4,615
Non performing:				
Credit rating D	-	-	796	796
Total gross carrying amount	556,333	4,615	796	561,744
Loss allowance	(10,411)	(65)	-	(10,476)
Carrying amount	545,922	4,550	796	551,268

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	2020			
Financial guarantee contracts and loan commitments	**Stage 1 12-months ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Total amount guaranteed as at 30 June 2019	**556,332**	**4,615**	**796**	**561,743**
Changes in the amount guaranteed:				
Transfer to stage 3	**(50)**	**-**	**50**	**-**
New financial assets originated	**4,246,485**	**-**	**-**	**4,246,485**
Financial assets that have been derecognised	**(416,950)**	**(4,615)**	**(20)**	**(421,585)**
Other movements	**(55,972)**	**-**	**(40)**	**(56,012)**
Gross carrying amount at 30 June 2020	**4,329,845**	**-**	**786**	**4,330,631**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Financial guarantee contracts and loan commitments	2019			
	Stage 1 12-months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	MUR'000	MUR'000	MUR'000	MUR'000
Total amount guaranteed as at 30 June 2018	871,592	-	3,095	874,687
Changes in the amount guaranteed:				
Transfer to stage 3	(31)	-	31	-
New financial assets originated	359,174	4,615	-	363,789
Financial assets that have been derecognised	(362,944)	-	(1,690)	(364,634)
Other changes	(311,459)	-	(640)	(312,099)
Gross carrying amount at 30 June 2019	556,332	4,615	796	561,743

Loss allowance - Financial guarantee contracts	**2020**			
	Stage 1 12-months ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Loss allowance as at 01 July 2019	**10,411**	**65**	**-**	**10,476**
Changes in the loss allowance				
Transfer to stage 1				**-**
Transfer to stage 2				**-**
Transfer to stage 3	**(1)**	**-**	**1**	**-**
Write-offs				
Changes due to modifications that did not result in derecognition				
New financial assets originated	**6,824**	**-**	**-**	**6,824**
Financial assets that have been derecognised	**(7,641)**	**(65)**	**-**	**(7,706)**
Changes in model/risk parameters				**-**
Foreign exchange and other movements				**-**
Other movements	**(2,282)**	**-**	**49**	**(2,233)**
Expected credit loss as at 30 June 2020	**7,311**	**-**	**50**	**7,361**

Loss allowance - Financial guarantee contracts	2019			
	Stage 1 12-months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	MUR'000	MUR'000	MUR'000	MUR'000
Loss allowance as at 01 July 2018	10,086	-	-	10,086
Changes in the loss allowance				
Transfer to stage 3	(31)	-	31	-
New financial assets originated	4,893	65	-	4,958
Financial assets that have been derecognised	(3,167)	-	-	(3,167)
Other movements	(1,370)	-	(31)	(1,401)
Expected credit loss as at 30 June 2019	10,411	65	-	10,476

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management

Liquidity risk is the risk that the Group and the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

Sources of liquidity risk include unforseen withdrawal of demand deposit, restricted access to new funding with appropriate maturity and interest rate characteristics, inability to liquidate a marketable asset in a timely manner with minimum risk of capital loss, unpredicted non payment of a loan obligation and a sudden increased demand for loans.

The Bank's Asset and Liability Manegement Committee (ALCO) is responsible for managing the bank's liquidity risk via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring.

The Group and the Bank maintain a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Group and Bank also have committed lines of credit that they can access to meet liquidity needs. In addition, the Group and the Bank maintain a statutory deposit with the Bank of Mauritius. The liquidity position is assessed and managed under a variety of scenarios giving due consideration to stress factors relating to both the market in general and specifically to the Group and the Bank.

Analysis of financial assets and liabilities by remaining contractual maturities

The table on next page summarises the maturity profile of the Group's and the Bank's financial assets and liabilities based on contractual repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group and the Bank expect that many customers will not request repayment on the earliest date the Group and the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Group's and the Bank's deposit retention history.

Analysis of financial assets and liabilities by remaining contractual maturities

THE GROUP	30 June 2020								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	29,665,433	39,371,542			69,036,975			-	69,036,975
Due from banks	-	3,023,747	4,587,624	3,521,367	11,132,738	-	-	-	11,132,738
Derivative financial instruments		95,556	30,404	1,553	127,513	96,868	97,580	194,448	321,961
Loans and advances to banks	-	325,684	1,198,553	999,960	2,524,197	2,721,730	-	2,721,730	5,245,927
Loans and advances to customers	132,554	7,458,705	696,077	1,129,580	9,416,916	7,780,347	5,846,659	13,627,006	23,043,922
Investment securities	2	19,635,361	9,787,744	5,436,338	34,859,445	11,468,382	2,368,738	13,837,120	48,696,565
Other assets (excluding prepayments, accrued income, inventory and taxes)	2,210,873	920	80	5,047	2,216,920	-	-	-	2,216,920
Total	32,008,862	69,911,515	16,300,482	11,093,845	129,314,704	22,067,327	8,312,977	30,380,304	159,695,008

Liabilities									
Due to banks	6,875	-	-	6,377	13,252	-	-	-	13,252
Derivative financial instruments	-	8,911	205	349	9,465	97,703	-	97,703	107,168
Deposits from banks:									
-Current account	15,754	-	-	-	15,754	-	-	-	15,754
-Savings account	80,611	-	-	-	80,611	-	-	-	80,611
	96,365	-	-	-	96,365	-	-	-	96,365
Deposits from customers:									
-Current account	107,482,370	-	(1,083)	-	107,481,287	-	-	-	107,481,287
-Savings account	5,959,053	-	-	-	5,959,053	-	-	-	5,959,053
-Term deposits	-	17,389,662	5,608,385	6,898,489	29,896,536	7,355,286	133,944	7,489,230	37,385,766
	113,441,423	17,389,662	5,607,302	6,898,489	143,336,876	7,355,286	133,944	7,489,230	150,826,106
Debts issued	-	-	1,083	-	1,083	-	-	-	1,083
Lease liabilities	-	8,203	8,342	17,525	34,070	48,501	-	48,501	82,571
Other liabilities	-	-	-	484,907	484,907	-	-	-	484,907
Financial liabilities measured at fair value through profit or loss	2	-	-	4,396	4,398	-	-	-	4,398
Total	113,544,665	17,406,776	5,616,932	7,412,043	143,980,416	7,501,490	133,944	7,635,434	151,615,850
Net liquidity gap	(81,535,803)	52,504,739	10,683,550	3,681,802	(14,665,712)	14,565,837	8,179,033	22,744,870	8,079,158

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE GROUP	30 June 2019								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	16,892,465	33,808,173	-	-	50,700,638	-	-	-	50,700,638
Due from banks	-	4,840,807	4,822,090	2,797,852	12,460,749	507,181	-	507,181	12,967,930
Loans and advances to banks	-	925,600	2,320,192	374,554	3,620,346	2,398,702	-	2,398,702	6,019,048
Loans and advances to customers	100,808	6,910,096	397,799	1,179,629	8,588,332	8,561,002	5,000,862	13,561,864	22,150,196
Investment securities	813,783	18,267,522	8,220,328	7,923,307	35,224,940	9,184,773	1,794,239	10,979,012	46,203,952
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,676,950	5,082	10,655	229,661	1,922,348	-	-	-	1,922,348
Total	19,484,006	64,757,280	15,771,064	12,505,003	112,517,353	20,651,658	6,795,101	27,446,759	139,964,112
Liabilities									
Due to banks	647	-	-	18,557	19,204	11,230	-	11,230	30,434
Derivative financial instruments	-	8,216	8,577	33,202	49,995	652,182	-	652,182	702,177
Deposits from banks:									
-Current account	14,106	-	-	-	14,106	-	-	-	14,106
	14,106	-	-	-	14,106	-	-	-	14,106
Deposits from customers:									
-Current account	90,846,966	-	(136,457)	-	90,710,509	-	-	-	90,710,509
-Savings account	5,129,381	-	-	-	5,129,381	-	-	-	5,129,381
-Term deposits	-	16,441,090	4,680,838	6,769,088	27,891,016	7,185,195	102,398	7,287,593	35,178,609
	95,976,347	16,441,090	4,544,381	6,769,088	123,730,906	7,185,195	102,398	7,287,593	131,018,499
Debts issued*	-	-	320,662	-	320,662	-	-	-	320,662
Other liabilities	-	-	-	394,083	394,083	-	-	-	394,083
Financial liabilities measured at fair value through profit or loss	813,783	-	-	-	813,783	58,356	-	58,356	872,139
Total	96,804,883	16,449,306	4,873,620	7,214,930	125,342,739	7,906,963	102,398	8,009,361	133,352,100
Net liquidity gap	(77,320,877)	48,307,974	10,897,444	5,290,073	(12,825,386)	12,744,695	6,692,703	19,437,398	6,612,012

*Included in debt issue are subordinated debt with maturity of 1 year amounting to MUR 184.2M.

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE GROUP

	30 June 2018								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	19,802,452	30,302,624	-	-	50,105,076	-	-	-	50,105,076
Due from banks	-	-	3,547,691	1,617,051	5,164,742	-	-	-	5,164,742
Financial assets mandatorily measured at fair value through profit or loss	694,407	810,723	918,959	965,994	3,390,083	465,867	-	465,867	3,855,950
Loans and advances to banks	-	401,032	344,322	1,109,135	1,854,489	3,914,740	-	3,914,740	5,769,229
Loans and advances to customers	1,781,297	4,640,499	929,077	1,223,005	8,573,878	8,774,469	4,948,907	13,723,376	22,297,254
Debt instruments measured at fair value through other comprehensive income	-	124,143	292,998	149,970	567,111	3,505,621	1,768	3,507,389	4,074,500
Debt instruments measured at amortised cost	-	9,545,521	4,093,423	2,096,928	15,735,872	10,743,113	881,192	11,624,305	27,360,177
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,459,981	-	-	128,006	1,587,987	-	-	-	1,587,987
Total	23,738,137	45,824,542	10,126,470	7,290,089	86,979,238	27,403,810	5,831,867	33,235,677	120,214,915
Liabilities									
Due to banks	113	860,210	-	-	860,323	72,432	-	72,432	932,755
Derivative financial instruments	-	73,768	7,604	16,626	97,998	654,946	-	654,946	752,944
Deposits from banks:									
-Current account	33,341	-	-	-	33,341	-	-	-	33,341
	33,341	-	-	-	33,341	-	-	-	33,341
Deposits from customers:									
-Current account	83,955,793	-	-	-	83,955,793	-	-	-	83,955,793
-Savings account	4,503,032	-	-	-	4,503,032	-	-	-	4,503,032
-Term deposits	-	8,527,516	3,128,013	5,529,116	17,184,645	5,345,753	113,536	5,459,289	22,643,934
	88,458,825	8,527,516	3,128,013	5,529,116	105,643,470	5,345,753	113,536	5,459,289	111,102,759
Debts issued	255,094	167	-	404,591	659,852	195,450	-	195,450	855,302
Other liabilities	-	-	-	434,769	434,769	-	-	-	434,769
Financial liabilities measured at fair value through profit or loss	694,407	-	24,888	123,482	842,777	54,877	-	54,877	897,654
Total	89,441,780	9,461,661	3,160,505	6,508,584	108,572,530	6,323,458	113,536	6,436,994	115,009,524
Net liquidity gap	(65,703,643)	36,362,881	6,965,965	781,505	(21,593,292)	21,080,352	5,718,331	26,798,683	5,205,391

