Condensed Audited Financial Statements for the year ended **30 June 2021**

AFRASIA BANK LIMITED

AFRASIA bank different

Condensed Audited Statements of Financial Position as at 30 June 2021

	THE GROUP			THE BANK		
	2021	2020	2019	**2021**	2020	2019
		(Restated)	(Restated)		(Restated)	(Restated)
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
ASSETS						
Cash and cash equivalents	**97,810,111**	69,036,975	50,700,638	**97,810,099**	69,032,249	50,698,992
Due from banks	**17,974,090**	11,132,738	12,967,930	**17,974,090**	11,132,738	12,967,930
Derivative financial instruments	**407,880**	321,961	744,595	**407,880**	321,961	92,413
Loans and advances to banks	**6,638,835**	5,245,927	6,019,048	**6,638,835**	5,245,927	6,019,048
Loans and advances to customers	**18,749,929**	23,043,922	22,150,196	**18,749,929**	23,043,922	22,150,196
Investment securities	**45,410,195**	48,696,565	46,203,952	**45,410,195**	48,664,900	45,308,171
Asset held for distribution	**-**	-	-	**-**	38,277	-
Property and equipment	**137,437**	171,195	187,071	**137,437**	170,977	185,675
Intangible assets	**288,679**	269,990	243,401	**288,679**	269,914	243,398
Right of use assets	**44,518**	80,017	-	**44,518**	80,017	-
Deferred tax assets	**149,593**	124,506	101,664	**149,593**	124,388	100,953
Other assets	**2,471,954**	2,353,081	2,042,215	**2,471,954**	2,347,559	2,106,722
TOTAL ASSETS	**190,083,221**	160,476,877	141,360,710	**190,083,209**	160,472,829	139,873,498
EQUITY AND LIABILITIES						
LIABILITIES						
Due to banks	**1,000,122**	13,252	30,434	**1,000,122**	13,252	30,434
Deposits from banks	**364,726**	96,365	14,106	**364,726**	96,365	14,106
Deposits from customers	**178,832,286**	150,826,106	131,018,499	**178,846,558**	150,850,619	131,194,259
Derivative financial instruments	**210,392**	107,168	702,177	**210,392**	107,168	49,995
Debts issued	**-**	1,083	320,662	**-**	-	184,205
Financial liabilities measured at fair value through profit or loss	**-**	4,398	872,139	**-**	-	-
Retirement benefit obligations	**73,189**	102,034	67,307	**73,189**	99,851	64,652
Current tax liabilities	**85,647**	95,283	175,913	**85,647**	95,283	175,913
Lease liabilities	**47,658**	82,571	-	**47,658**	82,571	-
Other liabilities	**412,507**	497,135	458,935	**407,993**	486,396	443,530
TOTAL LIABILITIES	**181,026,527**	151,825,395	133,660,172	**181,036,285**	151,831,505	132,157,094
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						
Ordinary shares	**3,641,049**	3,641,049	3,641,049	**3,641,049**	3,641,049	3,641,049
Class A shares	**1,385,768**	1,399,768	1,399,768	**1,385,768**	1,385,768	1,385,768
Retained earnings	**2,693,075**	2,285,239	1,801,294	**2,664,794**	2,297,788	1,836,242
Other reserves	**1,336,802**	1,325,426	858,427	**1,355,313**	1,316,719	853,345
TOTAL EQUITY	**9,056,694**	8,651,482	7,700,538	**9,046,924**	8,641,324	7,716,404
TOTAL EQUITY AND LIABILITIES	**190,083,221**	160,476,877	141,360,710	**190,083,209**	160,472,829	139,873,498

Condensed Audited Statements of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2021

