AFRASIA
bank different

ANNUAL REPORT

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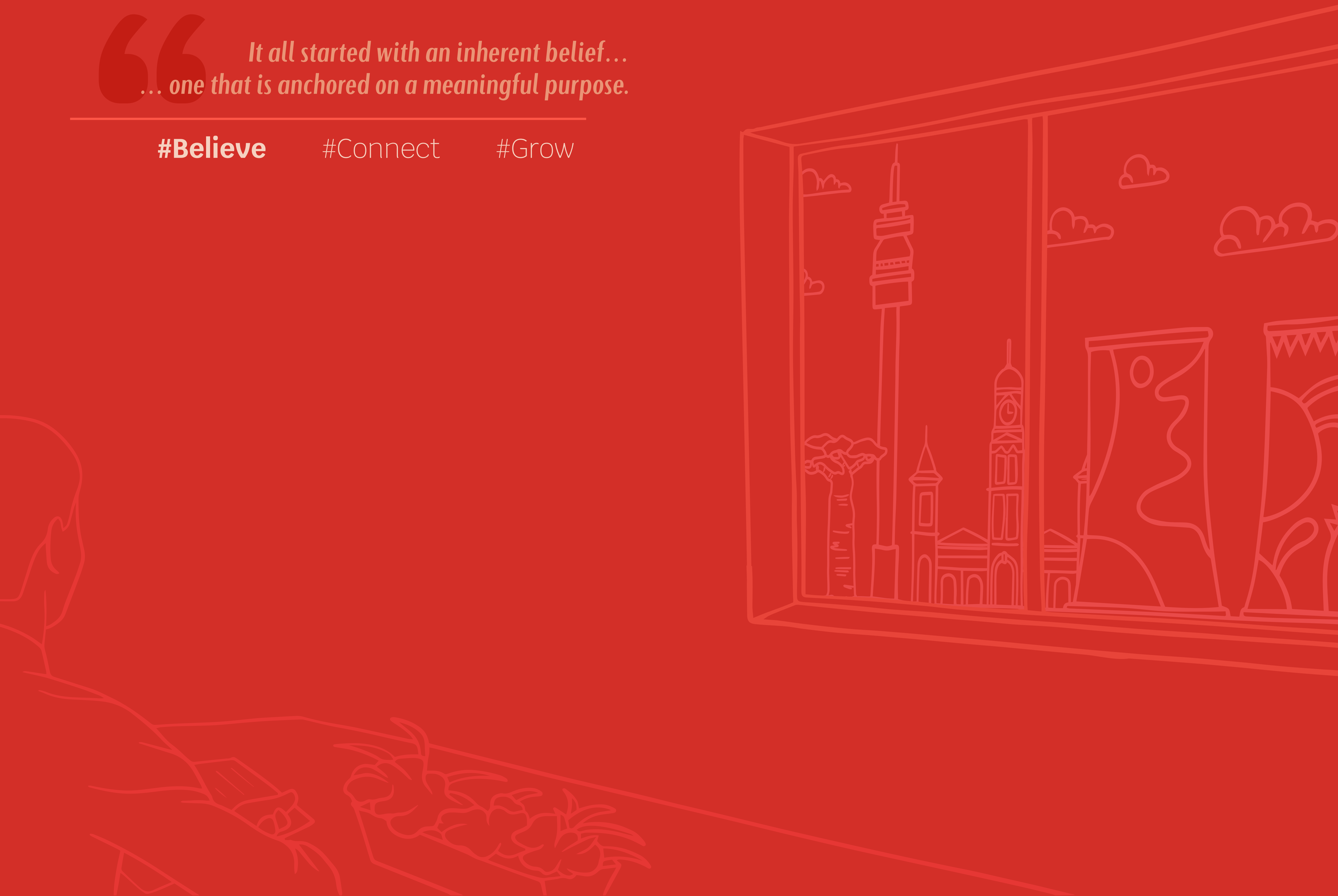
It all started with an inherent belief…
… one that is anchored on a meaningful purpose.

#Believe #Connect #Grow



CHAIRPERSON'S MESSAGE

When I last wrote to our shareholders in our 2020 Annual Report, the world was still in the early stages of the global pandemic. A year later, the World is still learning how to live and work alongside COVID-19 whilst still striving to cope with its pits and falls. AfrAsia Bank has navigated its way through this past year by anchoring our successful continuity on the staunch collaboration and dedication of our employees, our customers' unwavering trust in the AfrAsia brand and our authorities' relentless strive to re-institute a 'COVID-free' Mauritius.

A global paradigm shift

The 2020-2021 financial year has been eventful. COVID-19 continued to send countries into a tailspin. The national lockdown measures implemented worldwide have induced a sputtering of our "global village", which was catalysed by the mushrooming of second waves. From there, the arduous race against time to expedite a vaccine and its universal rollout turned up a notch.

The macroeconomic landscape was jam-packed with geopolitical, socioeconomic and environmental happenings. Global economic growth picked up, mostly due to the remarkable US and Chinese recoveries – both countries account for approximately 40% of the global GDP and China is one of the only two G20 countries to have reported a positive GDP in 2020. However, this global economic growth skewed unevenly and unfavourably towards the developing and least developed countries. Growth prospects look meagre as they face a heightened risk of falling further behind economically with a projected growth that is far below the 7% advocated by the UN Sustainable Development Goal 8, mainly due to funding shortfalls, vaccine nationalism hampering the COVAX initiative, and the inability of these countries to cushion the pandemic's fallout through adequate fiscal support, indirectly amplifying their debt distress levels.

Aside from COVID and its global impact, the Abraham Accords, brokered by the US, was signed in guise of a peace-making effort in the Middle East. Then came the historic - yet highly controversial - US Presidential Elections, the third anniversary of the US-China trade war under Biden's administration, the UK Trade and Cooperation Agreement softening the blow of Brexit and the next big climatic disaster on the tenterhooks of ongoing destructive tropical storms and prolonged draughts worldwide.

Meanwhile, in this part of the World, Mauritius faced a 15% contraction in 2020 accompanied by a significant depreciation of the rupee, the complete phasing out of GBC1 and GBC2 licenses in the financial services arena and a first-of-its-kind ecological disaster, the "MV Wakashio oil spill". Following the Island's second lockdown in March 2021, the government closed international borders. Leveraging its acquired expertise in curtailing the spread of the virus and its economic resilience, Mauritius is continuously steering the wheel in the direction of a "COVID-free" status once again. On the AfrAsia Bank front, we have anchored our business continuity on the agility and rock-solid foundation of our diversified and integrated business model to continually serve our customers whilst also simultaneously working towards a sustainable recovery and growth.

Good governance remains a cornerstone

Good governance remains a fundamental driver of our business. Accordingly, the beginning of our 2020-2021 financial year witnessed a re-structuring of the AfrAsia Board. 10 new members embarked on the Bank Different journey with the objective to strike the right balance between their strategic role and an adequate risk management oversight in face of the regulatory and economic uncertainties. This was achieved by complementing their varying skills and expertise, both local and international, to strengthen AfrAsia's domestic foothold and steer the bank to its next growth stage. Whilst a good governance structure is critical, its effectiveness is bolstered when our people choose to do the right things the right way, each and every day. I am pleased to have witnessed a staunch team spirit and collaborative culture across all hierarchical levels. By nurturing an environment of trust and transparency with the Senior Management Team, emanating from a clear demarcation of responsibilities, the Board's first year in office has been a constructive one, as evidenced by the Bank's financial performance which reflects the synergy with which the Board and the Senior Management Team have worked over the past 12 months.

A resilient performance and robust capital structure

> "For the year ended 30 June 2021, I am pleased to share that AfrAsia Bank has achieved an encouraging performance with a MUR 916.1m Group Net Profit after Tax and a 12% return on average equity.

Our total assets have grown by 18% to MUR 190.1bn, which reflects the prudent approach maintained by the Bank over the past challenging year. During 2020-2021 financial year, ordinary shareholders received dividends of MUR 338.9m (MUR 3.00 per share) whilst Class A shareholders were collectively allocated MUR 132.9m in guise of total dividend pay-outs under the programme memorandum. I am reassured that AfrAsia Bank has well defended its robustness and resiliency with a capital base of MUR 9.1bn and a capital adequacy ratio of 16.18% as at 30 June 2021. In the context of the ring fencing of its banking operations from its non-banking activities, as advised by the Bank of Mauritius, AfrAsia Bank (ABL) effectively completed the carving-out of EKADA Capital Ltd (formerly known as AfrAsia Capital Management (ACM)) from the group structure, distributing all its shares in EKADA Capital Ltd as a dividend in specie to the current shareholders of ABL.

Diverging recoveries worldwide

The world has experienced an unprecedented transition over the past year and so has the global economic environment. Some nations have jumpstarted their recovery as quickly as they nudged the trough whilst others are still struggling. The World Bank has reported that this recovery will likely be faster than any of the previous recessions the world has known ever since World War II. Governments worldwide are utilising their monetary and fiscal artillery to pierce through the persistent fog of uncertainty looming around their recovery prospects. The burning question now is whether a mere economic recovery will be prioritised over a sustained upturn in global revival, thereby inducing a greater disparity between the rich and the poor?

Sustainable revival of the Mauritius International Financial Centre

> "For Mauritius, the priority is to reboot the Mauritian economy in a sustainable way.

The 2021-2022 Government Budget announced a series of measures for economic recovery and simultaneously cement Mauritius' status as a regional financial hub for investment and trade.

Tax holidays have been extended from 5 to 10 years for family offices, fund and asset managers, and a double tax deduction mechanism will be established for research and development expenditure in targeting African markets. Projected as a new economic pillar, the pharmaceutical industry will benefit of a seed capital of MUR 1 bn for local production of vaccines and other products, with full tax credits on costs of acquisition of patents and a reduced 3% tax rate, from a previous 15%, which is likely to engender a multiplier effect on local employment and auxiliary industries. Occupation permits for foreign professionals will be extended from 3 to 10 years and Permanent Residency Permit will be automatically prolonged from 10 to 20 years. Long holiday schemes will be launched for retirees with easier access to IHS investments, coupled with a reduction from USD 500k to USD 375k for purchasing a standalone villa.

In the financial services arena, the Central Bank will launch a digital currency on a pilot basis and there will be a reinforcement of our Anti-Money Laundering Combating Financing of Terrorism framework in a bid to accelerate the completion of the action plan from the Financial Action Task Force (FATF). At the time that I pen down this message, the FATF has commended Mauritius' significant progress made on a technical front and the Island now awaits a delegation's visit to conclude its exit from this list as well as the concomitant EU Blacklist. I remain optimistic that Mauritius is moving in the right direction towards getting back on track to regaining its competitive edge internationally.

Future Outlook

2020 has been a watershed moment for the world. The yet unfathomable scale of the sanitary and economic crisis may still engender significant changes in the way we operate for the coming year. Anchoring ourselves on our financial resilience, conservative balance sheet and rock-solid foundation to navigate through a year of prudent growth, we shall, along the way, continually strengthen our corporate governance structure and our risk management model. We will remain guided by the Bank's strategic pillars - customer focus, teamwork, innovation and sustainability - to reinforce our customer centric approach.

> "Our key focus will remain on the safety and health of our employees, customers and the community at large.

As the consequences of the pandemic wanes, we will increasingly shift our focus on how to curtail the aftermath of the pandemic to expand our business internationally. That said, now more than ever, the Board and the Senior Management Team commit themselves to tread the Bank Different journey with revived synergy to deepen our reach in our core markets: Europe, Africa and Asia.

AfrAsia shall deepen its foothold domestically whilst simultaneously venture into new markets to explore novel openings. The Africa-Asia corridor abounds of opportunities and to tap into those, the Bank has devised proactive strategies to boost its visibility and target the corporate and ultra-high net worth segments in these continents, especially in Africa which is estimated to produce 30,000 new millionaires in the coming decade. Moreover, Africa's recovery is very much dependent on some key parameters, amongst which there is the surge back in consumption engendered through a boost in FDI. Furthermore, the African Continental Free Trade Area is likely to bring about deep reforms for long-term growth in and across the continent. AfrAsia intends to be a watchdog and track the upward slant of same to leverage on the opportunities this would bring for Mauritius. On the Asia front, I am confident that the Comprehensive Economic Cooperation and Partnership Agreement (CECPA) signed between Mauritius and India will act as a springboard to bolster the Island's competitivity through a preferential market access for the Mauritian exporters and in its wake, open up new avenues for AfrAsia's growing business appetite.

Concluding remarks

My first year as Chair on the AfrAsia Board has been a professional highlight and it has been an honour to represent shareholders by working hand-in-hand with my fellow Directors. I wish to thank the Senior Management Team who have done an exceptional work throughout the past year. That said, I acknowledge that this would not have been possible had we not had a devoted pool of employees who have strived to uphold our business continuity throughout. On behalf of the Board, I commend our staff for their resilience in being the pillars of our Bank.

The robustness of our financial performance cushions our approach in tackling the daunting challenges that await us ahead. That said, both the public and private sectors will be mandated to work in tandem and calibrate their efforts to our economic recovery stage. We will collaborate with our peers in the financial arena to prioritise the country's sustainable and inclusive economic revival and extend our support to the authorities whose efforts we applaud for steering Mauritius out of its second lockdown and tirelessly working towards getting the whole population inoculated.

INDERJIT SINGH BEDI

Chairperson

INTERIM CHIEF EXECUTIVE OFFICER'S MESSAGE

Dear Valued Partner,

It's been nearly two years since COVID-19 emerged, plunging economies globally into a health crisis followed by a sharp economic one. The past year was further marked by the emerging variants. Such times portrayed the need for clarity, structure and a disciplined approach to analyse, prioritise and action on matters of utmost importance. Adopting this approach, AfrAsia Bank culminated another eventful financial year anchored on resilience spurred by team work, innovative thinking and customer-centricity.

We continued advancing on our customer service excellence and employer of choice journey with heightened consideration for the safety and health of our stakeholders and thoughtful analysis. With customers in more than 169 countries, including 47 African countries, we registered encouraging growth in customer acquisition. Our business segments worked in synergy to promote cross-selling and tailored financial offerings to better suit the needs of our clients in an environment that was marked by acute uncertainty. Our integrated business model's agility and the proximity of the team to our target markets were our pillars against the impacts of global happenings on our Island: the low interest rate environment, the increased volatility on financial markets, the higher prices of raw materials and freight costs resulting into imported inflation for Mauritius, the closing of our border and last but not least the ensuing depreciation of the rupee.

Performance with Purpose

> In the face of the consequences of the pandemic on Mauritius and on our business, we chose to center our activities around 'Performance with purpose'.

The unprecedented scale of the challenges caused by the pandemic and the ensuing consequences of same has led to an agile transformation in our plans from growth to strengthening our balance sheet. Our financials as at 30 June 2021 reflect this change in approach with a Net Profit after Tax (NPAT) of MUR 875.2m - a 42% year-on-year decrease in NPAT. Nevertheless, our customers' ongoing trust in our capabilities is shown by a clear increase in our Total Deposits from MUR 150.9bn to MUR 179.2bn, equivalent to a growth rate of 19%, surpassing the 15% registered in the previous financial year. Our loans-to-deposits ratio stood at 14%, which portrays our prudent lending approach and cautious credit growth strategy. Furthermore, our Liquidity Coverage Ratio was at an average of 288% as at 30 June 2021 against a regulatory limit of 100%. The foundational premise of AfrAsia Bank is our pledge to help our customers fulfil their financial aspirations by navigating through the murky waters together. And, this is why we chose to secure a financial performance anchored on the safety of our customers' assets and their trust in us as well as helping our community rebuild themselves post-pandemic. Following the challenges, we've faced and the change in our strategic approach, we remain confident that our financial robustness protects us against potential impending shocks yet to be unveiled by the ongoing global economic and sanitary crisis.

International Recognitions

The past year has brought a string of upbeat news on the international recognition landscape. For the fourth consecutive year, we were honoured with the Best Bank in Mauritius accolade from EMEA Finance's African Banking Awards 2020. Moreover, the PWM/ The Banker Global Private Banking Awards recognised us as the Best Private Bank in Mauritius 2020 and we also earned the Best Banking & Custody Provider: Global Custodian Award from AGF Africa Service Providers Awards. These recognitions attest to our dedication and passion in continually offering a top-of-the notch product and customer experience to our clients. That said, last year has taught us how to extend the focus from customer centricity to people centricity. To help our community face the challenging times, we launched our new corporate campaign, The Believers, which aimed to reassure and help our community rebuild their businesses.

> Our campaign has been internationally recognised with the very first Platinum MarCom Award across all Africa and has earned us three Certificates of Excellence from SABRE Africa Awards.

Finding new ways to nurture our privileged relationships

The pandemic has changed the usual schema of how things operate. It has changed how we think and how we act. And, it has also somewhere changed what we traditionally believed in. How things have shaped up over the past year has prompted us to rethink about how we can continue serving our clients from afar in this 'new normal', stand up to the expectations of the privileged relationship we share with our clients and advance on our customer service excellence journey. Adopting a novel approach to offering our clients our expertise, we launched a Webinar series and a podcast series, hosting both our in-house and external experts, to share thought-leadership insights and analyse the dynamic ebb and flow of international financial markets respectively. Going the extra mile, we've pioneered virtual events to continually offer our clients unique experiences.

Deepening the breadth and depth of our human capital

The past year and Mauritius' two lockdowns have taught us a key lesson: how to be more intentional with our time. Attesting to same, our people have chosen to upskill themselves in the most meaningful manner.

> A first for Mauritius, two of our colleagues have earned an Elliott Wave International Certification and have joined the global elite group of technical analysts.

To support the upskilling and re-skilling of our employees, online courses were also made available on different areas of interests, with 4,400 hours of mandatory trainings during this financial year. Moreover, the past financial year has also been marked by a new addition to our team – we welcomed Alvin Peerthy as our new Head of Sustainability and CSR to continue actioning on our sustainability agenda 2030. Deepening our inhouse expertise and diversity of skills, underpins our objective of sourcing novel inspiration from teams whose individualities and different thinking parameters stimulate innovative solutions to continually enhance our customer experience and our offerings.

Digital transformation goes beyond technology

The pandemic created a profound transformation in businesses' operating models worldwide. Significant disruptions like these are catalysing the digital transformation agenda of companies globally on a wide scale and with an amplitude that has seldom been witnessed before. Imitating this rapid pace of technological innovation in the banking arena is not impossible but it definitely demands a bigger effort from our part. The banking sphere is highly regulated and requires rigorous decision-making and multi-fold check posts to minimise risk exposure and protect our customer data stringently. Over the past year, the pandemic shackled our ability to roll-out our technological projects that were in the pipeline. Albeit our entrepreneurial and prudent risk-taking approach, we purposefully choose to innovate cautiously for two reasons. Firstly, COVID-19 has mandated a shift in culture and in our mindset. Our priorities were shifted from keeping up with our planned technological investments to finding the right solution to the pandemic's new challenges. Anchored on our drive to help our clients and simultaneously uphold our customer service standards, we tailored debt structuring offerings and credit facilities to match our customers' short-term cashflow needs. Secondly, we believe in a digital transformation journey that creates the highest value for our customers in a sustainable manner.

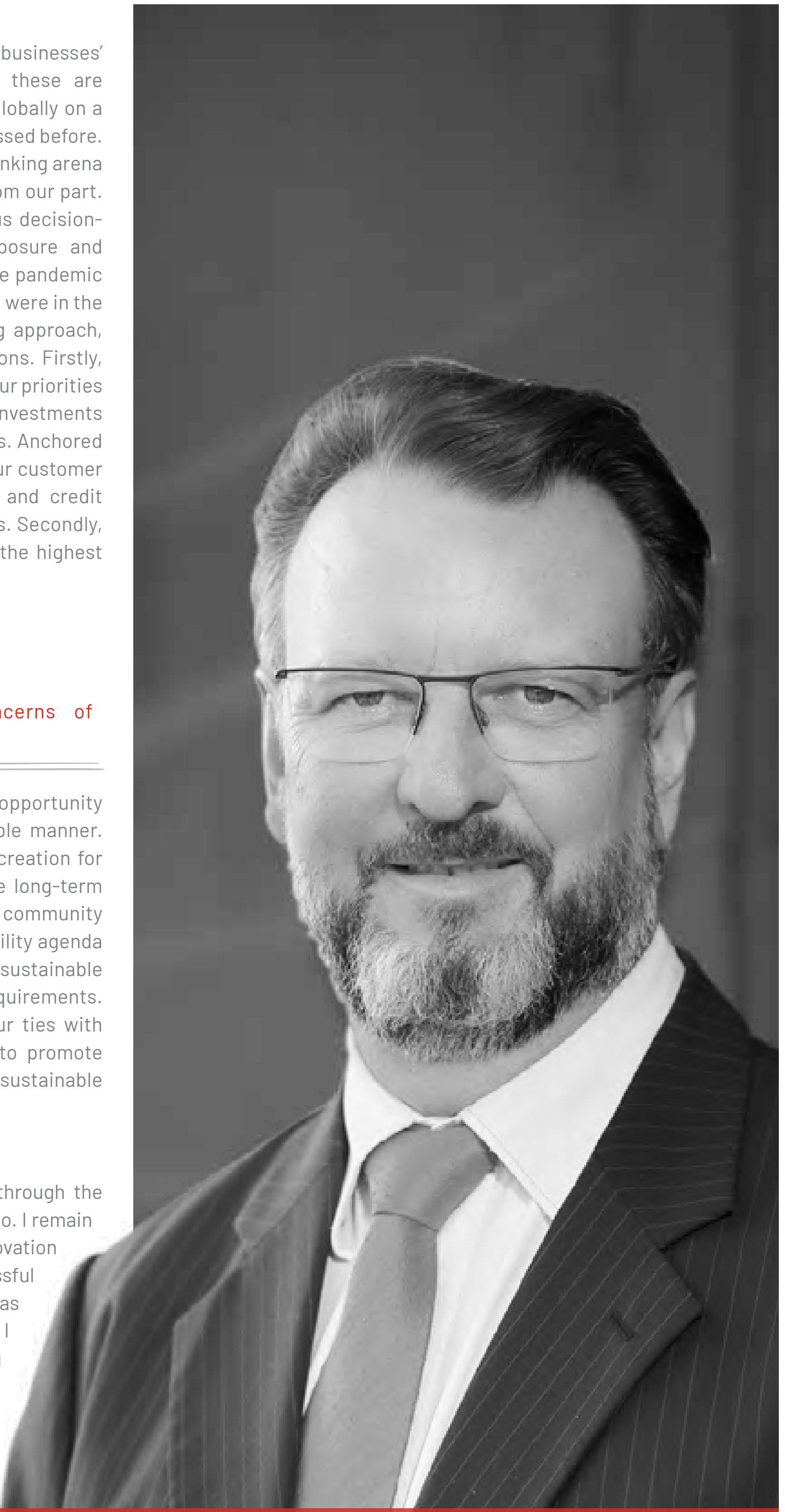
Shaping a sustainable Value Creation Ecosystem

> Sustainability remains one of the core concerns of companies globally.

The pandemic has gifted us many challenges but also a key opportunity to start afresh, that is, to build and re-build in a sustainable manner. COVID-19 has shown us that we need to look beyond value creation for ourselves, our shareholders and clients. We need to create long-term value for our clients, employees, partners, shareholders, the community and our Island by looking through a wider lens. Our sustainability agenda 2030 places at its center the embarking of our clients on a sustainable journey by tailoring green products to meet their financial requirements. That said, it also lays a strong emphasis on reinforcing our ties with the international community such as the United Nations to promote sustainability for we believe now is the time to seed a sustainable recovery and growth for a better tomorrow.

Succeeding Together

Succeeding Together ... this is how we chose to navigate through the past financial year and this remains our mantra for this year too. I remain confident that our four pillars - customer focus, team work, innovation and sustainability-will be our anchor to have a more successful year. I wish to extend my appreciation to our Board who has guided the Bank's path with enterprise and valuable support. I also thank my Senior Management Team for their unwavering collaboration and trust in my leadership capabilities.



My heartfelt gratitude goes to all AfrAsians - from Relationship Managers to our Customers Services Hub Team, from cybersecurity experts to data scientists, from Human Resources team to our Tellers, from our South African Representative Office Team to every single AfrAsian, everyone has commendably played their part! On behalf of the Board and the Senior Management Team, I thank you all for always depicting the highest standards of commitment and work ethics during a year of great change. Thank you to all our Clients and Shareholders for their trust and belief in us. Last but not least, I thank our AfrAsia Foundation Team who has worked relentlessly and with continued focus to help our underprivileged communities keep afloat amidst these trying times.

THIERRY VALLET
Interim Chief Executive Officer

Since the very beginning, our purposeful belief has been to connect people, places and possibilities around the globe.

#Believe #Connect #Grow

CORPORATE GOVERNANCE REPORT

OUR MAXIM

The Board of Directors ("Board") deems that endorsing quality norms and beliefs of good governing practices at 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.

CORPORATE GOVERNANCE REPORT

GENERAL

This year under review was marked by the recomposition of AfrAsia Bank Limited's (the "Bank" or "AfrAsia Bank" or "ABL" or "AfrAsia") Board.of Directors as enjoined by the Bank of Mauritius ("BOM"). Though ABL and its Board have taken the required steps to ensure compliance with the principles set out in the National Code of Corporate Governance, it remained non-compliant vis-à-vis a few of those principles and same is disclosed in the "Statement of Compliance" on page 64 along with underlying rationale behind the non-compliance.

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

		DISCLOSED IN
Principle 1:	Corporate 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	Corporate Governance Report and Risk Management Report
Principle 6:	Reporting with Integrity	Corporate Governance Report, Sustainability Report and Section B
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 to 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 including:

- 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 12 August 2021);
- The "Guidelines on Corporate Governance 2001" (revised October 2017) issued by BOM; and
- The provisions of The Companies Act 2001 of 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 behaviour. 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:

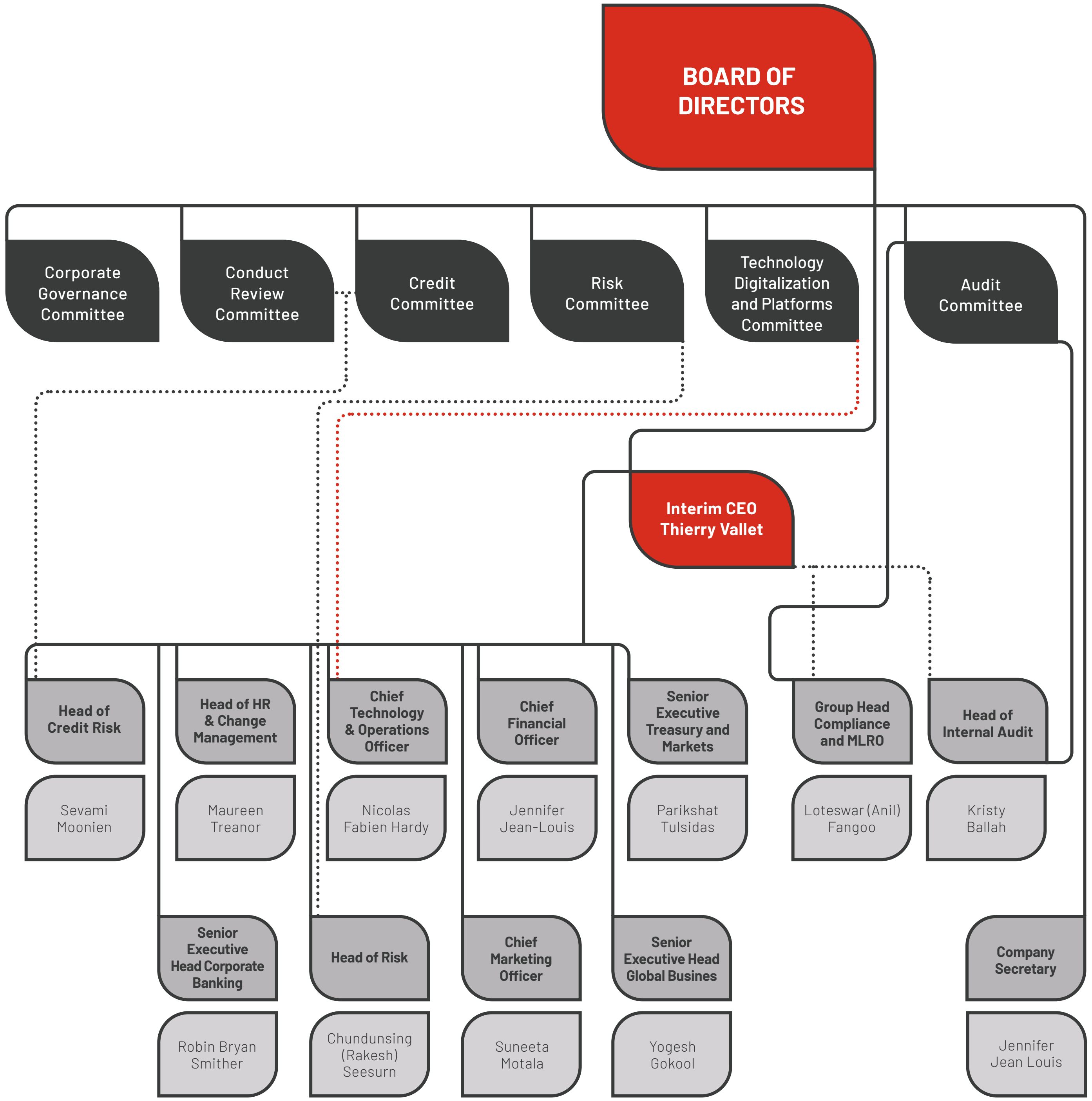
(https://www.afrasiabank.com/media/3222/conduct-and-ethics-policy-staff.pdf).

CORPORATE GOVERNANCE REPORT

OUR GROUP STRUCTURE AS AT 30 JUNE 2021

CORPORATE GOVERNANCE REPORT

OUR GOVERNANCE STRUCTURE AS AT 30 JUNE 2021



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

Effective date of resignation is 31 August 2021.

Direct reporting

Functionally/administratively report to CEO

Operationally reporting to Board Committees

CORPORATE GOVERNANCE REPORT

KEY GOVERNANCE POSITIONS

The Bank sets the tone for its employees and Directors to uphold the highest standards of integrity, transparence and probity.

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 duties of the Chairperson include:

- 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.

CORPORATE GOVERNANCE REPORT

SENIOR MANAGEMENT TEAM PROFILE

THIERRY VALLET
Interim CEO

Master of Business Administration International Finance

HEC School of Management, Paris

Date joined AfrAsia: 20-Aug-07

Engineer by trade, financial engineer by profession, Thierry is a seasoned banker bringing more than 20 years of expertise and insights to the Banking and Finance industry. As Founder Executive of AfrAsia Bank and heading the Strategic Development since inception, Thierry has contributed to the growth of AfrAsia Bank multifariously. From establishing the Bank's rock-solid foundation, pioneering Private Banking in Mauritius, being a key pillar in the inception and success of the AfrAsia Bank Mauritius Open, to positioning the Bank and the Mauritius jurisdiction on international platforms, Thierry has played a key role in AfrAsia's Bank Different journey – attested by the multiple accolades earned by reputable international bodies. Over the past 14 years, Thierry has contributed to the achievement of key milestones in different capacities: he was promoted to General Manager in 2012; he served as Director of AfrAsia Group subsidiaries; and presently, Thierry is the Interim CEO of the Bank.

YOGESH GOKOOL
Senior Executive - Head Global Business

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. Yogesh currently heads up the global business side of the Bank.

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 18 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 technological development, encompassing the online, digital and currency cards. Nicolas's background includes serving in other leadership roles at NatWest Markets, Robert Fleming & Co, Rogers Group, Tomfin Asset Management and Digi-Strat. Nicolas currently oversees the operational and technological areas of the Bank.

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. During her career, she has developed a broad knowledge of both local and international markets. She currently heads the credit risk department, providing leadership and guidance in all matters relating to credit risk management, credit approvals, monitoring and controlling the credit portfolio.

JENNIFER JEAN-LOUIS
Chief Financial Officer & Company Secretary

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

Mauritius Institute of Directors (MIoD)

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. During the year, Jennifer took the additional responsibility as Company Secretary and cumulates this role alongside her position as CFO of the Bank and its subsidiary.

CORPORATE GOVERNANCE REPORT

SENIOR MANAGEMENT TEAM PROFILE (Cont'd)

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 a seasoned banker with more than 25 years of experience in the financial services industry. She started her career at HSBC in branch operations and has risen through the ranks of sales, credit, risk management and marketing along her journey. An individual who thrives on turning complexities into opportunities, Suneeta joined AfrAsia in 2007 as Head of Marketing & Public Relations and built the brand from scratch through breakthrough strategies, contributing towards positioning AfrAsia amongst the five systemically important Mauritian Banks. A firm believer in female leadership, Suneeta is the first African member of the CMO Club – the world's most innovative and engaged member-based community of Chief Marketing Officers.

CHUNDUNSING (RAKESH) SEESURN
Head of Risk

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 20 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.

MAUREEN TREANOR
Head of Human Resources and Change Management

Master of Business Administration
Edinburgh Business School, UK

Qualifications in Human Resources
ABE UK

Project Management
University of Mauritius

Mauritius Institute of Directors (MIoD)

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

Effective date of resignation: 31-Aug-21

Parik, a Mauritian national, has more than 20 years' experience in corporate & investment banking and treasury. He joined 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.

CORPORATE GOVERNANCE REPORT

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 12 August 2021), the Financial Reporting Act 2004, 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 Board acknowledges that the Bank is not in compliance with Principle Two of the Code as at 30 June 2021 on the following matter:

- The Board composition does not include an Executive Director.

Moreover, the Board is also in the process of reviewing the Board sub-committee compositions of the Bank to address the following matters:

- The sub-committees' membership are not evenly shared among Directors;
- The chairpersonship of the different sub-committees is not evenly shared among Directors; and
- There are a few sub-committees which are currently being chaired by the Board's Chairperson.

The Board is of opinion that when the re-composition exercise is completed, the Bank will comply with the principles and guidelines of the Code.

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 Bank, and monitor management in carrying out Board's plans and strategies;
- Exercising leadership, enterprise, intellectual honesty, integrity, objectivity and judgment in directing the Bank as to achieve sustainable prosperity for the Bank;
- Ensuring that procedures and practices are in place to protect the Bank's assets and reputation. Thus, the Board must regularly review processes and procedures to guarantee the effectiveness of the Bank'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 Bank, while taking into account strategic and operational effectiveness and efficiency;
- Retaining full and effective control over the Bank and be responsible for the appointment and monitoring of management in its implementation of the Board's approved plans and strategies;
- Questioning, scrutinising and monitoring, in a pro-active manner the performance of management, the Board sub-committees and the individual Directors;
- Always remaining responsible for the overall stewardship of the Bank and must be ready to question, scrutinise 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 Bank 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 Bank's policies and systems are effective enough to achieve a prudential balance between the risks and potential returns to the shareholders;
- Ensuring that the Bank'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's 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 Bank 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;
- Monitoring and assessing risks in order to achieve the continuous viability of the Bank 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 Bank's expense when necessary;

THE KEY FUNCTIONS OF THE BOARD COMPRISE: (Cont'd)

- 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 Bank'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 Bank 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/corporate-governance/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.

CORPORATE GOVERNANCE REPORT

OUR DIRECTORATE

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 2021, 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.

The Board acknowledges that based on the size of the Bank and its relative shareholding structure, as at 30 June 2021, it did not have an appropriate representation in terms of the balance of Executive, Non-Executive and Independent Non-Executive Directors. During the financial year under review, the ex-CEO, Executive Director, Sanjiv Bhasin left his position as an early retirement, effective 28 February 2021. Thierry Vallet, General Manager, was appointed as the Interim CEO. The Board has started the active process of identifying the successor with the optimal skill set and caliber to fill in the CEO position. The Board gives credence to the current skill mix, knowledge and experience of its Directors, which it believes are solid enough to 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 currently met through the attendance and/or participation of the Interim CEO and other members of Senior Management in relevant Committees and Board deliberations as and when required.

Following letters received from BOM dated 19 August 2020 and 28 August 2020, enjoining the Bank to recompose its Board of Directors, a special meeting of shareholders was convened on 29 September 2020, wherein 9 new directors were subsequently appointed. Sanjiv Bhasin remained as the Executive Director. Subsequently, the Board appointed Joan Jill Wan Bok Nale to bring the total number of new directors to 10 members as tabulated below;

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

CORPORATE GOVERNANCE REPORT

OUR DIRECTORATE (Cont'd)

The Bank is 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 12 August 2021) 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. As at 30 June 2021, following the early retirement of Sanjiv Bhasin effective 28 February 2021 as CEO/ Executive Director, AfrAsia Bank Limited met the minimum percentage of Independent Non-Executive Directors.

On 3 August 2021, Afsar Azize Abdulla Ebrahim decided to step down as Independent Non-Executive Director of ABL effective as soon as the Board finds a suitable candidate as replacement in order not to destablise the Board and compliance of the Bank with The Banking Act 2004 (amended 12 August 2021).

On 9 August 2021, AfrAsia Bank welcomed a new director, Fiorangelo Salvatorelli, on the Board as an Independent Non-Executive Director.