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE BANK

	2020								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	29,660,707	39,371,542	-	-	69,032,249	-	-	-	69,032,249
Due from banks	-	3,023,747	4,587,624	3,521,367	11,132,738	-	-	-	11,132,738
Derivative financial instruments	-	95,556	30,404	1,553	127,513	96,868	97,580	194,448	321,961
Loans and advances to banks	-	325,684	1,198,553	999,960	2,524,197	2,721,730	-	2,721,730	5,245,927
Loans and advances to customers	132,554	7,458,705	696,077	1,129,580	9,416,916	7,780,347	5,846,659	13,627,006	23,043,922
Investment securities	-	19,635,361	9,787,744	5,404,724	34,827,829	11,468,333	2,368,738	13,837,071	48,664,900
Other assets (excluding prepayments, accrued income, inventory and taxes)	2,210,873	69	853	-	2,211,795	-	-	-	2,211,795
Total	32,004,134	69,910,664	16,301,255	11,057,184	129,273,237	22,067,278	8,312,977	30,380,255	159,653,492
Liabilities									
Due to banks	6,875	-	-	6,377	13,252	-	-	-	13,252
Deposits from banks:									
-Current account	15,754	-	-	-	15,754	-	-	-	15,754
-Savings account	80,611	-	-	-	80,611	-	-	-	80,611
	96,365	-	-	-	96,365	-	-	-	96,365
Deposits from customers:									
-Current account	107,505,661		-	-	107,505,661	-	-	-	107,505,661
-Savings account	5,959,053	-	-	-	5,959,053	-	-	-	5,959,053
-Term deposits	-	17,389,662	5,608,385	6,898,628	29,896,675	7,355,286	133,944	7,489,230	37,385,905
	113,464,714	17,389,662	5,608,385	6,898,628	143,361,389	7,355,286	133,944	7,489,230	150,850,619
Derivative financial instruments	-	8,911	205	349	9,465	97,703	-	97,703	107,168
Debts issued	-	-	-	-	-	-	-	-	-
Lease liabilities	-	8,203	8,342	17,525	34,070	48,501	-	48,501	82,571
Other liabilities	-	-	-	474,168	474,168	-	-	-	474,168
Total	113,567,954	17,406,776	5,616,932	7,397,047	143,988,709	7,501,490	133,944	7,635,434	151,624,143
Net liquidity gap	(81,563,820)	52,503,888	10,684,323	3,660,137	(14,715,472)	14,565,788	8,179,033	22,744,821	8,029,349

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE BANK	2019								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	16,890,819	33,808,173	-	-	50,698,992	-	-	-	50,698,992
Due from banks	-	4,840,807	4,822,090	2,797,852	12,460,749	507,181	-	507,181	12,967,930
Derivative financial instruments	-	31,100	26,302	35,011	92,413	-	-	-	92,413
Loans and advances to banks	-	925,600	2,320,192	374,554	3,620,346	2,398,702	-	2,398,702	6,019,048
Loans and advances to customers	100,808	6,910,096	397,799	1,179,629	8,588,332	8,561,002	5,000,862	13,561,864	22,150,196
Investment securities	-	18,267,522	8,196,735	7,923,258	34,387,515	9,126,417	1,794,239	10,920,656	45,308,171
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,865,835	-	-	125,346	1,991,181		-	-	1,991,181
Total	18,857,462	64,783,298	15,763,118	12,435,650	111,839,528	20,593,302	6,795,101	27,388,403	139,227,931
Liabilities									
Due to banks	647	-	-	18,557	19,204	11,230	-	11,230	30,434
Deposits from banks:									
-Current account	14,106	-	-	-	14,106	-	-	-	14,106
	14,106	-	-	-	14,106	-	-	-	14,106
Deposits from customers:									
-Current account	90,886,269	-	-	-	90,886,269	-	-	-	90,886,269
-Savings account	5,129,381	-	-	-	5,129,381	-	-	-	5,129,381
-Term deposits	-	16,441,090	4,680,838	6,769,088	27,891,016	7,185,195	102,398	7,287,593	35,178,609
	96,015,650	16,441,090	4,680,838	6,769,088	123,906,666	7,185,195	102,398	7,287,593	131,194,259
Derivative financial instruments	-	8,216	8,577	33,202	49,995	-	-	-	49,995
Debts issued*	-	-	184,205	-	184,205	-	-	-	184,205
Other liabilities	-	-	-	378,678	378,678	-	-	-	378,678
Total	96,030,403	16,449,306	4,873,620	7,199,525	124,552,854	7,196,425	102,398	7,298,823	131,851,677
Net liquidity gap	(77,172,941)	48,333,992	10,889,498	5,236,125	(12,713,326)	13,396,877	6,692,703	20,089,580	7,376,254

*Included in debt issue are subordinated debt with maturity of 1 year amounting to MUR 184.2M.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE BANK	2018								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	19,802,452	30,172,195	-	-	49,974,647	-	-	-	49,974,647
Due from banks	-	-	3,547,691	1,617,051	5,164,742	-	-	-	5,164,742
Financial assets mandatorily measured at fair value through profit or loss	-	810,723	894,071	842,512	2,547,306	410,990	-	410,990	2,958,296
Loans and advances to banks	-	401,032	344,322	1,109,135	1,854,489	3,914,740	-	3,914,740	5,769,229
Loans and advances to customers	1,781,297	4,640,499	929,077	1,223,005	8,573,878	8,774,469	4,948,907	13,723,376	22,297,254
Debt instruments measured at fair value through other comprehensive income	-	124,143	292,998	131,411	548,552	3,505,621	1,768	3,507,389	4,055,941
Debt instruments measured at amortised cost	-	9,545,521	4,093,423	2,096,928	15,735,872	10,743,113	881,192	11,624,305	27,360,177
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,519,797	-	-	224,284	1,744,081	-	-	-	1,744,081
Total	23,103,546	45,694,113	10,101,582	7,244,326	86,143,567	27,348,933	5,831,867	33,180,800	119,324,367
Liabilities									
Due to banks	113	860,210	-	-	860,323	72,432	-	72,432	932,755
Deposits from banks:									
-Current account	33,341	-	-		33,341	-	-	-	33,341
	33,341	-	-	-	33,341	-	-	-	33,341
Deposits from customers:									
-Current account	84,205,160	-	-	-	84,205,160	-	-	-	84,205,160
-Savings account	4,503,032	-	-	-	4,503,032	-	-	-	4,503,032
-Term deposits	-	8,527,516	3,128,013	5,529,116	17,184,645	5,345,753	113,536	5,459,289	22,643,934
	88,708,192	8,527,516	3,128,013	5,529,116	105,892,837	5,345,753	113,536	5,459,289	111,352,126
Derivative financial instruments	-	35,521	7,604	3,200	46,325	18,057	-	18,057	64,382
Debts issued	-	167	-	404,591	404,758	195,450	-	195,450	600,208
Other liabilities	-	-	-	373,263	373,263	-	-	-	373,263
Total	88,741,646	9,423,414	3,135,617	6,310,170	107,610,847	5,631,692	113,536	5,745,228	113,356,075
Net liquidity gap	(65,638,100)	36,270,699	6,965,965	934,156	(21,467,280)	21,717,241	5,718,331	27,435,572	5,968,292

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

The table below shows the contractual expiry by maturity of the Group's and the Bank's commitments.

	THE GROUP AND THE BANK				
	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 Years	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
30 June 2020					
Contingent liabilities	**1,004,239**	**203,854**	**11,599**	**39,657**	**1,259,349**
Commitments	**220,704**	**280,761**	**101,921**	**311,426**	**914,812**
Total	**1,224,943**	**484,615**	**113,520**	**351,083**	**2,174,161**
30 June 2019					
Contingent liabilities	589,262	251,954	44,071	160	885,447
Commitments	303,386	186,410	7,879	596,206	1,093,881
Total	892,648	438,364	51,950	596,366	1,979,328
30 June 2018					
Contingent liabilities	409,552	159,766	426,916	-	996,234
Commitments	413,369	323,279	3,299	362,477	1,102,424
Total	822,921	483,045	430,215	362,477	2,098,658

The Group and the Bank do not expect all the contingent liabilities or commitments to be drawn before expiry of commitments.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Group and the Bank classify exposures to market risk into either trading or non trading portfolios and manage these portfolios separately. Except for the concentrations within foreign currency, the Group and the Bank have no significant concentration of market risk.

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Management has established limits on the maximum adverse volatility on its future net interest income.

The Bank's main exposure to interest rate risk stems from a variety of sources: Yield curve risk, which refers to changes in the level, slope and shape of the yield curve; Repricing risk, which arises from timing differences in the maturity and repricing of balance-sheet items; Basis risk that is caused by imperfect correlation between different yield curves

The following table demonstrates the sensitivity to a Day 1 100 basis points shock (2019&2018: 50 basis points) on the Bank's net interest income. The net interest income sensitivity is the effect of the assumed changes in interest rates, based on the financial assets and financial liabilities held at 30 June.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

THE GROUP	2020	2019 & 2018	2020	2019	2018
Currency	Change in Basis points	Change in Basis points	Sensitivity of profit or loss	Sensitivity of profit or loss	Sensitivity of profit or loss
			MUR'000	MUR'000	MUR'000
AUD	+100	+50	6,973	2,170	48
	- 100	- 50	131	(2,170)	(48)
EUR	+100	+50	200,671	68,571	813
	- 100	- 50	(203,178)	(75,287)	(813)
GBP	+100	+50	51,342	26,967	19,511
	- 100	- 50	(15,126)	(26,967)	(19,511)
MUR	+100	+50	(5,539)	7,769	18,208
	- 100	- 50	(33,041)	(7,769)	(18,208)
USD	+100	+50	553,835	239,917	236,642
	- 100	- 50	(321,706)	(239,917)	(236,642)

THE BANK	2020	2019 & 2018	2020	2019	2018
Currency	Change in Basis points	Change in Basis points	Sensitivity of profit or loss	Sensitivity of profit or loss	Sensitivity of profit or loss
			MUR'000	MUR'000	MUR'000
AUD	+100	+50	6,973	2,233	48
	- 100	- 50	131	(2,233)	(48)
EUR	+100	+50	200,663	68,569	797
	- 100	- 50	(203,170)	(75,285)	(797)
GBP	+100	+50	51,342	27,246	19,511
	- 100	- 50	(15,126)	(27,246)	(19,511)
MUR	+100	+50	(5,574)	7,240	18,202
	- 100	- 50	(33,006)	(7,240)	(18,202)
USD	+100	+50	553,831	238,232	236,613
	- 100	- 50	(321,702)	(238,232)	(236,613)

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

The table below analyses the Group's and the Bank's interest rate risk exposure on non–trading financial assets and liabilities. The Group's and the Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re–pricing or maturity dates.