	THE GROUP			THE BANK		
	2021	2020	2019	**2021**	2020	2019
		(Restated)	(Restated)		(Restated)	(Restated)
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Interest income	**1,684,412**	3,114,028	3,169,020	**1,684,412**	3,114,028	3,169,047
Interest expense	**(613,283)**	(1,085,786)	(858,274)	**(611,994)**	(1,085,786)	(858,274)
Net interest income, calculated using EIR method	**1,071,129**	2,028,242	2,310,746	**1,072,418**	2,028,242	2,310,773
Fee and commission income	**877,757**	786,703	731,362	**877,870**	787,478	732,604
Fee and commission expense	**(313,605)**	(297,502)	(291,381)	**(315,370)**	(297,492)	(291,379)
Net fee and commission income	**564,152**	489,201	439,981	**562,500**	489,986	441,225
Net (loss)/gain from derecognition of financial assets measured at amortised cost	**-**	(2,003)	23,927	**-**	(2,003)	23,927
Net trading income	**948,341**	1,302,350	909,281	**945,243**	1,302,350	916,803
Other gains/(losses)	**1,696**	(3,046)	98	**1,696**	(3,046)	98
Other operating income	**(1,843)**	(5,372)	(5,300)	**(106)**	(375)	665
Total operating income	**2,583,475**	3,809,372	3,678,733	**2,581,751**	3,815,154	3,693,491
Net impairment loss on financial assets	**(470,747)**	(839,095)	(468,380)	**(465,131)**	(839,095)	(468,380)
Net operating income	**2,112,728**	2,970,277	3,210,353	**2,116,620**	2,976,059	3,225,111
Personnel expenses	**(662,934)**	(718,079)	(646,296)	**(662,934)**	(718,079)	(646,296)
Depreciation of property and equipment	**(35,633)**	(35,714)	(36,362)	**(35,633)**	(35,713)	(36,361)
Depreciation of right of use assets	**(32,912)**	(31,735)	-	**(32,912)**	(31,735)	-
Amortisation of intangible assets	**(41,966)**	(40,923)	(71,997)	**(41,966)**	(40,923)	(38,586)
Other operating expenses	**(313,733)**	(369,248)	(332,705)	**(319,544)**	(366,561)	(323,506)
Total operating expenses	**(1,087,178)**	(1,195,699)	(1,087,360)	**(1,092,989)**	(1,193,011)	(1,044,749)
Operating profit	**1,025,550**	1,774,578	2,122,993	**1,023,631**	1,783,048	2,180,362
Impairment loss on investment in subsidiary	**-**	-	-	**-**	-	(189,563)
Impairment loss on receivable from subsidary	**-**	-	-	**-**	(33,057)	(103,000)
Loss on winding up of subsidiary	**-**	-	(57,210)	**-**	-	-
Impairment loss on goodwill	**-**	-	(134,903)	**-**	-	-
Gain on disposal of subsidiary	**52,451**	-	-	**-**	-	-
Profit before tax	**1,078,001**	1,774,578	1,930,880	**1,023,631**	1,749,991	1,887,799
Tax expense	**(148,405)**	(228,436)	(303,016)	**(148,405)**	(228,436)	(303,016)
Profit for the year from continuing operations	**929,596**	1,546,142	1,627,864	**875,226**	1,521,555	1,584,783
Discontinued operations						
(Loss)/profit for the year from discontinued operations	**(13,540)**	(3,146)	108	**-**	-	-
Profit for the year	**916,056**	1,542,996	1,627,972	**875,226**	1,521,555	1,584,783
Other comprehensive (loss)/income that may be subsequently reclassified to profit or loss:						
Movement in fair value reserve for debt instrument measured at fair value through other comprehensive income:						
- (Losses)/gains arising during the year	**-**	(2,880)	2,047	**-**	(2,880)	2,047
- Reclassification of gains/(losses) included in profit or loss on derecognition	**-**	3,046	(98)	**-**	3,046	(98)
- Expected credit losses	**-**	(1,074)	527	**-**	(1,074)	527
	-	(908)	2,476	**-**	(908)	2,476
Other comprehensive income/(loss) that will not be reclassified to profit or loss:						
Remeasurement of retirement benefit obligations	**41,444**	(20,723)	(10,179)	**41,444**	(21,731)	(9,269)
Deferred tax on remeasurement of retirement benefit obligations	**(2,446)**	1,268	426	**(2,446)**	1,318	381
Fair value (loss)/gain on equity instruments designated at fair value through other comprehensive income	**(25,736)**	4,995	6,205	**1,482**	1,370	1,122
	13,262	(14,460)	(3,548)	**40,480**	(19,043)	(7,766)
Other comprehensive income/(loss) for the year	**13,262**	(15,368)	(1,072)	**40,480**	(19,951)	(5,290)
Total comprehensive income for the year attributable to equity holders of the parent	**929,318**	1,527,628	1,626,900	**915,706**	1,501,604	1,579,493

The restated figures are on account of Special Levy re-classification to tax expense instead of being previously classified as other operating expenses. This reclassification does not have any impact on the Total Comprehensive Income of the Group and the Bank.