Further details of the Board composition as at 30 June 2021 is shown hereafter.

Mauritius **6 members**
Canada **2 members**
United Kingdom **1 member**
United Sates **1 member**

6 Non-Executive Directors
4 Independent Non-Executive Directors

GENDER REPRESENTATION
8 Male members **(80%)**
2 Female members **(20%)**

OVERALL LENGTH OF TENURE
Less than 1 year

CORPORATE GOVERNANCE REPORT

DIRECTORS' PROFILES

INDERJIT SINGH BEDI
Independent Non-Executive Chairperson

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

Date of 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 Support Limited

Inderjit is a highly seasoned veteran banker with over 32 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 authorised 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

BRIAN ADAM DAVIS
Non-Executive Director

Bachelor of Laws
Osgoode Hall Law School, York University

Date of first appointment as Director:
02-Oct-20

Present directorship:
Brian acts as a director for the following wholly-owned direct and indirect subsidiaries of National Bank of Canada. These entities are generally holding companies for the bank and not engaged in active businesses. In each case Brian is a non-independent executive director.

Other non-listed entities:
- Financière Banque Nationale & Cie Inc./ National Bank Financial & Co. Inc.
- Financière Banque Nationale Inc./ National Bank Financial Inc.
- National Bank of Canada Financial Group Inc.
- Nbf B Holdings Inc.
- National Bank of Canada Financial Inc.
- Nbf Private Equity Holdings Inc.
- Nbf International Holdings Inc./Société De Portefeuille Fbn International Inc.
- Wellington West Holdings Inc.
- Wellington West Capital Inc.
- 9130-1564 Québec Inc.
- Gestion De Portefeuille Natcan Inc./ Natcan Investment Management Inc.
- Proctor Investment Managers LLC
- Credigy International Holdings Inc.

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

JAN FREDRIK LOUIS GAËTAN BOULLÉ
Non-Executive Director

Ingénieur Statisticien Economiste (ISE)
France

Post graduate studies in Economics
Université Laval, Canada

Date of first appointment as Director:
09-Oct-20

Present directorship:
Listed entities:
- Bluelife Ltd
- IBL Ltd (Chairman)
- Lux Island Resort Ltd
- Phoenix Beverages Limited
- Phoenix Investment Company Limited
- The United Basalt Products Ltd

and other non-listed Mauritian companies.

Jan 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 where his latest position was 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

ISABELLE MARIE EDITH ALVARES PEREIRA DE MELO
Non-Executive Director

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

Date of first appointment as Director:
02-Oct-20

Present directorship:
Listed entities:
- IBL Ltd

Other non-listed entities:
- Prinkipo Ltd
- Rosemary Farms Ltd
- GoBeyond Investing Ltd
- Mo Business Angels Ltd
- Mo Angels Second Ltd
- Mo Angels III Ltd
- Mo Angels IV Ltd

Isabelle is a Mauritian, Swiss and French national. She started her career in audit with Arthur Andersen in Paris rising to Manager. She then held CFO positions in a fast-growing high technology multinational Gemplus headquartered in France, an aviation Group PrivatAir based in Switzerland adding Human Resources to her responsibilities. In 2009 she became COO for a large Geneva based family office, later 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 Mo Business Angels. She is an Independent Non- Executive Director for IBL Ltd since 2019 where she sits on the Audit and Risk Committee as well as the IT Committee. A Fellow of the MIoD, she is currently reading for the Diploma in Corporate Governance.

Country of residence: Mauritius

AFSAR AZIZE ABDULLA EBRAHIM
Independent Non-Executive 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 of 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.

He is also a director on Financial Reporting Council and serves as director on various global business entities.

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

Country of residence: Mauritius

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 of 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

CORPORATE GOVERNANCE REPORT

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 of 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

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 of first appointment as Director:
05-Nov-20

Present directorship:
Other non-listed entities:
- GrandCap FinCo
- GrandCap Holland
- GrandCap PCC
- STS AIO Holdings Ltd
- 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

FIORANGELO SALVATORELLI
Independent Non-Executive Director

D.Phil Engineering Science
M.A Engineering Science
University of Oxford/Exeter College, Oxford, England

MSc Structural Engineering (Coursework)
Universidad Simon Bolivar, Caracas, Venezuela

MEng Civil Engineering
BSc Civil Engineering
Universidad Catolica Andres Bello, Caracas, Venezuela

Date first appointment as Director:
09-Aug-21

Present directorship:
Other non-listed entities:
- Fusion Global Capital
- Independent Corporate Access Ltd

Fiorangelo is CIO and Portfolio Manager of the ALANTRA Global Technology Fund. He is a Partner at Fusion Global Capital Ltd and Hermes Growth Partners Ltd. Fiorangelo was Partner and Head of Research at Lansdowne Partners.

Fiorangelo has also held Senior Portfolio Management and Research roles at Newton Investment Management (now part of BNY Mellon), Fidelity International and CCLA Investment Management.

Fiorangelo serves on the advisory board of FPE Capital (formerly Flemings Family & Partners Private Equity).

Fiorangelo was a former consultant with McKinsey & Co. in Milan and London and a University Lecturer at the University of Oxford Department of Engineering Science and INSEAD Business School (Fontainebleau).

Country of residence: United Kingdom

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 of first appointment as Director:
02-Oct-20

Present directorship:
Other non-listed entities:
- ABA Bank
- Finaptic Technologies Inc.

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 of first appointment as Director:
05-Nov-20

Date of re-appointment as Director:
30-Dec-20

Jill is a finance professional with over 13 years of local and regional experience in Transaction Advisory/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 advised both private and public clients on multiple and varied assignments including Valuations, Due Diligence/Feasibility Studies, Financial/ Corporate restructuring, IPO and SEM/DEM Transactions, M&A advisory, Strategy/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/GBCs. She started her career at Ernst & Young, where she led the audits of listed and nonlisted financial institutions mainly including banks, NBFI's and Insurance companies.

Country of residence: Mauritius

Note: The 'Length of service as Director' for the Board runs from the time of first appointment to the 30 June 2021 for those who held office as at 30 June 2021.

CORPORATE GOVERNANCE REPORT

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, no new committees were added to the current framework as the Board finds that the current structure is currently in line with the Bank's strategy and context.

The Bank has in place six comprehensively structured Board Committees for more in-depth analysis and evaluation of various issues as may be appropriate. As might be relevant, a report is made by each Board Committee's Chairperson and presented to the main Board for further discussion and/or approval by the latter.

Each Committee operates under its own approved Terms of Reference ("ToR") which are subject to reassessment as and when required. Of note, post year-end, the Corporate Governance Committee has been mandated to revise all existing ToRs and this exercise is currently on-going.

The Bank's Board Structure as at 30 June 2021 is as follows:

Board

- Audit Committee
- Conduct Review Committee
- Corporate Governance Committee
- Credit Committee
- Risk Committee
- Technology, Digitalization and Platforms Committee

Audit Committee

The Committee consisted of three Independent Non-Executive Directors as at 30 June 2021. In line with its approved Terms of Reference, the Committee should meet at least once every quarter.

Composition:

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

Membership as at 30 June 2021:

The membership of the Committee shall be appointed by the Board from amongst the Independent Directors of the Bank. As at 30 June 2021, the Committee was in adherence with the membership rudiments.

Meetings Held
8

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: Thierry Vallet, Interim CEO, is invited as and when required. Jennifer Jean-Louis, Chief Financial Officer, Anil Fangoo, Group Head Compliance and MLRO, and Kristy Ballah, Head of Internal Audit, are also in attendance in the Committee for their relevant sections.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Cont'd)

Audit Committee (Cont'd)

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 of Directors;
- 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, frequency of the External Auditors and Head of Internal Audit, ensuring the co-ordination of audit effort is maximised;
- 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 12 August 2021);
- Reviewing the unaudited/limited audited financial statements and audited financial statements of the Bank before they are approved by the Board of Directors;
- Reviewing the unaudited or limited audited financial statements of AfrAsia Investments Limited (AIL) before they are approved by the Board of Directors;
- 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 judgement 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 12 August 2021), 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.

BOARD COMMITTEES (Cont'd)

Audit Committee (Cont'd)

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;
- 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.

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.

BOARD COMMITTEES (Cont'd)

Conduct Review Committee

The Committee consisted of three Independent Non-Executive Directors as at 30 June 2021. In line with its approved Terms of Reference, the Committee should meet at least once every quarter.

Composition:

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

Membership as at 30 June 2021:

The membership of the Committee shall be appointed by the Board from amongst the Independent Directors of the Bank. As at 30 June 2021, the Committee was in adherence with the independency requirements.

Meeting Held
0

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: Sevami Moonien, Head of Credit Risk and Rakesh Seesurn, Head of Risk, are in attendance in the Committee for their relevant sections.

Non-adherence:

The Conduct Review Committee was in non-adherence vis-à-vis its ToR as the current Chairperson of the Committee is also the Chairperson of the Board and of the required meeting quota. However, all approvals were done by circulation of resolutions for which relevant executives of the Bank were invited to add their comments and guidance to Committee members to assist in their deliberations and quarterly presentation were made by the Chairperson. This non-adherence will be remedied with the re-composition of the Committee to ensure compliance following on from an impending update and revision to the current terms of reference.

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.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Cont'd)

Corporate Governance Committee

The Committee consisted of one Independent Non-Executive Directors and three Non-Executive Directors as at 30 June 2021. In line with its approved Terms of Reference, the Committee should meet at least twice a year.

The Committee was required to meet frequently throughout the financial year because of matters dealing with compensation and employee evaluation, Committee terms of reference, personnel issues and other out of ordinary course matters.

Composition:

The Committee shall consist of at least two members.

Membership as at 30 June 2021:

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 2021, the Committee was in adherence with the membership rudiments.

Meetings Held
17

Members	Date of appointment	Board status
Inderjit Singh Bedi (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: Thierry Vallet, Interim CEO, is in attendance and non-voting. Executives and outside advisors (Compliance, Human Resources and Legal) were in attendance for meetings as required for the deliberations of the Committee.

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;
- 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 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.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Cont'd)

Credit Committee

The Committee consisted of two Independent Non-Executive Directors and two Non-Executive Directors as at 30 June 2021. In line with its approved Terms of Reference, the Committee should meet at least four times a year.

**The 4 meetings being referred pertain to the quarterly meetings. The Committee also had weekly meetings as further explained below.*

Weekly Credit Committee held:

During the financial year under review, the members of the Credit Committee met to discuss and approve credit files on a weekly basis. The Bank has set credit limits for executive approval at a level which necessitates the involvement of Credit Committee in many files. These limits are under review so as to allow the executive management to take more independent action on files. The Bank is looking to expand the experience base of its credit experts to permit this change. The approvals granted are then ratified in the quarterly Credit Committee meetings referred above. From December 2020 to June 2021, there were 23 such meetings held. The frequency of these meetings were necessary by requirement to ensure rigorous debates on credit matters were applied instead of by circulation.

Composition:

The Committee shall consist of at least four members.

Membership as at 30 June 2021:

The membership of the Committee shall be appointed by the Board from amongst the Directors of the Bank and shall be composed of at least 50% of Non-Executive Independent Directors. As at 30 June 2021, the Committee's membership is equally represented between Non-Executive and Independent Non-Executive Directors; this adheres to the minimum of a 50% representation of Non-Executive Independent Directors in line with the membership rudiments.

Meetings Held
4

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

Note: Thierry Vallet, Interim CEO, is in attendance but is a non-voting member. Sevami Moonien, Head of Credit Risk and Rakesh Seesurn, Head of Risk are also in attendance in the Committee for their relevant sections. Head of Businesses are also in attendance as and when required.

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 Credit Committee and Risk Committee; and
- Reviewing of Restructured facilities which shall be approved by both Credit Committee and Risk Committee.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Cont'd)

Risk Committee

The Committee consisted of one Independent Non-Executive Directors and three Non-Executive Directors as at 30 June 2021. In line with its approved Terms of Reference, the Committee should meet at least once every quarter.

Composition:

The Committee shall consist of at least three members.

Meetings Held 5

Membership as at 30 June 2021:

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.

Members	Date of appointment	Board status
Giriraj Sinh Jadeja (Chairperson)	October 2020	Independent Non-Executive Director
Aslam Kanowah	October 2020	Non-Executive Director
Jean-Raymond Rey	November 2020	Non-Executive Director
Christian St-Arnaud	November 2020	Non-Executive Director

Note: Thierry Vallet, Interim CEO, is in attendance and non-voting. Rakesh Seesurn, Head of Risk, is also in attendance in the Committee for the relevant sections.

Non-adherence:

As at 30 June 2021, the Committee was not in adherence with the membership rudiments as there was no active CEO performing the duties of an Executive Director. However, Thierry Vallet attended the Committee as and when required.

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;
- 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.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Cont'd)

Technology, Digitization and Platforms (TDP) Committee

The Committee consisted of two Independent Non-Executive Directors and three Non-Executive Directors as at 30 June 2021. In line with its approved Terms of Reference, the Committee should meet at least once every quarter.

Composition:

The Committee shall consist of at least four members.

Meetings Held 2

Membership as at 30 June 2021:

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.

Members	Date of appointment	Board status
Isabelle Marie Edith Alvares Pereira De Melo (Chairperson)	October 2020	Non-Executive Director
Brian Adam Davis	November 2020	Non-Executive Director
Giriraj Sinh Jadeja	October 2020	Independent Non-Executive Director
Aslam Kanowah	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.

Non-adherence:

As at 30 June 2021, the Committee was not in adherence with the membership rudiments as there was no active CEO performing the duties of an Executive Director. However, Thierry Vallet attended the Committee as and when required.

The Committee, met only twice during the year under review, is a non-adherence of the meeting quota mandated by its Terms of Reference.

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 organisational 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.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

During the year under review, the Board held twenty 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 2021 are tabulated below:

	Board of Directors	Audit Committee	Conduct Review Committee	Corporate Governance Committee	Credit Committee	Risk Committee	TDP Committee
No. of meetings held	20	8	-	17	4	5	2
Inderjit Singh Bedi (Chairperson)*	13	8	-	17	3	-	-
Jan Fredrik Louis Gaëtan Boullé	11	-	-	17	-	-	-
Brian Adam Davis	10	-	-	16	-	1	2
Isabelle Marie Edith Alvares Pereira De Melo	11	-	-	-	-	-	2
Afsar Azize Abdulla Ebrahim	13	-	-	-	-	-	-
Giriraj Sinh Jadeja	11	8	-	-	-	5	2
Aslam Kanowah	13	-	-	17	-	5	2
Jean-Raymond Rey*	10	-	-	-	2	5	-
Christian St-Arnaud*	10	-	-	-	3	4	-
Joan Jill Wan Bok Nale*	12	8	-	-	2	-	2
Sanjiv Bhasin (Ex-Chief Executive Officer) (Resigned on 28 February 2021)	13	-	-	-	-	2	-
Martin Caron (Resigned on 28 September 2020)	7	-	-	-	-	-	-
Dipak Chummun (Resigned on 2 October 2020)	7	-	-	-	1	-	-
Yves Jacquot (Resigned on 28 September 2020)	7	-	-	-	-	-	-
Philippe Jewtoukoff (Resigned on 28 September 2020)	7	-	-	-	1	-	-
Jean Juppin De Fondaumière (Resigned on 31 August 2020)	7	-	-	-	-	-	-
Arnaud Lagesse (Resigned on 2 October 2020)	7	-	-	-	-	-	-
Arvind Madan Sethi (Resigned on 15 July 2020)	1	-	-	-	-	-	-
Mathew Welch (Resigned on 3 September 2020)	7	-	-	-	1	-	-
Francois Wertheimer (Resigned on 2 October 2020)	7	-	-	-	-	-	-

*These Directors also attended the Weekly Credit Committee meetings.

CORPORATE GOVERNANCE REPORT

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;
- 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 2020 till May 2021:

During the above period the secretarial functions were done by Neeven N. Parsooramen 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 tendered in his resignation as Company Secretary effective December 2020; upon request of the Board, he continued to provide his services until the onboarding of an appropriate internal Company Secretary. Subsequently, both Neeven and Usha resigned with effective date on 05 May 2021.

From May 2021 till date:

Subsequently, on 17 May 2021, the Bank selected Jennifer Jean-Louis to serve as Company Secretary alongside her position as CFO. This appointment received all regulatory approvals, including the approval of BOM. Jennifer's profile can be found under the 'Senior Management Team Profile' segment above. The Bank continues to seek a new permanent Company Secretary.

CORPORATE GOVERNANCE REPORT

PRINCIPLE THREE – DIRECTOR'S APPOINTMENT PROCEDURES

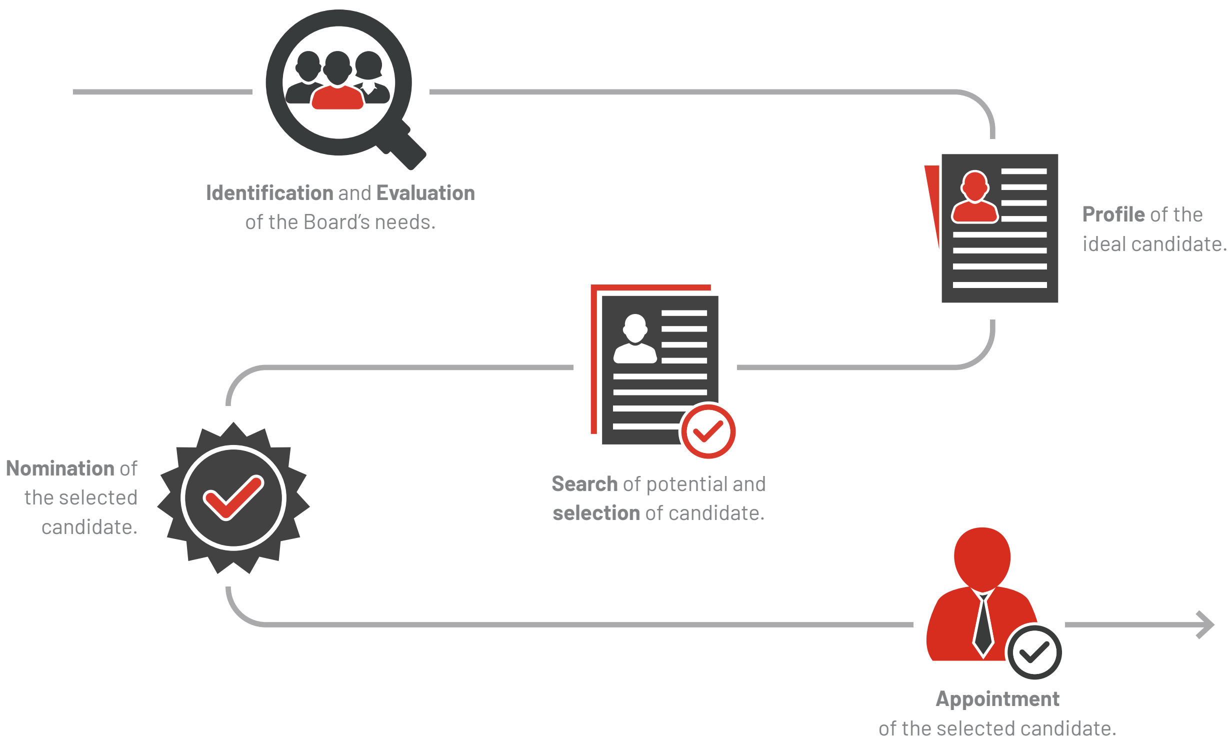
BOARD MEMBER APPOINTMENT AND RE-APPOINTMENT

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 receives a Letter of Appointment which contains the following main details:

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

Following letters received from BOM dated 19 August 2020 and 28 August 2020, enjoining the Bank to recompose its Board of Directors, a special meeting of shareholders was convened on 29 September 2020, wherein 9 new directors were appointed. Sanjiv Bhasin remained as the Executive Director. Subsequently, the Board appointed Joan Jill Wan Bok Nale to bring the total number of directors to 11 board members.

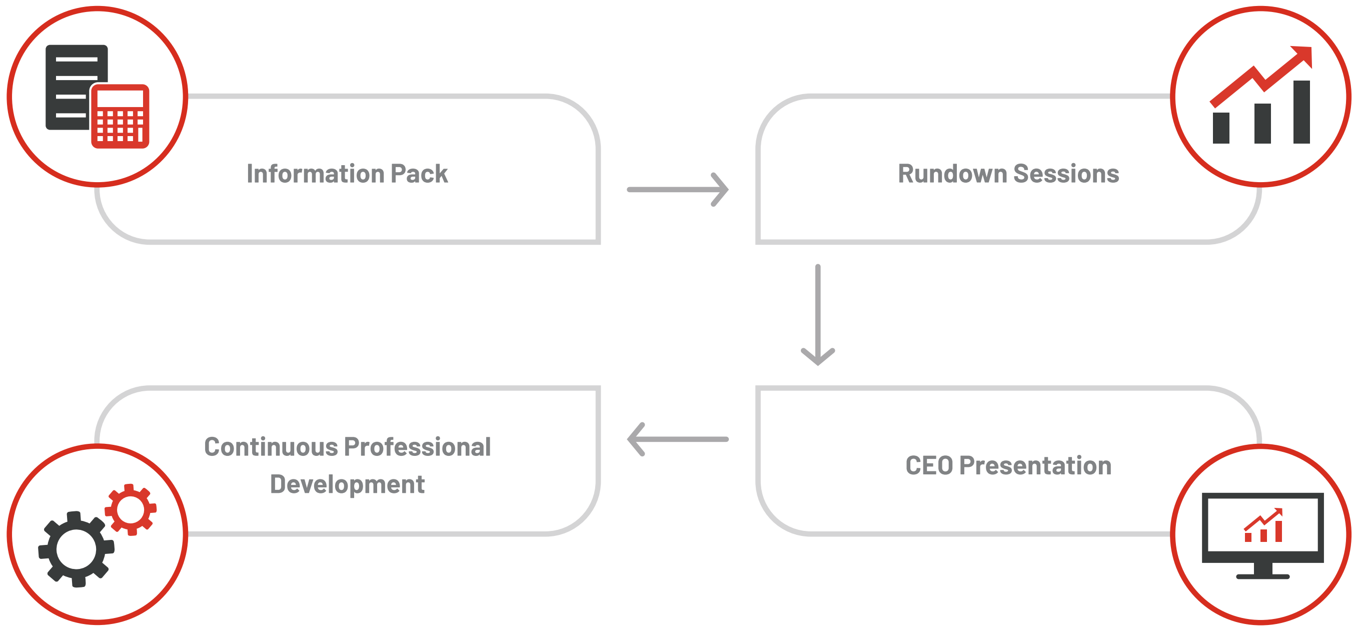
On 9 August 2021, the Board appointed a new Independent Non-Executive Director, Fiorangelo Salvatorelli to serve on the Board. Therefore, post the early retirement of Sanjiv Bhasin on 28 February 2021, the total number of directors consisting the Board as at date is of 11 members.

CORPORATE GOVERNANCE REPORT

INDUCTION AND PROFESSIONAL DEVELOPMENT

Following appointment on the Board, the Directors receive an extensive and formal tailored induction training to familiarise themselves with the activities of the Bank including training relevant Money Laundering/Terrorist Financing risk. In addition to receiving an information pack, the Directors also get accustomed with the Board Charter and Terms of Reference of the Board sub-committees 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 the Webinar: Understanding Anti-Money Laundering (AML) & Combating the Financing of Terrorism (CFT) and Audit Committee Guidelines for evaluating a whistleblowing system. Moreover, on a quarterly basis, the Directors receive an update on any regulatory change, including summary of any new BOM Guidelines or any change to existing BOM Guidelines or Act relevant to the banking and financial services sector.

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 is formalised in the Terms of Reference of the Corporate Governance Committee.

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

Following the early retirement of Sanjiv as from 28 February 2021, the Board has been actively searching for the next CEO, in line with same, the Committee has engaged the necessary procedures to find the right candidate with the most optimal profile to fit this position. Meanwhile, Thierry Vallet, is acting as Interim CEO in the leadership and management of the Bank.

CORPORATE GOVERNANCE REPORT

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 must undergo 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.

However, no Board appraisal exercise has been performed for the year under review mainly due to the fact that the Board has recently underwent a change in directorship with the onboarding 10 new directors during the year under review. The Board is considering to perform a Board appraisal exercise in due course.

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

CORPORATE GOVERNANCE REPORT

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 remuneration and benefits paid and payable to the Directors for the year ended 30 June 2021 are tabulated below:

Remuneration and benefits paid and payable (MUR'000)	Fixed	Variable	Exit	Total
Inderjit Singh Bedi (Chairperson)	4,342	440	-	4,782
Jan Fredrik Louis Gaëtan Boullé	349	960	-	1,309
Brian Adam Davis*	-	-	-	-
Isabelle Marie Edith Alvares Pereira De Melo	358	260	-	618
Afsar Azize Abdulla Ebrahim	358	200	-	558
Giriraj Sinh Jadeja	334	875	-	1,209
Aslam Kanowah	358	1,325	-	1,683
Jean-Raymond Rey	669	395	-	1,064
Christian St-Arnaud	760	475	-	1,235
Joan Jill Wan Bok Nale	669	850	-	1,519
Sanjiv Bhasin (Ex-Chief Executive Officer) (Resigned on 28 February 2021)	16,673	-	28,071	44,744
Martin Caron* (Resigned on 28 September 2020)	-	-	-	-
Dipak Chummun (Resigned on 2 October 2020)	493	180	-	673
Yves Jacquot (Resigned on 28 September 2020)	485	285	-	770
Philippe Jewtoukoff (Resigned on 28 September 2020)	485	455	-	940
Jean Juppin De Fondaumière (Resigned on 31 August 2020)	1,100	-	-	1,100
Arnaud Lagesse (Resigned on 2 October 2020)	223	45	-	268
Arvind Madan Sethi (Resigned on 15 July 2020)	127	255	-	382
Mathew Welch (Resigned on 3 September 2020)	418	670	-	1,088
Francois Wertheimer (Resigned on 2 October 2020)	223	270	-	493

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

CORPORATE GOVERNANCE REPORT

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 up to 31 December 2020
	500	As from 1 January 2021, Fixed per annum for a maximum of 5 Board meetings
Additional fee to Board Member	50	As from 1 January 2021, Per attendance of any additional Board meetings
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 2021 were as follows:

	YEAR ENDED 30 JUNE 2021			YEAR ENDED 30 JUNE 2020		YEAR ENDED 30 JUNE 2019	
	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	MUR'000
	Non-Exit	Exit					
The Bank							
AfrAsia Bank Limited	16,673*	28,071	19,691	20,272	21,444	17,975	13,454
The Subsidiary							
EKADA Capital Ltd (formerly known as AfrAsia Capital Management Ltd (Disposal on 25 January 2021)	4,520*	-	-	2,325	-	12,225	-

*The remuneration pertains for the period from 1 July 2020 to 28 February 2021 (Date of resignation).

**The remuneration pertains for the period from 1 July 2020 to 25 January 2021 (Date of disposal).

CORPORATE GOVERNANCE REPORT

DIRECTORS' SERVICE CONTRACTS WITH THE BANK AND ITS SUBSIDIARY

Thierry Vallet, Director of AfrAsia Investments Limited, has a service contract with the Bank expiring in June 2022.

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.

As at 30 June 2021, there were no Directors who held ordinary shares either directly and indirectly in the Bank.

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.

CORPORATE GOVERNANCE REPORT

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 protect 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 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 104 to 136 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.

The Bank is currently performing a broad based review of our remuneration programme as an attempt to find the potential gap between 'where it is' and 'where it needs to be' and for so doing opted to use the services of Korn Ferry to bring about the effective change required in measuring, evaluating and benchmarking both skillset and mindset of our employees.

CORPORATE GOVERNANCE REPORT

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. The Talent Management system is helping the Bank move to another level in its management of talent. 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 on page 118 of the Annual Report under Related Party Transactions, Policies and Practices.

CORPORATE GOVERNANCE REPORT

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 Risk Committee ("RC") 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 duties of RC 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 Risk Committee 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 Risk Committee on their operations.

CORPORATE GOVERNANCE REPORT

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).

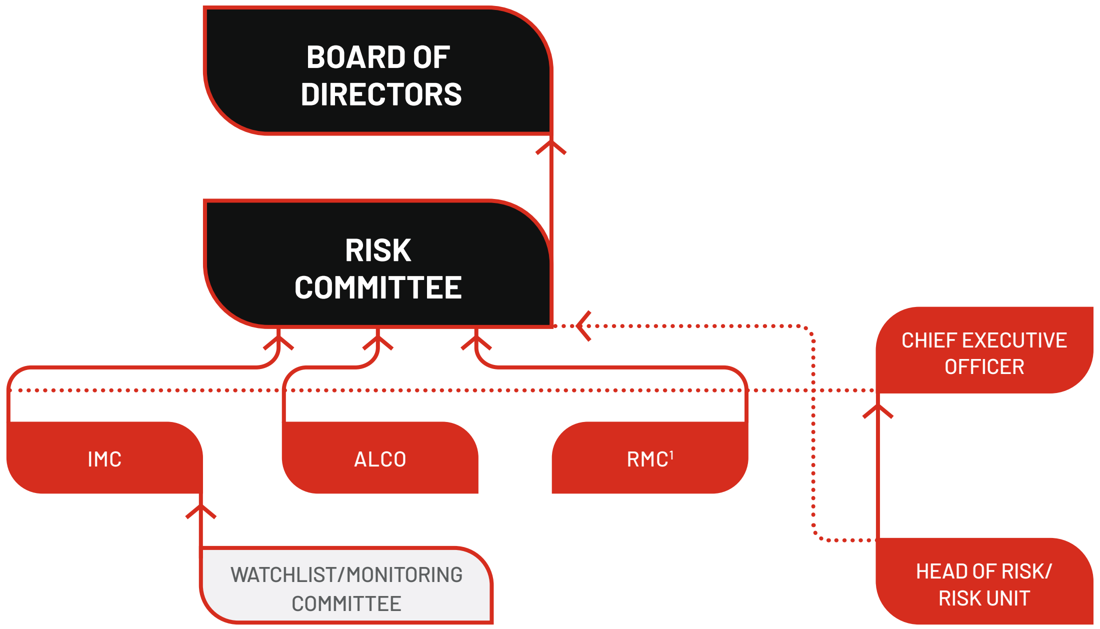
While it is common for risk management division to work closely with the various business units, the risk function remains sufficiently independent of the business units and is not involved in revenue generation. Such autonomy is an essential component of an effective risk management function, as is 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 RC 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

The complete Risk Management Report is set out on on pages 104 to 136 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

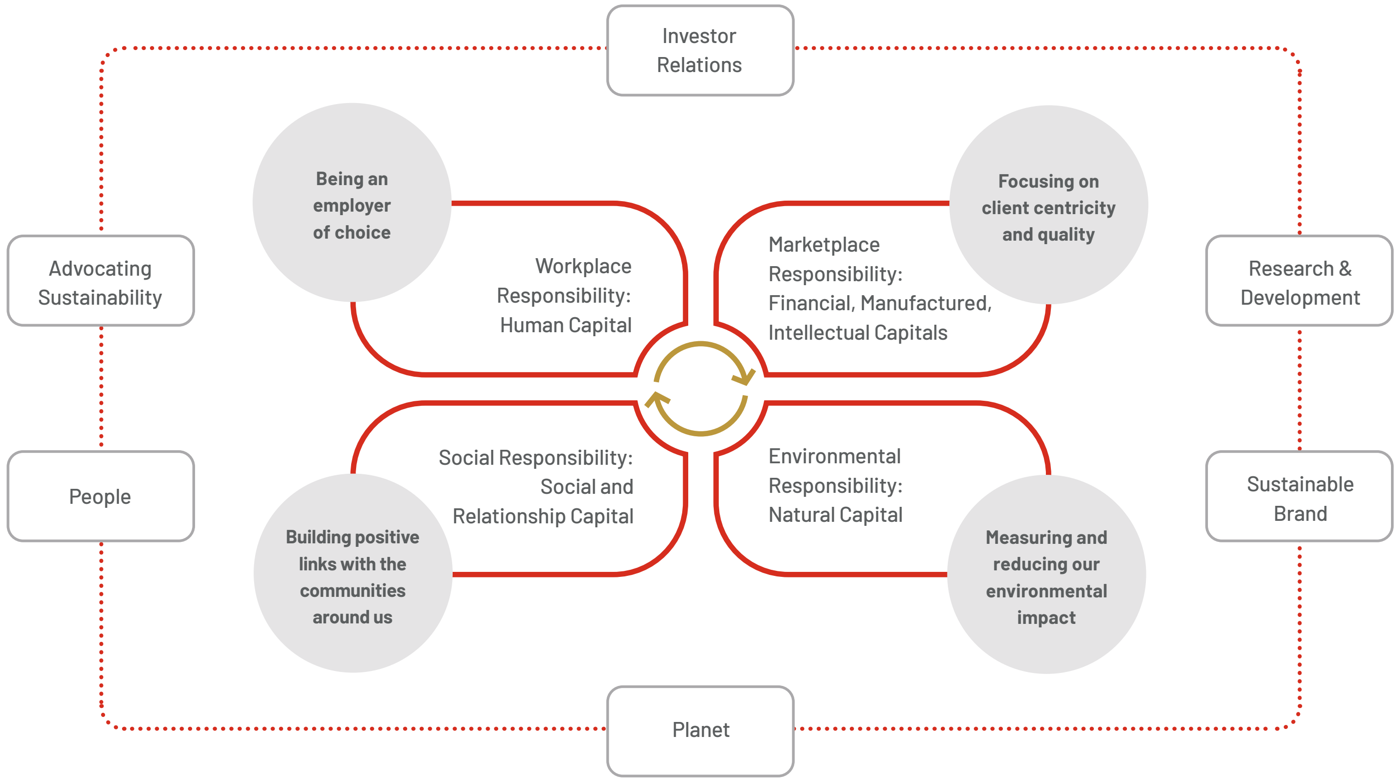
The Directors are responsible for preparing the financial statements in accordance with International Financial Reporting Standards, International Accounting Standards and The Companies Act 2001 of Mauritius. The Directors must ensure that the provisions of The Companies Act 2001 of Mauritius, The Banking Act 2004 (amended 12 August 2021) and Financial Reporting Act 2004 (amended 2020) 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

The COVID-19 has offered an unprecedented opportunity for companies to move towards the integration of environmental, social and governance ("ESG") in their management system. There is a global increase in awareness in regards to ESG and operational resilience amongst the private sector community. We, at AfrAsia Bank, have also taken this commitment to work on a 2030 Sustainability Strategy to contribute to a net zero carbon economy.

Looking back on the financial year 2020-2021, which has been disrupted by this crisis, we have to admit that many of the departmental projects had to be either postponed or adapted to the 'new' normal. For the third consecutive year, we have provided a separate sustainability report which details the Bank's performance in each of its 4 pillars based on the Global Reporting Initiative ("GRI") standards.

AfrAsia Bank's 2021 sustainability strategy:



Furthermore, for the third-year consecutive, we are a proud member of the GRI community and participate regularly in dialogues and webinars to advance sustainability reporting standards.

The year 2021 has also brought new changes to the Sustainability and CSR department with a new Head joining the team. A new sustainability strategy is currently being developed and will be announced in the beginning of next year.

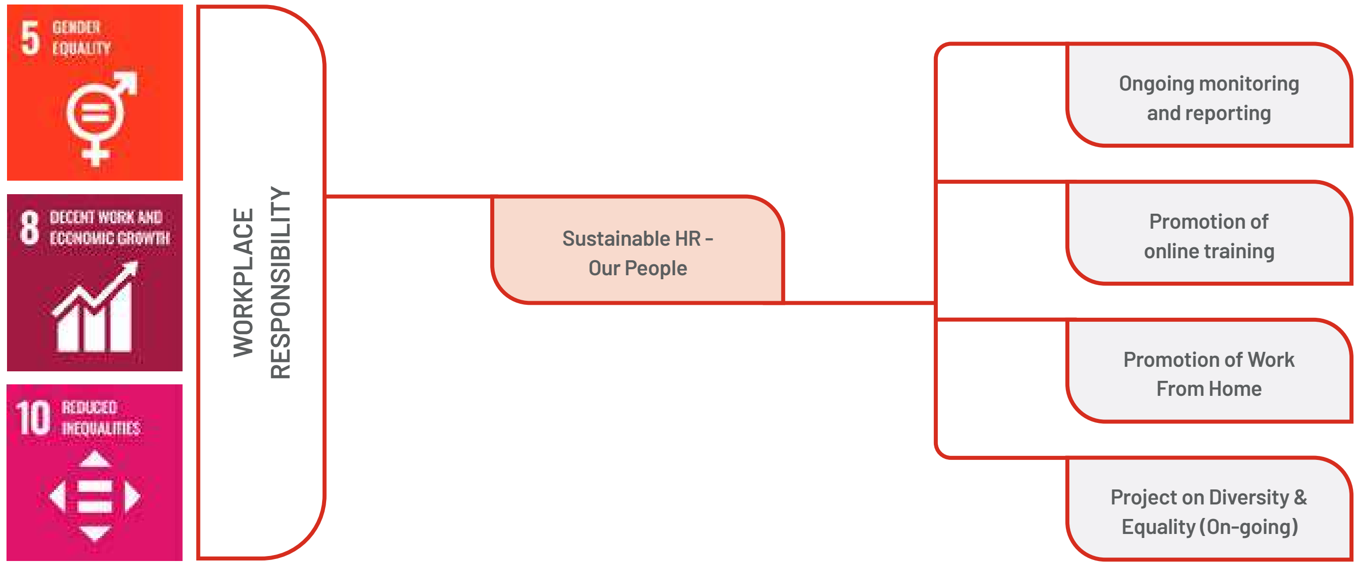
CORPORATE GOVERNANCE REPORT

SUSTAINABILITY (Cont'd)

WORKPLACE RESPONSIBILITY

Several projects are currently in progress under the aegis of the Human Resources ("HR") department. With the COVID pandemic impacting our operations and day to day work, our main concerns were job retention and on-going training of our staff.