THE GROUP

	2020							
	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Assets								
Cash and cash equivalents	69,036,975	21,124,798	39,371,542	-	-	-	-	8,540,635
Due from banks	11,132,738	-	3,023,747	4,587,624	3,521,367	-	-	-
Loans and advances to banks	5,245,927	-	325,684	1,198,553	999,960	2,721,730	-	-
Loans and advances to customers	23,043,922	132,554	7,458,705	696,077	1,129,580	7,780,347	5,846,659	-
Debt instruments measured at amortised cost	46,612,747	-	18,946,389	9,060,846	4,863,620	11,388,909	2,352,983	-
Equity Investment designated at fair value through other comprehensive income	-	-	-	-	-	-		-
Other assets (excluding prepayments, accrued income and inventory)	2,216,920	2,210,873	920	80	5,047	-	-	-
Total assets	157,289,229	23,468,225	69,126,987	15,543,180	10,519,574	21,890,986	8,199,642	8,540,635
Liabilities								
Due to banks	13,252	6,875	-	-	6,377	-	-	-
Deposits from banks	96,365	80,611	-	-	-	-	-	15,754
Deposits from customers	150,826,106	7,776,925	17,258,333	5,441,704	6,645,071	6,993,611	133,944	106,576,518
Debts issued	1,083	-	-	1,083	-	-	-	-
Financial liabilities measured at fair value through profit or loss								
Total liabilities	150,936,806	7,864,411	17,258,333	5,442,787	6,651,448	6,993,611	133,944	106,592,272
Total interest sensitivity gap	6,352,423	15,603,814	51,868,654	10,100,393	3,868,126	14,897,375	8,065,698	(98,051,637)

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

i) Interest rate risk (Continued)

THE GROUP

	2019							
	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	50,700,638	15,191,168	33,808,173	-	-	-	-	1,701,297
Due from banks	12,967,930	-	4,840,807	4,822,090	2,797,852	507,181	-	-
Loans and advances to banks	6,019,048	100,808	925,600	2,320,192	374,554	2,398,702	-	-
Loans and advances to customers	22,150,196	-	6,910,096	397,799	1,179,629	8,561,002	5,000,862	-
Debt instruments measured at amortised cost	36,884,143	-	11,721,302	7,503,269	7,175,226	8,855,045	1,629,301	-
Equity Investment designated at fair value through other comprehensive income	31,945	-	-	-	31,945	-	-	
Other assets (excluding prepayments, accrued income and inventory)	1,922,348	-	5,082	10,655	229,661	-	-	1,676,950
Total assets	130,676,248	15,291,976	58,211,060	15,054,005	11,788,867	20,321,930	6,630,163	3,378,247
Liabilities								
Due to banks	30,434	647	-	-	18,557	11,230	-	-
Deposits from banks	14,106	14,106	-	-	-	-	-	-
Deposits from customers	131,018,499	95,976,347	16,441,090	4,544,381	6,769,088	7,185,195	102,398	-
Debts issued	320,662	-	-	320,662	-	-	-	-
Financial liabilities measured at fair value through profit or loss								
Total liabilities	131,383,701	95,991,100	16,441,090	4,865,043	6,787,645	7,196,425	102,398	-
Total interest sensitivity gap	(707,453)	(80,699,124)	41,769,970	10,188,962	5,001,222	13,125,505	6,527,765	3,378,247

THE GROUP

	2018							
	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	50,105,076	18,412,311	30,172,195	-	-	-	-	1,520,570
Due from banks	5,164,742	-	-	3,547,691	1,617,051	-	-	-
Loans and advances to banks	5,769,229	-	401,032	344,322	1,109,135	3,914,740	-	-
Loans and advances to customers	22,297,254	1,781,297	4,640,499	929,077	1,223,005	8,774,469	4,948,907	-
Debt instruments measured at amortised cost	27,360,177	-	9,545,521	4,093,423	2,096,928	10,743,113	881,192	-
Other assets (excluding prepayments, accrued income and inventory)	1,587,987	-	-	-	-	-	-	1,587,987
Total assets	112,284,465	20,193,608	44,759,247	8,914,513	6,046,119	23,432,322	5,830,099	3,108,557
Liabilities								
Due to banks	932,755	113	860,210	-	-	72,432	-	-
Deposits from banks	33,341	33,341	-	-	-	-	-	-
Deposits from customers	111,102,759	88,458,825	8,527,516	3,128,013	5,529,116	5,345,753	113,536	-
Debts issued	855,302	255,094	167	-	404,591	195,450	-	-
Total liabilities	112,924,157	88,747,373	9,387,893	3,128,013	5,933,707	5,613,635	113,536	-
Total interest sensitivity gap	(639,692)	(68,553,765)	35,371,354	5,786,500	112,412	17,818,687	5,716,563	3,108,557

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

THE BANK

	2020							
	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	69,032,249	21,120,072	39,371,542	-	-	-	-	8,540,635
Due from banks	11,132,738	-	3,023,747	4,587,624	3,521,367	-	-	-
Loans and advances to banks	5,245,927	-	325,684	1,198,553	999,960	2,721,730	-	-
Loans and advances to customers	23,043,922	132,554	7,458,705	696,077	1,129,580	7,780,347	5,846,659	-
Debt instruments measured at amortised cost	46,612,747	-	18,946,389	9,060,846	4,863,620	11,388,909	2,352,983	-
Other assets (excluding prepayments, accrued income and inventory)	2,211,795	2,210,873	69	853	-	-	-	-
Total assets	157,279,378	23,463,499	69,126,136	15,543,953	10,514,527	21,890,986	8,199,642	8,540,635
Liabilities								
Due to banks	13,252	6,875	-	-	6,377	-	-	-
Deposits from banks	96,365	80,611	-	-	-	-	-	15,754
Deposits from customers	150,850,619	7,801,438	17,258,333	5,441,704	6,645,071	6,993,611	133,944	106,576,518
Total liabilities	150,960,236	7,888,924	17,258,333	5,441,704	6,651,448	6,993,611	133,944	106,592,272
Total interest sensitivity gap	6,319,142	15,574,575	51,867,803	10,102,249	3,863,079	14,897,375	8,065,698	(98,051,637)

THE BANK

2019

THE BANK

	2019							
	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Assets								
Cash and cash equivalents	50,698,992	15,189,522	33,808,173	-	-	-	-	1,701,297
Due from banks	12,967,930	-	4,840,807	4,822,090	2,797,852	507,181	-	-
Loans and advances to banks	6,019,048	-	925,600	2,320,192	374,554	2,398,702	-	-
Loans and advances to customers	22,150,196	100,808	6,910,096	397,799	1,179,629	8,561,002	5,000,862	-
Debt instruments measured at amortised cost	36,884,143	-	11,721,302	7,503,269	7,175,226	8,855,045	1,629,301	-
Other assets (excluding prepayments, accrued income and inventory)	1,991,181	-	-	-	125,346	-	-	1,865,835
Total assets	130,711,490	15,290,330	58,205,978	15,043,350	11,652,607	20,321,930	6,630,163	3,567,132
Liabilities								
Due to banks	30,434	647	-	-	18,557	11,230	-	-
Deposits from banks	14,106	14,106	-	-	-	-	-	-
Deposits from customers	131,194,259	25,825,878	18,473,252	4,680,838	6,769,088	7,185,195	102,398	68,157,610
Debts issued	184,205	-	-	184,205	-	-	-	-
Total liabilities	131,423,004	25,840,631	18,473,252	4,865,043	6,787,645	7,196,425	102,398	68,157,610
Total interest sensitivity gap	(711,514)	(10,550,301)	39,732,726	10,178,307	4,864,962	13,125,505	6,527,765	(64,590,478)

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

THE BANK

	2018							
	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Assets								
Cash and cash equivalents	49,974,647	18,281,882	30,172,195	-	-	-	-	1,520,570
Due from banks	5,164,742	-	-	3,547,691	1,617,051	-	-	-
Loans and advances to banks	5,769,229	-	401,032	344,322	1,109,135	3,914,740	-	-
Loans and advances to customers	22,297,254	1,781,297	4,640,499	929,077	1,223,005	8,774,469	4,948,907	-
Debt instruments measured at amortised cost	27,360,177	-	9,545,521	4,093,423	2,096,928	10,743,113	881,192	-
Other assets (excluding prepayments, accrued income and inventory)	1,744,081	-	-	-	177,117	-	-	1,566,964
Total assets	112,310,130	20,063,179	44,759,247	8,914,513	6,223,236	23,432,322	5,830,099	3,087,534
Liabilities								
Due to banks	932,755	113	860,210	-	-	72,432	-	-
Deposits from banks	33,341	33,341	-	-	-	-	-	-
Deposits from customers	111,352,126	88,708,192	8,527,516	3,128,013	5,529,116	5,345,753	113,536	-
Debts issued	600,208	-	167	-	404,591	195,450	-	-
Total liabilities	112,918,430	88,741,646	9,387,893	3,128,013	5,933,707	5,613,635	113,536	-
Total interest sensitivity gap	(608,300)	(68,678,467)	35,371,354	5,786,500	289,529	17,818,687	5,716,563	3,087,534

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

The table below indicates the currencies to which the Group and the Bank had significant exposure at 30 June on all its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the MUR, with all other variables held constant on the statements of profit or loss (due to the fair value of currency sensitive non trading monetary assets and liabilities). A negative amount in the table reflects a potential net reduction in the statement of profit or loss, while a positive amount reflects a net potential increase.