Condensed Audited Statements of Changes in Equity for the year ended 30 June 2021

THE GROUP	Ordinary shares	Class A shares	Retained earnings	Other reserves	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July 2018	3,641,049	1,399,768	770,869	595,460	6,407,146
Profit for the year	-	-	1,627,972	-	1,627,972
Other comprehensive (loss)/income	-	-	(9,753)	8,681	(1,072)
Total comprehensive income for the year	-	-	1,618,219	8,681	1,626,900
Appropriation of reserves	-	-	(254,286)	254,286	-
Dividends	-	-	(333,508)	-	(333,508)
At 30 June 2019	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	-	-	(316,858)	316,858	-
Dividends	-	-	(576,684)	-	(576,684)
At 30 June 2020	3,641,049	1,399,768	2,285,239	1,325,426	8,651,482
At 1 July 2020	**3,641,049**	**1,399,768**	**2,285,239**	**1,325,426**	**8,651,482**
Profit for the year	**-**	**-**	**916,056**	**-**	**916,056**
Other comprehensive income/(loss)	**-**	**-**	**38,998**	**(25,736)**	**13,262**
Total comprehensive income/(loss) for the year	**-**	**-**	**955,054**	**(25,736)**	**929,318**
Reversal of provision in relation to Bank of Mauritius Guideline	**-**	**-**	**146,054**	**(146,054)**	**-**
Appropriation of reserves	**-**	**-**	**(183,166)**	**183,166**	**-**
Deconsolidation adjustment	**-**	**(14,000)**	**-**	**-**	**(14,000)**
Dividends	**-**	**-**	**(510,106)**	**-**	**(510,106)**
At 30 June 2021	**3,641,049**	**1,385,768**	**2,693,075**	**1,336,802**	**9,056,694**

THE BANK	Ordinary shares	Class A shares	Retained earnings	Other reserves	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July 2018	3,641,049	1,385,768	848,141	595,461	6,470,419
Profit for the year	-	-	1,584,783	-	1,584,783
Other comprehensive (loss)/income	-	-	(8,888)	3,598	(5,290)
Total comprehensive income for the year	-	-	1,575,895	3,598	1,579,493
Appropriation of reserves	-	-	(254,286)	254,286	-
Dividends	-	-	(333,508)	-	(333,508)
At 30 June 2019	3,641,049	1,385,768	1,836,242	853,345	7,716,404
At 1 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	-	-	(316,858)	316,858	-
Dividends	-	-	(576,684)	-	(576,684)
At 30 June 2020	3,641,049	1,385,768	2,297,788	1,316,719	8,641,324
At 1 July 2020	**3,641,049**	**1,385,768**	**2,297,788**	**1,316,719**	**8,641,324**
Profit for the year	**-**	**-**	**875,226**	**-**	**875,226**
Other comprehensive income	**-**	**-**	**38,998**	**1,482**	**40,480**
Total comprehensive income for the year	**-**	**-**	**914,224**	**1,482**	**915,706**
Reversal of provision in relation to Bank of Mauritius Guideline	**-**	**-**	**146,054**	**(146,054)**	**-**
Appropriation of reserves	**-**	**-**	**(183,166)**	**183,166**	**-**
Dividends	**-**	**-**	**(510,106)**	**-**	**(510,106)**
At 30 June 2021	**3,641,049**	**1,385,768**	**2,664,794**	**1,355,313**	**9,046,924**