Overview of HR projects:



	FY 17 - 18	FY 18 - 19	FY 19 - 20	FY 20 - 21
Total Headcount	368	402	413	415
Average Hours Of Training	18	39	19.5	10.8
Average Hours Of Training (Male)	19	46	18.36	10.7
Average Hours Of Training (Female)	18	32	20.7	11
Turnover Rate (Full Time Employees)	9.48%	8.97%	11.1%	6.7%

Table 1: Snapshot of key performance indicators for workplace responsibility throughout the last 4 years

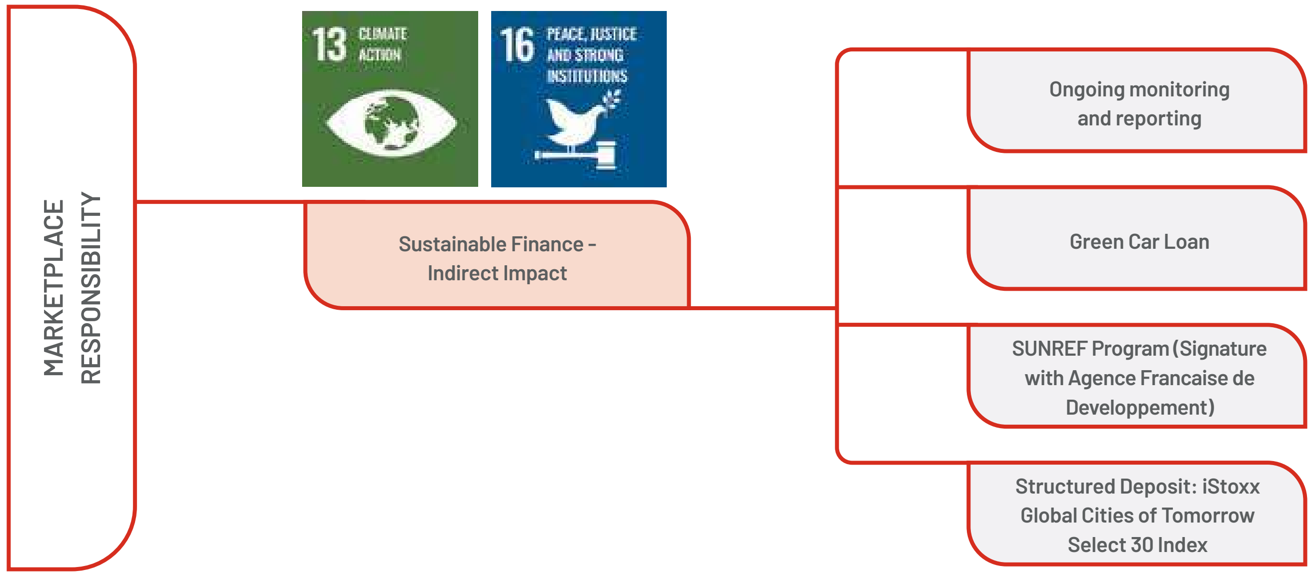
We strive to create a safe, inclusive and discrimination-free environment for all our staff through the various projects under the HR department and through the Health & Safety Committee.

SUSTAINABILITY (Cont'd)

MARKETPLACE RESPONSIBILITY

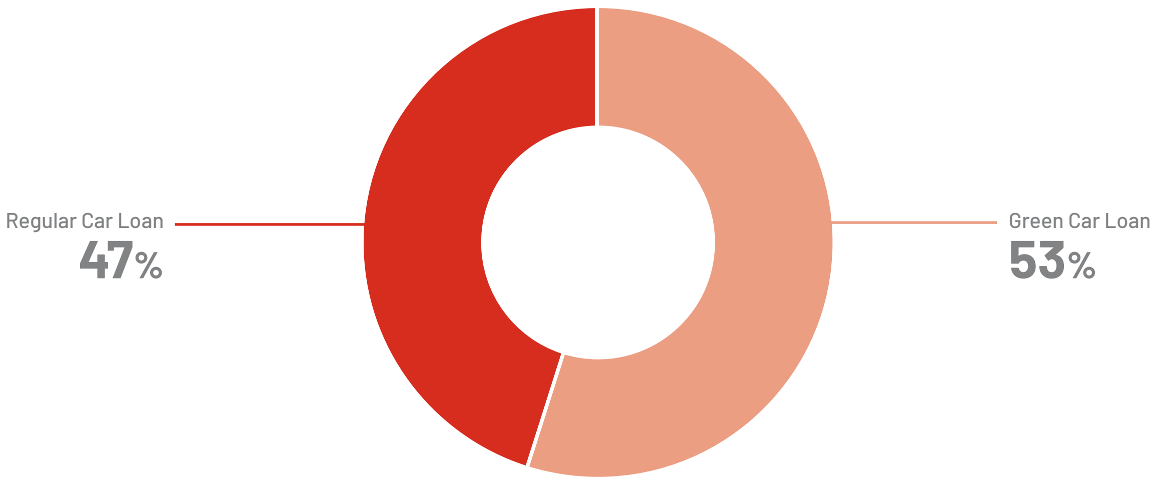
As a Bank, one of our major impact is through our financing. We have been steadily developing this pillar to provide our clients with sustainable financial products across the different business lines.

Overview of Sustainable Financing:



The financial year 2020-2021 has been critical for the development of sustainable financing at ABL. With the Bank joining the SUNREF program and the ongoing implementation of Environmental and Social Management System ("ESMS"), we are looking to transform our entire credit portfolio. The treasury team has also started offering structured deposits based on sustainable criteria.

Snapshot of Green Car Loan Performance from July 2020 to June 2021:



As part of our Marketplace Responsibility Strategy, we also strictly adhere to all legal and statutory requirements (including in regards to prevention of money laundering and financing of terrorism activities) and protect our client's data through stringent measures in place to prevent any breaches.

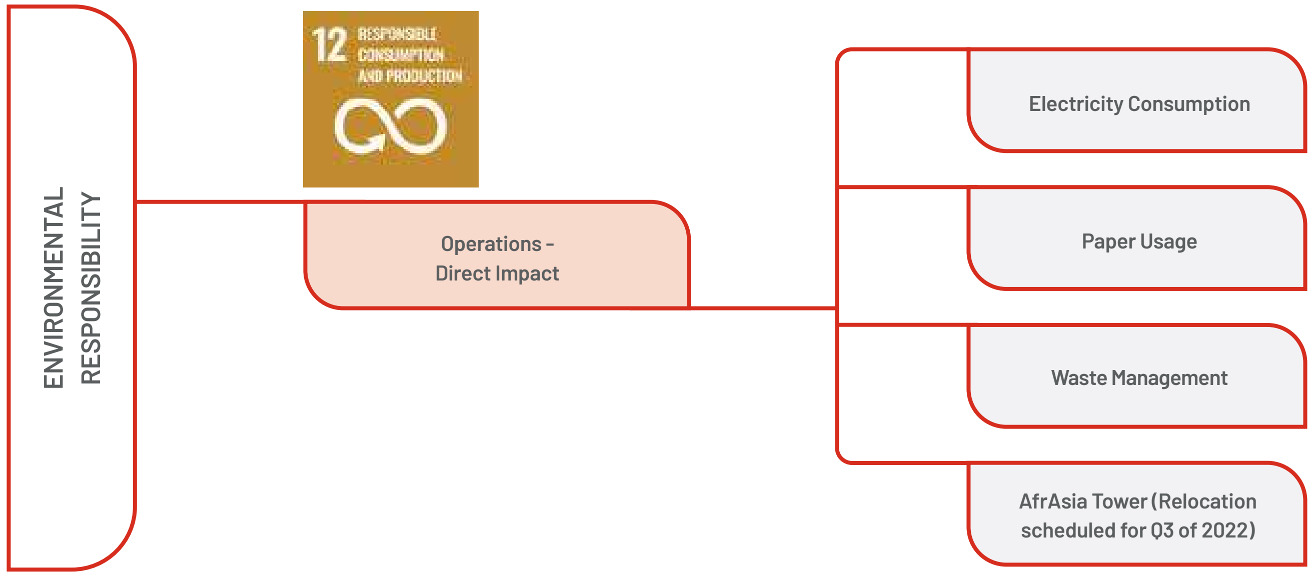
CORPORATE GOVERNANCE REPORT

SUSTAINABILITY (Cont'd)

ENVIRONMENTAL RESPONSIBILITY

Aside from our credit portfolio, we are also looking into the management of our direct impact. With relocation of our premises scheduled for Q3 2022 to the AfrAsia Tower in the Tribeca Central Smart City, the Bank is aiming to provide an innovative future workspace as well as a greater operational to its employees. The AfrAsia Tower will be an environmentally-advanced, energy-efficient and sustainable workplace, with a LEED certification based on international sustainability standards. Until then, we will continue to monitor our electricity consumption and paper usage.

Overview of projects under Environmental Responsibility:



Snapshot of key performance indicators for workplace responsibility throughout the last 4 years

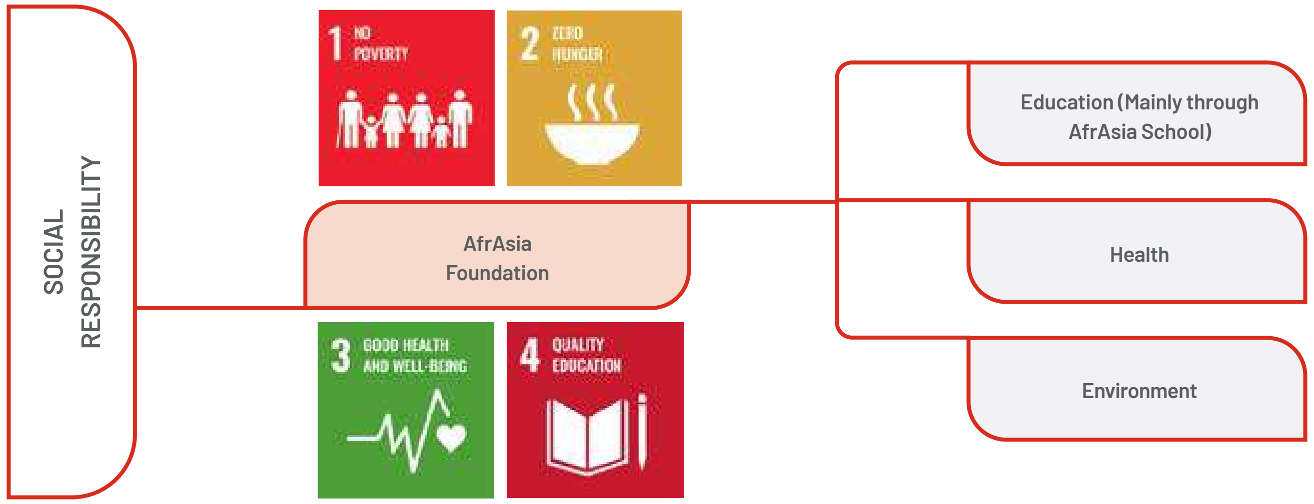
	FY 17 - 18	FY 18 - 19	FY 19 - 20	FY 20 - 21
Electricity Consumption At Ebene Office (KWH)	N/A	554,776	548,867	496,114
Paper Usage (Reams)	4,432	4,281	3,865	2,692
Quantity Of E-Waste Recycled (KG)	N/A	286	58	226

CORPORATE GOVERNANCE REPORT

SUSTAINABILITY (Cont'd)

SOCIAL RESPONSIBILITY

Overview of Social Responsibility at AfrAsia Bank:



ABL's social strategy is mainly managed through the AfrAsia Foundation, which is governed by a council, who is responsible for management of the funds. The accounts of the Foundation are also audited annually by an external auditor.

Overview of Projects by AfrAsia Foundation:

Education

AfrAsia School
- Emergency Aid Support Programme (COVID-19)
- Sponsor an AfrAsia Kid
- Wish Tree

AfrAsia Golf Academy
(On hold due to the pandemic)

Health

Cancer Awareness
- Support to Link to Life projects

Ripple Project

Bring back a Smile Initiative
(Distribution of special masks to hearing impaired children)

Environment

The Wakashio Initiatives
- Phase 1 - Immediate actions and support
- Phase 2: Donation to Mahebourg Espoir beneficiaries
- Phase 3: In progress

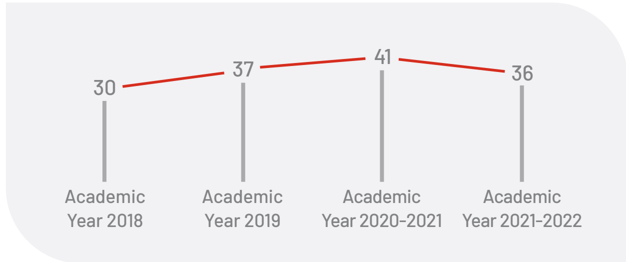
SUSTAINABILITY (Cont'd)

SOCIAL RESPONSIBILITY (Cont'd)

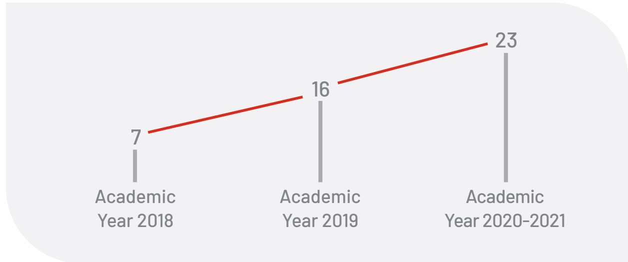
Overview of AfrAsia School:

The main project of the Foundation is AfrAsia School - Life Long Education Centre, in collaboration with the Non-Governmental Organisation ("NGO"), Ti Rayons Soleil. In addition to free primary education, the beneficiaries also receive support from a social worker for their families, food support system, after school care as well medical and psychological supports. The COVID-19 pandemic largely disrupted the running of the pre-primary school and other programs. An Emergency Aid Support Programme was set up in March 2021 to provide food and basic necessities to our beneficiaries.

Number of children enrolled at AfrAsia School per academic year:



Number of graduates at AfrAsia School per academic year:



An overall decrease in number of children enrolled at AfrAsia School for the Early Childhood programme has been noted due to the following reasons:

- One special needs child (aged 5+ years) graduated and moved to a specialised Primary school in January 2021;
- One child has relocated to Souillac village; and
- 4 children graduated and moved to Grade 1 of primary school. They did not complete their full pre-primary year following the change in the school calendar (June 2021 instead of January 2021).

SDG 17: PARTNERSHIPS FOR THE GOALS

One of our key commitments is to create meaningful dialogues around sustainability in the local, regional and international communities. We do that through the following means:

- Membership of the United Nations Global Compact ("UNGC");
- GRI Community membership;
- ABL is a founder and council member of the Global Compact Network for the Indian Ocean;
- Launch of Sustainability themed webinars: Digitalisation, ESG; and
- Members of the Business Mauritius ("BM") Sustainability Network.

17 PARTNERSHIPS FOR THE GOALS

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.

CORPORATE GOVERNANCE 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 12 August 2021) and the Financial Reporting Act 2004 (amended 2020) 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 5 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 12 August 2021) 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 Bank has initiated its tendering process in search of the next auditors.

The fees for audit and other services were as follows:

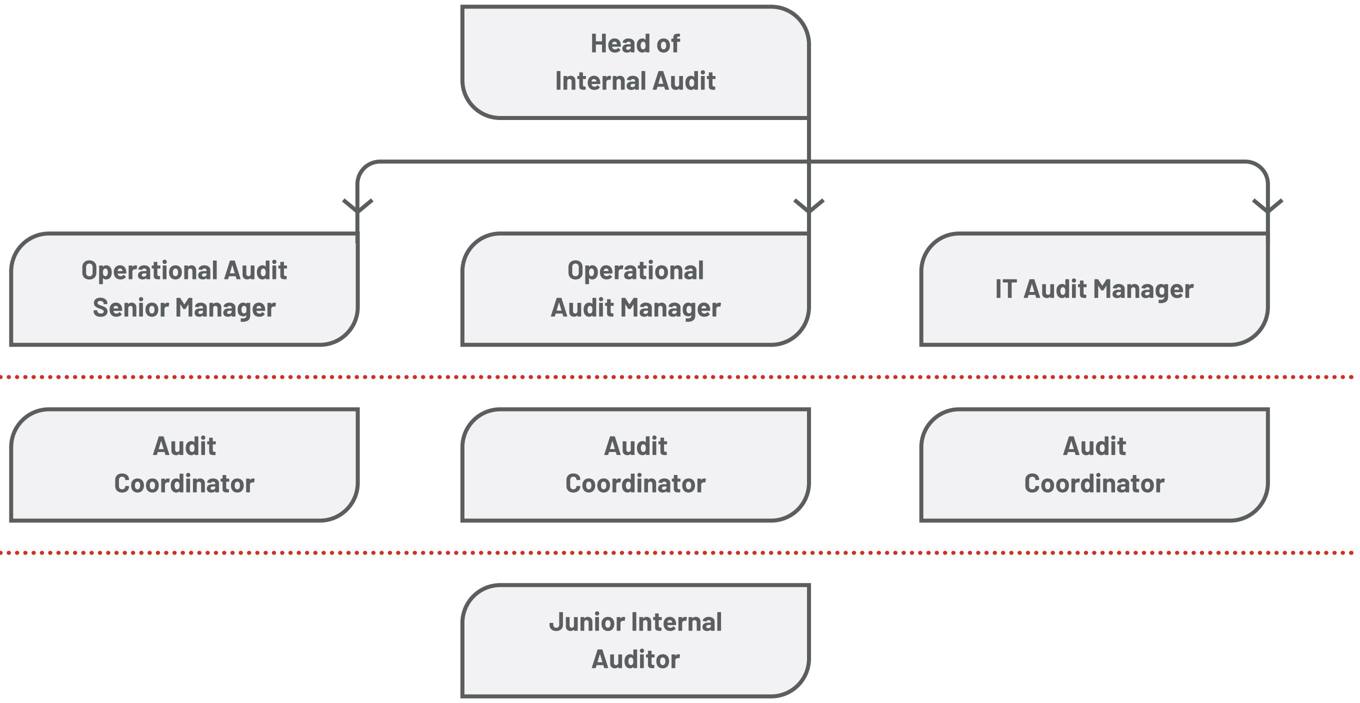
	YEAR ENDED 30 JUNE 2021		YEAR ENDED 30 JUNE 2020		YEAR ENDED 30 JUNE 2019	
	Audit MUR '000	Other MUR '000	Audit MUR '000	Other MUR '000	Audit MUR '000	Other MUR '000
Deloitte						
The Bank						
AfrAsia Bank Limited	5,700	4,117*	8,400	6,426	7,200	3,711
Ernst & Young						
The Subsidiaries						
AfrAsia Investments Limited	327	25	314	329	196	280
EKADA Capital Ltd (formerly known as AfrAsia Capital Management Limited)	618	22	598	33	694	26

*Other services include limited review, internal control review, AML/CFT review and assurance reports.

CORPORATE GOVERNANCE REPORT

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.



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 Chartered Banker and also a Fellow of the Institute of Chartered Accountants in England and Wales with 16 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 local organizations 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 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 ICAEW, CBI, ACCA, CISA, STEP 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:

The Financial Year 2021 Audit Plan

Delays in executing the FY 2020 audit plan as a result of the lengthy confinement linked to COVID-19 meant completion of same only happened in Quarter 2 of FY 2021. Given the cascading effect and considering that ad-hoc assignments, comprising fact finding and other assignments of an advisory nature, have been performed at the request of management during FY 2021, the target is to complete the latter audit plan by the end of October 2021.

The FY 2021 risk-based audit plan was approved by the Audit Committee and Internal Audit used 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.

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 majority 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.

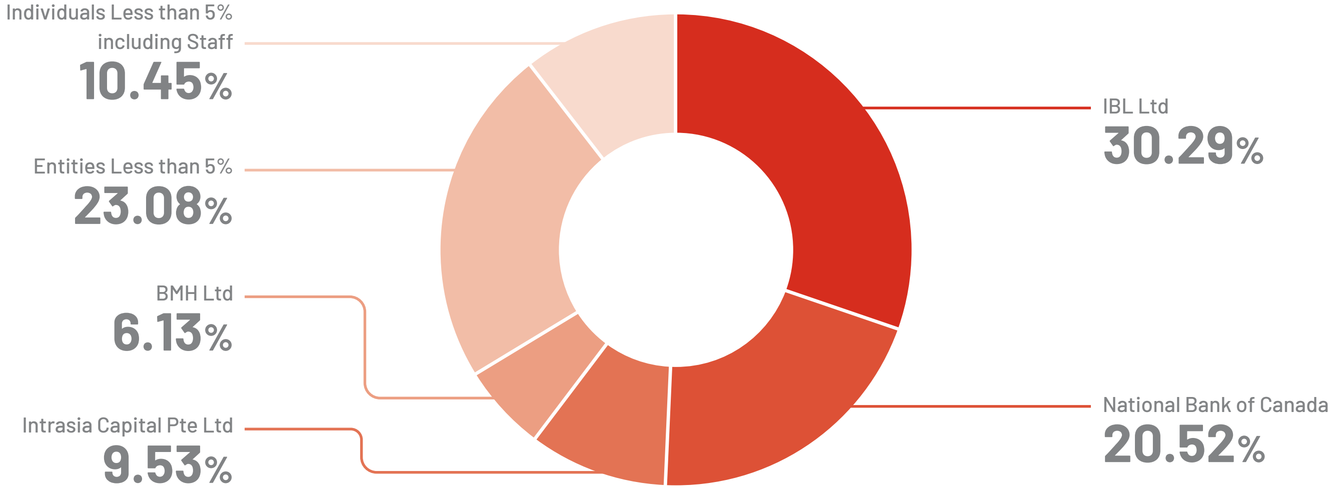
PRINCIPLE EIGHT – RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

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 9.1bn as at 30 June 2021. 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 0.29% of the Bank's shareholding is held by its staff.

The Bank's shareholding structure as at 30 June 2021 is as follows:



DIVIDEND POLICY

Dividends are proposed by management to its Board in line with the provisions of The Banking Act 2004 (amended 12 August 2021), 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 Management's recommendation and the satisfaction of solvency tests, the Board may approve the payment of dividends, subject to the approval of BOM, after which dividends may be distributed to shareholders.

Dividend on Ordinary Shares

The Bank has achieved a satisfactory financial return to allow dividends of MUR 338.9m (MUR 3.00 per share), declared and paid during the year under review (2020: MUR 429.3m that is, MUR 3.80 per share /2019: MUR 186.4m that is, MUR 1.65 per share). This can be summarised as follows:

Dividends on Ordinary Shares (MUR'm)	2021	2020	2019
Dividend paid	**338.9**	429.3	186.4

Dividend on Class A Shares

Dividend of MUR 66.2m were paid/payable for the 6 months ended 31 December 2020 and MUR 66.7m for the 6 months ended 30 June 2020 (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). This can be summarised as follows:

Dividends on Class A Shares - Series 1 and 2 (MUR'm)	2021	2020	2019
Dividend paid	**132.9**	147.4	147.1

CORPORATE GOVERNANCE 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

There is a Shareholders' Agreement ("SHA") signed on 01 December 2014. Three out of four shareholders who are parties to the agreement sent notices to terminate the SHA. One shareholder does not agree that the SHA has been terminated and has declared a dispute as regards to the said termination of the SHA. The dispute has been referred to the International Chamber of Commerce ("ICC") for arbitration. The claim was heard in April 2021. The Bank, which is a signatory to the SHA, took a neutral position in the arbitration. The ICC has to give its award imminently.

SIGNIFICANT CONTRACTS

ABL has not entered into any significant contract with third parties during the financial year ended 30 June 2021.

MANAGEMENT AGREEMENTS

ABL has not entered into any management agreement with third parties during the financial year ended 30 June 2021.

GIFTS AND DONATIONS

The Bank has made MUR 0.015m of gifts and donations during the year ended 30 June 2021 (2020: MUR 2.0m/ 2019: MUR 0.8m). The year-on-year drop was mainly driven by lower marketing related initiatives for employee and client gifts in line with dampened economic activity.

POLITICAL DONATIONS

The Bank has not made any political donations during the year ended 30 June 2021 (2020: MUR 3.5m and 2019: Nil)

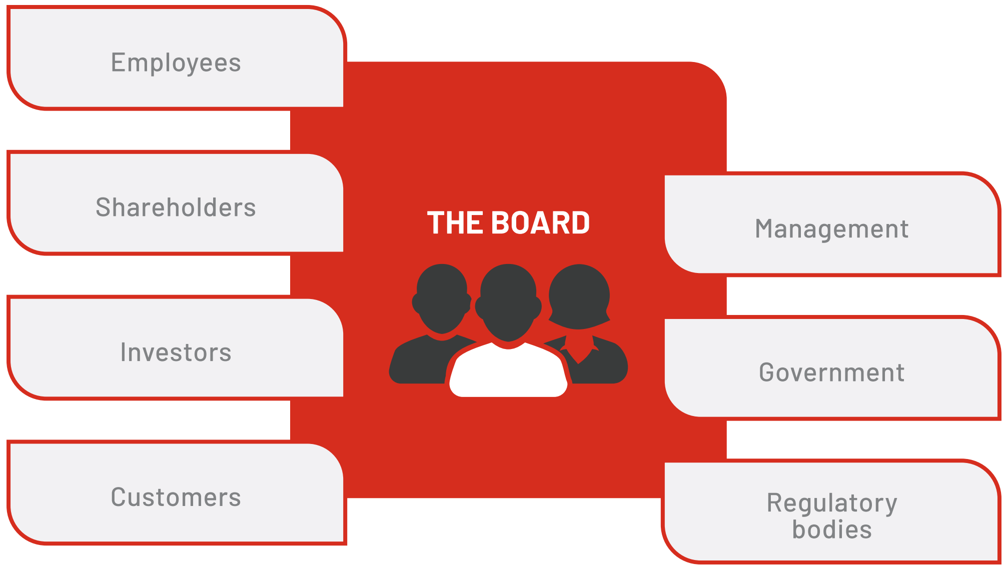
Related Party

ABL has entered into an Introducer Services Agreement with Intra Capital Pte Ltd during the financial year ended 30 June 2021.

For further details pertaining to related party transactions and balances relating to year ended 30 June 2021, please refer to the note 36 on "Related Party Disclosures" of the Annual Report.

CORPORATE GOVERNANCE 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
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

CORPORATE GOVERNANCE REPORT

OUR KEY RELATIONSHIPS (Cont'd)

EMPLOYEES AND MANAGEMENT (Cont'd)

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	• Annual reports, media releases and published results • Board meetings • Annual general meetings • Investor Relations web page • Presentations and factsheets to provide comfort with regard to our liquidity and risk management, as well as initiatives taken by the Bank to cope with the impact of COVID-19 on the organisation • External workshops and seminars • Newsletters • Sustainability and CSR microsite • Social media platforms • Webinars
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 strong fundamentals, franchise, resilience, sound risk profile, strategic growth opportunities and good governance practices while building a sustainable business model
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

CORPORATE GOVERNANCE REPORT

OUR KEY RELATIONSHIPS (Cont'd)

CUSTOMERS

HOW WE ENGAGE WITH OUR STAKEHOLDERS	• Dedicated relationship managers proposing tailored financial solutions • Business meetings and visits • Online Conferences, Roadshows and Presentations • Networking Events • Newsletters • Website • Social media platforms • Satisfaction surveys • Webinars
THEIR CONTRIBUTION TO VALUE CREATION	• Customers are at the heart of our business and provide a solid base for our growth prospects • Customers turning into our strategic partners as we leverage on their brand equity
WHAT OUR STAKEHOLDERS EXPECT FROM US	• Quality of the Bank's product suite and service • Continuous assistance and clear guidance, especially during a pandemic context • Sustainability and financial solidity of the Bank • Efficient complaint mechanism • Enhanced customer relationship management practices • Seamless front-end experience with an easy, fast and secured banking environment, including for online channels
WHAT CONCERNS OUR STAKEHOLDERS	• Transparent and timely insights that could impact their financial situation • Security and confidentiality of transactions • Corporate governance and ethics • Sustainability issues (Environment, Social, Economic)

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

CORPORATE GOVERNANCE REPORT

OUR KEY RELATIONSHIPS (Cont'd)

GOVERNMENT AND REGULATORY AUTHORITIES (Cont'd)

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

CORPORATE GOVERNANCE REPORT

SOME KEY DATES

SHAREHOLDERS' CALENDAR

Financial Year End	June
Annual Meeting of Shareholders	November/December

PUBLICATION OF FINANCIAL STATEMENTS

30 September quarter end	November
31 December quarter end	Febuary
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 2021 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

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

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

INDERJIT SINGH BEDI
Chairperson

JOAN JILL WAN BOK NALE
Director

Date: 17 September 2021

STATEMENT OF COMPLIANCE

(SECTION 75(3) OF THE FINANCIAL REPORTING ACT 2004)

AfrAsia Bank Limited and its Subsidiaries

Year ended 30 June 2021

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 2: The structure of the Board and its Committees	As at 30 June 2021, the Bank did not have an Executive Director serving on the Board which goes against the requisites of the Code stipulating that the Board should consider having a strong executive management presence with at least two executives as members. *Reason for AfrAsia non-compliance:* The recruitment of a new CEO is still an on-going process and the Bank remains committed in finding a suitable candidate to address this composition deficiency.
Principle 2: The structure of the Board and its Committees	As at 30 June 2021, the Bank did not have a CEO serving on the Risk Committee which goes against the requisites of BOM's "Guidelines on Corporate Governance 2001" (revised October 2017) stipulating the need for the CEO to be an active member in this Committee. *Reason for AfrAsia non-compliance:* The recruitment of a new CEO is still an on-going process and the Bank remains committed in finding a suitable candidate to address this composition deficiency.
Principle 3: Director appointment procedures	As at 30 June 2021, 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. Given that a new Board was set up during the year, this will be done as a priority.

STATEMENT OF COMPLIANCE

(SECTION 75(3) OF THE FINANCIAL REPORTING ACT 2004)

AfrAsia Bank Limited and its Subsidiaries

Year ended 30 June 2021

Areas of Non-Compliance	
Principle 4: Director duties, remuneration and performance	As at 30 June 2021, 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 year ended 30 June 2021, 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 new Board will consider the latter exercise together with a development plan.

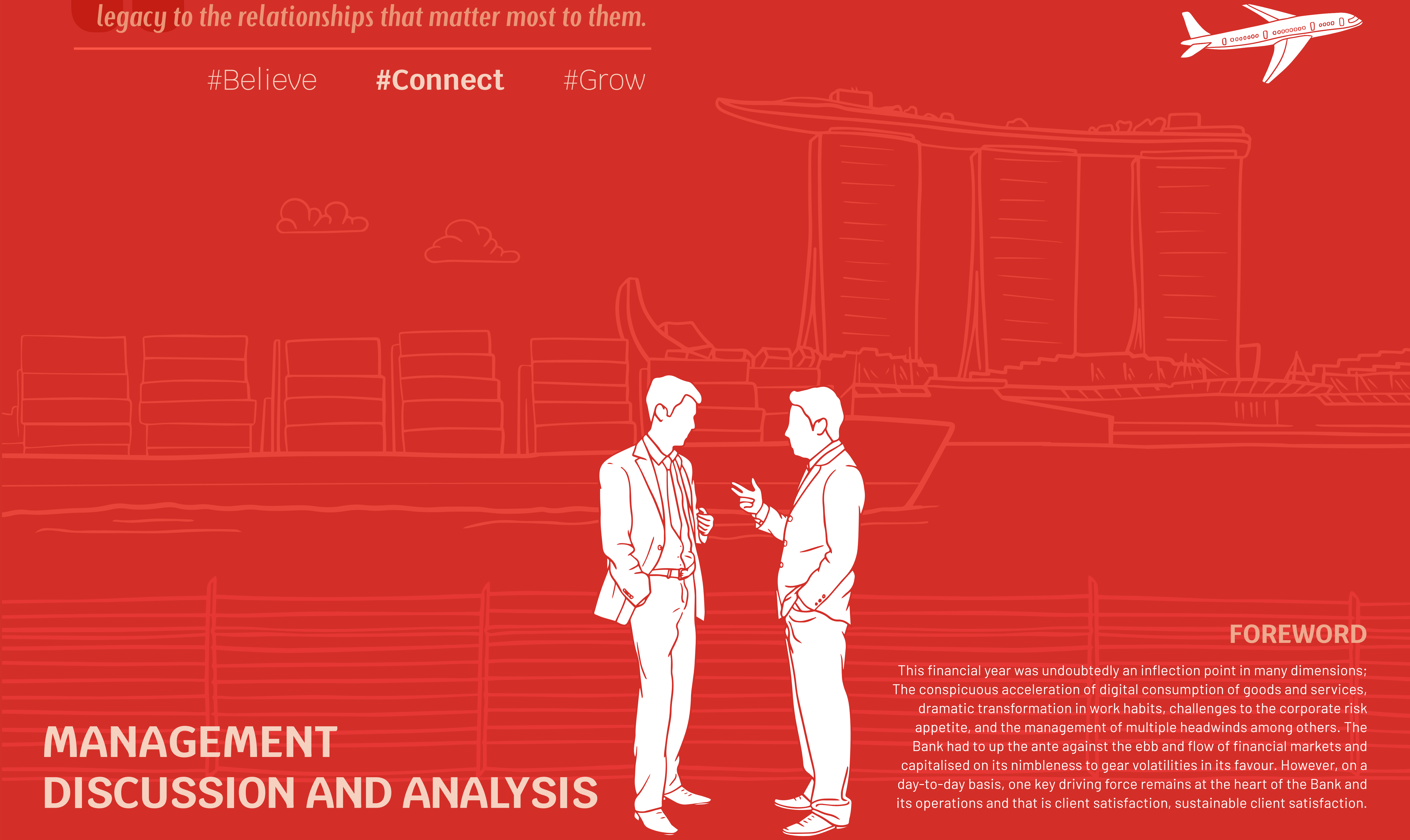
INDERJIT SINGH BEDI
Chairperson

JOAN JILL WAN BOK NALE
Director

Date: 17 September 2021

By crafting privileged relationships and uniting passionate people, we aspire to bequeath our clients' legacy to the relationships that matter most to them.