THE GROUP

		2020		
		Effect of change in currency on		
Currency	**% Change in Currency rate**	**Assets**	**Liabilities**	**Sensitivity of profit or loss**
		MUR'000	**MUR'000**	**MUR'000**
AUD	**+5%**	**48,574**	**(48,453)**	**121**
	-5%	**(48,574)**	**48,453**	**(121)**
EUR	**+5%**	**1,196,120**	**(1,193,653)**	**2,467**
	-5%	**(1,196,120)**	**1,193,653**	**(2,467)**
GBP	**+5%**	**353,734**	**(353,395)**	**339**
	-5%	**(353,734)**	**353,395**	**(339)**
USD	**+5%**	**5,028,718**	**(5,037,759)**	**(9,041)**
	-5%	**(5,028,718)**	**5,037,759**	**9,041**

		2019		
		Effect of change in currency on		
Currency	% Change in Currency rate	Assets	Liabilities	Sensitivity of profit or loss
		MUR'000	MUR'000	MUR'000
AUD	+5%	44,683	(46,419)	(1,736)
	-5%	(44,683)	46,419	1,736
EUR	+5%	1,146,540	(1,125,829)	20,711
	-5%	(1,146,540)	1,125,829	(20,711)
GBP	+5%	358,688	(359,186)	(498)
	-5%	(358,688)	359,186	498
USD	+5%	4,154,738	(4,151,564)	3,174
	-5%	(4,154,738)	4,151,564	(3,174)

		2018		
		Effect of change in currency on		
Currency	% Change in Currency rate	Assets	Liabilities	Sensitivity of profit or loss
		MUR'000	MUR'000	MUR'000
AUD	+5%	46,394	(45,432)	962
	-5%	(46,394)	45,432	(962)
EUR	+5%	985,716	(982,944)	2,772
	-5%	(985,716)	982,944	(2,772)
GBP	+5%	375,745	(373,551)	2,194
	-5%	(375,745)	373,551	(2,194)
USD	+5%	3,839,303	(3,844,859)	(5,556)
	-5%	(3,839,303)	3,844,859	5,556

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(ii) Currency risk (Continued)

THE BANK

Currency	% Change in Currency rate	2020 Effect of change in currency on Assets	Liabilities	Sensitivity of profit or loss
		MUR'000	MUR'000	MUR'000
AUD	**+5%**	**48,574**	**(48,453)**	**121**
	-5%	**(48,574)**	**48,453**	**(121)**
EUR	**+5%**	**1,196,120**	**(1,193,433)**	**2,687**
	-5%	**(1,196,120)**	**1,193,433**	**(2,687)**
GBP	**+5%**	**353,734**	**(353,395)**	**339**
	-5%	**(353,734)**	**353,395**	**(339)**
USD	**+5%**	**5,028,718**	**(5,037,759)**	**(9,041)**
	-5%	**(5,028,718)**	**5,037,759**	**9,041**

Currency	% Change in Currency rate	2019 Effect of change in currency on Assets	Liabilities	Sensitivity of profit or loss
		MUR'000	MUR'000	MUR'000
AUD	+5%	44,683	(46,419)	(1,736)
	-5%	(44,683)	46,419	1,736
EUR	+5%	1,146,459	(1,125,796)	20,663
	-5%	(1,146,459)	1,125,796	(20,663)
GBP	+5%	358,684	(358,927)	(243)
	-5%	(358,684)	358,927	243
USD	+5%	4,153,861	(4,150,771)	3,090
	-5%	(4,153,861)	4,150,771	(3,090)

Currency	% Change in Currency rate	2018 Effect of change in currency on Assets	Liabilities	Sensitivity of profit or loss
		MUR'000	MUR'000	MUR'000
AUD	+5%	46,358	(45,432)	926
	-5%	(46,358)	45,432	(926)
EUR	+5%	985,449	(982,944)	2,505
	-5%	(985,449)	982,944	(2,505)
GBP	+5%	375,735	(373,551)	2,184
	-5%	(375,735)	373,551	(2,184)
USD	+5%	3,804,301	(3,810,431)	(6,130)
	-5%	(3,804,301)	3,810,431	6,130

(e) Other price risk

Other price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices. The non-trading equity price risk exposure arises from debt instrument measured at fair value through other comprehensive income.

38. CAPITAL

The Group and the Bank maintain an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's and the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Bank of Mauritius in supervising the Group and the Bank. During the past year, the Group and the Bank have complied fully with all its externally imposed capital requirements.

Capital management

The primary objectives of the Group's and the Bank's capital management are to ensure that the Group and the Bank comply with externally imposed capital requirements and that the Group and the Bank maintain strong credit ratings and healthy capital ratios in order to support the business and to maximise shareholders' value.

The Group and the Bank manage their capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group and the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue new capital securities.

ELIGIBLE RISK-WEIGHTED CAPITAL

	THE GROUP			THE BANK		
	Basel III 2020 MUR'000	Basel III 2019 MUR'000	Basel III 2018 MUR'000	**Basel III 2020 MUR'000**	Basel III 2019 MUR'000	Basel III 2018 MUR'000
Tier 1 capital	**7,996,924**	7,240,680	6,199,854	**7,986,957**	7,257,255	6,279,995
Tier 2 capital	**399,896**	463,159	427,205	**399,896**	463,159	389,292
Total capital	**8,396,820**	7,703,839	6,627,059	**8,386,853**	7,720,414	6,669,287
Risk-weighted assets	**55,437,946**	50,286,707	47,000,533	**55,363,146**	48,714,294	45,345,385
	%	%	%	**%**	%	%
Capital adequacy ratio	**15.15**	15.32	14.10	**15.15%**	15.85	14.71

Regulatory capital consists of Tier 1 capital, which comprises share capital, retained earnings, foreign currency translation and other reserves. Certain adjustments are made to IFRS-based results and reserves, as prescribed by the Central Bank of Mauritius. The other component of regulatory capital is Tier 2 capital, which includes stage 1 and stage 2 provisions and country risk reserves.

39. EVENTS AFTER REPORTING DATE

(i) Dividend

AfrAsia Capital Management Ltd is a wholly-owned subsidiary of AfrAsia Bank Limited ("the Bank"). In light of the ongoing restructuring, the Bank of Mauritius ("BOM") has given its approval for the Bank to proceed with the distribution of the shares of AfrAsia Capital Management Ltd to the current shareholders of the Bank, by way of a dividend in specie. This is subject to the financial statements of the Bank for the year ended 30 June 2020 being audited and signed by the external auditors of the Bank.

(ii) Recomposition of the Board of Directors

Subsequent to the reporting date, there have been several changes in the composition of the Board of Directors as further explained in the Corporate Governance Report.

40 OFFSETTING FINANCIAL INSTRUMENTS

The Group and the Bank offsetting financial arrangement is summarised below.

Derivatives and loans and advances to banks

The Group and the Bank uses master netting agreements and holds cash collateral and marketable securities to mitigate the credit risk of derivatives, repurchase agreements and securities lending.

The Group and the Bank enters into derivatives with central counterparty clearing houses (CCPs) or bilaterally under International Swaps and Derivatives Association (ISDA) master netting agreements. ISDA Master Netting agreements give either party the legal right of offset on termination of the contract or on default of the other party. The Group and the Bank executes a credit support annex in conjunction with each ISDA agreement, which requires the Group and the Bank and each counterparty to post collateral to mitigate credit risk. Collateral is also posted daily in respect of derivatives transacted on exchanges and with CCPs. The collateral posted with regards to open derivatives is cash or marketable securities.

The Group's and the Bank's repurchase, and reverse repurchase, transactions and securities borrowing and lending are covered by master agreements with netting terms similar to those of ISDA master netting agreements.

40. OFFSETTING FINANCIAL INSTRUMENTS (CONTINUED)

THE GROUP
2020

	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts	Amount offset	Net amount reported	Cash collateral	Net amount
ASSETS	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	69,036,975	-	69,036,975	-	69,036,975
Due from banks	11,132,738	-	11,132,738	-	11,132,738
Derivative financial instruments	321,961	-	321,961	(80,611)	241,350
Loans and advances to banks	5,245,927	-	5,245,927	-	5,245,927
Loans and advances to customers	23,043,922	-	23,043,922	(1,119,385)	21,924,537
Investment Securities	48,696,565	-	48,696,565	-	48,696,565
Other assets	2,216,920	-	2,216,920	-	2,216,920
	159,695,008	-	159,695,008	(1,199,996)	158,495,012
LIABILITIES					
Due to banks	13,252	-	13,252	-	13,252
Deposits from banks	96,365	-	96,365	(80,611)	15,754
Deposits from customers	150,826,106	-	150,826,106	(1,119,385)	149,706,721
Derivative financial instruments	107,168	-	107,168	-	107,168
Debts issued	1,083	-	1,083	-	1,083
	82,571	-	82,571	-	82,571
Other liabilities	484,907	-	484,907	-	484,907
Financial liabilities measured at fair value through profit or loss	4,398	-	4,398	-	4,398
	151,615,850	-	151,615,850	(1,199,996)	150,415,854

2019

	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts	Amount offset	Net amount reported	Cash collateral	Net amount
ASSETS	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	50,700,638	-	50,700,638	-	50,700,638
Due from banks	12,967,930	-	12,967,930	-	12,967,930
Derivative financial instruments	-	744,595	744,595	-	744,595
Loans and advances to banks	6,019,048	-	6,019,048	-	6,019,048
Loans and advances to customers	22,150,196	-	22,150,196	(790,271)	21,359,925
Investment Securities	46,203,952	-	46,203,952	-	46,203,952
Other assets	1,922,348	-	1,922,348	-	1,922,348
	139,964,112	744,595	140,708,707	(790,271)	139,918,436
LIABILITIES					
Due to banks	30,434	-	30,434	-	30,434
Deposits from banks	14,106		14,106		14,106
Deposits from customers	131,018,499	-	131,018,499	(790,271)	130,228,228
Derivative financial instruments	(42,418)	744,595	702,177	-	702,177
Debts issued	320,662	-	320,662	-	320,662
Other liabilities	394,083	-	394,083	-	394,083
	131,735,366	744,595	132,479,961	(790,271)	131,689,690

40. OFFSETTING FINANCIAL INSTRUMENTS (CONITNUED)

THE GROUP (CONTINUED)

2018

	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts MUR'000	Amount offset MUR'000	Net amount reported MUR'000	Cash collateral MUR'000	Net amount MUR'000
ASSETS					
Cash and cash equivalents	50,105,076	-	50,105,076	-	50,105,076
Due from banks	5,164,742	-	5,164,742	-	5,164,742
Derivative financial instruments	-	897,052	897,052	-	897,052
Financial assets mandatorily measured at fair value through profit or loss	3,855,950	-	3,855,950	-	3,855,950
Loans and advances to banks	5,769,229	-	5,769,229	-	5,769,229
Loans and advances to customers	22,297,254	-	22,297,254	(558,564)	21,738,690
Debt instruments measured at fair value through other comprehensive income	4,074,500	-	4,074,500	-	4,074,500
Debt instruments measured at amortised cost	27,360,177	-	27,360,177	-	27,360,177
Other assets	1,587,987	-	1,587,987	-	1,587,987
	120,214,915	897,052	121,111,967	(558,564)	120,553,403
LIABILITIES					
Due to banks	932,755	-	932,755	-	932,755
Deposits from banks	33,341		33,341		33,341
Deposits from customers	111,102,759	-	111,102,759	(558,564)	110,544,195
Derivative financial instruments	(144,108)	897,052	752,944	-	752,944
Debts issued	855,302	-	855,302	-	855,302
Other liabilities	434,769	-	434,769	-	434,769
Financial liabilities measured at fair value through profit or loss	897,654	-	897,654	-	897,654
	114,112,472	897,052	115,009,524	(558,564)	114,450,960