Condensed Audited Financial Statements
for the year ended **30 June 2021**

AFRASIA BANK LIMITED

Condensed Audited Statements of Cash Flows for the year ended 30 June 2021

	THE GROUP			THE BANK		
	2021	2020	2019	**2021**	2020	2019
		(Restated)	(Restated)		(Restated)	(Restated)
OPERATING ACTIVITIES	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Profit before tax:						
Continuing operations	**1,078,001**	1,774,578	1,930,880	**1,023,631**	1,749,991	1,887,799
Discontinued operations	**(13,540)**	(2,603)	(285)	**-**	-	-
	1,064,461	1,771,975	1,930,595	**1,023,631**	1,749,991	1,887,799
Adjustments for:						
Change in operating assets	**(1,334,753)**	(1,475,160)	(19,884,748)	**(1,336,395)**	(2,958,051)	(19,958,452)
Change in operating liabilities	**29,188,122**	18,296,000	18,743,168	**29,175,795**	19,804,718	18,862,360
Non-cash items included in profit before tax from continuing operations	**552,659**	914,560	772,679	**611,383**	947,616	839,717
Non-cash items included in profit before tax from discontinued operations	**206**	679	1,971	**-**	-	-
Payment of gratuity	**-**	(1,485)	-	**-**	(1,485)	-
Tax paid	**(185,651)**	(328,641)	(99,427)	**(185,651)**	(328,641)	(95,942)
Net cash flows generated from operating activities	**29,285,044**	19,177,928	1,464,238	**29,288,763**	19,214,148	1,535,482
INVESTING ACTIVITIES						
Purchase of property and equipment	**(7,635)**	(23,891)	(33,821)	**(7,635)**	(23,891)	(33,491)
Purchase of intangible assets	**(72,240)**	(67,523)	(33,692)	**(72,240)**	(67,439)	(33,692)
Asset held for distribution	**-**	-	(57,210)	**-**	(38,277)	-
Proceeds from sale of property and equipment	**1,169**	4,145	-	**1,169**	3,040	-
Disposal of subsidiary	**(992)**	-	-	**-**	-	-
Net cash flows used in investing activities	**(79,698)**	(87,269)	(124,723)	**(78,706)**	(126,567)	(67,183)
FINANCING ACTIVITIES						
Repayment of subordinated debt	**-**	(170,556)	(385,033)	**-**	(170,556)	(385,033)
Payment of lease liabilities	**(37,404)**	(36,085)	-	**(37,404)**	(36,085)	-
Dividends paid	**(387,071)**	(576,684)	(333,508)	**(387,071)**	(576,684)	(333,508)
Net cash flows used in financing activities	**(424,475)**	(783,325)	(718,541)	**(424,475)**	(783,325)	(718,541)
Net cash flows for the year	**28,780,871**	18,307,334	620,974	**28,785,582**	18,304,256	749,758
Movement in cash and cash equivalents						
Cash and cash equivalents at 1 July	**69,030,099**	50,699,991	50,104,963	**69,025,376**	50,698,346	49,974,534
Net increase in cash and cash equivalents	**28,780,871**	18,307,334	620,974	**28,785,582**	18,304,256	749,758
Effect of IFRS 9 impairment charge	**(956)**	22,774	(25,946)	**(956)**	22,774	(25,946)
Cash and cash equivalents at 30 June	**97,810,014**	69,030,099	50,699,991	**97,810,002**	69,025,376	50,698,346
Operational cash flows from interest						
Interest paid	**(662,955)**	(1,410,869)	(881,316)	**(662,955)**	(1,051,583)	(872,123)
Interest received	**1,997,083**	2,906,096	2,864,490	**1,997,083**	2,821,688	3,211,904

Condensed Audited Financial Statements for the year ended **30 June 2021**

AFRASIA BANK LIMITED

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Management's Comments

Since the outbreak of the COVID-19 pandemic worldwide last year, and the first closure of the Mauritian borders in early March 2020, the Mauritian economy has continued to be severely affected in 2021, given the quasi total closure of borders planned up until 1st October 2021, whereby unrestricted access for vaccinated travellers shall be granted. With the closure of the borders, the Tourism sector, which normally contributes around 24% of GDP and 22% of employment, was and remains the most affected, and real GDP accordingly contracted by 15% in 2020 mainly on account of same.

During this unprecedented time, and in view of the continued uncertainty and international market volatility faced since last year, AfrAsia Bank Limited's (the "Bank") strategy has been maintained towards managing an optimum asset mix and ensuring effective capital preservation.

With continuous interest rate cuts across all markets and all products across the world since 2020, the Bank continued to face downward pressure on its Net Interest Income portfolio, and it was a unified effort that drove the Bank to maintain and sustain through these testing times a bottom-line that showed optimal equilibrium between cost and income to sustain itself and a Balance Sheet marked by strong customer confidence and a quest for liquidity.

Despite these multiple headwinds, the Bank registered a net profit after tax ("NPAT") of **MUR 0.9bn** (2020: MUR 1.5bn) resulting in a decrease of **42%** as compared to last year.

- On the top line, the Bank reported a net interest income of **MUR 1.1bn** (2020: MUR 2.0bn), that is, **47%** lower than in the prior year. The main driver being the ongoing pandemic and its effects that created market volatility, rapid liquidity shifts, unexpected demand drops, erosion of market value on both local and global scale and lower spreads as central banks around the world cut interest rates.

- Non-interest income makes up **58%** of the total operating income for the year being reported. However, from a performance perspective, an overall year-on-year drop of **16%** was noted. Net fee and commission income grew by a solid **15%** from MUR 490.0m to **MUR 562.5m**.