#Believe **#Connect** #Grow



MANAGEMENT DISCUSSION AND ANALYSIS

FOREWORD

This financial year was undoubtedly an inflection point in many dimensions; The conspicuous acceleration of digital consumption of goods and services, dramatic transformation in work habits, challenges to the corporate risk appetite, and the management of multiple headwinds among others. The Bank had to up the ante against the ebb and flow of financial markets and capitalised on its nimbleness to gear volatilities in its favour. However, on a day-to-day basis, one key driving force remains at the heart of the Bank and its operations and that is client satisfaction, sustainable client satisfaction.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS HIGHLIGHTS

TOTAL ASSETS (MUR'BN)

2021: MUR 190.1bn
2020: MUR 160.5bn

↑ 18 %

TOTAL LIABILITIES (MUR'BN)

2021: MUR 181.1bn
2020: MUR 151.8bn

↑ 19 %

TOTAL EQUITY (MUR'BN)

2021: MUR 9.0bn
2020: MUR 8.6bn

↑ 5 %

LOANS-TO-DEPOSITS RATIO (%)

2021: 14%
2020: 19%

↓ 5 %

NET PROFIT AFTER TAX (MUR'BN)

2021: MUR 0.9bn
2020: MUR 1.5bn

↓ 42 %

COST-TO-INCOME RATIO (%)

2021: 42%
2020: 31%

↑ 11 %

RETURN ON ASSETS (%)

2021: 0.5%
2020: 1.0%

↓ 0.5 %

CAPITAL ADEQUACY RATIO (%)

2021: 16.18%
2020: 15.15%

LIMIT:
12.88 %

MANAGEMENT DISCUSSION AND ANALYSIS

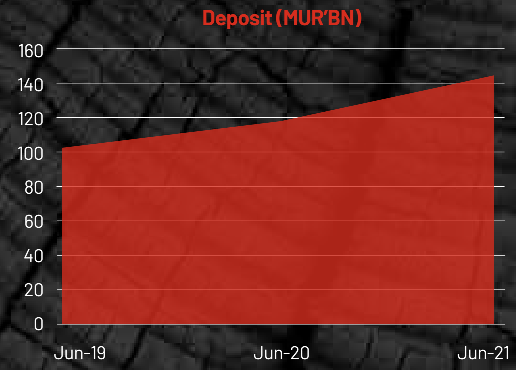
BUSINESS SEGMENTS REVIEW

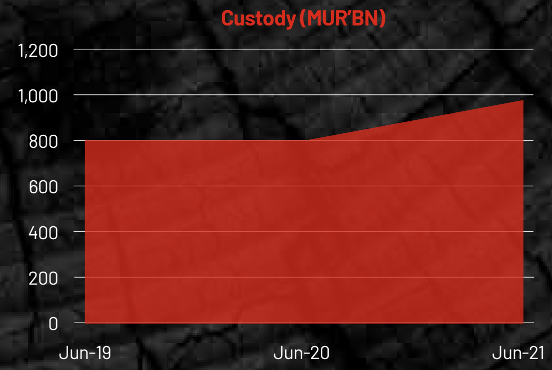
ACHIEVEMENTS IN THE FINANCIAL YEAR ("FY") 21

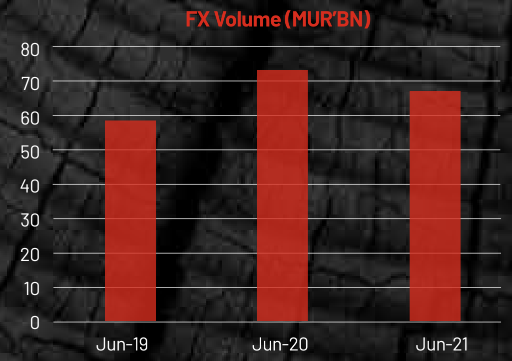
GLOBAL BANKING

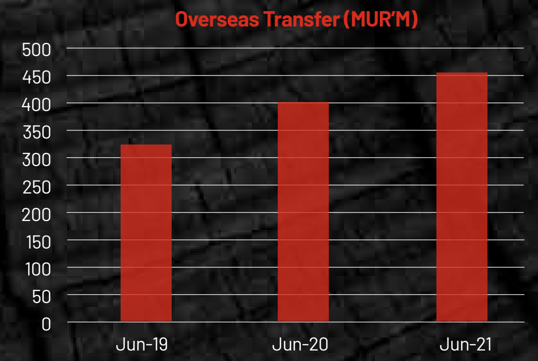
Major Business Segment's Achievements

During the financial year, the Global Business Desk remained the main cross-selling hub for the various product houses at the Bank be it in terms of liabilities/ assets/ assets under custody/ assets under management/ transactional and FX income/ others. We managed to grow our deposits book for non-resident clients by 22%, assets under custody by 21% and Overseas transfers by 14%, as reflected in the charts below:









MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS SEGMENTS REVIEW (Cont'd)

GLOBAL BANKING (Cont'd)

Our Strategy and Proposition

Our focus during the lockdown periods has been on rebalancing our client portfolio with exploring opportunities from our existing client database and getting word of mouth introduction from existing relationships. This has enabled us to listen to our clients more, be closer to them and drive business for mutual benefit.

The Challenges and the Future

Looking ahead, the Global Business Desk remains well positioned to benefit from the improved global economic outlook amidst progress of the vaccination rollout and gradual relaxation of lockdown restrictions in key markets.

In addition, we finally found some light at the end of the tunnel with the reopening of the Mauritian economy in October 2021 and the high possibility of the jurisdiction being removed from the EU blacklist sooner. Gradually, the Global Business sector should pick up on the back of increased investment and trading activities globally. Going forward, we will resume overseas travelling, hit the road for expanding our network of introducers and increase the portfolio of direct clients.

OUR CORE PILLARS

Our Customers and Intermediaries.

Cross Selling Hub for the Bank.

External Asset Management Desk.

CONSUMER BANKING

Major Business Segment's Achievements

Consumer Banking had a strong performance in FY21 despite the challenges and threats caused to the business. Mauritius was put on the EU blacklist and the severe dropin business activities related to the global COVID-19 pandemic. Thanks to the team's resilience and their hard work, the liabilities book grew by above MUR 1.1bn (+5%) while the assets book increased by more than MUR 560m (+18%).

This accomplishment was made possible based on a few factors:

- Maintaining proximity during the lockdown with ABL's most valuable clients through regular phone calls, WhatsApp messages and virtual meetings.
- Promoting our AfrAsia Loyalty Package proposition as much as possible to senior employees of IBL Group of Companies & those of large COVID-19 resilient corporates banking with ABL.
- Creating a synergy within the bank to pro-actively cross-sell to professionals, managers and executives (residents, non-residents & expatriates) within ABL existing customer base.

OUR CORE PILLARS

Maintain regular presence in the media via recurrent market updates (local and international) and new investment products & solutions.

Offer financial support to local entrepreneurs and family businesses for their cash flow requirements and payment of their imports.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS SEGMENTS REVIEW (Cont'd)

CONSUMER BANKING (Cont'd)

Our Strategy and Proposition

For the new financial year 2021-2022, and taking into consideration the persisting effects of the global pandemic, the strategy will 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.

OUR CORE PILLARS

Increase our Private Wealth capabilities so as to continuously come up with innovative investment solutions through agreements with reputed brokers, fund managers or private equity funds operating in developed markets worldwide.

The Challenges and the Future

Depending on the opening of borders around the world, Mauritius is targeting 650k tourists in the next 12 months, opportunities should arise within the hotel industry, the SMEs, family-owned businesses, and other sectors. This should also create a new perspective for wealth creation, which is expected to positively impact credit risk and redeployment of excess liquidity. This will also create a new perspective for wealth creation, which is expected to positively impact credit risk and redeployment of excess liquidity.

The sales teams will be pro-actively looking at all opportunities where ABL will play an important part in contributing to both personal and corporate growth. ABL must be ready to be among the first banks to capture these opportunities through increased presence in the market and building a further relationship with the clients. Lastly, giving access to our banking products & services through a digital platform will contribute to ABL's competitiveness. All these initiatives will help us achieve our growth targets for 2021-2022.

INTERNATIONAL WEALTH MANAGEMENT (SUBSET OF CONSUMER BANKING)

Major Business Segment's Achievements

From July 2020 to June 2021 the Asset under Mandates ("AUM") increased by more than USD 30M. Average annual fees taken by the Wealth Management Department per mandate is above 0.6% (over and above transaction fees, custody fees and fund retrocession fees). Additionally, Investment solutions have generated circa USD 300,000 of arrangement fees for the year (average ROA of 2.8% per year). At current pace the department generates USD 45,000 on a monthly basis or USD 540,000 per year (MUR 21M+).

Our Strategy and Proposition

For the new financial year 2021-2022, we target to:

- Reinforce the Investment department to better serve targeted clientele → **Better salesforce**
- Increase the LTV for Lombard financing for clients under all-in mandate → **Grow the asset book**
- Create a Wealth Management interface available on Internet Banking and mobile app to share department's investment themes and available investment solutions for clients to transact online worldwide → **24/7 sales**
- Collaborate with Structuring department to offer a wider range of investment products to HNWIs → **Increase our cross-selling capabilities and accordingly improve bank's profitability**
- Set up jointly with Global Business, on a profit sharing basis, a dedicated offer to small FAs and IFAs (Africa and France) that would cover custody, transaction, research, portfolio mandate and investment solution (structured products) → **Additional Business Line**

OUR CORE PILLARS

Maintain regular presence in the media via recurrent market updates (local and international) and new investment products & solutions.

Maintain a high level of competence on the portfolio management side to retain existing portfolios and improve salesforce capabilities.

Participate to more roadshows, professional events in Mauritius and in core countries of target.

The Challenges and the Future

Low interest rate environment is an opportunity for the Wealth Management department as we offer potential higher return that could attract HNWI and some mass affluent clients. In addition, we can offer to local client's ability to diversify away from a Mauritian rupee portfolio.

Interest rates are likely to steepen in the near future following FED decision to taper later this year. At this stage the increase should not be an issue as yields are expected to remain low. However, we need to ensure that we are offering investment solutions in line with the business and economic cycle to waive any downside risks on the equity market. US growth has likely peaked and Europe should be next on track.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS SEGMENTS REVIEW (Cont'd)

CORPORATE BANKING

Major Business Segment's Achievements

This has been a year unlike any other, a year with unique challenges in both our professional and personal lives. The start of the financial year took place in the shadow of the coronavirus pandemic, and we are grateful for how the team responded and adapted to this unprecedented situation. We went through the deepest recession in post war history and the Mauritian economy was not spared. It is expected to have shrunk by 15% in the last year.

With Mauritius being cited as an example in the fight against COVID-19 after the first wave in March 2020, the second wave, a year later, has driven a sizable local outbreak. However, reopening of borders in a phased approach, was welcomed by the hospitality industry after a successful acceleration of the country's vaccination programme. At AfrAsia Bank, we persevered in our dedication to serve our clients, not limited to the Tourism industry, who turned to us in need. We offered deferred payments and other forbearance options.

The outcome of our actions, amidst these extraordinary circumstances, was demonstrated in the 2020 Customer Survey results by IBL. We distinguished ourselves by achieving a higher customer satisfaction index showing that we never lost sight of our purpose: Client service excellence.

Given the challenging environment and more cautious risk management, the balance sheet size was forecast to reduce. Thus, although average loans stood at approximately MUR 19bn, down 21%, and with correspondingly lower revenues, the impact was broadly aligned with expectations for the year.

OUR CORE PILLARS

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.

Our Strategy and Proposition

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. 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 Challenges and the Future

As we stand today in July 2021, evidence suggests progress has been made globally to address the impact of COVID and steer life back towards some level of normalcy. Whilst global economic recovery continues there remains a widening gap between advanced economies and many emerging market economies.

Closer to home, Mauritius is aiming to welcome 650,000 visitors in the next 12 months, although the tourism industry will have to wait a little longer to fully bounce back. Even more encouraging is the high possibility of Mauritius being delisted from the FATF grey list later on this year, benefiting the global business sector and the country at large from a reputational perspective. We are thus moving in the right direction. However, a truer picture will only be revealed once government-backed support mechanisms are also withdrawn.

Certainly, momentum on the international credit markets has gathered pace and, potential for growth in the domestic market is expected to follow. This year we see market opportunities arising from sustainable finance products, which is becoming increasingly important for many of our clients across all businesses locally. AfrAsia Bank showed its firm commitment to a green agenda as it was awarded a line of funding in August 2020 under the SUNREF programme launched by France through the AFD in Mauritius.

In an era of ultra-low interest rates for the foreseeable future, interest margins will continue to be squeezed. Focus will be on growing our balance sheet, capturing a higher wallet share across our client base and diversifying our products and services to build more durable sources of revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS SEGMENTS REVIEW (Cont'd)

SOUTH AFRICAN REPRESENTATIVE OFFICE ("SAREPO")

Major Business Segment's Achievements

Corporate Banking - A number of opportunities originated but hampered by tight credit conditions in the prevailing COVID climate.

Global & Private Banking: Continued solid growth in fixed deposits, transactional banking, foreign exchange and global custody.

FI: Good growth in our loan book in the past year.

General: SAREPO successfully hosted webinars on the Mauritius IFC to potential clients.

Our Strategy and Proposition

Corporate Banking: A uniquely Mauritian corporate bank offering competitively priced hard currency loans to SA corporate borrowers.

Global & Private Banking: Reviewing existing client portfolio & identifying cross-selling, opportunities, growing customer base through referrals, stream-lining through de-risking. We are still seeing private clients on a one-on-one basis and the uncertainty of the world global economy has created a growth opportunity in the private banking sector.

FI: A Mauritian bank that is competitive in the South African Financial Institution markets landscape.

The Challenges and the Future

Corporate Banking: To pursue selective opportunities, particularly in health and pharmaceuticals sector, in an environment impacted by the economic fallout from the COVID pandemic. Capitalize on SA corporates anticipated growing appetite for international exposure following recent events which have elevated domestic SA risk.

Global & Private Banking:

- Target New Startups & Wealth creators – New and upcoming UHNWI & HNWI considering cross border expansion/ business diversification;
- Build on existing customers and referral base - Referrals from existing networks; advantage of current relationships and connections (e.g. IMC'S, Introducers, direct client relations etc.); and
- Target Regional Africa based customers and Expatriates seeking to diversify wealth due to regional country risks.

FI - Increasing product cross sell using the FSCA license.

OUR CORE PILLARS

Corporate Banking: Pursue collaborative lending opportunities with local & international banks.

Global & Private Banking: nurturing existing client relationships and identifying cross-selling opportunities.

FI: Pursue good credits & robust institutions.

Corporate Banking: Capitalise on SA corporates seeking offshore exposure in light of SA sovereign risk.

Global & Private Banking: continue marketing initiatives such as the webinars platform.

FI: Africa is becoming core with additional business across the continent.

Corporate Banking: Seek and increase exposure to health & pharmaceutical sector clients in the Covid environment.

Global & Private Banking: seek inter-departmental cross-selling opportunities.

FI: Cross selling treasury products (such as FX lines, money market, etc.) to other areas.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS SEGMENTS REVIEW (Cont'd)

TREASURY & MARKETS

Major Business Segment's Achievements

Treasury & Markets' gross operating income remained on target, spearheaded mostly by Trading Income and Net Interest Income and growth on the Custody & Securities Services side. Trading Income remained robust at MUR 945m, with a resilient performance on the FX side of the business despite challenging market environment. The Money Markets/ Fixed Income side of the business was nevertheless impacted by the sharp decrease in interest rates and a lack of secondary market activity. Given a sharp decrease in market interest rates, Net Interest Income from Treasury activities was impacted by lower yields, as has been the case globally. The Balance Sheet nevertheless remains well positioned for any potential uptick in yields on the back of the global economic recovery in the medium term.

The Custody and Securities Services side of the business grew 14% on the back further growth in Assets under Custody ("AUC") and increased trade activity from this segment. The business remains poised to show further growth with the imminent rollout of the Bank's new Custody Solution Software.

Our Strategy and Proposition

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 & 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

TREASURY & MARKETS

Treasury | Financial Institutions | Dept Capital Markets | Custody

"We aspire to be the Trend Setters on the Island"

The four key pillars within the Treasury & Markets cluster are Treasury, Financial Institutions, Custody & 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 & Markets' prerogative is to provide clients with tailored solutions by reinforcing AfrAsia Bank Limited's position as the market makers for foreign exchange, interest rate, debt, and other structured derivatives. AfrAsia Bank Limited 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.

Its local expertise, global access and balance sheet scale allow 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 & Markets is committed to satisfy its clients' commercial and investment needs.

OUR CORE PILLARS

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 the 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.

The tough economic environment has forced the business to ringfence its core activities and protect stakeholder value across its value chain.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS SEGMENTS REVIEW (Cont'd)

TREASURY & MARKETS (Cont'd)

The Challenges and the Future

The future remains riddled with uncertainty due to the Global Pandemic and the COVID induced recession. There is still significant turmoil in global markets whereby we are still expected to see increased volatility in financial markets for the foreseeable future. The severe contraction of the local economy, especially on the back of the 2nd national lockdown has presented additional challenges for the banking sector. We nevertheless remain optimistic as to the economic recovery on the back of most economies reopening.

Given the current landscape, our focus shall be on shoring up risk taking by adopting a Risk Robust approach to Treasury & Markets activities. We nevertheless remain ready to support our stakeholders and will keep abreast of market developments, so as to identify the right opportunities.

EKADA CAPITAL (PREVIOUSLY KNOWN AS AFRASIA CAPITAL MANAGEMENT ("ACM"))

ACM has separated from AfrAsia Bank in February 2021 in response to the regulation requirements from the BOM and the will of its shareholders to restructure its activities. This has been gradually conducted over the past 18 months with the helping hand and support of the AfrAsian Community.

AfrAsia Capital Management Ltd is now known as Ekada Capital Ltd (EKADA Capital). This rebranding stems from its shareholders' ambition to position EKADA Capital as one of the leading independent Wealth Manager in the region.

EKADA Capital's DNA is reflected in its logo, vision, mission and core values, all deeply rooted in its very name, which derives from Sanskrit's ekhada, meaning "together".

While EKADA Capital now operates as an independent body, it remains a business partner of AfrAsia Bank as it continues to promote the Bank as a privileged custodian and bank partner in Mauritius.

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC OUTLOOK

The global economy contracted by 3.5% in 2020 according to the International Monetary Fund ("IMF"), a 7 p.p loss relative to the 3.4% growth forecasted back in October 2019. The lockdowns and distancing restrictions imposed by major authorities across the world to contain the pandemic caused manufacturing activities to halt resulting in a global supply shortage. Meanwhile with mobility restrained, workers were put out of jobs or their salaries were cut causing changes in consumption patterns. Demand from contact-intensive services shifted to goods.

The pandemic triggered an unprecedented response from governments as the fiscal support reached nearly $16 trillion (around 15% of global GDP) in 2020. Various relief packages were provided from loan guarantees to businesses in Europe to individual stimulus checks in the United States while interest rates were cut to levels similar to the financial crisis in 2008 in order to maintain the economies. The increase of the fiscal deficit in advance economies doubled that of emerging and middle-income countries on the back of the contraction in output and fiscal revenues.

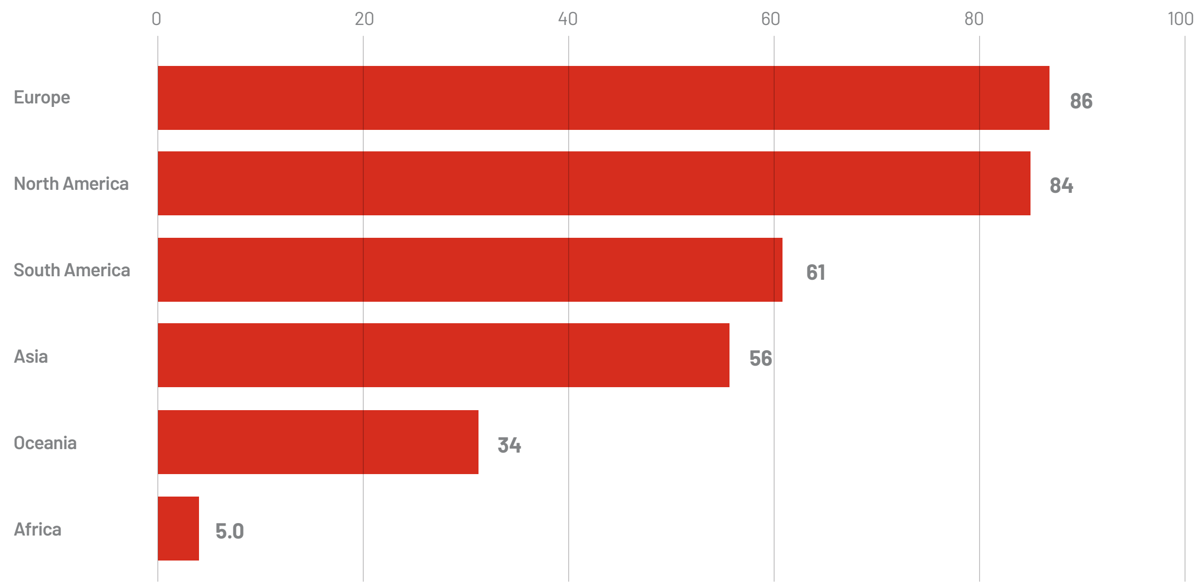
2021, Obstacles along the path to recovery

As the pace of vaccinations accelerated, though uneven globally, the share of people working has been rising. Activity in different sectors has picked up and adapted to pandemic restrictions over recent months. Global growth is expected to accelerate to 5.6% in 2021, following the reopening of major economies such as the United States and China. Central banks have maintained their accommodative stances to support the global recovery as the U.S. Federal Reserve entertained high inflation readings until employment is normalised, the European Central Bank readjusted its inflation target to 2%, allowing for consumer prices to rise when necessary, while the People's Bank of China has implemented timely cuts in the bank reserve requirement ratio ("RRR") to support the real economy, particularly small firms.

Still, two factors are still unnerving markets; the rise of the delta variant dampening economic outlook and global inflation, which has increased along with the economic recovery.

Vaccination rates by continent

Doses administered per 100 people

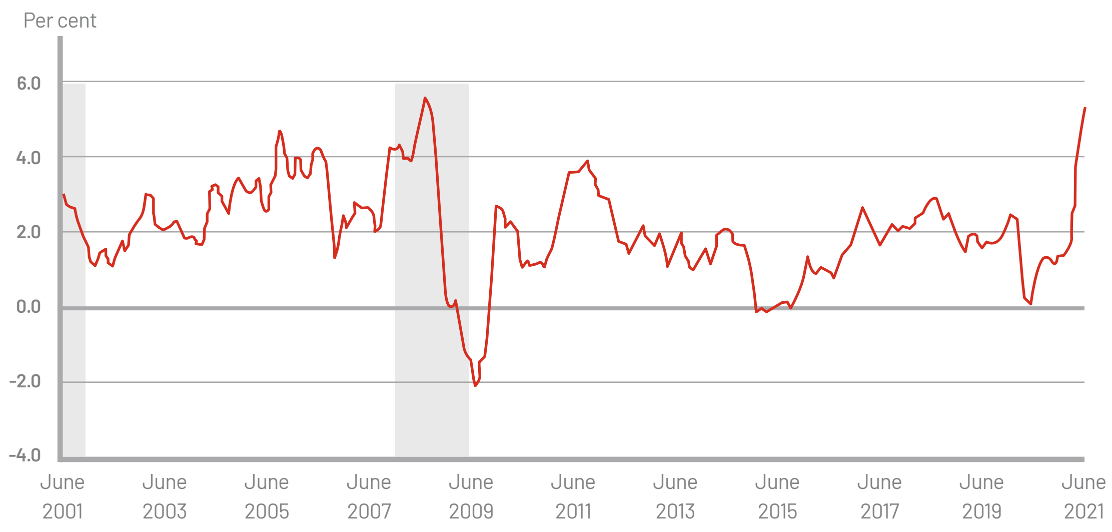


More than 4.1 billion doses have been administered across 180 countries, according to data collected by Bloomberg - enough to fully vaccinate 26.7% of the global population. However, countries and regions with the highest incomes are getting vaccinated more than 30 times faster than those with the lowest.

On top of ramifications such as the semiconductor and other components shortages, the delta variant is adding concerns to labour constraints. Schools reopening are being delayed and the forecasts of rapid employment growth in the second half of 2021 hinge on many more parents, particularly women, returning to work as child-care concerns ease. Furthermore, the spread of the variant in Asia is accentuating problems in the global supply chain while factories are faced with high raw materials prices. Higher inflation is thus persisting in the short term and economies will only recover from these transitory spikes in 2022. Businesses are still benefitting as many consumers are using savings built up over the past year to spend on goods and services, especially travel, leisure and other experiences curtailed during the pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC OUTLOOK (Cont'd)



U.S. CPI (all items) over the last 20 years

Financial Markets

In the early stages of the recovery, the best performing asset classes were small cap and non-US equities, commodities and the value factor. China and the US have returned to pre-pandemic levels and have experienced exceptional growth since the third quarter of 2020. Since the beginning of the year, China's growth has been disappointing and political tensions, particularly over China's large technology companies, have worried investors who have withdrawn their investments. The US also reported disappointing growth in the second quarter, at 6.5% as compared to consensus expectations of 8.5%. The peak of growth in the US can be expected to be behind us, despite very strong corporate results in the second quarter, which surpassed estimates in almost 90% of cases. However, the forward guidance has been mixed, with some Mega-cap companies worrying about the third quarter and beyond. This slowdown in growth should also reduce inflationary pressure driven by commodities base effect and improved consumption. Cyclical sectors such as financials, industrials, materials and energy have proven to perform well in a high inflation environment.

All this will help the FED to reduce its USD 120 billion bond purchase program at a manageable pace, although the start of tapering is now scheduled to be between September and December. The FED will have almost 15 months prior to increase interest rates if needed in 2023. The digitization, lowering demography growth and aging of the population is deflationary by essence therefore the question is how long could the "high" inflation last. Moreover, the FED has relaxed its target in July 2020 regarding inflation rate to ensure that an inflation above 2% is not short-term problem. Bond traders are therefore already pricing this medium-term low inflation environment pushing the 10-year rate range bound between 1.2-1.5% versus inflation expected in 2021 above 3.4%.

In contrast, Europe, which lagged behind the other two giant economies last year, and even went back into recession in first quarter 2021, is now well positioned and showing an increasing growth rate while experiencing relatively low inflation, just above 2%. The ECB has also eased its inflation target to avoid reducing its bond purchase program too early. The current PEPP (bond purchase program) is due to end in March 2022 but could be replaced by another accommodative program depending on the recovery of underperforming European countries (such as Italy).

To summarize, we continue to favor European and US equities although we may see a short-term spike in volatility depending on the timing of the Fed's cuts. We remain concern about political tensions in China although China is looking for foreign investors to extend its growth. Until we have a clearer view on the FED's tapering, we would remain away from bonds except TIPS (inflation linked bonds). Considering that at current level the S&P 500 index is priced 21x 2022 earnings, it is also advisable to opt for products with capital protection and an attractive half-cycle return.

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC OUTLOOK (Cont'd)

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MANAGEMENT DISCUSSION AND ANALYSIS

THE MAURITIAN ECONOMY

The Mauritian economy has been severely affected by the pandemic and the government is trying its level best to manage the number of new cases and deaths and to mitigate the economic impact of the crisis. With the closure of the borders, the tourism sector, which normally contributes around 24% of GDP and 22% of employment, was the most affected, real GDP contracted by 15% in 2020, and the current account deficit widened (-10.1% of GDP in 2020 against -5.7% of GDP in 2019 source: trading economics). This has had a knock-on effect on the economy as a whole.

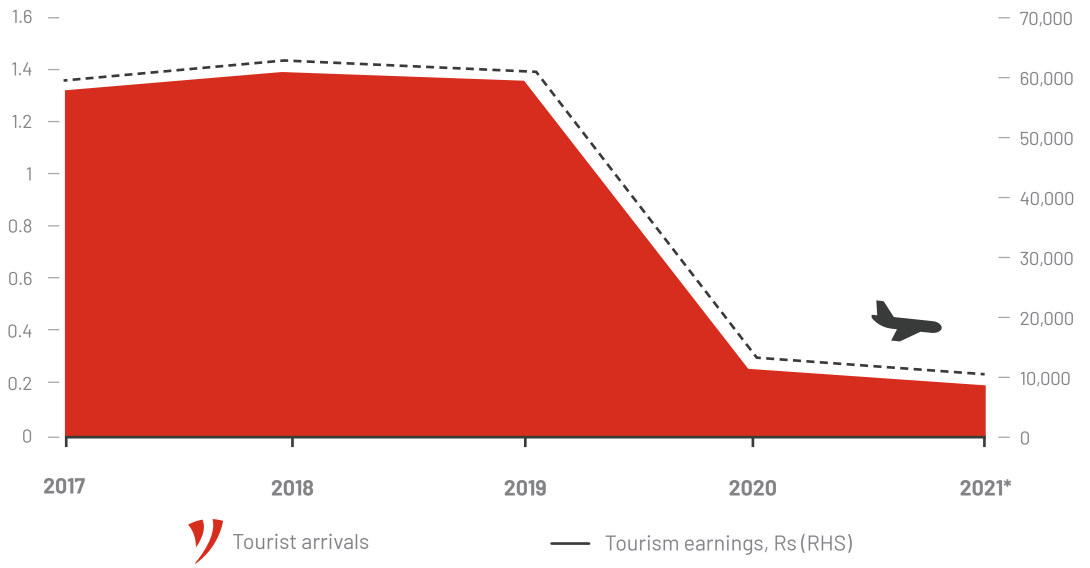
The pandemic led to a contraction in economic activity across the board

Contibution to Real GDP Growth : Supply Side
(in percent of GDP)

Source: IMF country Report No.21/139

With tourism coming to a standstill in 2020Q2, the tourism receipts collapsed

Tourism Arrivals and receipts
(millions)



MANAGEMENT DISCUSSION AND ANALYSIS

THE MAURITIAN ECONOMY (Cont'd)

The budget deficit has also widened due to lower revenues and increased spending to meet various necessities. Inflation remains low, with headline inflation at 1.9% in April 2021. At the same time, the current account deficit has widened to MUR 17.2Bn at the 1st Quarter of 2021 due to lower exports and tourism receipts.

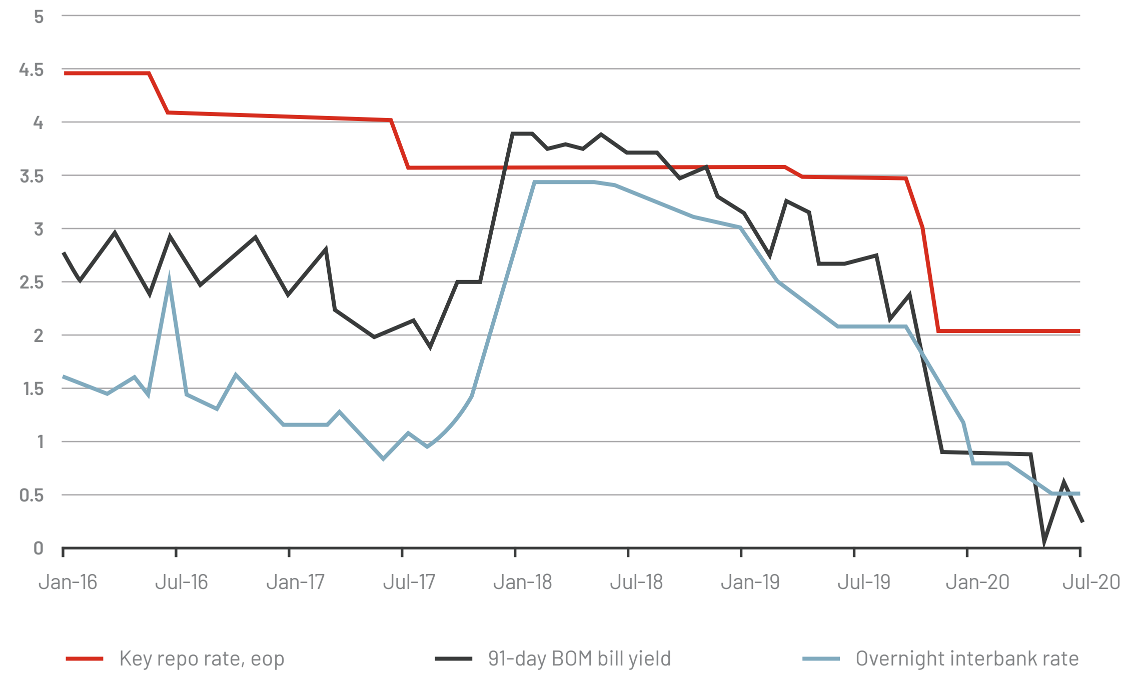
The vaccination programme started in February 2021 and the government expects at least 60% of the population to be vaccinated by October 2021. The Mauritian borders have been partially opened and the full reopening is planned for October.

Furthermore, Mauritius has been placed on the Financial Action Task Force (FATF) in February 2020 due to strategic deficiencies identified by the FATF in its AML/CFT system. In order to graduate from this list, Mauritius was asked by the FATF to implement an action plan, which included, among other things, the implementation of risk-based supervision of the international business sector and designated non-financial businesses and professions (DNFBPs), timely access to basic and beneficial owner information by competent authorities, training of law enforcement agencies to conduct parallel financial investigations, monitoring of the NPO sector and proper implementation of targeted financial sanctions through awareness raising and surveillance.

At its June 2021 Plenary meeting, the FATF decided that Mauritius warranted an on-site visit following the satisfaction expressed by the FATF Executive that all criticisms of the Mauritian financial services sector for deficiencies in its fight against money laundering and terrorist financing have been addressed. The organisation will use its report to initiate the process of formally removing Mauritius from the list. If this is the case, Mauritius could then be considered for removal from the EU's blacklist.

KEY repo rate, yields and FX

Announced Key Repo Rate, Overnight Interbank Rate, 91-Day BOM Bill Yield
(in Percent)



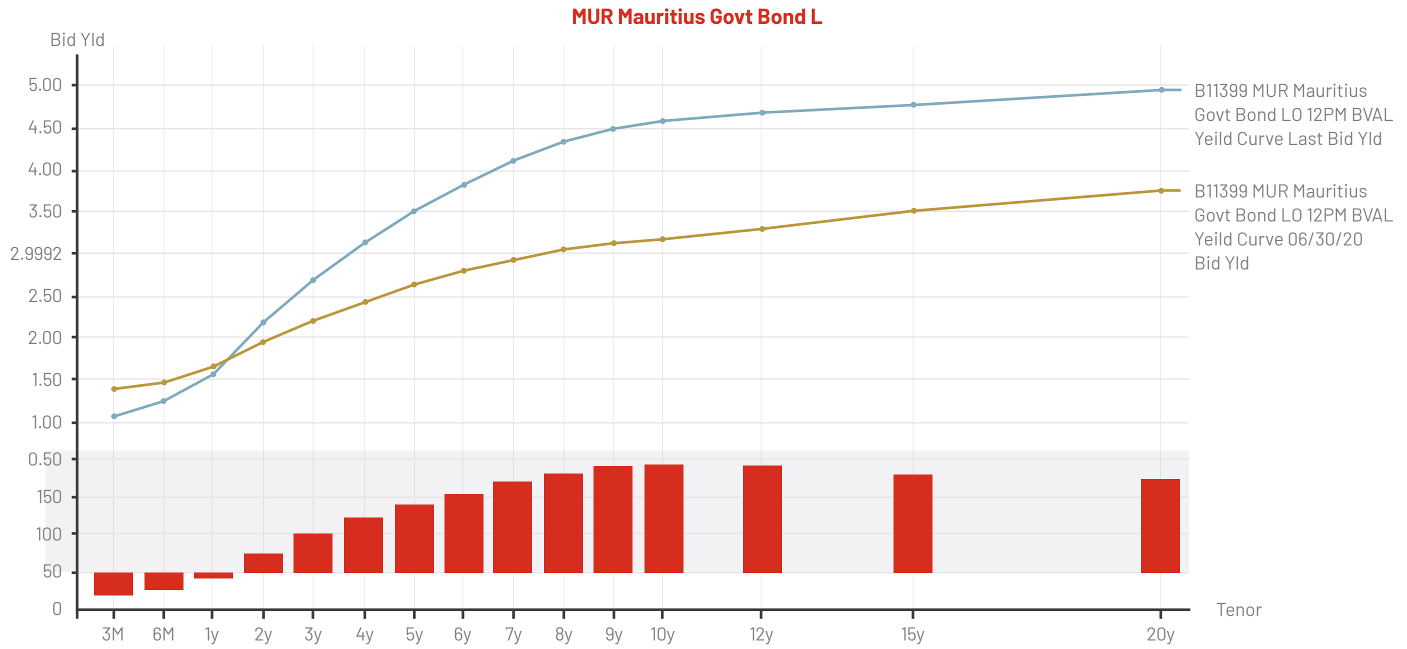
Source: IMF country Report No.21/139

MANAGEMENT DISCUSSION AND ANALYSIS

THE MAURITIAN ECONOMY (Cont'd)

KEY repo rate, yields and FX (Cont'd)

The Key Repo Rate ("KRR") has been kept unchanged during the financial year 2020 while the overnight money market interest rate declined to almost 0% all thanks to excess liquidity in the Banking system which stood at MUR 24Bn as at July 2021. Government bonds yields on the other hand rose due unusual longer terms out of calendar issuances.



IMF expectations

The IMF anticipates a recovery of the Mauritian economy in 2021, with growth expected to be around 5% in 2021 and 6.7% in 2022. Tourism flows, which are of the utmost importance, are expected to rebound in the second half of the year, as well as exports, in line with global demand. Unemployment is likely to remain high, at 9.2% in 2021 and 2022, due to the reduction in wage support schemes. Inflation is expected to rise modestly by the end of 2021 to 2.9% in 2022, driven by the recovery in aggregate demand.

Medium term growth is projected to converge to pre-pandemic rates of 3-3.5%. Mauritius' economic outlook is subject to downside risks as the country emerges from the pandemic. Tourism flows are uncertain, and a prolonged pandemic could require costly containment efforts and prompt behavioral changes hurting tourism. The IMF believes that both the fiscal and monetary stance should remain accommodative in the near term. However, given the rising debt level, the authorities should prepare for credible medium-term consolidation and rebuilding fiscal buffers, including through an appropriate fiscal rule. Once the country has exited the crisis, revenue will need to be increased and spending reduced to put debt on a declining path, while avoiding undue social costs (IMF country report).