THE BANK

2020

	Effect of offsetting on statement of financial position			**Related amounts not offset**	
	Gross amounts MUR'000	**Amount offset MUR'000**	**Net amount reported MUR'000**	**Cash collateral MUR'000**	**Net amount MUR'000**
ASSETS					
Cash and cash equivalents	**69,032,249**	**-**	**69,032,249**	**-**	**69,032,249**
Due from banks	**11,132,738**	**-**	**11,132,738**	**-**	**11,132,738**
Derivative financial instruments	**321,961**		**321,961**	**(80,611)**	**241,350**
Loans and advances to banks	**5,245,927**	**-**	**5,245,927**	**-**	**5,245,927**
Loans and advances to customers	**23,043,922**	**-**	**23,043,922**	**(1,119,385)**	**21,924,537**
Investment Securities	**48,664,900**	**-**	**48,664,900**	**-**	**48,664,900**
Other assets	**2,211,795**	**-**	**2,211,795**	**-**	**2,211,795**
	159,653,492	**-**	**159,653,492**	**(1,199,996)**	**158,453,496**
LIABILITIES					
Due to banks	**13,252**	**-**	**13,252**	**-**	**13,252**
Deposits from banks	**96,365**	**-**	**96,365**	**(80,611)**	**15,754**
Deposits from customers	**150,850,619**	**-**	**150,850,619**	**(1,119,385)**	**149,731,234**
Derivative financial instruments	**107,168**	**-**	**107,168**	**-**	**107,168**
Lease liabilities	**82,571**	**-**	**82,571**	**-**	**82,571**
Other liabilities	**474,168**	**-**	**474,168**	**-**	**474,168**
	151,624,143	**-**	**151,624,143**	**(1,199,996)**	**150,424,147**

40. OFFSETTING FINANCIAL INSTRUMENTS (CONTINUED)

THE BANK (CONTINUED)
2019

	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts	Amount offset	Net amount reported	Cash collateral	Net amount
ASSETS	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	50,698,992	-	50,698,992	-	50,698,992
Due from banks	12,967,930	-	12,967,930	-	12,967,930
Derivative financial instruments	-	92,413	92,413	-	92,413
Loans and advances to banks	6,019,048	-	6,019,048	-	6,019,048
Loans and advances to customers	22,150,196	-	22,150,196	(790,271)	21,359,925
Investment Securities	45,308,171	-	45,308,171	-	45,308,171
Other assets	1,991,181	-	1,991,181	-	1,991,181
	139,135,518	92,413	139,227,931	(790,271)	138,437,660
LIABILITIES					
Due to banks	30,434	-	30,434	-	30,434
Deposits from banks	14,106	-	14,106	-	14,106
Deposits from customers	131,194,259	-	131,194,259	(790,271)	130,403,988
Derivative financial instruments	(42,418)	92,413	49,995	-	49,995
Debts issued	184,205	-	184,205	-	184,205
Other liabilities	378,678	-	378,678		378,678
	131,759,264	92,413	131,851,677	(790,271)	131,061,406

2018

	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts	Amount offset	Net amount reported	Cash collateral	Net amount
ASSETS	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	49,974,647	-	49,974,647	-	49,974,647
Due from banks	5,164,742	-	5,164,742	-	5,164,742
Derivative financial instruments	-	208,490	208,490	-	208,490
Financial assets mandatorily measured at fair value through profit or loss	2,958,296	-	2,958,296	-	2,958,296
Loans and advances to banks	5,769,229		5,769,229		5,769,229
Loans and advances to customers	22,297,254	-	22,297,254	(558,564)	21,738,690
Debt instruments measured at fair value through other comprehensive income	4,055,941	-	4,055,941	-	4,055,941
Debt instruments measured at amortised cost	27,360,177	-	27,360,177	-	27,360,177
Other assets	1,744,081	-	1,744,081	-	1,744,081
	119,324,367	208,490	119,532,857	(558,564)	118,974,293
LIABILITIES					
Due to banks	932,755	-	932,755	-	932,755
Deposits from banks	33,341	-	33,341	-	33,341
Deposits from customers	111,352,126	-	111,352,126	(558,564)	110,793,562
Derivative financial instruments	(144,108)	208,490	64,382	-	64,382
Debts issued	600,208	-	600,208	-	600,208
Other liabilities	373,263	-	373,263		373,263
	113,147,585	208,490	113,356,075	(558,564)	112,797,511

The Group and the Bank entered into various forward-geared contracts with Firstrand Bank. On maturity of these contracts, the Group and the Bank will be required to pay only the net amount. Hence the fair value of all the forward geared contracts has been offset in the financial statements.

The Group and the Bank receive cash collaterals as security on various loan arrangements. The Group and the Bank have a right to offset these cash collaterals against the loan amounts on default of the Group's and the Bank's clients. As at 30 June 2019 and 2018 these amounts have been shown in "due to customers" and have not been offset against the loan balances.

41. SEGMENTAL REPORTING

The following table presents income and profit and certain asset and liability information regarding the Bank's operating segments.

		Year ended 30 June 2020			Year ended 30 June 2019			Year ended 30 June 2018		
		Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	Notes	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Interest income	I	1,313,453	1,800,575	3,114,028	1,210,073	1,958,974	3,169,047	943,300	1,462,256	2,405,556
Interest expense	I	(500,810)	(584,976)	(1,085,786)	(484,612)	(373,662)	(858,274)	(463,024)	(232,541)	(695,565)
Net interest income, calculated using EIR method		812,643	1,215,599	2,028,242	725,461	1,585,312	2,310,773	480,276	1,229,715	1,709,991
Fee and commission income	II	162,885	601,504	764,389	168,541	549,610	718,151	150,478	498,849	649,327
Fee and commission expense	II	(81,719)	(215,773)	(297,492)	(41,457)	(249,922)	(291,379)	(65,656)	(240,746)	(306,402)
Net fee and commission income		81,166	385,731	466,897	127,084	299,688	426,772	84,822	258,103	342,925
Net (loss)/gain from derecognition of financial assets measured at amortised cost	III	-	(2,003)	(2,003)	-	23,927	23,927	-	-	-
Net trading income	IV (a)	505,463	111,091	616,554	177,652	51,210	228,862	110,802	31,320	142,122
Net (loss)/ gain from derecognition of financial assets measured at fair value through other comprehensive income	IV (b)	-	(3,046)	(3,046)	98	-	98	34,582	-	34,582
Net gain from foreign exchange and derivatives	IV (c)	316,029	369,767	685,796	336,868	351,073	687,941	106,916	533,147	640,063
Other operating income	IV (d)	17,767	4,947	22,714	9,097	6,021	15,118	22,114	10,863	32,977
Total operating income		1,733,068	2,082,086	3,815,154	1,376,260	2,317,231	3,693,491	839,512	2,063,148	2,902,660
Net impairment loss on financial assets	V	(161,472)	(677,623)	(839,095)	(14,085)	(454,295)	(468,380)	(322,262)	(745,319)	(1,067,581)
Net operating income		1,571,596	1,404,463	2,976,059	1,362,175	1,862,936	3,225,111	517,250	1,317,829	1,835,079
Personnel expenses		(318,885)	(399,194)	(718,079)	(236,064)	(410,232)	(646,296)	(149,485)	(380,179)	(529,664)
Depreciation of property and equipment		(16,223)	(19,490)	(35,713)	(13,549)	(22,812)	(36,361)	(9,942)	(24,428)	(34,370)
Depreciation on right of use assets		(14,416)	(17,319)	(31,735)	-	-	-	-	-	-
Amortisation of intangible assets		(18,590)	(22,333)	(40,923)	(14,378)	(24,208)	(38,586)	(7,811)	(19,194)	(27,005)
Other operating expenses		(248,180)	(200,046)	(448,226)	(184,341)	(202,962)	(387,303)	(97,283)	(239,079)	(336,362)
Total operating expenses		(616,294)	(658,382)	(1,274,676)	(448,332)	(660,214)	(1,108,546)	(264,521)	(662,880)	(927,401)
Operating profit		955,302	746,081	1,701,383	913,843	1,202,722	2,116,565	252,729	654,949	907,678
Impairment loss on subsidiary		-	-	-	(189,563)	-	(189,563)	-	-	-
Impairment on receivable from subsidary		(33,057)	-	(33,057)	(103,000)	-	(103,000)	-	-	-
Profit before tax		922,245	746,081	1,668,326	621,280	1,202,722	1,824,002	252,729	654,949	907,678
Tax expense		(86,803)	(59,968)	(146,771)	(216,167)	(23,052)	(239,219)	(83,833)	(57,391)	(141,224)
Profit for the year		835,442	686,113	1,521,555	405,113	1,179,670	1,584,783	168,896	597,558	766,454
Other comprehensive income										
Other comprehensive income that may be subsequently reclassified to profit or loss:										
Net gain/(loss) on available-for-sale investments		-	-	-	-	-	-	(8,548)	19,270	10,722
Movement in fair value reserve for debt instrument measured at fair value through other comprehensive income:										
- (Losses)/gains arising during the period/year		-	(2,880)	(2,880)	2,467	(420)	2,047	-	-	-
- Reclassification of gains/(losses) included in profit or loss on derecognition		-	3,046	3,046	(98)	-	(98)	-	-	-
- Expected credit losses		-	(1,074)	(1,074)	-	527	527	-	-	-
		-	(908)	(908)	2,369	107	2,476	(8,548)	19,270	10,722
Other comprehensive income that will not be reclassified to profit or loss:										
Remeasurement of retirement benefit obligations		(9,872)	(11,859)	(21,731)	(3,454)	(5,815)	(9,269)	(3,358)	(8,253)	(11,611)
Deferred tax on remeasurement of retirement benefit obligations		810	508	1,318	142	239	381	237	582	819
Gain on equity instruments designated at fair value through other comprehensive income		(46)	1,416	1,370	1,122	-	1,122	-	-	-
		(9,108)	(9,935)	(19,043)	(2,190)	(5,576)	(7,766)	(3,121)	(7,671)	(10,792)
Other comprehensive gain/(loss) for the year		(9,108)	(10,843)	(19,951)	179	(5,469)	(5,290)	(11,669)	11,599	(70)
Total comprehensive income for the year attributable to equity holders of the parent		826,334	675,270	1,501,604	405,292	1,174,201	1,579,493	157,227	609,157	766,384