- Other revenue stood at **MUR 0.9bn** (2020: MUR 1.3bn) representing a **27%** drop compared to prior year. The year-on-year deterioration of **MUR 357.1m** in Net trading income was driven by a drop in average rates, reduction in activity on the local fixed income side, reduction in structuring sales income and slight drop in FX income.

On the impairment side, we noted a net impairment loss of **MUR 465.1m** (2020: MUR 839.1m) sourced mainly from our loans and advances to customers forming **85%** of our total credit loss expense for this financial year. Given the current circumstances, Management thought fit to add additional overlays to cater for uncertainty.

The Bank devoted **MUR 662.9m** (2020: MUR 718.1m), that is, **61%** of its total operating expenses as a continuous investment in its human capital during the year.

The Bank's asset base grew by **18%** (MUR 29.6bn) and reached **MUR 190.1bn** (2020: MUR 160.5bn) by end of this year under review. This growth was registered primarily in cash and cash equivalents and due from banks, while investment securities and loans and advances both noted a fall of **7%** and **10%** respectively whereas other assets were relatively stable when compared to last financial year.

The Bank provided its clients with the optimal reassurance to restore and strengthen the confidence of its client base in these challenging times and helped by the positive retranslation effects in its deposits base, the Bank's deposits from banks and customers grew from MUR 150.9bn at end of June 2020 to reach **MUR 179.2bn** by the end of June 2021 i.e. a growth of **19%**.

The Capital Adequacy Ratio stood at **16.18%** as at end of June 2021 (2020: 15.15%) against a regulatory limit of 12.88%.

The shareholders' equity of the Bank witnessed a slight growth of **5%** year-on-year to reach **MUR 9.0bn** (2020: MUR 8.6bn) as at end of June 2021 due to positive bottom-line performance.

The target for the coming financial year is to manoeuvre around the expected rebound in line with the economic recovery, the progressive upturn in the tourism sector and its spill-over effects commingled with the meticulous application of the articulated budgetary measures to benefit from the multiple expected expansions. However, the Bank will continue to be vigilant and nimble in its approach to capture all potential upturn in economic activity while remaining with its risk scope.

By Order of the Board
17 September 2021

For the information of stakeholders, AfrAsia Bank Limited is pleased to present its condensed audited financial statements for the year ended 30 June 2021.

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

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

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

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of **AfrAsia Bank Limited** (the "Bank" and the "Public Interest Entity") and its subsidiary (the "Group") set out on pages 6 to 122, which comprise the consolidated and separate statements of financial position as at 30 June 2021, 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 consolidated and separate 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 2021, 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 (including International Independence Standards)* (the "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 ECL depending on type of portfolio which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). The PD and LGD models used in the loans portfolios are the key drivers of the ECL results and are therefore the most significant areas of judgements and estimates used in the ECL modelling approach. • Determining the criteria for significant increase in credit risk ('SICR') and identifying SICR– These criteria are highly judgemental and can impact the ECL materially where facilities have maturity of greater than 12 months. • Macro-Economic Forecasts – IFRS 9 requires to measure ECLs on a forward-looking basis using the most appropriate macro-economic forecasts. The macro-economic forecasts are estimates of future economic conditions. • Economic scenarios – the Bank has used a range of future economic conditions in light of the global pandemic of COVID-19. Significant management judgement is applied in determining the economic scenarios used and the probability weightings applied, especially when considering the current uncertain global economic environment. • Qualitative adjustments – Adjustments to the model-driven ECL results are accounted by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts.	Our audit procedures included amongst others: • Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions used in the models; • Evaluating controls over model monitoring and validation; • Using 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 assessing Probability of Default, Loss Given Default and Exposures 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.

AFRASIA bank different

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

Key audit matters ***(Cont'd)***

Key audit matter *(Cont'd)*	How our audit addressed the key audit matter *(Cont'd)*
Provision for expected credit losses – Credit impaired assets	
Provision for expected credit losses on credit-impaired loans and advances to customers at 30 June 2021 amounted to MUR 1,962 million and the charge to profit or loss for the year amount to MUR 192 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 to customers 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 of impaired assets and impairment assessment; • Inspecting the minutes of Impairment Management Committee, 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; • 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; and • Assessing whether the disclosures are in accordance with the requirements of IFRS 9.

Other information

The directors are responsible for the other information. The other information comprises the Chairperson's Message, Interim 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, but, 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.

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

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.

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements *(Cont'd)*

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.

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.

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

Use of this report

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

R. Srinivasa Sankar, FCA
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