In the wake of the crisis the local authorities took several measures to limit damage. These included:

- As from the month of March 2020, the grant of a wage assistance scheme was launched to contain unemployment and hence social distress. All companies in Mauritius could apply for Wage Assistance subsidy to alleviate the employee cost for the month of March ranging from 15 days' basic wage bill to MUR 12,500 per employee;
- Income support for the self-employed, have provided support to firms and households;
- Workers from the informal sector, i.e. self-employed not registered with the revenue authority will get 50% of the prevailing minimum wage if they register with the revenue authority during the COVID-19 lockdown;
- Priority sectors for assistance are travel and tourism sector, export-oriented enterprises, ICT/BPO sector, SMEs and other sectors of the economy, who become technically unemployed on a temporary basis due to the impact of the Coronavirus;
- The Central Bank has allowed households impacted by COVID-19 a moratorium of six (6) months on capital repayments on their existing household loans as from the 1st of April 2020. Low income groups will see the Bank of Mauritius bear the interest payable on outstanding household credits with commercial banks up to June 2020;
- The BOM has initiated a USD/MUR swap arrangement with commercial banks for an initial mount of USD100 million to enable commercial banks to support import-oriented businesses, except for the State Trading Corporation which will be dealing directly with the Bank of Mauritius for its foreign currency requirements until further notice;
- Tourism sector: MUR 420M has been allocated to the Mauritius Tourism Promotion Authority (MTPA) for the promotion and destination marketing in France, Reunion, UK, Germany, Italy, South Africa and China;
- The Economic Development Board ("EDB") will set up a special desk aiming to attract at least 50,000 foreign retirees in Mauritius during the next financial year, through a targeted marketing campaign in collaboration with MTPA; and
- Creation of the Mauritius Investment Corporation Ltd.

MANAGEMENT DISCUSSION AND ANALYSIS

THE MAURITIAN ECONOMY (Cont'd)

The MIC

Following the crisis, The Bank of Mauritius created the Mauritius Investment Corporation Ltd in June 2020. The establishment of the MIC is fully in line with the Bank of Mauritius's mandate which is to ensure an orderly and balanced economic development of the country as well as safeguard the stability of the financial system. Its aim is to deliver sustainable value over the long term.

The Investment philosophy of the MIC includes:

- Financial assistance to companies affected by COVID-19 pandemic.
- Investment of assets under its management to support higher long-term growth and secure basic necessities.
- Support for the economic development of Mauritius.
- Securing and enhancing financial wealth for current and future Mauritius generations
- Financing of green and blue projects that would encourage sustainable development.

As of 30 June 2021, The Mauritius Investment Corporation Ltd has disbursed a total of MUR 9.141Bn, which 53.4% being to the Accommodation & Food Service Activities followed by 35.3% to the Agriculture, Forestry and Fishing, 6.8% to Manufacturing, 0.5% to Arts, Entertainment and Recreation and 0.7% to Real Estate *(Source: The Mauritius Investment Corporation Ltd website).*

The 2021 Budget in brief

The Finance Minister presented a socially oriented 2021/2022 budget with ambitions for a MUR 65Bn stimulus package over 3 years, including structural renovations and improvements as well as tax incentives for key future sectors such as bio-medicine and upgrades for the sugar industry. The country is also committed to sustainable development, aiming for self-sufficiency in coal by 2030, and encouraging local businesses to consume locally produced goods and services.

In addition, the plan to reopen the borders from October 1st should offer a significant economic rebound, expected to reach 9% growth over the fiscal year, and allowing the debt ratio to return to 91% compared to 95% today. In addition to opening up to foreigners by introducing new permits, notably the 'premium investor' and lowering the threshold for access to property, the Finance Minister has indicated his commitment to respecting international ethical standards, enabling us to get off the blacklist as quickly as possible. The emphasis on education and skills is welcome as we reinvent ourselves beyond the pandemic. The successful implementation of these proposals is now key to the recovery of a resilient economy.

MANAGEMENT DISCUSSION AND ANALYSIS

CHIEF FINANCIAL OFFICER STATEMENT

This financial year's performance was impacted by the weight of COVID-19 that bore down upon us. It was a challenging year as we navigated through this pandemic underpinned by uncertainty and challenges that it imposes on everyone. However, we are proud to witness the resilience, talent and innovation attributes of our community. The Bank's fast-tracked digital initiatives aided to promulgate technological end-to-end solutions for our customers to transact and operate from anywhere. Our team created an optimal support system to help satisfy the requisites of our customer demands which attested for quality clientele relations, an agile management and nimble execution.

Despite the headwinds during FY2021 as we operated in an environment affected by pressures on interest rates to boost economies, the Bank's net interest spread was more than halved down. Our net interest income was nearly reduced in half with a year-on-year ("y-o-y") drop of 47% with the impact spreading through customers, banks and securities. We observed downgraded yield levels across our books as a direct consequence dropping Fed rates, KRR and LIBOR rates. Given that the interest rate cuts were made in March 2020, it is only in this financial year around Q2 and Q3 that the net interest margin took full bearing of those drops – the aggregate effects being the drastic reduction of our prime lending rates, deposit grids and savings rate.

> The Bank sustained through strong waves of interest rate cut all across the world. It was a unified effort that drove the Bank to travel through these testing times with 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.

On the non-interest income side, more specifically net fee and commission income, we observed a growth of MUR 72.5m, that is, 15% contributing towards the Bank's total operating income at the back of higher transactional volumes on the commission earnings end plus higher custody fees based on the growth in AUC. However, these effects were offset by net lower card fees income. On the trading income side, amidst the interest rate headwinds and drop in the level of secondary market activity, a 27% dive was noted. A 75% fall was noted for net gain on debt instruments measured at fair value through profit or loss with losses made on foreign exchange derivatives supported by a 36% increase in gain on foreign exchange.

The Bank recorded a 45% drop in our impairment losses on financial assets based on the assessment of our book with 85% of our impairment charges derived from loans and advances to customers with a drop of 57% y-o-y. The Bank's bad debts recoveries were lower compared to last year at MUR 32.0m.

In line with the uncertainty in all economies and as required under IFRS 9, the Bank factored in additional post model adjustments on COVID-19 impacted exposures and restructured facilities. The Bank also took account of COVID-19 Support Programme mandated by the Bank of Mauritius which was extended to 30 June 2022 on 10 June 2021 in the post model adjustments. While we increased our provision level on Stage 1 and 2, it is the drop in Stage 3 that drove the fall in impairment levels for this financial year at the back of strong Stage 3 impact that were recorded in the prior year.

Expenses were 8% lower at MUR 100.0m as we incurred lower advertising and marketing expenses, travelling expenses and general expenses in line with dampened economic activity. Staff costs slightly different with an increase in base salaries due to higher headcount but offset by lower bonus accruals. The early down payment we made in digital transformation positioned us well to ride these challenging times, and on an IT front, we maintained our investment level more or less equal to last year. But in finding the right equilibrium between our income and expenses, the cost-to-income ratio deteriorated by eleven percentage point to 42%.

Despite the significant economic impact of the pandemic, we noted strong business momentum, the strength of our deposit franchise created a growth of 19% to MUR 179.2bn in our deposit base with more prolific CASA inflows which featured a 32% growth y-o-y which mitigated the expected consequences from the pandemic and EU blacklisting. From an asset standpoint, the 18% growth in total assets was channelled mostly in cash and cash equivalents and due from banks which registered a 44% hike y-o-y more precisely in placements and nostros which is in line with the Bank's risk appetite. On the loans side, in line with our conservative lending approach, a 10% dip was noted, with the non-performing assets ("NPA") climbing with one percentage point to 9% with a coverage ratio of 79%. For investment securities, we noted a drop of 7% to MUR 45.4bn driven by lower investment (14%) in debt instruments measured at amortised cost for the year under review.

From a taxation perspective, effective tax rate increased from 13.1% in 2020 to 14.5% for the year under review as a result of higher contribution in CSR and relative proportion of Special levy.

Our capital ratios remain strong as the Bank remained well capitalized with a capital base of MUR 9.1bn, split between Common Equity Tier 1 capital of MUR 7.2bn and Tier 1 of MUR 8.5bn. The Bank's Capital Adequacy Ratio stood at 16.18% against the regulatory threshold of 12.88% as at 30 June 2021. 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.

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 blended with the meticulous application of the pronounced budgetary measures to benefit from the expected multiple expansions. Low interest rates factor poses a protracted challenge as they are not expected to be resolved in the foreseeable future. But confidence remains, that we shall sail these times marked by uncertainty with nimbleness in our execution and balance sheet management to capture any potential upturn in economic activity while operating within our permissible risk framework, as we remain shielded by our strong fundamentals. With every crisis come silver linings as we will focalize our energies in finding avenues of growth for long-haul value creation for all our stakeholders.

JENNIFER JEAN-LOUIS
Chief Financial Officer

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE HIGHLIGHTS

	THE GROUP			THE BANK		
	30 JUNE 2019	30 JUNE 2020	30 JUNE 2021	30 JUNE 2019	30 JUNE 2020	30 JUNE 2021
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (MUR'M)						
Net interest income, calculated using EIR method	2,311	2,028	1,071	2,311	2,028	1,072
Non-interest income	1,368	1,781	1,512	1,382	1,787	1,510
Total operating income	3,679	3,809	2,583	3,693	3,815	2,582
Total operating expenses	1,087	1,196	1,087	1,045	1,193	1,093
Profit after tax after OCI	1,627	1,528	929	1,579	1,502	916
STATEMENT OF FINANCIAL POSITION (MUR'M)						
Total assets	141,361	160,477	190,083	139,873	160,473	190,083
Loans and advances to banks and customers	28,169	28,290	25,389	28,169	28,290	25,389
Deposits from banks and customers	131,033	150,922	179,197	131,208	150,947	179,211
Total equity (including Class A shares)	7,701	8,651	9,057	7,716	8,641	9,047
PERFORMANCE RATIOS (%)						
Return on average equity	26	21	12	25	21	11
Return on average assets	1.2	1.0	0.5	1.2	1.0	0.5
Loans-to-deposits ratio	21	19	14	21	19	14
Cost-to-income ratio	30	31	42	28	31	42
CAPITAL MANAGEMENT (%)						
Capital adequacy ratio	15.32	15.15	16.18	15.85	15.15	16.18

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE HIGHLIGHTS (Cont'd)

CURRENT YEAR PERFORMANCE AGAINST OBJECTIVES AND FUTURE GROWTH

	KEY PERFORMANCE INDICATORS	OUTCOME	TARGET FOR THE NEXT FINANCIAL YEAR
TOTAL OPERATING INCOME	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.	The Bank achieved a total operating income of MUR 2.6bn, that is, 6% above budget.	Recovering from the impact of COVID-19, the Bank is expected to achieve a circa 4% higher total operating income for FY22 vis-à-vis last year.
TOTAL OPERATING EXPENSES	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.	The Bank's total operating expenses was MUR 1.1bn, consistently investing in its human capital, information technology and infrastructure.	From a cost containment strategy for FY21, the Bank is now expected to invest in its human capital and IT infrastructure, thus an approximate increase of 18% in total operating expenses.
LOANS AND ADVANCES	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.	While the Bank remained conservative in its lending strategy, gross loans stood at MUR 28.1bn whilst our deposit base continued to grow quite consequentially. The loans-todeposits ratio stood at 14%.	A higher loans-to-deposits ratio of 18% is expected as a result of gross loans and advances with anticipated growth of around 14%.
DEPOSITS	Customer deposits are expected to reach MUR 153.2bn.	Our deposit base showed huge promise as it grew to MUR 179.2bn (19% y-o-y).	Customer deposits are predicted to show a contraction of about 9%.
ASSET QUALITY	Due to increased uncertainty regarding COVID-19 which has a direct impact on loan book, NPA ratio is expected to reach 11%.	The Bank's non-performing loans and advances as a percentage of gross loans stood at 9%.	NPA ratio as a percentage of gross loans is expected to be at 7% at end of FY22.
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 16.18% at the end of June 2021, 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.
RETURN ON AVERAGE EQUITY	Return on average equity is expected to be of 8% for FY21.	Return on average equity stood at 11%, 3% above the target.	Return on average equity is expected to be of 9% for FY22.
COST-TO-INCOME	The cost-to-income ratio is expected to be around 55% due to a contraction in the total operating income of the Bank.	As the Bank promoted finding the right equilibrium between income and expenses, the cost-to-income ratio stood at 42%, 13% below the target.	The cost-to-income ratio is expected to be around 50% due to a contraction in the total operating income of the Bank.

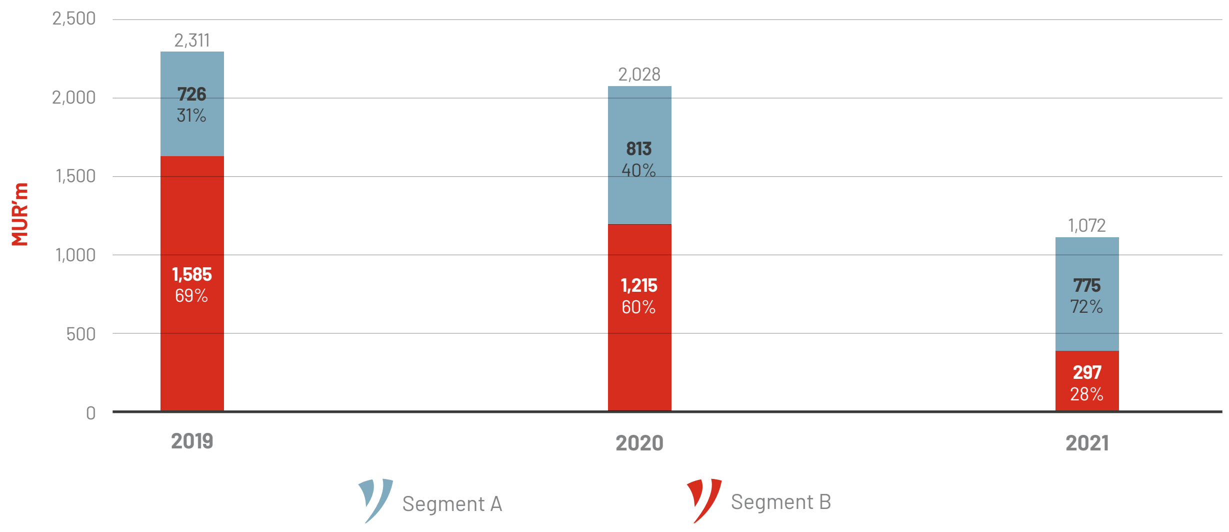
MANAGEMENT DISCUSSION AND ANALYSIS

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME REVIEW

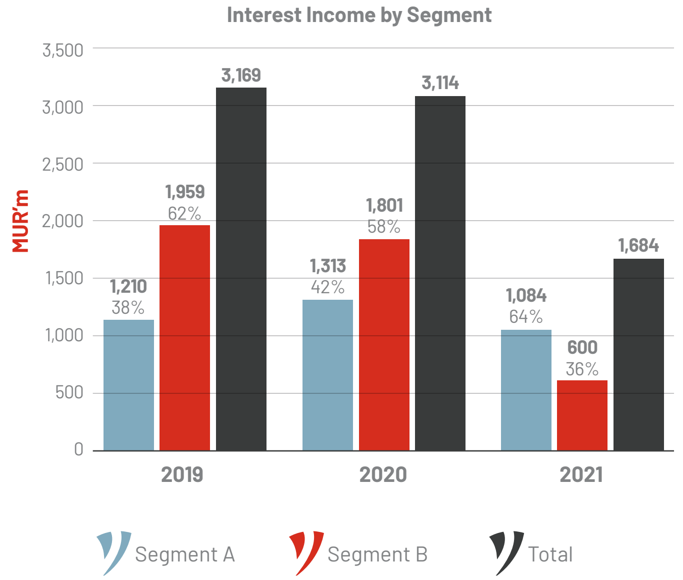
NET INTEREST INCOME

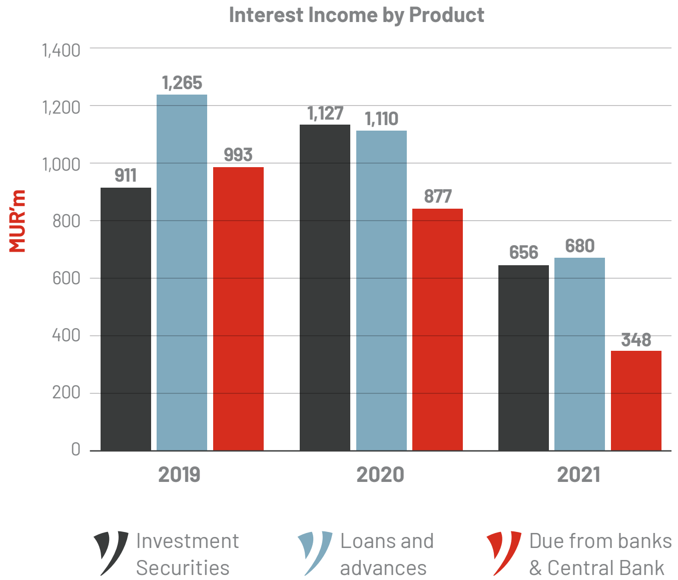
AfrAsia Bank reported a net interest income ("NII") of MUR 1.1bn, 47% lower than in the prior year. The obvious driver being the ongoing pandemic and its effects that created market volatility, rapid liquidity shifts, unexpected demand drops, erosion of market value on both local and global scale and lower spreads as central banks around the world cut interest rates. There was also an accurate contraction in economic growth in the wake of the pandemic and the Government's ample fiscal policies which deteriorated the country's fiscal metrics. These combined effects also overwhelm existing models for Expected Credit Losses ("ECL") as more resources are required to measure the variations in market conditions.

In terms of segmental split, a shift is noted year-on-year as we note a 72% contribution from Segment A as compared to a 40% contribution last year.



INTEREST INCOME





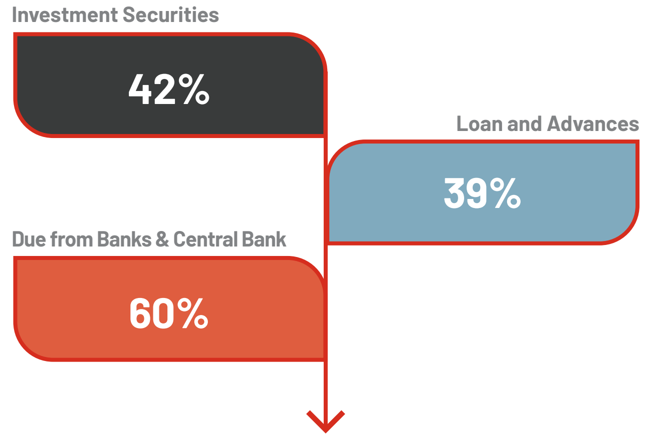
MANAGEMENT DISCUSSION AND ANALYSIS

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME REVIEW (Cont'd)

INTEREST INCOME (Cont'd)

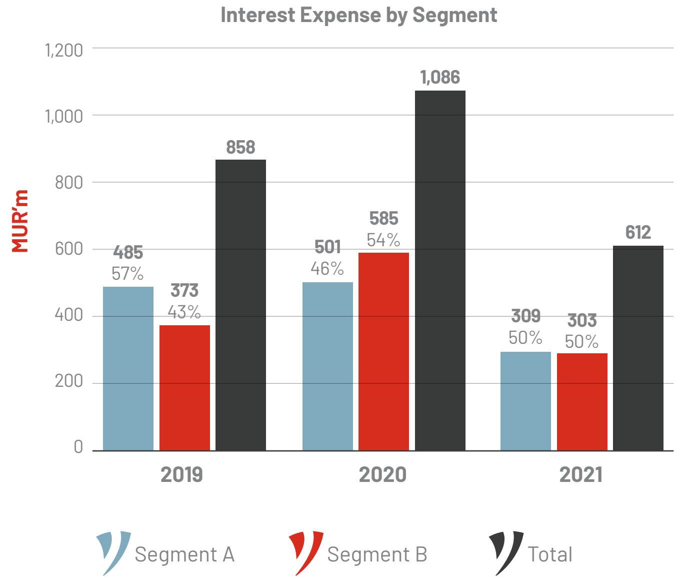
The shrinkage in interest income from MUR 3.1bn to MUR 1.7bn is predominantly due to our operations in the current low interest rate environment. The ramifications took a considerable toll on bank-wide interest-bearing assets. While reference rates such as the Fed Rate and KRR plummeted around March 2020 with the London Interbank Offered Rate ("LIBOR") obviously replicating this dive, interest income across all products were on a free fall. The full impact of the falling rates made itself felt in this financial year due to the inherent time lag in yield performances.

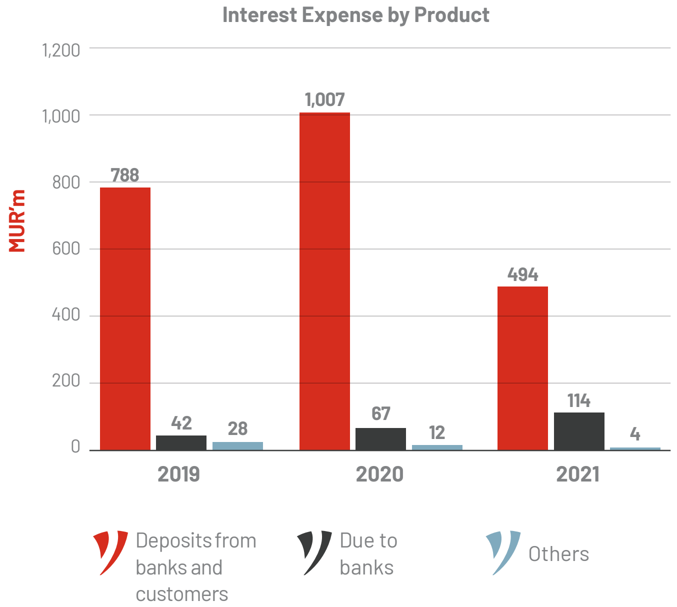
From a segmental perspective, a paradigm shift was noted as the split between Segment A at 64% (2020: 42%) and Segment B at 36% (2020: 58%) showed a dominance switch to Segment A as compared to the usual larger contribution from Segment B in line with previous years. This is mainly due to the fact that while returns on all products were on the down low, the return on assets from Government of Mauritius ("GOM") securities and collateralised placements with local banks sustained the bottom line and were more accretive to the return on assets ("ROA") as compared to Segment B endeavours. The ROAs by main products are as tabulated below:



%	MUR			FCY (Inclusive of USD)			FCY (USD only)		
	Customers	Banks	Securities	Customers	Banks	Securities	Customers	Banks	Securities
FY21	3.60%	3.11%	3.18%	2.33%	0.25%	0.56%	2.32%	0.50%	0.51%
FY20	4.85%	3.13%	3.71%	3.40%	1.27%	1.82%	3.57%	1.84%	1.85%

INTEREST EXPENSE





MANAGEMENT DISCUSSION AND ANALYSIS

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME REVIEW (Cont'd)

NET INTEREST INCOME (Cont'd)

A contraction of 44% was noted in interest expense for this reporting year down to MUR 0.6bn (2020: MUR 1.1bn). The key components remain interest expense on deposits from banks and customers with an occupation of 81% dropping by 51% year-on-year as a direct consequence of the ruling low interest environment and de facto less favourable revised deposit grids, followed by interest paid on nostro accounts occupying 19%, jumping 70% year-on-year based on current market conditions.

From a segmental perspective, we note a more or less equal weightage between the contributions from Segment A and Segment B. The cost of funds is as tabulated below:

%	MUR		FCY (Inclusive of USD)		FCY (USD only)	
	Customers	Banks	Customers	Banks	Customers	Banks
FY21	1.26%	0.45%	0.17%	0.70%	0.24%	-
FY20	2.15%	2.08%	0.48%	0.65%	0.63%	-

NON-INTEREST INCOME

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. When broken down, these figures can be summarized as follows:

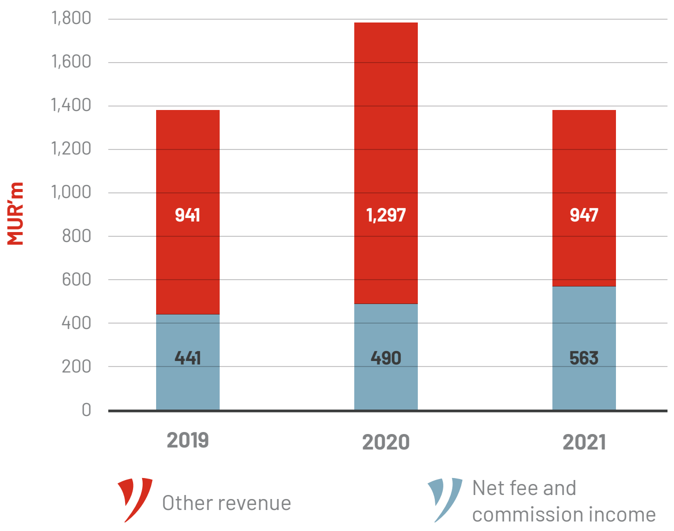
- Net fee and commission income amounting to MUR 0.6bn (2020: MUR 0.5bn); and
- Other revenue of MUR 0.9bn (2020: MUR 1.3bn).

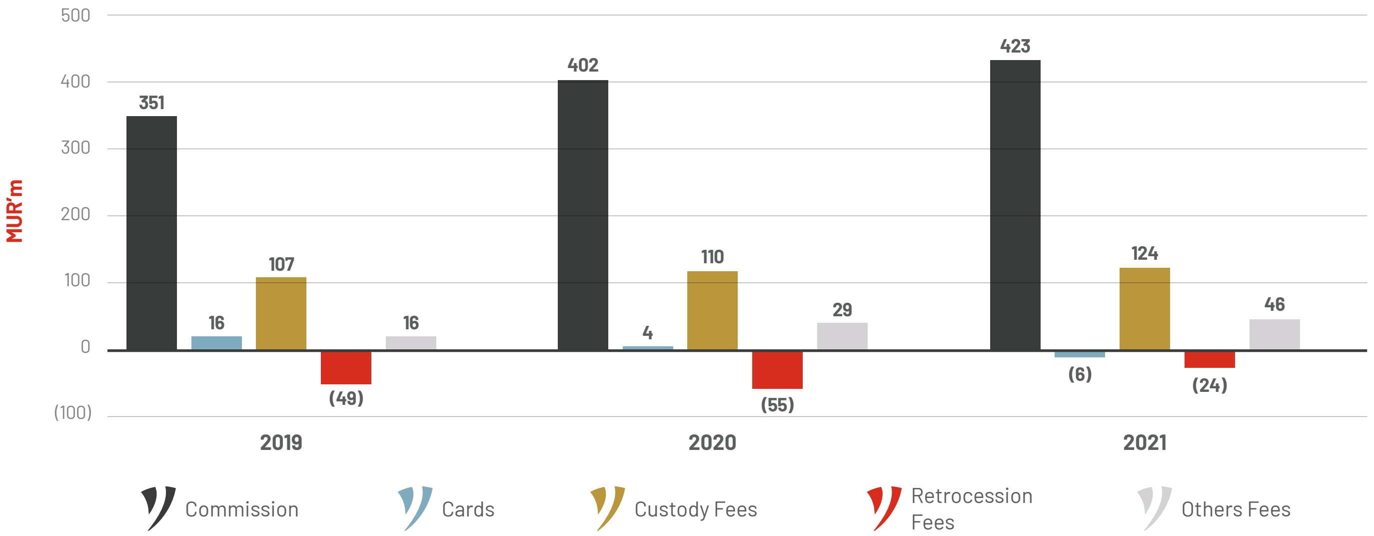
Net fee and commission grew by a solid 15% from MUR 490.0m to MUR 562.5m. The net commission earnings rose by 5%.

Net card income for the year moved to a loss position of MUR 6.0m impacted by the COVID-19 environment and increased expenses aggravated by the USD/MUR depreciation.

Net custody fees showed a positive allocation between its income and expense components rose by 12% up to MUR 123.7m on the back of higher valued assets-under-custody and increased trading fees induced by the volatility brought about by COVID-19.

Retrocession fees saw a drop 57% to MUR 23.7m.





MANAGEMENT DISCUSSION AND ANALYSIS

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME REVIEW (Cont'd)

OTHER REVENUE

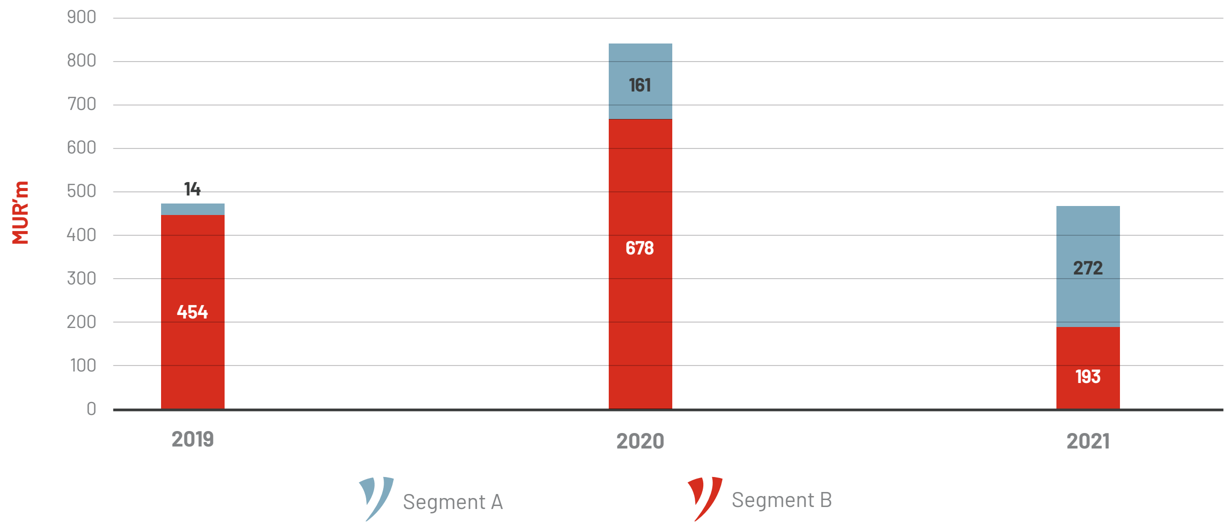
Other revenue stood at MUR 0.9bn representing a 27% drop compared to prior year at MUR 1.3bn. Other income contributes 37% of total operating income. The year-on-year deterioration of MUR 350.1m was driven by a drop in average rates, reduction in activity on the local fixed income side, loss on the FCY Corporate Bonds, reduction in structuring sales income and slight drop in FX income.

NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

On the impairment side, we note 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.

The total credit loss expense was attenuated by bad debts recovered amounting to MUR 32.0m (2020: 108.3m).

From a segmental outlook, we observed a 71% contraction in Segment B contrasting a 68% growth in Segment A.



TOTAL OPERATING EXPENSES

The Bank allotted MUR 662.9m, that is, 61% of its total operating expenses as a continuous investment in its human capital during the year compared to MUR 718.1m last year. The headcount as at 30 June 2021 stood at 415 vis-à-vis 413 the prior year.

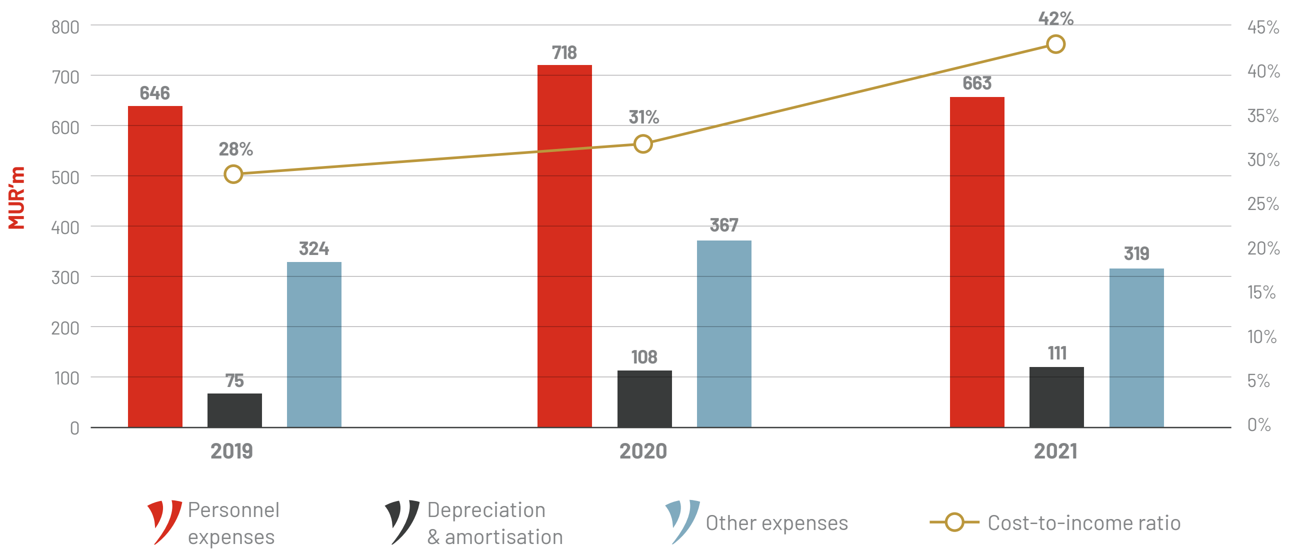
As we operated in this life-changing pandemic with a second wave hitting us in March 2021, the Bank made it imperative that its workforce was given the necessary arsenal in terms of safety measures so as to promote a workplace insulated from all possible transmission risks. These endeavours amounted to MUR 1.3m.

In terms of IT costs, the Bank made continuous outlays to maintain its banking environment to improve user experience and produce active enhancements from both an employee and a client perspective. During the year under review, IT related expenses comprising running expenses (including amortisation and depreciation) increased marginally by 3% to MUR 180.6m.

MANAGEMENT DISCUSSION AND ANALYSIS

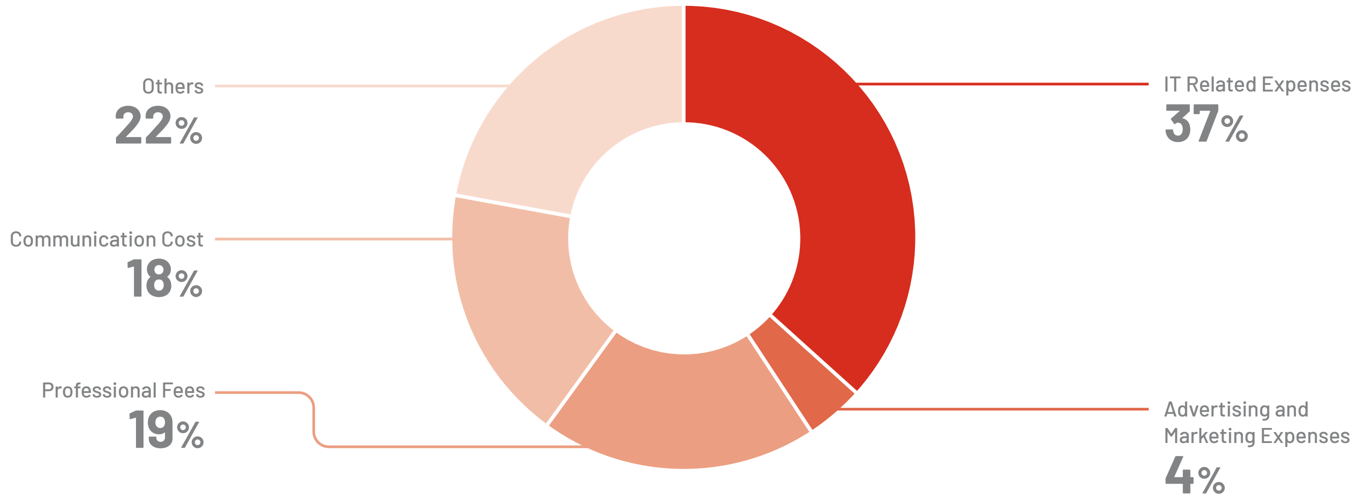
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME REVIEW (Cont'd)

TOTAL OPERATING EXPENSES (Cont'd)



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

- IT related expenses represent a significant portion of other operating expenses;
- Communication costs augmented by 21% to MUR 57.5m;
- Professional fees decreased by 3% to MUR 60.6m;
- Advertising and marketing expenses was 76% lower than last year reaching MUR 12.8m (2020: MUR 53.4m), expenditure was reduced by the slump in economic activities promulgated by COVID-19. In line with its usual niche strategy, a substantial portion of the expenditure resided in the sponsorship of AfrAsia Bank Mauritius Open ("ABMO"); and
- Substantial write off of non-current assets in this financial year amounting to MUR 11.6m.



MANAGEMENT DISCUSSION AND ANALYSIS

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME REVIEW (Cont'd)

TAXATION

The Bank's income tax expense as at 30 June 2021 as per its Statement of Profit or Loss and Other Comprehensive Income comprises of Corporate tax, Corporate Social Responsibility ("CSR"), Special Levy and Deferred tax.

The Corporate Tax as at 30 June 2021 is at 5% for taxable income up to MUR 1.5bn and graduated tax rate as per below for taxable income over MUR 1.5bn:

Taxable income	Rate of income tax
Exceeding MUR 1.5bn up to amount equivalent to the taxable income of the base year	15%
Amount exceeding taxable income of base year *(if bank satisfies the prescribed conditions as per the income tax act)*	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 Bank's CSR contributions for 2021 is MUR 22.3m compared to MUR 15.9m for 2020.

Special levy is 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 decreased from MUR 81.7m in 2020 to MUR 68.7m in 2021 due to drop in leviable income. Special Levy for prior year was reclassified from Operating Expenses to Tax Expense following clarification from Bank of Mauritius under consultation with the Mauritius Revenue Authority.