41. SEGMENTAL REPORTING (CONTINUED)

		2020			2019			2018		
		Segment A	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
ASSETS	**Notes**	**MUR'000**	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalent	VI	**12,393,035**	**56,639,214**	**69,032,249**	6,469,041	44,229,951	50,698,992	4,659,473	45,315,174	49,974,647
Due from banks	VII	**9,346,939**	**1,785,799**	**11,132,738**	10,469,896	2,498,034	12,967,930	5,164,742	-	5,164,742
Derivative financial instruments	VIII	**221,553**	**100,408**	**321,961**	81,507	10,906	92,413	94,498	113,992	208,490
Loans and advances to banks	X(b)	**1,000,889**	**4,245,038**	**5,245,927**	-	6,019,048	6,019,048	-	5,769,229	5,769,229
Loans and advances to customers	X(a)	**11,770,371**	**11,273,551**	**23,043,922**	11,480,579	10,669,617	22,150,196	10,632,700	11,664,554	22,297,254
Investment securities	IX	**18,666,736**	**29,998,164**	**48,664,900**	18,981,315	26,326,856	45,308,171	12,704,454	21,669,960	34,374,414
Investment in subsidiary	XI	**-**	**-**	**-**	-	-	-	189,563	-	189,563
Asset held for distribution	XI	**38,277**	**-**	**38,277**	-	-	-	-	-	-
Property and equipment		**77,668**	**93,309**	**170,977**	69,186	116,489	185,675	55,057	134,797	189,854
Right of use assets		**36,348**	**43,669**	**80,017**	-	-	-	-	-	-
Intangible assets		**122,611**	**147,303**	**269,914**	90,695	152,703	243,398	72,380	177,205	249,585
Deferred tax assets		**33,777**	**90,611**	**124,388**	32,142	68,811	100,953	129,100	12,362	141,462
Other assets	XII	**2,320,065**	**27,494**	**2,347,559**	2,088,780	17,942	2,106,722	1,817,828	23,345	1,841,173
TOTAL ASSETS		**56,028,269**	**104,444,560**	**160,472,829**	49,763,141	90,110,357	139,873,498	35,519,795	84,880,618	120,400,413
LIABILITIES AND EQUITY										
Due to banks	XIII	**6,376**	**6,876**	**13,252**	29,787	647	30,434	932,642	113	932,755
Deposits from banks	XIV(a)	**80,627**	**15,738**	**96,365**	-	14,106	14,106	4	33,337	33,341
Deposits from customers	XIV(b)	**37,674,940**	**113,175,679**	**150,850,619**	31,030,246	100,164,013	131,194,259	25,889,833	85,462,293	111,352,126
Derivative financial instruments	VIII	**53,634**	**53,534**	**107,168**	9,823	40,172	49,995	21,575	42,807	64,382
Debts issued	XV	**-**	**-**	**-**	184,205	-	184,205	600,208	-	600,208
Retirement Benefits Obligation		**45,358**	**54,493**	**99,851**	24,091	40,561	64,652	12,057	29,631	41,688
Current tax liabilities		**7,546**	**6,072**	**13,618**	82,311	29,805	112,116	17,580	13,701	31,281
Lease liabilities		**37,509**	**45,062**	**82,571**	-	-	-	-	-	-
Other liabilities	XVI	**406,731**	**161,330**	**568,061**	293,360	213,967	507,327	310,155	135,225	445,380
TOTAL LIABILITIES		**38,312,721**	**113,518,784**	**151,831,505**	31,653,823	100,503,271	132,157,094	27,784,054	85,717,107	113,501,161
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT										
Ordinary Shares				**3,641,049**			3,641,049			3,641,049
Class A shares				**1,385,768**			1,385,768			1,385,768
Retained earnings				**2,297,788**			1,836,242			1,277,521
Other reserves				**1,316,719**			853,345			594,914
TOTAL EQUITY				**8,641,324**			7,716,404			6,899,252
TOTAL LIABILITIES AND EQUITY				**160,472,829**			139,873,498			120,400,413

41. SEGMENTAL REPORTING (CONTINUED)

	2020			2019			2018		
	Segment A	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
I INTEREST INCOME	**MUR'000**	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Interest income on financial instruments measured at amortised cost:									
- Due from banks	**206,060**	**617,853**	**823,913**	240,066	703,835	943,901	85,813	388,003	473,816
- Loans and advances to banks	**14,985**	**174,914**	**189,899**	-	214,044	214,044	-	174,192	174,192
- Loans and advances to customers	**468,684**	**451,013**	**919,697**	507,356	543,129	1,050,485	467,559	597,662	1,065,221
- Investment securities	**570,595**	**538,600**	**1,109,195**	407,559	394,539	802,098	323,429	238,775	562,204
- Placements with the Central Bank	**53,129**	**-**	**53,129**	49,377	-	49,377	29,091	-	29,091
	1,313,453	**1,782,380**	**3,095,833**	1,204,358	1,855,547	3,059,905	905,892	1,398,632	2,304,524
Interest income on financial instruments measured at fair value through other comprehensive income:									
- Investment securities	**-**	**18,195**	**18,195**	5,715	103,427	109,142	37,408	63,624	101,032
Total interest income calculated using EIR	**1,313,453**	**1,800,575**	**3,114,028**	1,210,073	1,958,974	3,169,047	943,300	1,462,256	2,405,556
I INTEREST EXPENSE									
Interest expense on financial instruments measured at amortised cost:									
- Due to banks	**20,462**	**46,803**	**67,265**	14,845	27,545	42,390	8,010	13,692	21,702
- Deposits from banks	**603**	**-**	**603**	-	-	-	-	-	-
- Deposits from customers	**468,229**	**538,173**	**1,006,402**	441,594	346,117	787,711	394,687	217,508	612,195
- Subordinated debts issued	**6,671**	**-**	**6,671**	28,173	-	28,173	60,327	1,341	61,668
- Lease liability	**4,845**	**-**	**4,845**	-	-	-	-	-	-
Total interest expense	**500,810**	**584,976**	**1,085,786**	484,612	373,662	858,274	463,024	232,541	695,565
NET INTEREST INCOME	**812,643**	**1,215,599**	**2,028,242**	725,461	1,585,312	2,310,773	480,276	1,229,715	1,709,991
II NET FEE AND COMMISSION INCOME									
Fee and commission income									
Commission and fee income	**70,378**	**425,171**	**495,549**	74,736	363,527	438,263	69,170	263,548	332,718
Credit card fees	**48,734**	**44,480**	**93,214**	52,531	55,265	107,796	40,947	29,888	70,835
Custody fees income	**41,110**	**125,605**	**166,715**	38,380	125,950	164,330	37,538	202,180	239,718
Other fees received	**2,663**	**6,248**	**8,911**	2,894	4,868	7,762	2,823	3,233	6,056
Total fee and commission income	**162,885**	**601,504**	**764,389**	168,541	549,610	718,151	150,478	498,849	649,327
Fee and commission expense									
Commission to other banks	**(9,706)**	**(84,951)**	**(94,657)**	(9,314)	(79,067)	(88,381)	(9,091)	(70,994)	(80,085)
Credit card expenses	**(31,151)**	**(58,025)**	**(89,176)**	(27,221)	(65,005)	(92,226)	(33,049)	(70,427)	(103,476)
Custody fees expense	**(19,812)**	**(36,903)**	**(56,715)**	(1,405)	(55,773)	(57,178)	(23,264)	(75,870)	(99,134)
Retrocession fees	**(19,103)**	**(35,582)**	**(54,685)**	(209)	(48,442)	(48,651)	(111)	(22,741)	(22,852)
Other fees paid	**(1,947)**	**(312)**	**(2,259)**	(3,308)	(1,635)	(4,943)	(141)	(714)	(855)
Total fee and commission expense	**(81,719)**	**(215,773)**	**(297,492)**	(41,457)	(249,922)	(291,379)	(65,656)	(240,746)	(306,402)
Net fee and commission income	**81,166**	**385,731**	**466,897**	127,084	299,688	426,772	84,822	258,103	342,925

41. SEGMENTAL REPORTING (CONTINUED)

	2020			2019			2018		
	Segment A	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR'000	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
III NET GAIN FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST									
Loans and advances to banks	**-**	**-**	**-**	-	(15,687)	(15,687)	-	-	-
Loans and advances to customers	**-**	**19,846**	**19,846**	-	41,002	41,002	-	-	-
Debt instruments measured at amortised cost	**-**	**(21,849)**	**(21,849)**	-	(1,388)	(1,388)	-	-	-
	-	**(2,003)**	**(2,003)**	-	23,927	23,927	-	-	-
IV (a) NET TRADING INCOME									
Net trading income:									
- Net gain on debt instruments measured at fair value through profit or loss	**382,790**	**116,530**	**499,320**	184,668	51,210	235,878	83,695	31,320	115,015
- Fair value (loss)/gain on derivatives held for trading	**122,673**	**(5,439)**	**117,234**	(7,016)	-	(7,016)	27,107	-	27,107
	505,463	**111,091**	**616,554**	177,652	51,210	228,862	110,802	31,320	142,122
IV (b) NET GAIN FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME									
Net gain from derecognition of financial assets measured at fair value through other comprehensive income	**-**	**(3,046)**	**(3,046)**	98	-	98	34,582	-	34,582
IV (c) NET GAIN FROM FOREIGN EXCHANGE AND DERIVATIVES									
Fair value gain/(loss) on derivatives held for risk management (foreign exchange)	**43,776**	**30,822**	**74,598**	(18,305)	(86,974)	(105,279)	-	-	-
Gain on foreign exchange	**307,222**	**382,480**	**689,702**	355,173	438,047	793,220	106,916	533,147	640,063
Foreign exchange difference on impairment	**(34,969)**	**(43,535)**	**(78,504)**	-	-	-	-	-	-
	316,029	**369,767**	**685,796**	336,868	351,073	687,941	106,916	533,147	640,063
IV (d) OTHER OPERATING INCOME									
Other operating income:									
- Profit on disposal of motor vehicle	**402**	**-**	**402**	-	-	-	89	-	89
- Transaction and other related fees	**17,365**	**4,947**	**22,312**	9,097	6,021	15,118	22,025	10,863	32,888
	17,767	**4,947**	**22,714**	9,097	6,021	15,118	22,114	10,863	32,977
V NET IMPAIRMENT LOSS ON FINANCIAL ASSETS									
LOSS ALLOWANCE ON FINANCIAL ASSETS									
Cash and cash equivalents	**(1,969)**	**(20,805)**	**(22,774)**	(2,206)	(22,243)	(24,449)	-	-	-
Due from banks	**(175)**	**1,166**	**991**	2,290	1,370	3,660	-	270,720	270,720
Loans and advances to banks	**1,694**	**(5,202)**	**(3,508)**	-	(2,662)	(2,662)	-	52,796	52,796
Loan and advances to customers	**177,583**	**799,854**	**977,437**	16,824	560,895	577,719	324,842	427,776	752,618
Debt instruments measured at FVTOCI	**-**	**(1,074)**	**(1,074)**	(77)	604	527	-	-	-
Debt instruments measured at amortised cost	**1,023**	**(1,609)**	**(586)**	1,890	505	2,395	-	-	-
Financial guarantee contracts and loan commitments (Note 38)	**(5,320)**	**2,204**	**(3,116)**	1,092	(702)	390	-	-	-
Total credit loss expense under IFRS 9	**172,836**	**774,534**	**947,370**	19,813	537,767	557,580	324,842	751,292	1,076,134
Bad debt recovered	**(11,364)**	**(96,911)**	**(108,275)**	(5,728)	(83,472)	(89,200)	(2,580)	(5,973)	(8,553)
	161,472	**677,623**	**839,095**	14,085	454,295	468,380	322,262	745,319	1,067,581