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 Tax Expense decreased from MUR 228.4m in 2020 to MUR 148.4m in 2021. The effective tax rate increased from 13.05% in 2020 to 14.50% in 2021. The higher effective tax rate was mainly on account of higher CSR compared to last year and the ratio of Special Levy over Profit before Tax (PBT) which is higher compared to last year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION REVIEW

TOTAL ASSETS

The Bank's asset base grew by 18% (MUR 29.6bn) and reached MUR 190.1bn by end of this year under review. This growth was 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 FY.

From an asset distribution viewpoint, it is noted that around 61% of total assets was occupied by cash and cash equivalents and due from banks which reflects the risk appetite of the Bank. Investment securities experienced a 7% drop year-on-year, the preponderance residing mainly in debt instruments measured at amortised cost (88%) and the residual 12% residing mainly financial assets held for trading measured at fair value through profit or loss.

Other assets, with its foremost component being mandatory balances with the Central Bank (MUR 2.3bn), did not experience major change. Furthermore, the proportion of the Bank's total assets to Segment B represented 62% in 2021 which represents a slight decrease when compared to 65% in 2020.

An industry breakdown 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	**2019**	**2020**	**2021**
	Total	Total	Total
Agriculture	510	1,279	979
Construction, infrastructure and real estate	1,119	1,980	1,850
Financial and business services	121,014	100,869	136,142
Government and parastatal bodies	479	35,022	32,201
Information, communication and technology	17	1,101	1,275
Manufacturing	2,726	5,867	3,934
Personal	1,912	2,374	2,785
Tourism	3,166	4,528	4,919
Traders	1,551	4,453	3,795
Others	8,700	4,598	4,174
Total	**141,194**	**162,071**	**192,054**

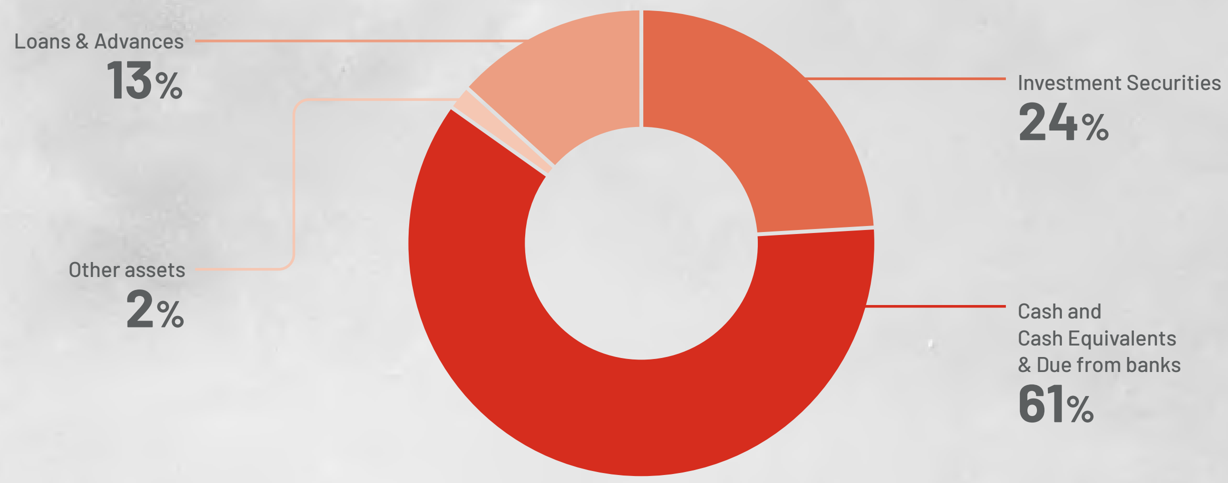
MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION REVIEW (Cont'd)

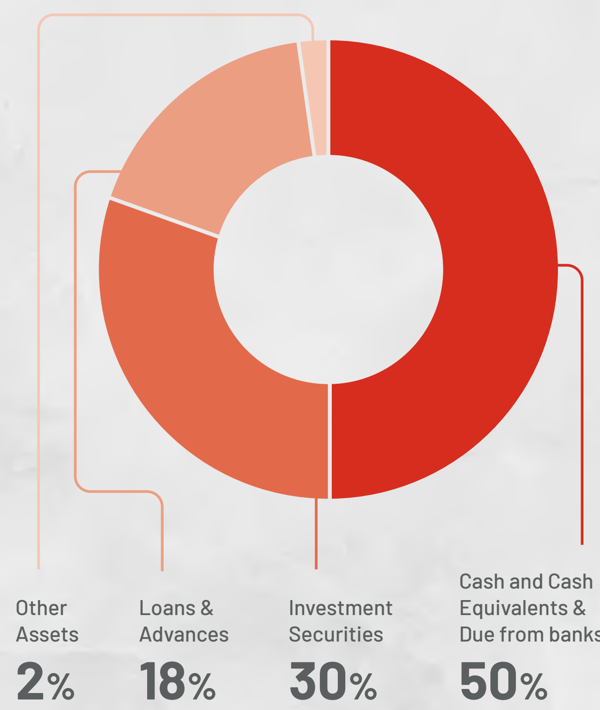
TOTAL ASSETS (Cont'd)

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

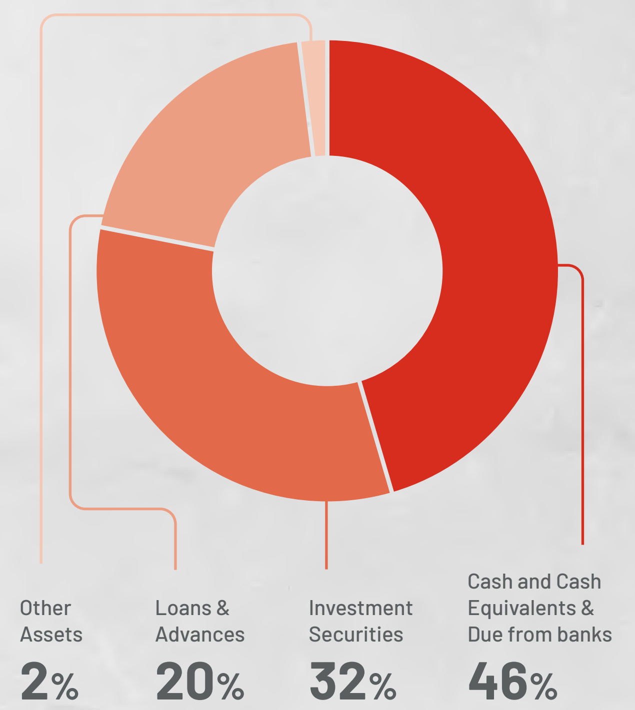
ASSETS MIX - FY21



ASSETS MIX - FY20



ASSETS MIX - FY19



Cash and cash equivalents and due from banks

- MUR 1.8bn (LCY) - 2%
- MUR 114.0bn (FCY) - 98%
  of which MUR 80.8bn (USD) - 70%

Loans and advances

- MUR 5.7bn (LCY) - 23%
- MUR 19.7bn (FCY) - 77%
  of which MUR 11.8bn (USD) - 47%

Investment securities

- MUR 21.2bn (LCY) - 47%
- MUR 24.2bn (FCY) - 53%
  of which MUR 23.3bn (USD) - 51%

FINANCIAL POSITION REVIEW (Cont'd)

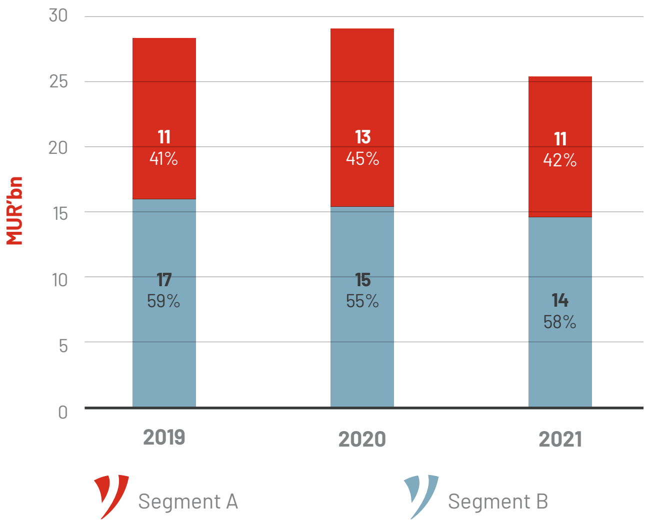
LOANS AND ADVANCES TO BANKS AND CUSTOMERS

With the conservative approach towards its lending strategy, the Bank's net loans and advances fell by 10% to stand at MUR 25.4bn this year slightly geared more towards Segment B representing 58%.

Loans and advances with remaining term to maturity over 12 months represented 66% of gross loans and advances in 2021.

As at 30 June 2021, the Bank has restructured multiple of its loan facilities. This can be aggregated to MUR 4.6bn, out of which, in line with the COVID-19 forbearance policy, amounted to MUR 4.2bn.

As at 30 June 2021, 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	2019	2020	2021
	Total	Total	**Total**
Agriculture and fishing	510	1,238	**976**
Manufacturing	2,726	5,308	**3,512**
Tourism	3,164	3,892	**4,579**
Transport	364	601	**212**
Construction, infrastructure and real estate	1,119	1,970	**1,850**
Financial and business services	10,395	9,940	**10,019**
Traders	1,568	2,495	**1,772**
Personal	1,949	2,372	**2,785**
Professional	457	60	**66**
Information, communication and technology	251	1,093	**1,263**
Government and parastatal bodies	102	-	**-**
Global Business Licence Holders ("GBL")	2,578	-	**-**
Other entities	4,914	1,722	**1,067**
Total	**30,097**	**30,691**	**28,101**

Please refer to Note 42 (X) in Section B for details on segmentation.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Allowance for impairment losses encompasses ECL stage 3 provisioning, which increased from MUR 2.2bn in 2020 to MUR 2.3bn in 2021. Segment B makes 71% of the total allowance for impairment losses MUR 308.7m of loans and advances to customers have been written off against provisions in 2021.

ECL METHODOLOGY

STAGE 1 – MUR 356.9M

STAGE 2 – MUR 69.2M

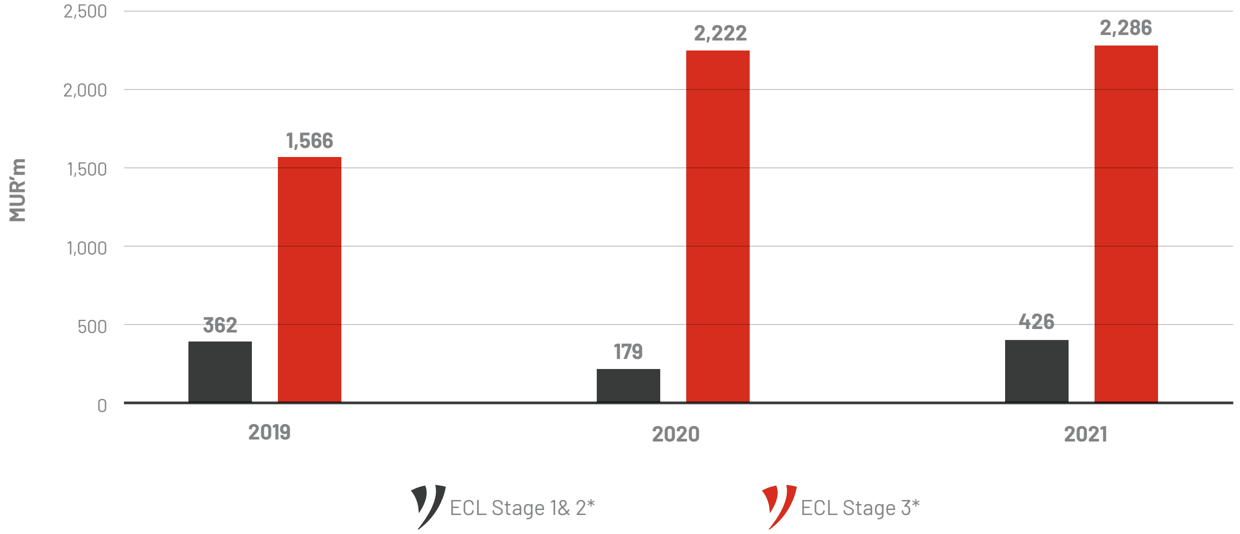
STAGE 3 – MUR 2.3BN

NPA

The Bank's NPA partially drop to MUR 2.8bn at end June 2021 and was at par with the prior year. Consequently, it is to be noted that the Bank's NPA ratio was 9% (2020: 8%).

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 76% in 2020 to 79% in 2021.



(The above includeds 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	2021					
	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	107	869	-	669	-	405
Manufacturing	389	3,124	160	692	160	596
Tourism	4,008	571	9	-	1	-
Transport	33	179	-	-	-	-
Construction, infrastructure and real estate	1,150	699	103	222	75	201
Financial and business services	1,419	8,600	1	676	-	642
Traders	649	1,122	14	-	14	-
Personal	2,332	453	96	16	66	2
Professional	-	66	-	-	-	-
Information, communication and technology	389	874	157	-	122	-
Government and parastatal bodies	-	-	-	-	-	-
GBL	-	-	-	-	-	-
Other entities	1,067	1	2	-	1	-
Total	**11,543**	**16,558**	**542**	**2,275**	**440**	**1,846**

From a sector standpoint, the financial and business services sector leads the way with 36% of the gross loan portfolio followed by the tourism sector with a 16% contribution. However, from a non-performing loan perspective, the manufacturing sector is the most provided followed by the financial and business services sector and agriculture and fishing sector.

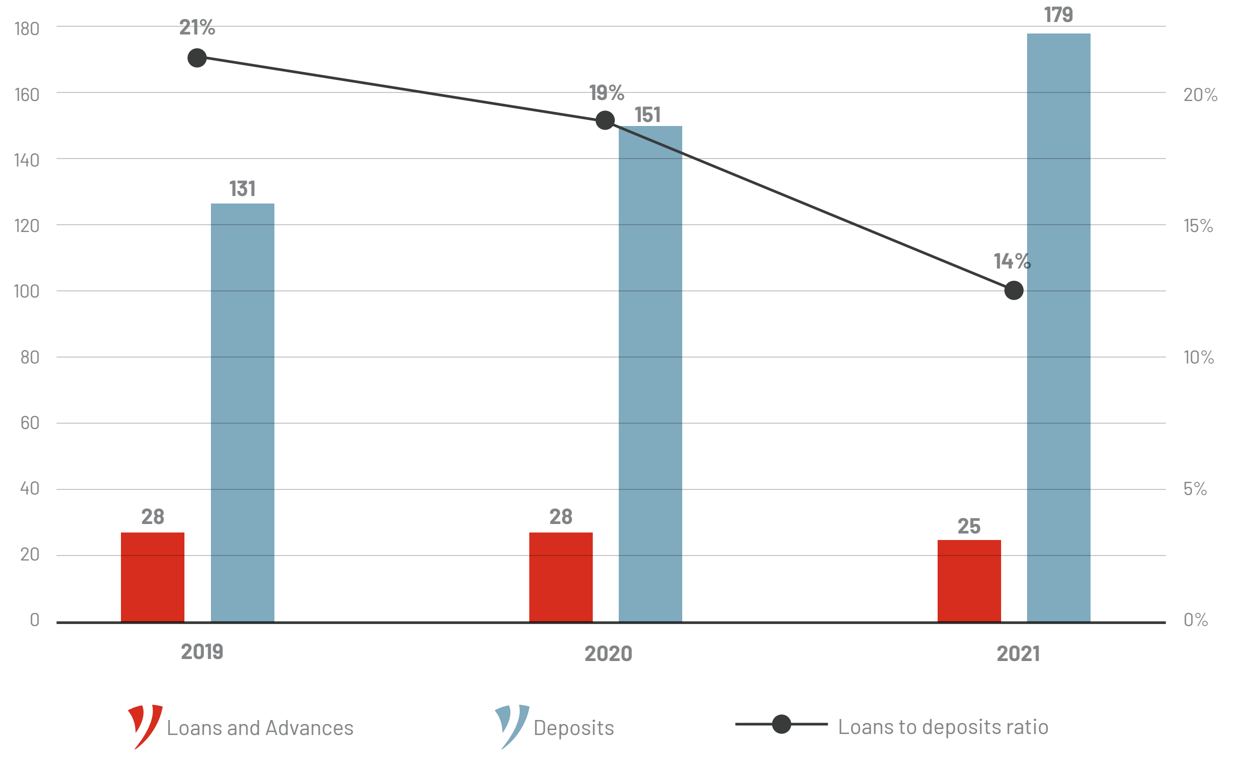
From a year-on-year viewpoint, when analyzing potential expansion/contraction in the provision level in Stage 3, we note a stout increase from the agriculture and fishing sector mainly in segment B. On the other hand, we saw a 27% drop on the financial and business services sector side.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION REVIEW (Cont'd)

LOANS-TO-DEPOSITS RATIO

A lower than expected loans-to-deposits ("LTD") ratio was achieved in 2021, that is, 14% compared to 19% last year. This ratio can be further broken down into LCY at 31% and FCY at 12%. The driving force behind the falling LTD ratio is at the back of rising deposits from banks and customers greater than the rise observed in loans and advances to banks and customers.



INVESTMENT SECURITIES

Investment securities which are held in either its trading or banking book fell by 7% to stand at MUR 45.4bn as at 30 June 2021 (2020: MUR 48.7bn) with the majority investments being in Government papers both on domestic and global fronts.

The currency split as from 30 June 2021 stands as LCY MUR 21.2bn and FCY MUR 24.2bn (of which USD MUR 23.3bn).

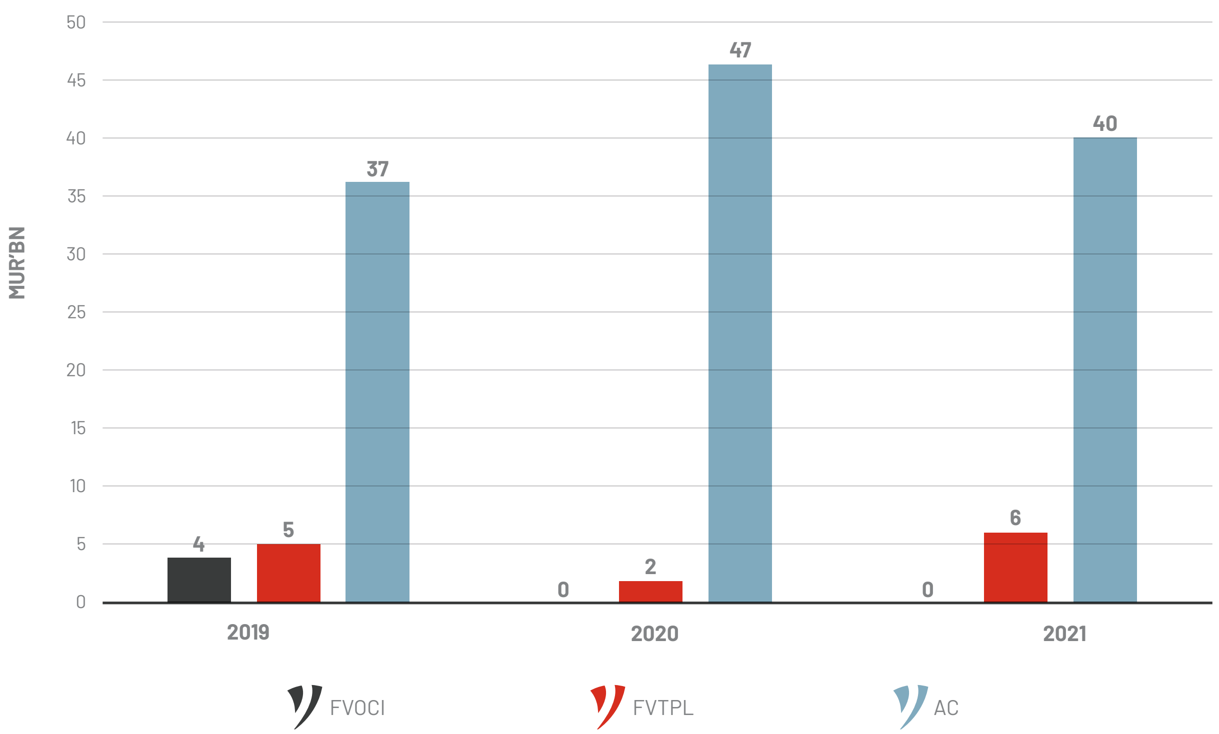
Mandated by IFRS 9, the investment securities are categorized as follows:

- Financial assets held for trading measured at fair value through profit or loss ("FVTPL");
- Debt instruments measured at fair value through other comprehensive income ("FVTOCI");
- Debt instruments measured at amortised cost ("AC");
- Equity Investments designated at fair value through other comprehensive income ("FVTOCI"); and
- Equity Investment measured at fair value through profit or loss ("FVTPL").

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION REVIEW (Cont'd)

The main constituents can be illustrated as follows:



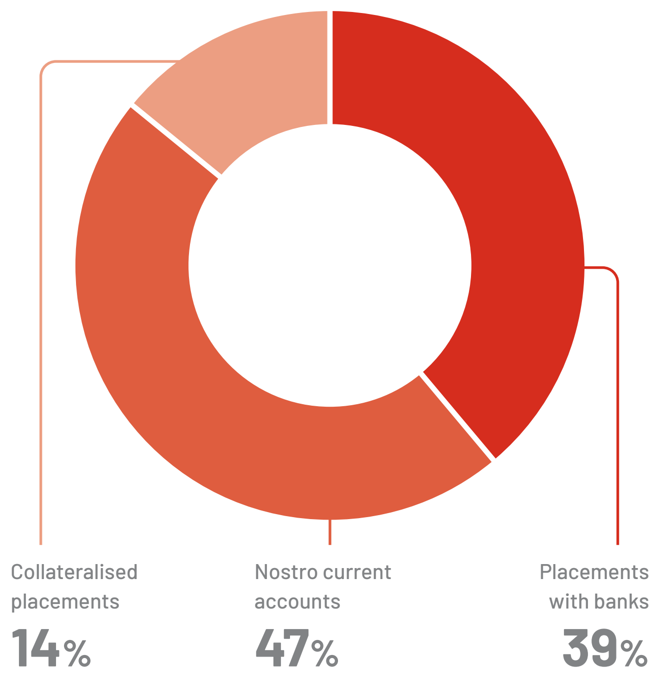
The main constituent of investment securities is primarily in debt instruments measured at amortised cost (88%) which is split mostly in foreign sovereign securities at 43% and in GOM securities at 31%. The remaining category are financial assets held for trading measured at FVTPL (12%) predominantly GOM securities at 51% and foreign corporate bonds and notes at 28%.

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 in line with its liquidity requirements and risk appetite which moved upwards from MUR 80.2bn to MUR 115.8bn between 2020 and 2021, the main components remain the following:

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

Nostro current accounts were bolstered by 84% from MUR 29.6bn to MUR 54.5bn, placements with other banks rose by 3% from MUR 43.5bn to MUR 44.9bn of which MUR 39.6bn in USD and collateralised placements grew more than twice in size year-on- year from MUR 7.0bn to MUR 16.4bn in 2021 which are money lent to local banks.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION REVIEW (Cont'd)

PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

The design of an optimal non-current assets mix in strategic ways is primordial in creating an integration with high capabilities in all service groups. This conception become feasible through data management in the creation of a competitive advantage in the production of superior services and enhanced decision-making gizmos. 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:

Additions and capitalised assets (at cost):

- Assets in progress - MUR 55.6m
- Computer equipment - MUR 3.4m
- Furniture and fittings - MUR 0.9m
- Office equipment - MUR 1.1m
- Computer software - MUR 11.7m
- Banking software - MUR 7.2m

Assets written off (at cost):

- Furniture and fittings - MUR 2.0m
- Office equipment - MUR 1.1m
- Motor vehicles - MUR 5.5m
- Computer equipment - MUR 3.0m
- Computer software - MUR 1.7m
- Assets in progress - MUR 9.0m

For further details of property and equipment and intangible assets, please refer to Note 19 and 20 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 global battle against COVID-19 being far from over and the classification of Mauritius in the EU blacklist. While the Bank succeeded 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 plus the positive retranslation effects created optimistic ripples in this cataclysmic environment. As a result, the Bank's deposits base grew from MUR 150.9bn end of June 2020 to reach MUR 179.2bn by the end of June 2021 i.e. a growth of 19%.

Split of customer deposits base was as follows:

- Current accounts MUR 143.2bn, that is, 80% of total deposits and 33% growth year-on-year;
- Savings accounts MUR 6.1bn, that is, 3% of total deposits and 2% growth year-on-year; and
- Fixed deposits MUR 29.9bn, that is, 17% of total deposits and 20% contraction year-on-year.

Current Accounts

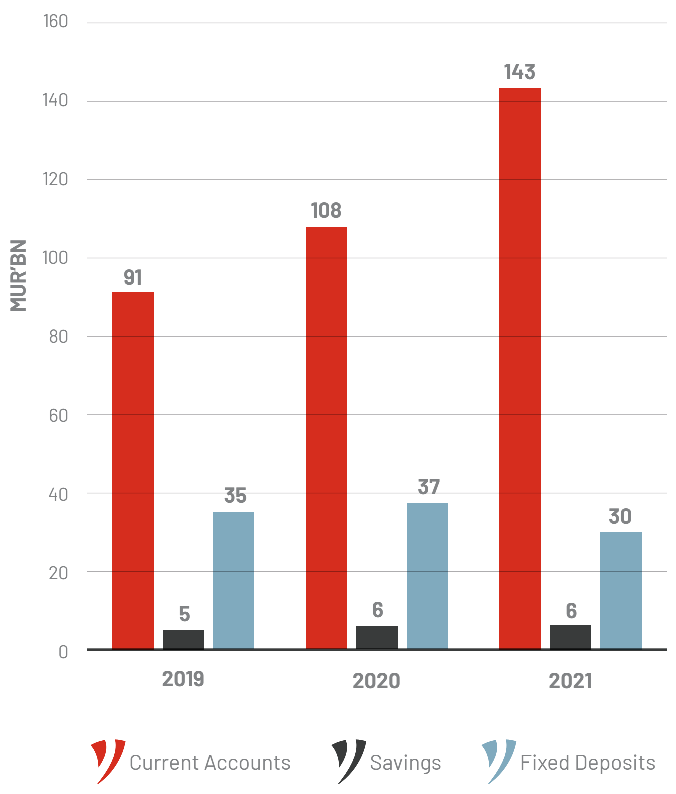
- MUR 6.5bn (LCY) - 5%
- MUR 136.7bn (FCY) - 95% of which MUR 95.6bn (USD) - 67%

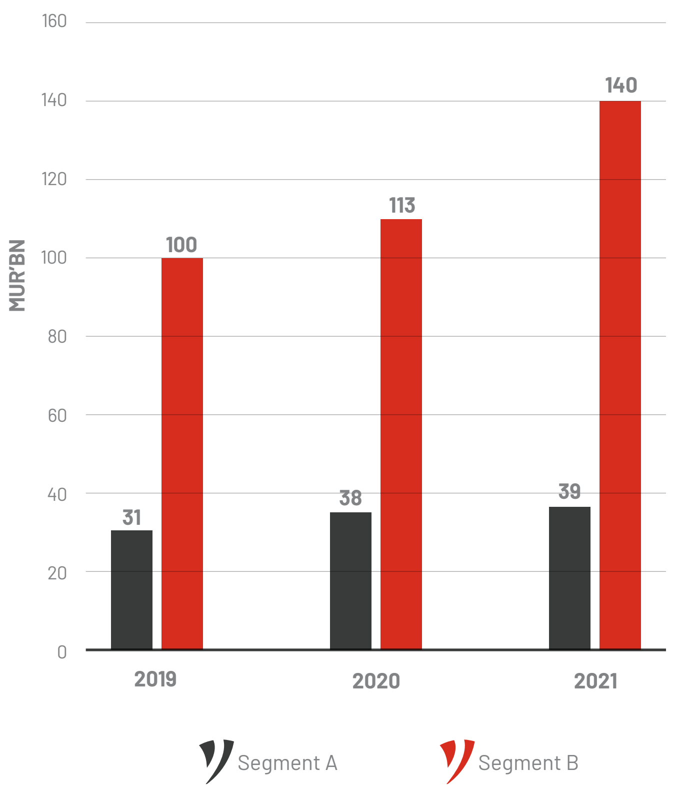
Saving Accounts

- MUR 5.9bn (LCY) - 97%
- MUR 0.2bn (FCY) - 3%

Fixed Deposits

- MUR 5.9bn (LCY) - 20%
- MUR 24.0bn (FCY) - 80% of which MUR 22.2bn (USD) - 74%





FINANCIAL POSITION REVIEW (Cont'd)

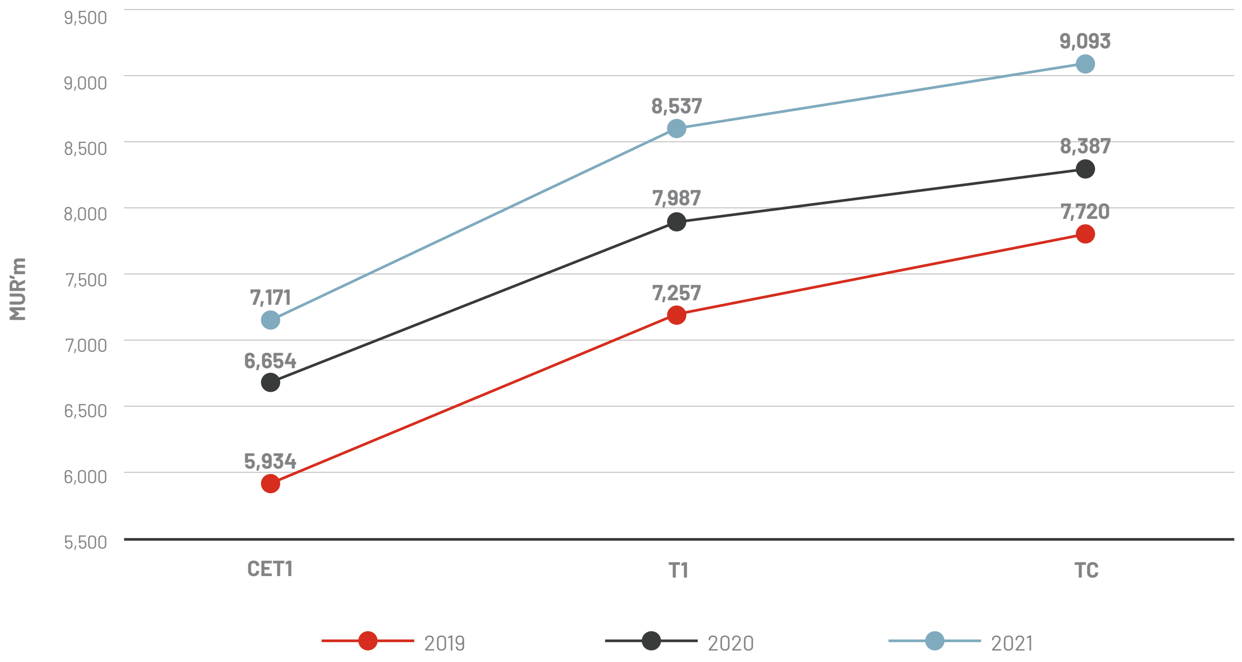
SHAREHOLDERS' EQUITY

The shareholders' equity of the Bank witnessed a slight growth of 5% y-o-y to reach MUR 9.0bn as at end of June 2021 due to positive bottom-line performance. A total of MUR 510.1m was payable as dividend during the financial year ended June 2021 consisting of Ordinary dividend of MUR 338.9m, Class A dividend of MUR 132.9m and distribution of ACM Shares of MUR 38.3m.

As part of its measures to mitigate the effects of COVID-19 on the Banking sector, BOM has deferred the implementation of the last tranche of the capital conservation buffer of 0.625% to April 2022. Additionally, in compliance with the "Guideline for dealing with Domestic-Systemically Important Banks ("D-SIB")", the Bank is subject to an additional buffer of 1.00% for the calendar year 2021, following the yearly assessment carried out by BOM. Hence, for the financial year ended June 2021, the total CAR limit remained unchanged at 12.88%.

ABL remained well capitalised with its total CAR reaching 16.18%, growing by 103 basis point from 15.15% in June 2020. ABL's capital base ("TC") was MUR 9.1bn for the financial year ended June 2021 comprising of Common Equity Tier 1 ("CET 1") capital of MUR 7.2bn, Additional Tier 1 ("AT1") capital of MUR 1.4bn and Tier 2 capital of MUR 0.5bn.

Risk weighted assets rose by MUR 0.8bn witnessing a slight increase of 1.5% to reach MUR 56.2bn as compared to MUR 55.4bn for the previous financial year owing to an increase in business activities.



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.

Our ability to leverage technological know-how as a means to explore opportunities that thrive on expertise and agility is a key pillar of our Bank Different philosophy.

#Believe **#Connect** #Grow

RISK MANAGEMENT REPORT

RISK MANAGEMENT REPORT

MESSAGE FROM THE HEAD OF RISK

With the diverging pace of vaccination campaigns globally, there has been a more cautious optimism about the recovery trend of the world's economy this past year, FY20/21. While financial markets have rebounded, the impact of the COVID-19 pandemic still affects many sectors, including the banking industry.

Banks have faced heightened risks since the beginning of COVID-19. Extension of several Government measures have been able to help the economic operators in Mauritius to stay afloat so far. The eminent opening of the border is expected to bring back the economy on track in the medium term and cure the market players. Banks have played their part in restructuring loans to match the expected recovery trend in order to sustain the economy and also prevent a systemic risk in the Financial Sector.

Our customer centric approach at AfrAsia Bank Limited has helped us to remain close to our clients, actively engaged with them, guided and supported them. At the same time, we proactively managed the balance sheet and other risks so as to protect the Bank's capital. Due to the global pandemic and its impact on the macroeconomic landscape, we revisited the Bank's IFRS 9 framework to re-calibrate our models in order to factor in the prevailing market uncertainties. We established new approaches, methodologies and processes to properly recognise the change in the underlying risks of our exposures as part of our robust and dynamic IFRS 9 framework.

We reviewed our risk appetite and devised new liquidity deployment strategies. This pandemic has pushed us to revisit our strategy and in turn resulted in a stronger and more resilient balance sheet.

RAKESH SEESURN
Head of Risk

RISK MANAGEMENT REPORT

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; and
- 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 manage 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, processes and controls to manage aggregate risks through an acceptable scale.

In line with Bank of Mauritius Guidelines on Credit Concentration, Country Risk Management and Cross-Border Exposures, 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 within approved 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 macroeconomic 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.

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

- **Adjusting of a risk parameter**, or a small number of very closely related risk parameters to understand the impact on a risk position; and
- 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 were severely impacted since the outbreak of the COVID-19 pandemic and this impacted the capital adequacy and stress test requirements of banks. 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 remains very challenging and uncertain.

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

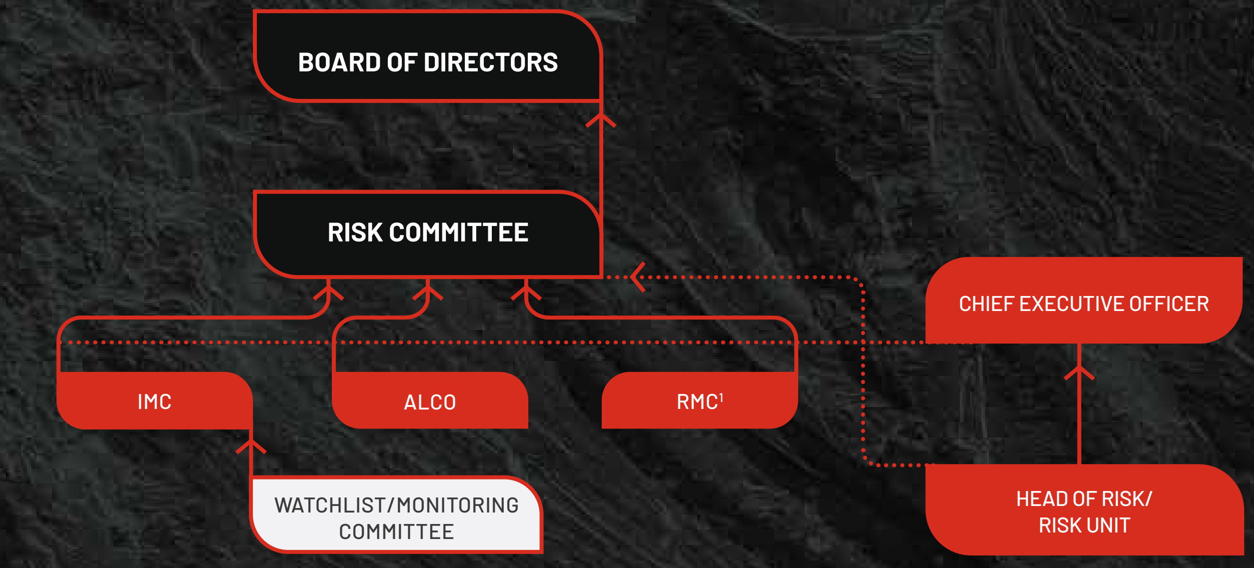
The mitigations are in line with the regulatory Internal Capital Adequacy Assessment Process ("ICAAP") mitigation plan. ICAAP is an internal review requirement that evaluates capital adequacy, capital management and planning at banks with a specific focus on core risk factors.