41. SEGMENTAL REPORTING (CONTINUED)

VI CASH AND CASH EQUIVALENTS

	2020 Segment A MUR'000	2020 Segment B MUR'000	2020 Total MUR'000	2019 Segment A MUR'000	2019 Segment B MUR'000	2019 Total MUR'000	2018 Segment A MUR'000	2018 Segment B MUR'000	2018 Total MUR'000
Cash in hand	**40,108**	**-**	**40,108**	28,690	13,397	42,087	15,505	14,581	30,086
Unrestricted balances with the Central Bank	**8,500,527**	**-**	**8,500,527**	3,988,536	-	3,988,536	1,490,484	-	1,490,484
Short term placements with other banks	**3,561,299**	**35,531,454**	**39,092,753**	2,430,659	31,377,514	33,808,173	3,139,243	27,032,952	30,172,195
Short term placements with the Central Bank	**281,945**	**-**	**281,945**	-	-	-	-	-	-
Current accounts with other banks	**9,814**	**21,110,274**	**21,120,088**	23,783	12,862,359	12,886,142	14,241	18,267,641	18,281,882
Other amounts due	**-**	**-**	**-**	-	-	-	-	-	-
	12,393,693	**56,641,728**	**69,035,421**	6,471,668	44,253,270	50,724,938	4,659,473	45,315,174	49,974,647
Less: Impairment on placement	**(658)**	**(2,514)**	**(3,172)**	(2,627)	(23,319)	(25,946)	-	-	-
	12,393,035	**56,639,214**	**69,032,249**	6,469,041	44,229,951	50,698,992	4,659,473	45,315,174	49,974,647

VII DUE FROM BANKS

	2020 Segment A MUR'000	2020 Segment B MUR'000	2020 Total MUR'000	2019 Segment A MUR'000	2019 Segment B MUR'000	2019 Total MUR'000	2018 Segment A MUR'000	2018 Segment B MUR'000	2018 Total MUR'000
At amortised cost:									
Short term collateralized placements	**7,039,627**	**-**	**7,039,627**	4,844,692	-	4,844,692	-	-	-
Medium term collateralized placements	**-**	**-**	**-**	1,781,279	-	1,781,279	3,489,079	-	3,489,079
Medium term placements with the central bank	**507,262**	**-**	**507,262**	1,009,464	-	1,009,464	1,675,663	-	1,675,663
Long term placements with central bank	**-**	**-**	**-**	507,181	-	507,181	-	-	-
Medium term placements with other banks	**1,802,391**	**1,788,335**	**3,590,726**	2,329,796	2,499,404	4,829,200	-	-	-
	9,349,280	**1,788,335**	**11,137,615**	10,472,412	2,499,404	12,971,816	5,164,742	-	5,164,742
Less: allowance for impairment losses	**(2,341)**	**(2,536)**	**(4,877)**	(2,516)	(1,370)	(3,886)	-	-	-
	9,346,939	**1,785,799**	**11,132,738**	10,469,896	2,498,034	12,967,930	5,164,742	-	5,164,742

VIII DERIVATIVE FINANCIAL INSTRUMENTS

	2020 Segment A MUR'000	2020 Segment B MUR'000	2020 Total MUR'000	2019 Segment A MUR'000	2019 Segment B MUR'000	2019 Total MUR'000	2018 Segment A MUR'000	2018 Segment B MUR'000	2018 Total MUR'000
ASSETS									
Derivative Financial Instruments									
Foreign exchange option contracts	**173**	**1,889**	**2,062**	6,315	2,046	8,361	11,392	423	11,815
Foreign exchange contracts and swaps	**115,467**	**9,984**	**,451**	75,192	8,860	84,052	83,106	113,569	196,675
Cross currency interest rate swap	**97,580**	**-**	**97,580**	-	-	-	-	-	-
Interest rate swaps	**3,906**	**-**	**3,906**	-	-	-	-	-	-
Options contracts	**4,427**	**88,535**	**92,962**	-	-	-	-	-	-
	221,553	**100,408**	**321,961**	81,507	10,906	92,413	94,498	113,992	208,490
LIABILITIES									
Derivative Financial Instruments									
Foreign exchange option contracts	**-**	**(1,759)**	**(1,759)**	(593)	(7,352)	(7,945)	-	(11,392)	(11,392)
Forward foreign exchange contracts	**(4,245)**	**(3,461)**	**(7,706)**	(9,230)	(32,820)	(42,050)	(21,575)	(31,415)	(52,990)
Interest rate swaps	**-**	**(4,741)**	**(4,741)**	-	-	-	-	-	-
Options contracts	**(49,389)**	**(43,573)**	**(92,962)**	-	-	-	-	-	-
	(53,634)	**(53,534)**	**(107,168)**	(9,823)	(40,172)	(49,995)	(21,575)	(42,807)	(64,382)

41. SEGMENTAL REPORTING (CONTINUED)

	2020			2019			2018		
	Segment A MUR'000	**Segment B MUR'000**	**Total MUR'000**	Segment A MUR'000	Segment B MUR'000	Total MUR'000	Segment A MUR'000	Segment B MUR'000	Total MUR'000
IX INVESTMENT SECURITIES									
Financial assets mandatorily measured at fair value through profit or loss (a)	**1,770,054**	**272,426**	**2,042,480**	4,843,489	356	4,843,845	2,958,296	-	2,958,296
Debt instruments measured at fair value through other comprehensive income (b)	**-**	**-**	**-**	-	3,571,880	3,571,880	570,480	3,485,461	4,055,941
Debt instruments measured at amortised cost (c)	**16,894,456**	**29,718,291**	**46,612,747**	14,135,554	22,748,589	36,884,143	9,175,678	18,184,499	27,360,177
Equity Investments designated at fair value through other comprehensive income (d)	**2,226**	**7,447**	**9,673**	2,272	6,031	8,303	-	-	-
	18,666,736	**29,998,164**	**48,664,900**	18,981,315	26,326,856	45,308,171	12,704,454	21,669,960	34,374,414
(a) FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS									
Government of Mauritius debt securities	**850,043**	**-**	**850,043**	1,416,463	-	1,416,463	1,749,284	-	1,749,284
Bank of Mauritius bonds and notes	**920,011**	**-**	**920,011**	3,427,026	-	3,427,026	1,209,012	-	1,209,012
Foreign Securities: Corporate bonds and notes	**-**	**272,426**	**272,426**	-	356	356	-	-	-
	1,770,054	**272,426**	**2,042,480**	4,843,489	356	4,843,845	2,958,296	-	2,958,296
b) DEBT INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME									
Government of Mauritius debt securities	**-**	**-**	**-**	-	-	-	119,091	-	119,091
Bank of Mauritius bonds and notes	**-**	**-**	**-**	-	-	-	451,389	-	451,389
Foreign Securities treasury bills and bonds	**-**	**-**	**-**	-	3,571,880	3,571,880	-	3,485,461	3,485,461
	-	**-**	**-**	-	3,571,880	3,571,880	570,480	3,485,461	4,055,941
c) DEBT INSTRUMENTS MEASURED AT AMORTISED COST									
Government of Mauritius treasury bills and bonds	**12,250,207**	**-**	**12,250,207**	7,291,728	-	7,291,728	6,116,458	-	6,116,458
Bank of Mauritius bonds and notes	**2,279,722**	**-**	**2,279,722**	5,056,172	-	5,056,172	2,246,969	-	2,246,969
Other corporate debt securities	**2,370,619**	**-**	**2,370,619**	1,792,723	-	1,792,723	812,251	-	812,251
Foreign Securities treasury bills and bonds	**-**	**29,719,992**	**29,719,992**	-	22,751,899	22,751,899	-	18,184,499	18,184,499
	16,900,548	**29,719,992**	**46,620,540**	14,140,623	22,751,899	36,892,522	9,175,678	18,184,499	27,360,177
Less: Allowance for impairment losses	**(6,092)**	**(1,701)**	**(7,793)**	(5,069)	(3,310)	(8,379)	-	-	-
	16,894,456	**29,718,291**	**46,612,747**	14,135,554	22,748,589	36,884,143	9,175,678	18,184,499	27,360,177
d) EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME									
Equities securities:									
At 01 July	**2,272**	**6,031**	**8,303**	-	-	-	-	-	-
Reclassification from other assets	**-**	**-**	**-**	2,525	4,656	7,181	-	-	-
Fair value movement	**(46)**	**1,416**	**1,370**	(253)	1,375	1,122	-	-	-
At 30 June	**2,226**	**7,447**	**9,673**	2,272	6,031	8,303	-	-	-

41. SEGMENTAL REPORTING (CONTINUED)

X (a) LOANS AND ADVANCES TO CUSTOMERS

	2020			2019			2018		
	Segment A	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR'000	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
(a) Remaining term to maturity									
Within 3 months	**5,493,103**	**3,035,263**	**8,528,366**	5,021,059	2,453,588	7,474,647	5,457,010	2,234,702	7,691,712
Over 3 to 6 months	**58,860**	**639,263**	**698,123**	130,832	269,797	400,629	24,310	1,249,089	1,273,399
Over 6 to 12 months	**133,505**	**1,001,286**	**1,134,791**	226,701	1,543,648	1,770,349	316,023	899,480	1,215,503
Over 1 to 5 years	**1,307,132**	**7,770,033**	**9,077,165**	2,412,072	6,695,222	9,107,294	1,793,167	6,590,507	8,383,674
Over 5 years	**5,303,408**	**691,952**	**5,995,360**	4,147,081	1,162,713	5,309,794	3,783,607	1,165,300	4,948,907
Gross core loans and advances to customers	**12,296,008**	**13,137,797**	**25,433,805**	11,937,745	12,124,968	24,062,713	11,374,117	12,139,078	23,513,195
Less: Allowances for impairment losses	**(525,637)**	**(1,864,246)**	**(2,389,883)**	(457,166)	(1,455,351)	(1,912,517)	(741,417)	(474,524)	(1,215,941)
Net core loans and advances to customers	**11,770,371**	**11,273,551**	**23,043,922**	11,480,579	10,669,617	22,150,196	10,632,700	11,664,554	22,297,254
(b) Credit concentration of risk by industry sectors									
Agriculture and fishing	**435,772**	**618,286**	**1,054,058**	159,099	350,551	509,650	1,095,391	530,504	1,625,895
Manufacturing	**306,670**	**3,807,716**	**4,114,386**	436,431	2,289,225	2,725,656	381,977	2,398,790	2,780,767
Tourism	**3,384,820**	**516,729**	**3,901,549**	2,714,782	449,560	3,164,342	2,236,127	144,624	2,380,751
Transport	**35,164**	**345,200**	**380,364**	44,608	318,959	363,567	41,364	388,225	429,589
Construction, infrastructure and real estate	**1,333,128**	**600,802**	**1,933,930**	913,531	205,502	1,119,033	1,196,304	582,608	1,778,912
Financial and business services	**1,487,345**	**1,239,744**	**2,727,089**	2,739,957	1,621,871	4,361,828	1,916,284	1,735,310	3,651,594
Traders	**2,052,020**	**1,333,128**	**3,385,148**	1,204,300	363,938	1,568,238	947,685	611,949	1,559,634
Personal	**1,736,411**	**635,922**	**2,372,333**	1,506,811	442,365	1,949,176	1,280,269	455,113	1,735,382
Professional	**1,147**	**-**	**1,147**	456,563	-	456,563	4,035	494	4,529
Information, communication and technology	**246,656**	**-**	**246,656**	251,421	-	251,421	45,544	-	45,544
Government and parastatal bodies	**386,062**	**-**	**386,062**	-	101,768	101,768	1,160,169	139,178	1,299,347
Global Business Licence Holders (GBL)	**-**	**456,980**	**456,980**	-	2,577,547	2,577,547	-	2,613,741	2,613,741
Other entities	**890,813**	**3,583,290**	**4,474,103**	1,510,242	3,403,682	4,913,924	1,068,968	2,538,542	3,607,510
	12,296,008	**13,137,797**	**25,433,805**	11,937,745	12,124,968	24,062,713	11,374,117	12,139,078	23,513,195