RISK MANAGEMENT REPORT

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.

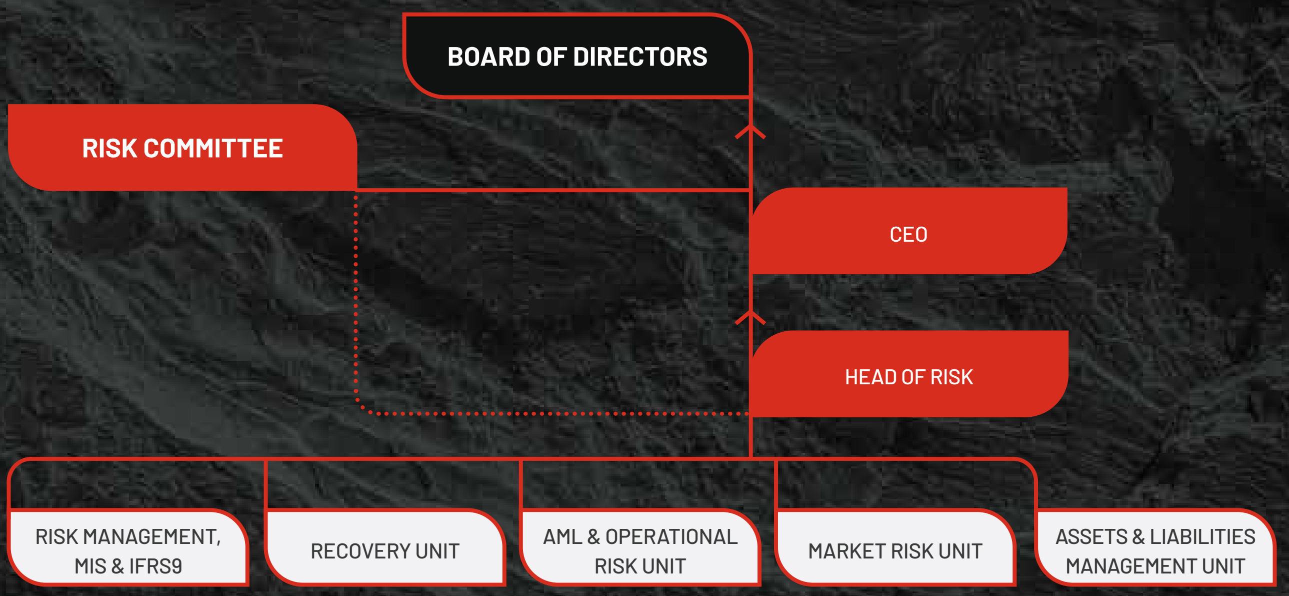


¹ Risk Management Committee

Direct reporting to the Committee/CEO

Operationally reporting to Board Committee

RISK MANAGEMENT STRUCTURE



Fixed Line - Direct reporting to the Committee/CEO

Dotted Line - Operationally reporting to Board Committee

RISK MANAGEMENT REPORT

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 Credit Committee and Risk Committee from time to time.
- The purpose of the MCC is to
  (i) assist the Board to formulate, approve and implement Credit policies, guidelines and credit practices of the Bank.
  (ii) exercise responsibility for the independent assessment, approval, review and monitoring of all credit risk assets relating to the Bank's business; and
  (iii) ensure that the origination and management of the assets in the portfolio are 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 of Corporate Banking, Senior Executive- Head of 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 Risk Committee.

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, Head of Compliance and Head of Group Legal as voting members. The 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 to
  (i) implement, review and manage risks in line with the risk tolerance limit in the Risk Appetite Framework.
  (ii) review risk implications of new business, projects and products.
  (iii) review high risk issues such as financial liquidity & capital risk.
  (iv) ensure compliance with guidelines and mitigate regulatory/compliance/legal/AML risk.
  (v) report to the Risk Committee on the above.

RISK MANAGEMENT REPORT

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:

	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 5. Allocation of delegated limit for approval at various levels 6. Regular Credit Committee (CC) meetings held to deliberate on credit files 7. Quarterly review by Credit Committee
	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
	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
	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. Daily reporting of liquidity metrics and monitoring of Liquidity Early Warning Indicators.
	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.	Monitoring of interest rate risk exposure in line with the Bank's internally prescribed limits.

RISK MANAGEMENT REPORT

MANAGEMENT OF KEY RISK AREAS (Cont'd)

	Type of Risk	Description	Mitigating Actions
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
	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 and banking.	1. Policies and Procedures in line with regulatory requirements and standards 2. Internal controls 3. Trained and qualified staff 4. Appropriate system and tools
	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.
	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. Educate Employees and stakeholders on Information Security including Cyber Security measures 2. End point Security on Devices including Encryption and Anti-virus Protection 3. Ensure efficient Patch Management on information systems 4. Cyber Threat detection and online monitoring 24/7, 365/365 5. Distributed denial-of-service (DDoS) monitoring services
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. Ensure that the Bank adheres to its Risk Appetite 5. Ensure that Business strategy is embedded in the Risk Appetite Framework
	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

RISK MANAGEMENT REPORT

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 the Credit Risk department performs an independent function and ensures all risks are properly mitigated and ring-fenced. 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 Origination | Credit Legal | Credit Risk | Approval Process

Customer Service Assistant/Customer Service Officer	Relationship Manager	Credit Managers	Legal Vetting	Credit Risk Management	HOC/MCC/CC
Account Opening KYC Perfection	Operational Evaluation Provide details on background and deals	Collect and review data: credit analysis and submission of credit proposals	Vetting of proposed security structure for complex structures	Credit Risk Assessment	Approval by Head of Credit or Management Credit Committee or Credit Committee
• Establish contact. • Evaluate first customer information. • Customer meeting. • Shareholding structure. • Segmental information.	• Perform Operational Evaluation on the credit request. • Provide details on the deal and rationale for financing. • Provide details on Client's background, client base and products base & markets. • Highlight the key business risks. • Review MCIB and search report.	• Request supporting documents. • Propose Facility structuring. • Obtain information. • Completeness and plausibility review. • Initiate the crisil rating by inputting the financials on system • Financial spreading and Financial Analysis. • Provide recommendation to Relationship Managers (Domestic Banking or Global Business).	• Provide in- depth advice on appropriate security structure; • Vetting of documentation. • Review of existing securities (and advises on flaws or pending documentation if any).	• Verify compliance with regulatory and Internal Credit Risk Policies and internal forbearance policy linked to COVID-19. • Review all data and documents provided by Origination team. • Assess and evaluate all risks inherent in the deals independently and propose mitigating factors. • Review and finalize credit rating on the credit scoring system. • Evaluate Industry/ Country exposure. • Formulate independent credit risk views and recommendation on request for credit facilities.	• Approval by decision-makers and depending on authority structure. • For the financial year, a total of 27 CC meetings were held to discuss and approve credit files. Currently around 90% of credit limits are approved at Commitee level. • A plan to revise the delegated authority limit for credit is in process and will be implemented in due course.

RISK MANAGEMENT REPORT

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, and reporting. The adoption of IFRS 9 has enabled AfrAsia Bank to enhance its internal control system with a better end-to-end 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 are 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;
- financial/non-financial securities;
- credentials of the counterparty;
- details of facilities; and
- qualitative assessment of industry of operation (Industry risk, business risk, market position, financial risk, management risk and account conduct risk).

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

Rating Grades		
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 high 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 payment.
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 - Inadequate Safety	Borrowers rated CC are judged to carry inadequate safety of timely payment.
C	Sub-Investment Grade - 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.

RISK MANAGEMENT REPORT

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.

In light of the impact of the pandemic on our business activities, the Bank also enhanced its Significant Increase in Credit Risk (SICR) assessment framework based on several factors in a view to better manage the portfolio and trigger early warning signs.

GROSS LOANS AND ADVANCES TO BANKS				
External Rating Grade	Stage 1	Stage 2	Stage 3	TOTAL
	MUR'000	MUR'000	MUR'000	MUR'000
Performing:				
Credit Rating AAA	-	-	-	-
Credit Rating AA+ to AA-	-	-	-	-
Credit Rating A+ to A-	2,217,104	-	-	2,217,104
Credit Rating BBB+ to BBB-	1,702,874	-	-	1,702,874
Credit Rating BB+ to BB-	2,110,731	-	-	2,110,731
Credit Rating B+ to B-	637,607	-	-	637,607
Credit Rating CCC+ to C	-	-	-	-
Total gross carrying amount	**6,668,316**	**-**	**-**	**6,668,316**

GROSS LOANS AND ADVANCES TO CUSTOMERS				
Internal Rating Grade	Stage 1	Stage 2	Stage 3	TOTAL
	MUR'000	MUR'000	MUR'000	MUR'000
Performing:				
Credit Rating AAA	662,221	-	-	662,221
Credit Rating AA+ to AA-	1,106,069	13,901	-	1,119,970
Credit Rating A+ to A-	4,632,049	667,179	-	5,299,228
Credit Rating BBB+ to BBB-	7,583,046	464,097	-	8,047,143
Credit Rating BB+ to BB-	2,822,297	54,328	-	2,876,625
Credit Rating B+ to B-	325,262	267,849	-	593,111
Credit Rating CCC+ to C	-	17,401	-	17,401
Non Performing:				
Credit rating D	-	-	2,817,098	2,817,098
Total gross carrying amount	**17,130,944**	**1,484,755**	**2,817,098**	**21,432,797**

During the financial year ended 30 June 2021, 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.

RISK MANAGEMENT REPORT

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 it is 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% of Tier 1 Capital was 219.69% as at 30 June 2021, well within the regulatory limit as shown below:

Regulatory Credit Concentration Limit	As at 30 June 2021
Credit exposure to any single customer shall not exceed 25% of the Bank's Tier 1 Capital	Highest single customer: 16.27%*
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: 34.70%
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	**219.69%**

** PSEs are exempted from the credit concentration ratio in line with the Standardized Approach to Credit Risk Guideline*

Furthermore, economic reports, country and industry analysis are prepared and submitted to the 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	2021 MUR'000	2020 MUR'000	2019 MUR'000
Agriculture	979,158	1,278,888	509,649
Construction, Infrastructure and Real estate	1,849,854	1,980,120	1,119,041
Financial and Business services	136,141,751	100,868,753	121,014,380
Government and Parastatal bodies	32,201,281	35,021,623	479,419
Information, Communication and Technology	1,274,563	1,100,878	16,516
Manufacturing	3,934,486	5,867,227	2,725,894
Personal	2,785,392	2,373,536	1,912,148
Tourism	4,919,289	4,528,383	3,165,754
Traders	3,794,823	4,452,605	1,550,713
Others	4,173,774	4,598,874	8,700,323
Total	**192,054,371**	**162,070,887**	**141,193,837**

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	74,699,016	39%
Other African countries	8,676,615	4.5%
North America	54,254,420	28%
Europe	21,568,983	11%
Asia & Pacific	32,269,714	17%
Others	585,623	0.3%
	192,054,371	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 possibility to adversely affect its risk profile.

The aim is to identify the risk of a potential 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 Risk Appetite Framework is set in line with BOM's Guidelines for Country Risk Management (April 2010).

RISK MANAGEMENT REPORT

CONCENTRATION OF RISK (Cont'd)

Country Risk Assessment (Cont'd)

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

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 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.

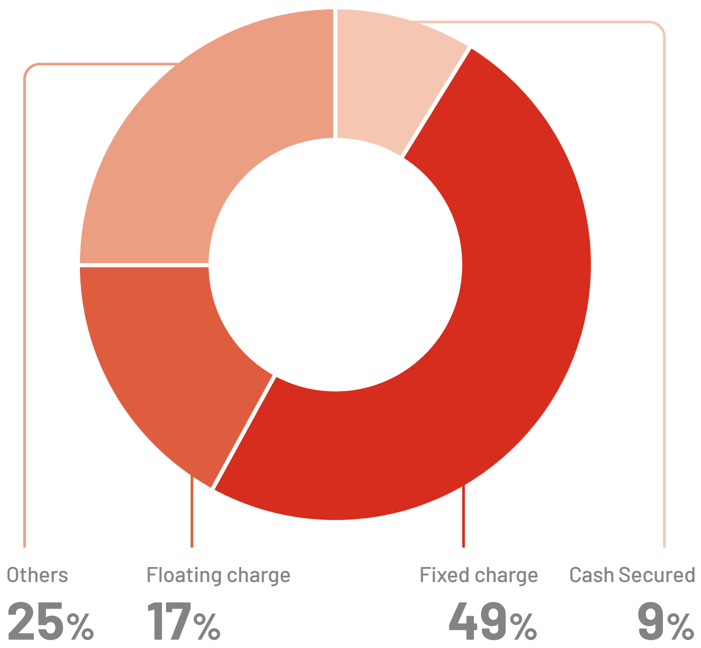
As an indication, claims secured by cash and other charges represent 63% of total loans and advances, whilst unsecured portions account for 37%. The value of collateral and other credit enhancements received on loans and advances as at 30 June 2021 is MUR 17.4bn (2020: MUR 18.4bn and 2019: MUR 14.7bn).

RISK MANAGEMENT REPORT

CREDIT RISK MITIGATION (Cont'd)

The main types of collateral obtained are as follows:

Collateral Details	Total	Total
	MUR'000	%
Cash Secured	1,593,416	9%
Fixed Charge	8,487,397	49%
Floating Charge	2,901,074	17%
Others	4,397,893	25%
Total	17,379,779	100%



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's 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 included placements or loans to/from Banks, deposits as well as other normal banking transactions. As at 30 June 2021, related party exposure was within regulatory guidelines at 23.03% (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 are monitored and reported to the Conduct Review Committee at least once a quarter or as and when required.

RISK MANAGEMENT REPORT

MARKET RISK

Also known as position or price risk, market risk is the risk of losses in on and off-balance sheet positions arising from movements 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 are 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 Risk Committee, 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 risks, 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.

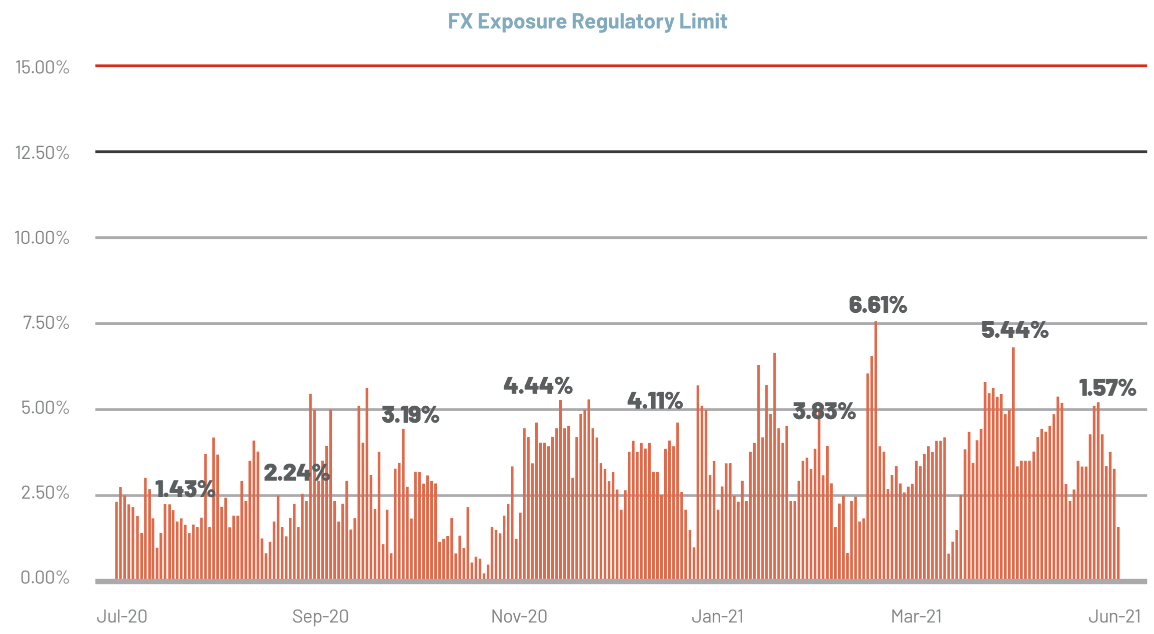
Interest rate risk

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 30th June 2021, the Bank 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.



FX Exposure for the Financial Year ended 30th June 2021

RISK MANAGEMENT REPORT

MARKET RISK (Cont'd)

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, and 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 Risk Committee, whereby all market risk matters are highlighted 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.

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 amount 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.

LIQUIDITY AND FUNDING RISK

Liquidity and funding risk is 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 honour 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.

The Bank's Asset and Liability Committee (ALCO), under guidance from the Risk Committee 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 taking into account 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 action plans and escalation process
Setting of deposit rates according to market conditions and ALCO approved targets	Managing long-term cash flows	

RISK MANAGEMENT REPORT

LIQUIDITY AND FUNDING RISK (Cont'd)

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.

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

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

The Bank of Mauritius adopted a phased in approach to the LCR requirement. As from 31st Jan 2020, banks are required to hold minimum LCR ratios of 100% for local currency, material foreign currencies and on a consolidated basis.

The following table provides average LCR data, calculated using month end data for the quarter ended 30th June 2021. The Bank's average LCR was 288%, well above the 100% regulatory requirement, demonstrating a robust liquidity position.

LIQUIDITY AND FUNDING RISK (Cont'd)

LCR Disclosure Requirements

(Consolidated in MUR)	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)	52,614,033,731	52,551,509,138
CASH OUTFLOWS		
2 Retail deposits and deposits from small business customers, of which:	25,425,422,781	2,542,542,278
3 Stable deposits	0	0
4 Less stable deposits	25,425,422,781	2,542,542,278
5 Unsecured wholesale funding, of which:	125,939,482,978	68,476,449,488
6 Operational deposits (all counterparties)	0	0
7 Non-operational deposits (all counterparties)	125,939,482,978	68,476,449,488
8 Unsecured debt	0	0
9 Secured wholesale funding	0	0
10 Additional requirements, of which:	0	0
11 Outflows related to derivative exposures and other collateral requirements	0	0
12 Outflows related to loss of funding on debt products	0	0
13 Credit and liquidity facilities	808,243,407	65,405,924
14 Other contractual funding obligations	0	0
15 Other contingent funding obligations	2,290,858,425	1,947,803,747
16 TOTAL CASH OUTFLOWS	**154,464,007,591**	**73,032,201,437**
CASH INFLOWS		
17 Secured funding (e.g. reverse repos)	0	0
18 Inflows from fully performing exposures	62,227,039,106	61,325,437,524
19 Other cash inflows	1,965,641,429	1,965,641,429
20 TOTAL CASH INFLOWS	**64,192,680,535**	**63,291,078,953**
		TOTAL ADJUSTED VALUE
21 TOTAL HQLA		**52,551,509,138**
22 TOTAL NET CASH OUTFLOWS		**18,258,050,359**
23 LIQUIDITY COVERAGE RATIO (%)		**288%**
24 QUARTERLY AVERAGE OF DAILY HQLA[2]	**36,167,406,703**	

[1] The quarterly average of monthly observations is based on April to June 2021 month end figures.

[2] The quarterly average of daily HQLA is based on close of day figures over the 1st April 2021 to 30th June 2021 period.

LIQUIDITY AND FUNDING RISK (Cont'd)

LCR Disclosure Requirements (Cont'd)

Liquidity stress tests and Contingency Funding Plan

On a monthly basis and as part of its annual ICAAP process, the Bank runs various liquidity stress scenarios, with different severity levels, to assess the adequacy of its stock of liquid assets. These scenarios simulate stressed depositor outflow situations and 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 a range of 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 MUR or U.S. dollars. Moreover, all assets that can be quickly monetised are considered liquid assets. The Bank's liquid assets 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 30th June 2021, the Bank's liquid assets ratio was 84% against an internal limit of 25%.

As at 30th June 2021 (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	95,399	0	95,399	0	95,399
Securities					0
Issued or guaranteed by US Treasury	17,273	0	17,273	0	17,273
Issued or guaranteed by local government/central bank	19,371	23,363	42,733	0	42,733
Other debt securities	367	0	367	0	367
Total	132,411	23,363	155,773	0	155,773

[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.

RISK MANAGEMENT REPORT

LIQUIDITY AND FUNDING RISK (Cont'd)

Funding Mix & depositor concentration ratio

The Bank aims to maintain an adequate balance of its funding base 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.

The last financial year was marked by Mauritius being placed on the EU Blacklist and FATF Greylist. However, funding and liquidity levels remained sound and robust throughout the year and as of the end of the current financial year, the Bank does not foresee any event, commitment or demand that might have a significant impact on its funding and liquidity risk position.

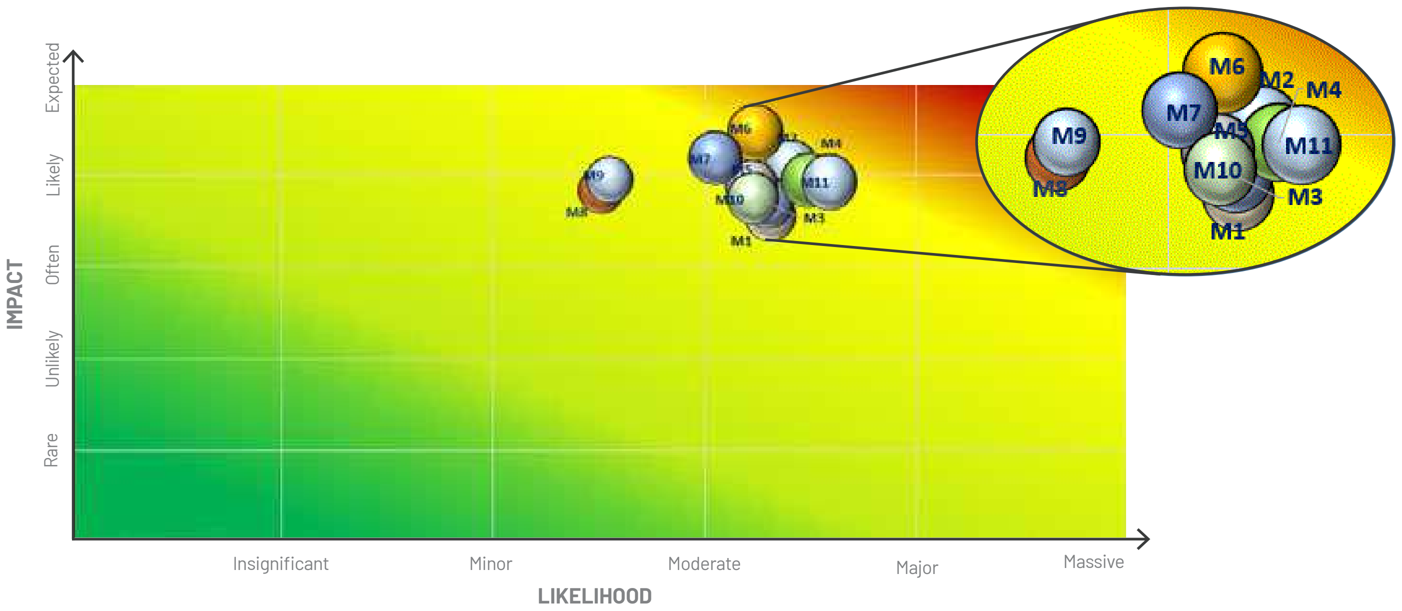
As at 30th June 2021, the Bank's short-term depositor concentration ratios were as follows:

Depositor Concentration

MUR deposits	
Single depositor/ Group of related counterparties	7.7%
Top 10 depositors/ Group of related counterparties	21.5%
FCY deposits	
Single depositor/ Group or related counterparties	5.9%
Top 10 depositors/ Group of related counterparties	15.1%

ENTERPRISE RISK MANAGEMENT

The Major 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 Major risks in terms of likelihood and impact.



1	M6	Cyber Security	↑
2	M11	Pandemic Risk	↑
3	M2	Regular Changes in Regulatory Guidelines	↔
4	M4	Existing IT Platforms	↑
5	M7	Fight against Financial Crime	↓
6	M5	Digital Transformation	↔
7	M3	Operational Challenges	↑
8	M10	Talent Management and Employee Retention	↑
9	M1	Challenging Economic Environment	↓
10	M9	Responsible Financing	↓
11	M8	Fair Dealing	↓

RISK MANAGEMENT REPORT

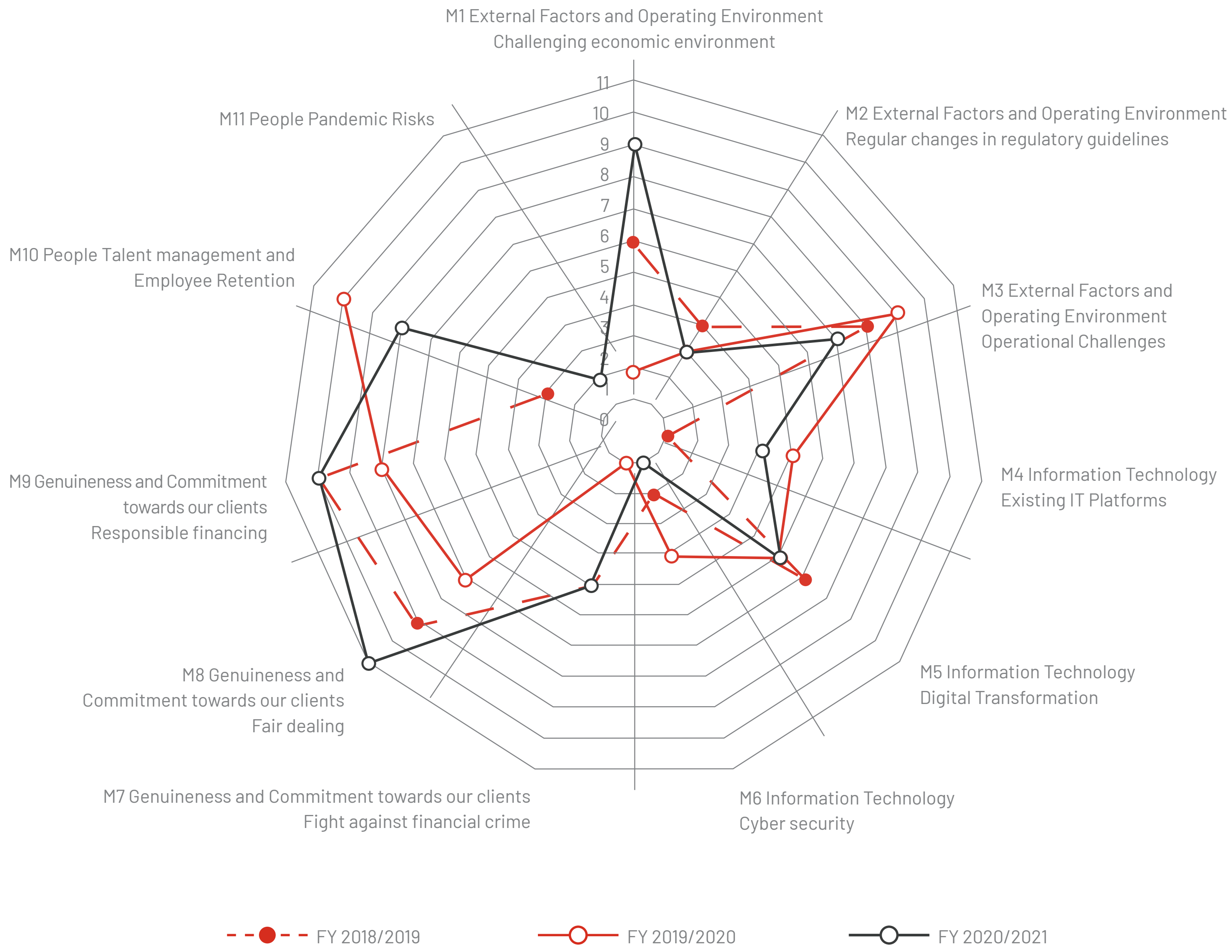
ENTERPRISE RISK MANAGEMENT (Cont'd)

The diagram below depicts the trends of the Major Risks between the FY 2018/2019, FY 2019/2020 and FY 2020/2021. For this Financial Year, a new risk related to Pandemic Risk of COVID-19 has been introduced in the Enterprise Risk Management. Risk associated to Cyber Security, Pandemic risk and Regular Changes in Regulatory guidelines have been perceived among the heightened risks during this financial year and positioned themselves first, second and third in Top Enterprise Risk respectively.

On the other side, risks associated with Existing IT Platform, Fight against crimes, and Digital Transformation are placed in the middle of the table of Major Risks. The risk associated with Challenging Economic Environment has shifted from the second place rated in previous Financial year to the ninth position during this financial year exercise. This is mainly due to the facts that the Bank has adapted to the new normal way of doing business by working from home and leveraging on technologies.

Talent Management has been upgraded from the tenth in previous Financial Year to the eight place while Fair Dealing has been downgraded to the eleventh place in the Major Risks during this financial year. 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.

TRENDS ANALYSIS OF ENTERPRISE RISK LAST 3 YEARS



RISK MANAGEMENT REPORT

OPERATIONAL RISK MANAGEMENT

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.

AfrAsia continuously improves 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.

OPERATIONAL RISK MANAGEMENT FRAMEWORK

RISK MANAGEMENT REPORT

OPERATIONAL RISK MANAGEMENT (Cont'd)

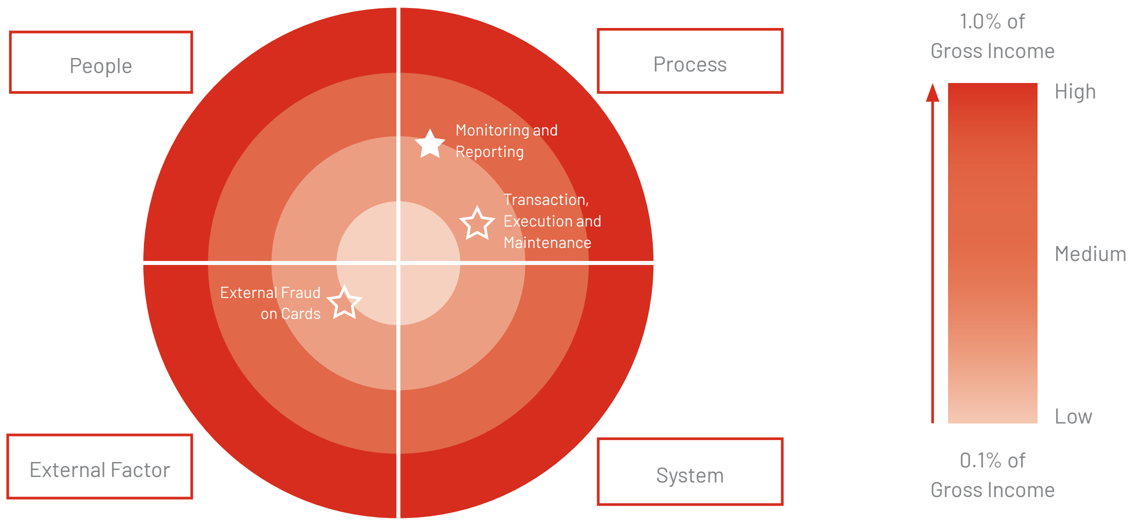
AfrAsia fosters awareness and knowledge of operational risks at all levels of organisations through its risk pro-culture. During the financial year 20/21, number of different training sessions were conducted using the e-learning platform (LMS) and face-to-face sessions, which addressed general knowledge 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. For this Financial Year 20/21, ABL has an Operational losses below 0.1% of Gross Income i.e in the low area.

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.

OPERATIONAL RISK RADAR

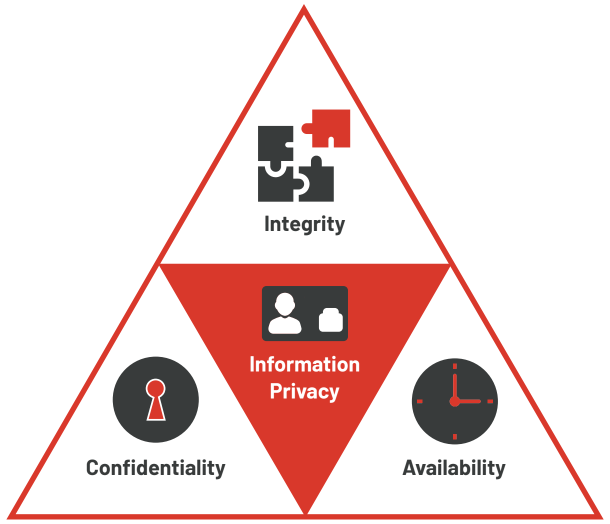


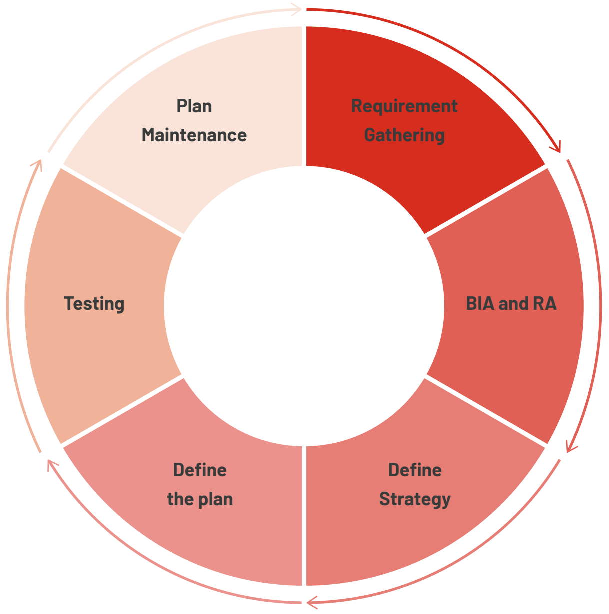
RISK MANAGEMENT REPORT

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 leverages maximum effort on FinTech to keep pace in the digitalised 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 organisation, 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 Data Privacy rules including Mauritius Data Protection Act (DPA) 2017, the General Data Protection Regulation (GDPR) 2018 and POPI Act 2020. 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.





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.

Globally, the monthly volume of 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, our controls were continuously reviewed and we have ventured into new IT security solutions to further secure the Bank's IT infrastructure and information.

RISK MANAGEMENT REPORT

MANAGING CYBER SECURITY RISK

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 protect the confidentiality, integrity and availability of information created, processed, transmitted, stored and disposed by the Bank.

Financial sectors have been impacted globally during the COVID-19 pandemic leading to an increase in the number and sophistication of cyber threat actors. Hence, the need for a systematic approach to manage 'Cyber Risk'.

TOP CYBERSECURITY RISKS

- Phishing emails / Domain impersonation attacks
- Malware / Ransomware attacks
- Man-In-the-Middle attacks
- Zero-day vulnerabilities
- Breach of sensitive and confidential information/Insider Threats
- Denial of Service attack

MITIGATING SECURITY CONTROLS & TECHNOLOGY IN PLACE

- Email Security services protect users from spam, malware, and other phishing threats thanks to cybersecurity features like filtering and warning labels.
- Employees are trained through simulated phishing attacks to identify and resolve these malicious email attacks, preventing them from interacting with such messages.
- We also perform continuous scanning of our IT infrastructure and application landscape to identify any potential issues.
- The Bank has a 24x7 Security Operation Centre (SoC) for monitoring and surveillance of IT systems.
- The Bank has Data Leakage/Loss Prevention (DLP) to identify potential data breaches/data ex-filtration transmissions and prevents them by monitoring while in-motion (network traffic and in-use (endpoint actions).
- Brand abuse monitoring platform.
- We ensure that employees have up-to-date antivirus software on their devices.
- The Bank has implemented a VPN (Virtual Private Network) based on a zero-trust network with two-factor authentication.
- The Bank is using encryption software to protect Bank's data by barring access from any unauthorised users of those devices.
- To exert control over the elevated ("privileged") access, Bank is using a Privileged access management system.
- Network perimeter security controls in place (two-layered firewalls) to protect the Bank's network from external cyber attacks.
- Database activities are monitored.
- On-demand distributed denial-of-service (DDoS) monitoring services.

RISK MANAGEMENT REPORT

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 minimises operational, financial, legal, reputational and other material consequences arising from any disruption to the primary IT infrastructure.

The BCM policy reviewed in Jan 2021 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 minimise 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 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 our BCP. The Bank has taken the second wave lockdown scenario as part of its BCP testing in a work-from-home scenario and documentation purposes. Over and above, a dry run on the Cyber Response Plan was conducted with the ICT Security Team and certain adjustments were done to better manage an eventual related incident.

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 second wave of COVID-19 lockdown period, the Bank followed its BCM policy, the Government of Mauritius and World Health Organization protocols. The Bank also adapted our customer services among others, to be more geared towards technology, while maintaining our controls to run the Bank's operations. Furthermore, we applied strict sanitary measures and perpetuated our usual awareness campaign to keep our staffs informed about the evolving situation and kept employee welfare.