Loss allowance by sector

	2020					Total provision		
	Gross amount of loans	**Non performing loans**	**STAGE 1**	**STAGE 2**	**STAGE 3**	**2020**	2019	2018
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	MUR'000	MUR'000
Agriculture and fishing	**1,054,058**	**425,128**	**2,620**	**-**	**208,627**	**211,247**	210,381	23,489
Manufacturing	**4,114,386**	**150,415**	**8,913**	**-**	**150,416**	**159,329**	406,294	368,125
Tourism	**3,901,549**	**-**	**44,742**	**22**	**-**	**44,764**	11,168	54,412
Transport	**380,364**	**208,654**	**3,048**	**4**	**188,629**	**191,681**	118,985	51,002
Construction, infrastructure and real estate	**1,933,930**	**111,366**	**17,266**	**2,713**	**82,104**	**102,083**	232,484	192,128
Financial and business services	**2,727,089**	**1,039,827**	**3,523**	**-**	**879,981**	**883,504**	432,213	63,705
Traders	**3,385,148**	**13,981**	**7,147**	**4,041**	**13,536**	**24,724**	72,027	140,850
Personal	**2,372,333**	**98,317**	**34,443**	**8,214**	**60,169**	**102,826**	168,402	186,418
Professional	**1,147**	**1,147**	**-**	**-**	**89**	**89**	815	44
Information, communication and technology	**246,656**	**165,569**	**2,965**	**-**	**114,026**	**116,991**	3,254	13,558
Government and parastatal bodies	**386,062**	**-**	**1,059**	**-**	**-**	**1,059**	1,562	-
Global Business Licence Holders (GBL)	**456,980**	**-**	**622**	**-**	**-**	**622**	143,428	48,552
Other entities	**4,474,103**	**614,924**	**25,418**	**751**	**524,795**	**550,964**	111,504	73,658
	25,433,805	**2,829,328**	**151,766**	**15,745**	**2,222,372**	**2,389,883**	1,912,517	1,215,941

41. SEGMENTAL REPORTING (CONTINUED)

X (a) LOANS AND ADVANCES TO CUSTOMERS (Continued)

Loss allowance by sector (Continued)

Analysed by Segments:	Gross amount of loans	Non performing loans	2020 STAGE 1	STAGE 2	STAGE 3	Total provision 2020	2019	2018
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Segment A								
Agriculture and fishing	435,772	-	183	-	-	183	230	17,336
Manufacturing	306,670	150,415	86	-	150,416	150,502	94,098	91,140
Tourism	3,384,820	-	22,136	22	-	22,158	7,385	52,711
Transport	35,164	-	523	4	-	527	149	459
Construction, infrastructure and real estate	1,333,128	111,366	15,630	2,713	82,104	100,447	91,110	185,363
Financial and business services	1,487,345	3	2,460	-	3	2,463	8,278	33,087
Traders	2,052,020	13,981	2,723	4,041	13,536	20,300	71,172	133,751
Personal	1,736,411	90,333	30,649	8,077	58,843	97,569	156,814	171,787
Professional	1,147	1,147	-	-	89	89	815	38
Information, communication and technology	246,656	165,569	2,965	-	114,026	116,991	3,254	13,558
Government and parastatal bodies	386,062	-	1,059	-	-	1,059	-	-
Global Business Licence Holders (GBL)	-	-	-	-	-	-	-	-
Others entities	890,813	377	12,237	751	361	13,349	23,861	42,187
	12,296,008	533,191	90,651	15,608	419,378	525,637	457,166	741,417
Segment B								
Agriculture and fishing	618,286	425,128	2,437	-	208,627	211,064	210,151	6,153
Manufacturing	3,807,716	-	8,827	-	-	8,827	312,196	276,985
Tourism	516,729	-	22,606	-	-	22,606	3,783	1,701
Transport	345,200	208,654	2,525	-	188,629	191,154	118,836	50,543
Construction, infrastructure and real estate	600,802	-	1,636	-	-	1,636	141,374	6,765
Financial and business services	1,239,744	1,039,824	1,063	-	879,978	881,041	423,935	30,618
Traders	1,333,128	-	4,424	-	-	4,424	855	7,099
Personal	635,922	7,984	3,794	137	1,326	5,257	11,588	14,631
Professional	-	-	-	-	-	-	-	6
Information, communication and technology	-	-	-	-	-	-	-	-
Government and parastatal bodies	-	-	-	-	-	-	1,562	-
Global Business Licence Holders (GBL)	456,980	-	622	-	-	622	143,428	48,552
Others entities	3,583,290	614,547	13,181	-	524,434	537,615	87,643	31,471
	13,137,797	2,296,137	61,115	137	1,802,994	1,864,246	1,455,351	474,524

41. SEGMENTAL REPORTING (CONTINUED)

X(b) LOANS AND ADVANCES TO BANKS

	2020			2019			2018		
	Segment A	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR'000	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
(a) Remaining term to maturity									
Within 3 months	**-**	**326,087**	**326,087**	-	932,311	932,311	-	405,072	405,072
Over 3 to 6 months	**-**	**1,201,411**	**1,201,411**	-	2,323,488	2,323,488	-	347,800	347,800
Over 6 to 12 months	**-**	**1,002,266**	**1,002,266**	-	375,833	375,833	-	1,120,266	1,120,266
Over 1 to 5 years	**1,002,583**	**1,725,250**	**2,727,833**	-	2,402,594	2,402,594	-	3,954,104	3,954,104
Over 5 years			**-**	-	-	-	-	-	-
Gross core loans and advances to banks	**1,002,583**	**4,255,014**	**5,257,597**	-	6,034,226	6,034,226	-	5,827,242	5,827,242
Less: Allowances for impairment losses	**(1,694)**	**(9,976)**	**(11,670)**	-	(15,178)	(15,178)	-	(58,013)	(58,013)
Net core loans and advances to banks	**1,000,889**	**4,245,038**	**5,245,927**	-	6,019,048	6,019,048	-	5,769,229	5,769,229

	2020					Total provision		
	Gross amount of loans	**Non performing loans**	**STAGE 1**	**STAGE 2**	**STAGE 3**	**2020**	2019	2018
Loss allowance by sector	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	MUR'000	MUR'000
Financial and business services	**5,257,597**	**-**	**11,670**	**-**	**-**	**11,670**	15,178	58,013

	2020					Total provision		
Analysed by Segments:	**Gross amount of loans**	**Non performing loans**	**STAGE 1**	**STAGE 2**	**STAGE 3**	**2020**	2019	2018
Segment A	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	MUR'000	MUR'000
Financial and business services	**1,002,583**	**-**	**(1,694)**	**-**	**-**	**(1,694)**	-	-
Segment B								
Financial and business services	**4,255,014**	**-**	**(9,976)**	**-**	**-**	**(9,976)**	15,178	58,013

41. SEGMENTAL REPORTING (CONTINUED)

XI INVESTMENT IN SUBSIDIARY

	2020			2019			2018		
	Segment A	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR'000	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cost									
Opening balance	**-**	**-**	**-**	189,563	-	189,563	189,563	-	189,563
Impairment loss recognised	**-**	**-**	**-**	(189,563)	-	(189,563)	-	-	-
Addition	**38,277**	**-**	**38,277**	-	-	-	-	-	-
Less Asset held for distribution	**(38,277)**	**-**	**(38,277)**	-	-	-	-	-	-
At 30 June	**-**	**-**	**-**	-	-	-	189,563	-	189,563

XII OTHER ASSETS

	2020			2019			2018		
	Segment A	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR'000	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Mandatory balances with the central bank	**2,174,086**	**-**	**2,174,086**	1,865,835	-	1,865,835	1,519,797	-	1,519,797
Indirect and other taxes receivable	**84,393**	**-**	**84,393**	73,570	300	73,870	59,348	468	59,816
Due from credit card service provider	**12,510**	**-**	**12,510**	25,866	-	25,866	18,412	-	18,412
Prepayments	**18,543**	**24,393**	**42,936**	20,414	16,308	36,722	20,679	12,171	32,850
Other receivables	**29,611**	**3,101**	**32,712**	17,210	1,334	18,544	17,333	6,050	23,383
Amount due from subsidiaries	**922**	**-**	**922**	85,885	-	85,885	179,734	-	179,734
Other investments	**-**	**-**	**-**	-	-	-	2,525	4,656	7,181
	2,320,065	**27,494**	**2,347,559**	2,088,780	17,942	2,106,722	1,817,828	23,345	1,841,173

XIII DUE TO BANKS

	2020			2019			2018		
	Segment A	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR'000	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At amortised cost									
Borrowings from the central bank	**6,376**	**-**	**6,376**	29,787	-	29,787	72,432	-	72,432
Borrowings from other banks	**-**	**-**	**-**	-	-	-	860,210	-	860,210
Bank overdraft	**-**	**6,876**	**6,876**	-	647	647	-	113	113
	6,376	**6,876**	**13,252**	29,787	647	30,434	932,642	113	932,755

XIV(a) DEPOSITS FROM BANKS

	2020			2019			2018		
	Segment A	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR'000	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At amortised cost									
- Current and savings accounts	**80,627**	**15,738**	**96,365**	-	14,106	14,106	4	33,337	33,341
	80,627	**15,738**	**96,365**	-	14,106	14,106	4	33,337	33,341

XIV(b) DEPOSITS FROM CUSTOMERS

At amortised cost									
Personal									
- Current and savings accounts	**7,565,196**	**12,983,799**	**20,548,995**	5,442,041	9,206,699	14,648,740	5,189,590	1,862,379	7,051,969
- Term deposits	**6,793,927**	**4,471,855**	**11,265,782**	6,020,392	3,957,653	9,978,045	4,535,492	2,278,423	6,813,915
Business						-			-
- Current and savings accounts	**17,478,837**	**74,697,074**	**92,175,911**	13,041,224	68,055,402	81,096,626	10,836,444	70,760,479	81,596,923
- Term deposits	**4,395,252**	**21,022,951**	**25,418,203**	6,256,305	18,944,259	25,200,564	5,269,007	10,561,012	15,830,019
Government institutions									
- Current and savings accounts	**739,808**	**-**	**739,808**	270,284	-	270,284	59,300	-	59,300
- Term deposits	**701,920**	**-**	**701,920**	-	-	-	-	-	-
	37,674,940	**113,175,679**	**150,850,619**	31,030,246	100,164,013	131,194,259	25,889,833	85,462,293	111,352,126

XV DEBTS ISSUED

Unsecured subordinated bonds	**-**	**-**	**-**	184,205	-	184,205	600,208	-	600,208

XVI OTHER LIABILITIES

Other payables and sundry creditors	**406,731**	**161,330**	**568,061**	293,360	213,967	507,327	310,155	135,225	445,380

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