RISK MANAGEMENT REPORT

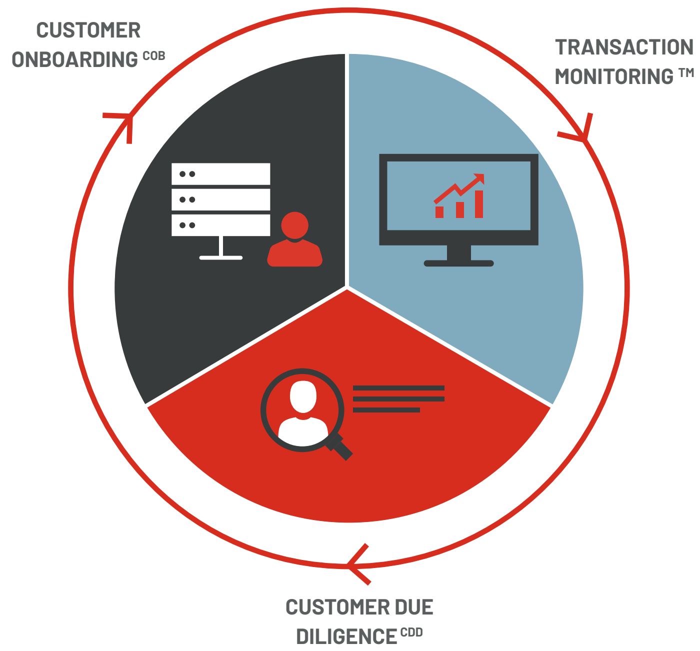
CUSTOMER RISK MANAGEMENT

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 ML and FT Risks, the AML Desk has been revamped and attached under the risk management arena.

The AML Desk, as a second line of defense, ensures that the Bank has adequate processes, systems and controls to render its services inaccessible to criminals, including money laundering and financial terrorism while tracking down suspicious activities.

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.



RISK MANAGEMENT REPORT

COMPLIANCE

Internal control and risk mitigation measures are put in place and implemented to ensure compliance with the relevant laws, regulations and internal policies and procedures.

As per the Compliance Plan approved by the Board of Directors, Compliance reviews of department are conducted on a regular basis. Reports/findings are duly submitted to Senior Management, Audit Committee of the Board and the Board of Directors.

Moreover, the Compliance Function is responsible to provide assurance and advise the Management and staff of the Bank concerning Compliance and regulatory matters.

The Compliance function monitors and overviews the following:

Regulatory Compliance and Interaction

1. Review of Policies & Procedures of the Bank
2. Implementation of Corporate Governance
3. Liaison with Regulators and Authorities
4. Report Compliance issues
5. Ensure implementation of recommendations and regulatory changes
6. Compliance/Regulatory Advisories to Senior Management and Sales Departments

Monitoring and Testing

1. Monitoring – AML Software/ Transaction Monitoring
2. Compliance advisories
3. Compliance Control and Testing- conduct KYC checks and other checks
4. Replying to Request for Information from investigative/ regulatory authorities
5. Investigation and reporting
6. Risk Based Supervision Reporting concerning AML/CFT

Financial Crime

1. Fraud identification, investigation and reporting
2. AML Training/Compliance workshop and circulation of regulatory changes
3. Financial Crime and Investigations of Suspicious Transactions
4. Review of transactions
5. File Suspicious Transactions
6. Swift Sanction Screening monitoring
7. Reply to queries from Correspondent banks
8. KYC/AML/Sanctions advisory to Sales team and AML team
9. Enterprise Wide Risk Assessment on AML/CFT

RISK MANAGEMENT REPORT

CLIMATE CHANGE AND ENVIRONMENTAL RISKS

According to The Global Risks Report 2021[1], climate action failure has been identified as one of the highest likelihood risks as well as one of the highest impact risks of the next decade. "Risks to financial stability from climate change can be divided into physical and transition risks. The value of financial assets/ liabilities could be affected either by the actual or expected economic effects of a continuation in climate change (physical risks), or by an adjustment towards a low-carbon economy (transition risks)."[2] International communities have made an urgent call for actions in terms of climate change adaptation and mitigation both by the public and the private sectors.

In this vein, the Bank of Mauritius (BoM) joined the Network of Central Banks and Supervisors for Greening the Financial System (NGFS)[3], and will help build the framework for the management of environment and climate risks for the financial sector. Additionally, BoM will be working to facilitate the support for the transition towards a sustainable economy.

Supported by the SUNREF Program, AfrAsia Bank is also striving to work towards the Sustainable Development Goal (SDG) 13 – Climate Action. As a financial institution, we understand that we are well positioned to mobilise financing for climate friendly and environmentally friendly projects. Through the SUNREF Program and our partnership with the Agence Française de Développement, we, as a Bank, will be implementing an Environmental and Social Management System. Through the implementation of this system, we aim to apply policies, procedures, tools and develop internal capacity to identify and manage our exposure to the environmental and social risks of our credit portfolio. We are also increasingly providing sustainable financial alternatives to our clients through our various offerings: Green Car Loan, Istoxx Global Cities of Tomorrow Select 30, Blackrock ESG Multi-Asset Fund VT 8%.

[1] http://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2021.pdf

[2] https://www.bom.mu/media/media-releases/media-release-bank-mauritius-joins-network-central-banks-and-supervisors-greening-financial-system

[3] https://www.fsb.org/wp-content/uploads/P231120.pdf

RISK MANAGEMENT REPORT

CAPITAL STRUCTURE AND ADEQUACY

AFRASIA BANK LIMITED		2021	2020	2019
		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		1,051,915	920,631	692,398
Retained earnings		2,664,794	2,297,788	1,836,242
Accumulated other comprehensive income and other disclosed reserves		251,890	198,526	108,365
Common Equity Tier 1 capital before regulatory adjustments		**7,609,648**	**7,057,994**	**6,278,054**
Common Equity Tier 1 capital: regulatory adjustments				
Other intangible assets		(288,679)	(269,914)	(243,398)
Deferred Tax		(149,593)	(124,388)	(100,953)
Total regulatory adjustments to Common Equity Tier 1 capital		**(438,272)**	**(394,302)**	**(344,351)**
Common Equity Tier 1 capital (CET1)		**7,171,376**	**6,663,692**	**5,933,703**
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)		1,365,601	1,323,265	1,323,552
Additional Tier 1 capital (AT1)		**1,365,601**	**1,323,265**	**1,323,552**
Tier 1 capital (T1 = CET1 + AT1)		**8,536,977**	**7,986,957**	**7,257,255**
Tier 2 capital: instruments and provisions				
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)		555,833	399,896	463,159
Tier 2 capital (T2)		**555,833**	**399,896**	**463,159**
Total Capital (capital base) (TC = T1 + T2)		**9,092,810**	**8,386,853**	**7,720,414**
Risk weighted assets				
Credit Risk		51,055,154	49,912,135	43,810,049
Market Risk		107,997	245,359	499,978
Operational Risk		5,045,198	5,205,652	4,404,267
Total risk weighted assets		**56,208,349**	**55,363,146**	**48,714,294**
Capital ratios (as a percentage of risk weighted assets)	**Regulatory Limits**			
CET1 capital ratio	9.38%	12.76%	12.04%	12.18%
Tier 1 capital ratio	10.88%	15.19%	14.43%	14.90%
Total capital ratio	12.88%	16.18%	15.15%	15.85%

RECONCILIATION WITH AFRASIA BANK'S AUDITED FINANCIAL STATEMENTS

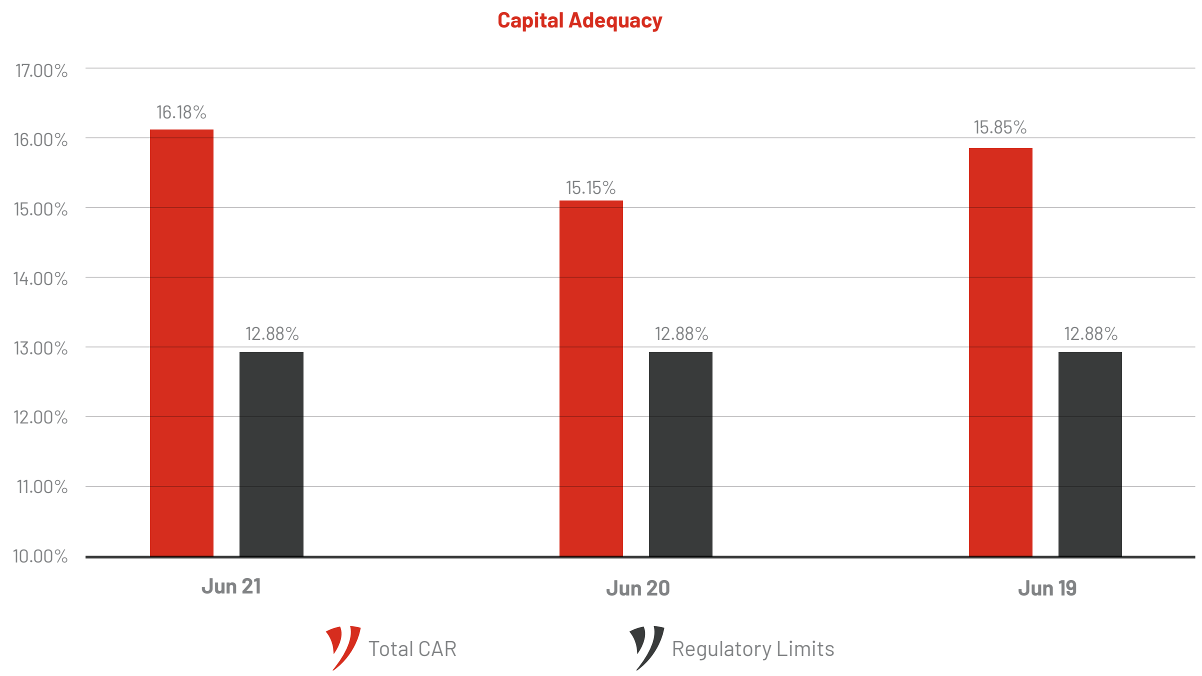
	30 June 2021	
	Statement of Financial Position as in published financial statements	Statement of Financial Position as per Basel III
ASSETS	MUR'000	MUR'000
Cash and cash equivalents	97,810,099	99,970,485
Due from banks	17,974,090	17,977,444
Derivative financial instruments	407,880	407,880
Loans and advances to banks	6,638,835	6,668,316
Loans and advances to customers	18,749,929	19,146,511
Investment securities	45,410,195	45,451,398
Financial assets held for trading measured at fair value through profit or loss	*5,534,813*	*5,534,813*
Debt instruments measured at amortised cost	*39,859,873*	*39,901,076*
Equity Investments designated at fair value through other comprehensive income	*13,804*	*13,804*
Equity Investment measured at fair value through profit or loss	*1,705*	*1,705*
Property and equipment	137,437	137,437
Intangible assets	288,679	288,679
Right of use assets	44,518	44,518
Deferred tax assets	149,593	149,593
Other assets	2,471,954	315,696
TOTAL ASSETS	**190,083,209**	**190,557,957**
LIABILITIES AND EQUITY		
Due to banks	1,000,122	1,000,122
Deposits from banks	364,726	364,726
Deposits from customers	178,846,558	178,846,558
Derivative financial instruments	210,392	210,392
Retirement benefit obligations	73,189	73,189
Current tax liabilities	85,647	85,647
Lease liabilities	47,658	47,658
Provisions	-	504,325
of which: Provision reflected in regulatory capital	-	*504,325*
Other liabilities	407,993	378,416
TOTAL LIABILITIES	**181,036,285**	**181,511,033**
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		*1,365,601*
Retained earnings	2,664,794	2,664,794
Other reserves	1,355,313	1,355,313
of which: Provision reflected in regulatory capital	-	51,508
TOTAL EQUITY	**9,046,924**	**9,046,924**
TOTAL LIABILITIES AND EQUITY	**190,083,209**	**190,557,957**

RISK MANAGEMENT REPORT

CAPITAL ADEQUACY RATIO

The capital adequacy ratios are computed in line with the "Guideline on Scope of Application of Basel III and Eligible Capital (June 2021)". The Bank of Mauritius (BoM), as part of its number of measures set to mitigate the effects of COVID-19 on the Banking sector, has deferred the implementation of the last tranche of the capital conservation buffer to April 2022. Additionally, in compliance with the "Guideline for dealing with Domestic-Systemically Important Banks ("D-SIB")", the Bank is subject to an additional buffer of 1.00% for the calendar year 2021, following the yearly assessment carried out by BOM.

The capital adequacy ratio of the Bank stood at 16.18% under Basel III as at end of June 2021, witnessing an increase of 103 basis points as compared to 15.15% as at end of the previous financial year. The Bank remains well capitalised with its capital adequacy ratio being above the regulatory limit of 12.88% for the calendar year 2021.

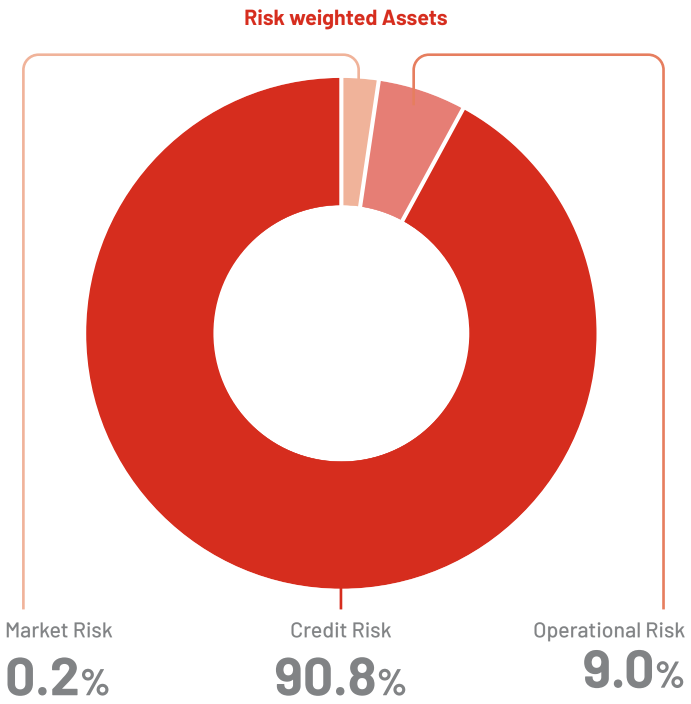


RISK WEIGHTED ASSETS

In order to determine the risk weightage for its exposures, the Bank uses the ratings assigned by Moody's Investors Service and Care Ratings. The risk weightages are calculated in accordance to the "Guideline on Standardised Approach to Credit Risk (Feb 2018)". As at end of June 2021, the total risk weighted assets for the Bank grew by 1.5% to reach MUR 56.2bn in comparison to MUR 55.4bn for the previous financial year owing to an increase in business activities.

Analysis by risk type:

- Credit Risk MUR 51.1bn
- Market Risk MUR 0.1bn
- Operational Risk MUR 5.0bn



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 2021) 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 2021 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 Committee and Technology, Digitalization and Platforms Committee, which comprise 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 have 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 2021), 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
Chairperson

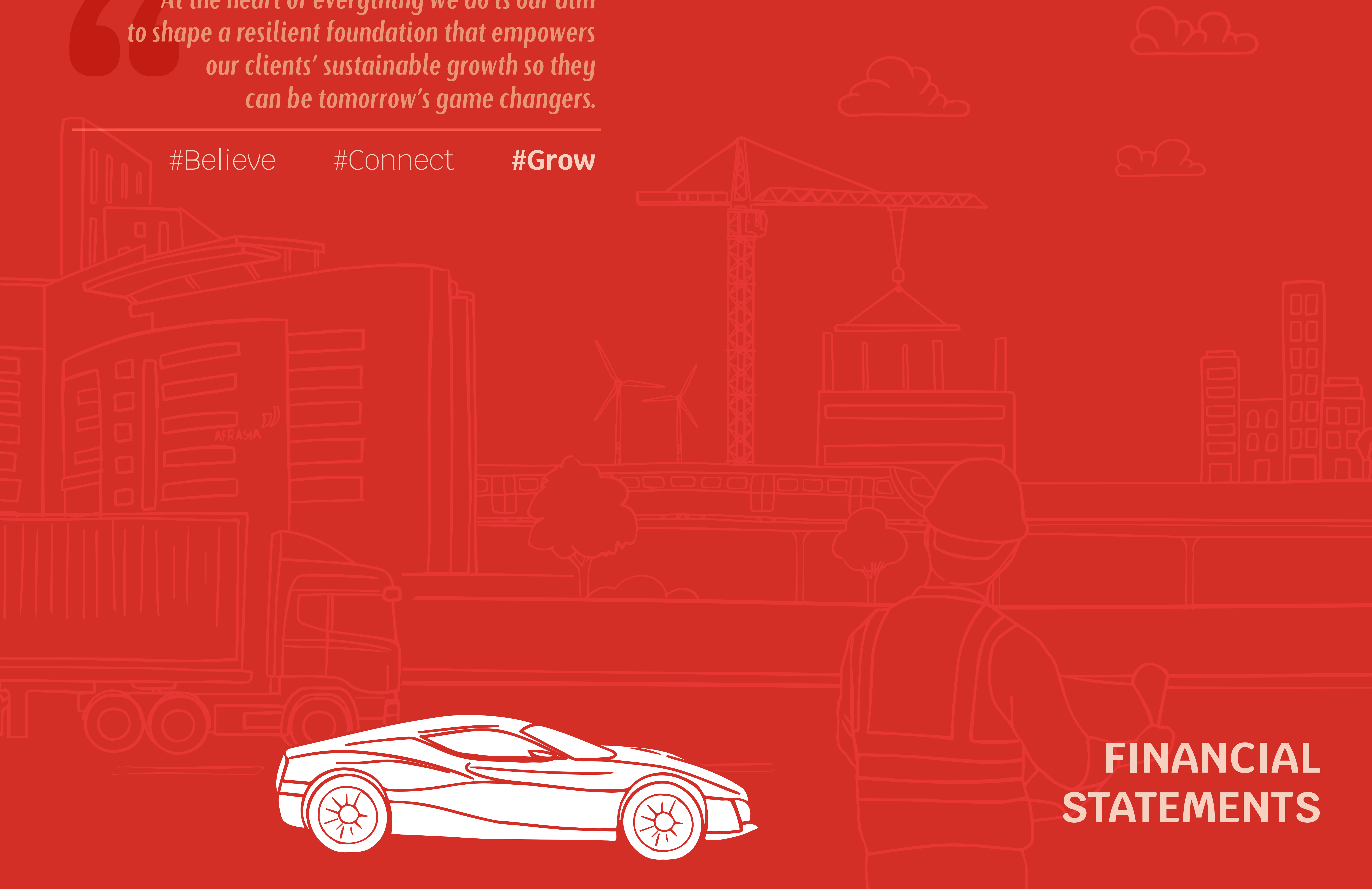
THIERRY VALLET
Interim Chief Executive Officer

JOAN JILL WAN BOK NALE
Director

Date: 17 September 2021

At the heart of everything we do is our aim to shape a resilient foundation that empowers our clients' sustainable growth so they can be tomorrow's game changers.

#Believe #Connect **#Grow**



FINANCIAL STATEMENTS

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 2021.

JENNIFER JEAN-LOUIS
Company Secretary

Date: 17 September 2021

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 145 to 295, 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.	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.

Key audit matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses – Financial assets which are not credit impaired (cont'd)	
• 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.	
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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AFRASIA BANK LIMITED(CONT'D)

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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. 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AFRASIA BANK LIMITED(CONT'D)

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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
Licensed by FRC

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

		THE GROUP			THE BANK		
		2021	2020 (Restated)	2019 (Restated)	2021	2020 (Restated)	2019 (Restated)
	Notes	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Continuing operations							
Interest income	4(a)	**1,684,412**	3,114,028	3,169,020	**1,684,412**	3,114,028	3,169,047
Interest expense	4(b)	**(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	5(a)	**877,757**	786,703	731,362	**877,870**	787,478	732,604
Fee and commission expense	5(b)	**(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	6	**-**	(2,003)	23,927	**-**	(2,003)	23,927
Net trading income	7(a)	**948,341**	1,302,350	909,281	**945,243**	1,302,350	916,803
Other gains/(losses)	7(b)	**1,696**	(3,046)	98	**1,696**	(3,046)	98
Other operating income	7(c)	**(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	8	**(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	9	**(662,934)**	(718,079)	(646,296)	**(662,934)**	(718,079)	(646,296)
Depreciation of property and equipment	19	**(35,633)**	(35,714)	(36,362)	**(35,633)**	(35,713)	(36,361)
Depreciation of right of use assets	21	**(32,912)**	(31,735)	-	**(32,912)**	(31,735)	-
Amortisation of intangible assets	20	**(41,966)**	(40,923)	(71,997)	**(41,966)**	(40,923)	(38,586)
Other operating expenses	10	**(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	18(a)	**-**	-	-	**-**	-	(189,563)
Impairment loss on receivable from subsidary	22	**-**	-	-	**-**	(33,057)	(103,000)
Loss on winding up of subsidiary	18(a)	**-**	-	(57,210)	**-**	-	-
Impairment loss on goodwill	20	**-**	-	(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	11(b)	**(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	41	**(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	17(b)	**-**	(2,880)	2,047	**-**	(2,880)	2,047
- Reclassification of gains/(losses) included in profit or loss on derecognition	17(b)	**-**	3,046	(98)	**-**	3,046	(98)
- Expected credit losses	17(b)	**-**	(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	30	**41,444**	(20,723)	(10,179)	**41,444**	(21,731)	(9,269)
Deferred tax on remeasurement of retirement benefit obligations	11(d)	**(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	17(d)	**(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 notes on pages 152 to 295 form an integral part of these financial statements.

Auditor's report on pages 141 to 144.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2021

		THE GROUP			THE BANK		
		2021	2020 (Restated)	2019 (Restated)	**2021**	2020 (Restated)	2019 (Restated)
ASSETS	**Notes**	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Cash and cash equivalents	13	**97,810,111**	69,036,975	50,700,638	**97,810,099**	69,032,249	50,698,992
Due from banks	14	**17,974,090**	11,132,738	12,967,930	**17,974,090**	11,132,738	12,967,930
Derivative financial instruments	15	**407,880**	321,961	744,595	**407,880**	321,961	92,413
Loans and advances to banks	16(a)	**6,638,835**	5,245,927	6,019,048	**6,638,835**	5,245,927	6,019,048
Loans and advances to customers	16(b)	**18,749,929**	23,043,922	22,150,196	**18,749,929**	23,043,922	22,150,196
Investment securities	17	**45,410,195**	48,696,565	46,203,952	**45,410,195**	48,664,900	45,308,171
Asset held for distribution	18(b)	**-**	-	-	**-**	38,277	-
Property and equipment	19	**137,437**	171,195	187,071	**137,437**	170,977	185,675
Intangible assets	20	**288,679**	269,990	243,401	**288,679**	269,914	243,398
Right of use assets	21	**44,518**	80,017	-	**44,518**	80,017	-
Deferred tax assets	11(d)	**149,593**	124,506	101,664	**149,593**	124,388	100,953
Other assets	22	**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	23	**1,000,122**	13,252	30,434	**1,000,122**	13,252	30,434
Deposits from banks	24(a)	**364,726**	96,365	14,106	**364,726**	96,365	14,106
Deposits from customers	24(b)	**178,832,286**	150,826,106	131,018,499	**178,846,558**	150,850,619	131,194,259
Derivative financial instruments	15	**210,392**	107,168	702,177	**210,392**	107,168	49,995
Debts issued	25	**-**	1,083	320,662	**-**	-	184,205
Financial liabilities measured at fair value through profit or loss	27	**-**	4,398	872,139	**-**	-	-
Retirement benefit obligations	30	**73,189**	102,034	67,307	**73,189**	99,851	64,652
Current tax liabilities	11(a)	**85,647**	95,283	175,913	**85,647**	95,283	175,913
Lease liabilities	21	**47,658**	82,571	-	**47,658**	82,571	-
Other liabilities	26	**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	28	**3,641,049**	3,641,049	3,641,049	**3,641,049**	3,641,049	3,641,049
Class A shares	29	**1,385,768**	1,399,768	1,399,768	**1,385,768**	1,385,768	1,385,768
Retained earnings	31	**2,693,075**	2,285,239	1,801,294	**2,664,794**	2,297,788	1,836,242
Other reserves	31	**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

The financial statements have been approved by the Board of Directors and authorised for issue on 17 September 2021

INDERJIT SINGH BEDI
Chairperson

THIERRY VALLET
Interim Chief Executive Officer

JOAN JILL WAN BOK NALE
Director

The notes on pages 152 to 295 form an integral part of these financial statements.
Auditor's report on pages 141 to 144.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

(a) THE GROUP

	Notes	Ordinary shares MUR'000	Class A shares MUR'000	Retained earnings MUR'000	Other reserves MUR'000	Total MUR'000
Attributable to owners of the Bank						
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	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
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	31	**-**	**-**	**(183,166)**	**183,166**	**-**
Deconsolidation adjustment		**-**	**(14,000)**	**-**	**-**	**(14,000)**
Dividends	12	**-**	**-**	**(510,106)**	**-**	**(510,106)**
At 30 June 2021		**3,641,049**	**1,385,768**	**2,693,075**	**1,336,802**	**9,056,694**

The notes on pages 152 to 295 form an integral part of these financial statements.
Auditor's report on pages 141 to 144.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

(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 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 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	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
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	31	-	-	(183,166)	183,166	-
Dividends	12	-	-	(510,106)	-	(510,106)
At 30 June 2021		3,641,049	1,385,768	2,664,794	1,355,313	9,046,924

The notes on pages 152 to 295 form an integral part of these financial statements.
Auditor's report on pages 141 to 144.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	THE GROUP 2021 MUR'000	THE GROUP 2020 (Restated) MUR'000	THE GROUP 2019 (Restated) MUR'000	THE BANK 2021 MUR'000	THE BANK 2020 (Restated) MUR'000	THE BANK 2019 (Restated) MUR'000
OPERATING ACTIVITIES							
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 (Note 41)		**(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	33(b)	**(1,334,753)**	(1,475,160)	(19,884,748)	**(1,336,395)**	(2,958,051)	(19,958,452)
Change in operating liabilities	33(c)	**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	33(d)	**552,659**	914,560	772,679	**611,383**	947,616	839,717
Non-cash items included in profit before tax from discontinued operations	33(d)	**206**	679	1,971	**-**	-	-
Payment of gratuity	30	**-**	(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	19	**(7,635)**	(23,891)	(33,821)	**(7,635)**	(23,891)	(33,491)
Purchase of intangible assets	20	**(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	25	**-**	(170,556)	(385,033)	**-**	(170,556)	(385,033)
Payment of lease liabilities	21	**(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	33(a)	**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

The notes on pages 152 to 295 form an integral part of these financial statements.
Auditor's report on pages 141 to 144.

> *Ultimately, our goal is to be a partner our clients can believe in, all the way from ambition to achievement.*

#Believe #Connect **#Grow**

NOTES TO THE FINANCIAL STATEMENTS

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 of its subsidiary (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 one 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 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. By June 2021, the economy showed signs of improvement despite the second lockdown in March 2021.

The vaccination programme started in February 2021 and the Government expects at least 60% of the population to be vaccinated by October 2021. The Mauritian borders have been partially opened and the full reopening is planned for October.

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

As part of its ongoing assistance to Mauritian businesses across all economic sectors, households and individuals, the Bank of Mauritius (BOM) extended specific measures under its existing COVID-19 Support Programme.

(a) The moratorium on loans granted to economic operators, SMEs, households and individuals impacted by COVID-19 has been extended to 30 June 2022.

(b) The Special Relief Amount facility of Rs 5.0 Billion made available to banks by the Bank of Mauritius has also been extended to 30 June 2022. This amount aims at meeting cash flow and working capital requirements of economic operators directly impacted by COVID-19. Disbursement will continue to be effected through commercial banks and interest rate on these advances to impacted economic operators remains capped at the fixed rate of 1.5% per annum.

(c) The reduction of the Cash Reserve Ratio applicable to commercial banks from 9% to 8% has equally been extended to 30 June 2022. This reduction will further support banks to assist businesses which are being directly impacted by COVID-19.

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 in place a 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 (Cont'd)

Key impacts on financial reporting (Cont'd)

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, and a more refined proxy has been derived for Segment A assets.

In spite of all the positive outlooks observed both from financial markets and revised predictions of the multilateral organisations, the Bank has maintained the high severity levels in its forward-looking scenarios matrix for June 2021, similar to last year at the peak of COVID-19 uncertainties.

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.

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 200.9m for an outstanding amount of MUR 4.0bn categorised in stage 1 representing an ECL percentage of 5.01%.

Stage 3 assets have been reassessed considering COVID-19 impact and appropriate provisions has been made at 30 June 2021.

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 bore testimony of the continued confidence that our customers have in us. As at 30 June 2021, there was an important growth in major foreign currency-based deposits, moreover, this growth was further magnified by an increase in exchange rate, with the net impact being an inflated deposit base when retranslated into MUR equivalent.

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 3.70% to 3.50%.

Taxes

The pandemic 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 support

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.

1B. IMPACT OF COVID-19 OUTBREAK (Cont'd)

Key impacts on financial reporting (Cont'd)

Liquidity risk

The Bank's internal and regulatory liquidity ratios demonstrate a healthy liquidity position at 30 June 2021. The Bank's average Liquidity Coverage Ratio (LCR) was 288% 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. As part of its stress testing framework, the bank applies low, moderate and severe stress scenarios on its LCR on a monthly basis.

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 during the financial year under review.

Capital adequacy ratio ("CAR")

The Bank remains well capitalised with all 3 regulatory ratios within the limit set by the Bank of Mauritius ("BOM") as set out in table below:

Components	Ratios	Regulatory Limits 2021
Common Equity Tier 1 Capital	12.76%	9.38%
Tier 1 Capital	15.19%	10.88%
Capital Adequacy Ratio	16.18%	12.88%

BOM has maintained the capital conservation buffer ("CCB") of 1.875% until the 31 of March 2022 which aimed to address the challenges posed by the COVID-19 pandemic. 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. The implementation of the last tranche of the CCB amounting to 0.625% is being deferred to 1 April 2022. 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 2021, following a yearly assessment carried out by BOM.

The Bank closely monitors the evolution of its CAR and carries stress testing on a regular basis using several scenarios.

2A. 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 1 July 2020.

New and revised Standards that are effective for the current year

The following relevant revised Standards have been applied in these financial statements. Their application has not had any significant impact on the amounts reported for the current and prior periods but may affect the accounting treatment for future transactions or arrangements.

IAS 1	Presentation of Financial Statements – Amendments regarding the definition of material
IAS 8	Accounting Policies, Change in Accounting Estimates and Errors – Amendments regarding the definition of material
IFRS 3	Business Combinations – Amendments to clarify the definition of a business
IFRS 16	Leases – Amendment to provide lessees with an exemption from assessing whether a COVID-19-related concession is a lease modification
Amendments to References to the Conceptual Framework in IFRS Standards	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
IFRS 7	Financial Instruments: Disclosures – Amendments regarding pre-replacement issues in the context of the IBOR reform
IFRS 9	Financial Instruments – Amendments regarding pre-replacement issues in the context of the IBOR reform

2A. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Cont'd)

Amendments to IAS 39, IFRS 7 and IFRS 9 Interest Rate Benchmark Reform

The amendments, which are applicable for financial reporting periods beginning on or after 1 January 2020, focus on hedge accounting issues related to uncertainties arising in the period leading up to the replacement of IBORs with alternative nearly risk-free rates, and provide reliefs to allow hedge accounting to continue during the period of uncertainty before an IBOR is replaced. The amendments are mandatory for all hedge relationships directly affected by interest rate benchmark reform, and are required to be applied on a retrospective basis.

The Group and the Bank do not apply hedge accounting and hence above amendments do not have an impact on the financial statements of 30 June 2021.

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 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 1	Presentation of Financial Statements – Amendments regarding the disclosure of accounting policies (effective 1 January 2023)
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of accounting estimates (effective 1 January 2023)
IAS 12	Income Taxes - Amendments regarding Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023)
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 use (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 updating a reference to the Conceptual Framework (effective 1 January 2022)
IFRS 7	Financial Instruments: Disclosures - Amendments regarding replacement issues in the context of the IBOR reform (effective 1 January 2021)
IFRS 9	Financial Instruments - Amendments regarding replacement issues in the context of the IBOR reform (effective 1 January 2021)
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 - Amendments regarding replacement issues in the context of the IBOR reform (effective 1 January 2021)
IFRS 16	Leases - Amendments to extend the exemption from assessing whether COVID-19 related rent concession is a lease modification (effective 1 April 2021)

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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).

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and entities controlled by the Bank (its subsidiary). 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 subsidiary to bring their accounting policies in line with the Group's accounting policies.

3A. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Basis of consolidation (Cont'd)

Changes in the Group's ownership interests in existing subsidiary

Changes in the Group's ownership interests in subsidiary that do not result in the Group losing control over the subsidiary 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 subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Bank.

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, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(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 (Cont'd)

(d) Recognition of income and expenses (Cont'd)

(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 orcomponents 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

Financial assets and financial liabilities

Financial assets and financial liabilities (excluding regular way trades) 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. Regular way trades are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. These are recognised using settlement date accounting and are applied both for financial assets mandatorily measured at FVTPL and financial assets measured at amortised cost.

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.

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 2019, 2020 and 2021.

3A. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Financial instruments (Cont'd)

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.

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.

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.

3A. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Financial instruments (Cont'd)

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).

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.

3A. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Financial instruments (Cont'd)

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.

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 (Cont'd)

(e) Financial instruments (Cont'd)

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. 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 nondefaulted asset given the definition of credit impaired is broader than the definition of default.

3A. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Financial instruments (Cont'd)

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 forward-looking information that is available without undue cost or effort, based on the Group's 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

3A. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Financial instruments (Cont'd)

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 a forbearance policy in place to cater for requests for restructuring of debts. 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;
- 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.

  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.

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.

3A. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Financial instruments (Cont'd)

Modification and derecognition of financial assets (Cont'd)

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 write-off. 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
- 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 callable at the option of the Bank. These shares carry non-cumulative 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.

3A. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Financial instruments (Cont'd)

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.

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.

(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.

(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.

3A. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Equity reserves

The reserves recorded in equity on the statement of financial position include:

- 'Fair value reserve' relates to the gain or loss arising from changes in the fair value of equity and 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 non-financial 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.

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.

3A. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(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) 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.

(n) 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.

3A. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(o) Leases

The Group and the Bank have applied IFRS 16 using the cumulative catch-up approach on 1 July 2019 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.

Policies applicable from 1 July 2019 (continued)

The Group and the Bank as a lessee (continued)

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.

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.

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.

3A. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(p) 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.

(q) 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.

(r) 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 (Cont'd)

(s) 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 subsidiary, 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 subsidiary, 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.

(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.

(iv) 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 expense for the year is recognised in tax expense in the statements of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

3A. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) 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.

(u) 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.

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.

3B. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Cont'd)

Judgements (Cont'd)

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.

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		
	2021	2020	2019	**2021**	2020	2019
	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)	**334,618**	823,913	943,876	**334,618**	823,913	943,901
- Loans and advances to banks	**78,031**	189,899	214,044	**78,031**	189,899	214,044
- Loans and advances to customers	**601,650**	919,697	1,050,485	**601,650**	919,697	1,050,485
- Investment securities	**655,975**	1,109,195	802,098	**655,975**	1,109,195	802,098
- Placements with the Central Bank	**14,138**	53,129	49,377	**14,138**	53,129	49,377
	1,684,412	3,095,833	3,059,880	**1,684,412**	3,095,833	3,059,905
Interest income on financial instruments measured at fair value through other comprehensive income:						
- Investment securities	**-**	18,195	109,142	**-**	18,195	109,142
Total interest income calculated using EIR	**1,684,412**	3,114,028	3,169,022	**1,684,412**	3,114,028	3,169,047
Analysed as follows:						
Continuing operations	**1,684,412**	3,114,028	3,169,020	**1,684,412**	3,114,028	3,169,047
Discontinued operations (Note 41)	**-**	-	2	**-**	-	-
	1,684,412	3,114,028	3,169,022	**1,684,412**	3,114,028	3,169,047

4(b) INTEREST EXPENSE

	THE GROUP			THE BANK		
	2021	2020	2019	**2021**	2020	2019
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Interest expense on financial instruments measured at amortised cost:						
- Due to banks	**114,476**	67,309	42,390	**114,469**	67,265	42,390
- Deposits from banks	**1,721**	603	-	**1,721**	603	-
- Deposits from customers	**492,006**	1,006,402	787,711	**492,006**	1,006,402	787,711
- Subordinated debts issued	**-**	6,671	28,173	**-**	6,671	28,173
- Lease liabilities	**3,798**	4,845	-	**3,798**	4,845	-
- Loan notes	**-**	-	133	**-**	-	-
- Others	**1,289**	-	-	**-**	-	-
Total interest expense	**613,290**	1,085,830	858,407	**611,994**	1,085,786	858,274
Analysed as follows:						
Continuing operations	**613,283**	1,085,786	858,274	**611,994**	1,085,786	858,274
Discontinued operations (Note 41)	**7**	44	133	**-**	-	-
	613,290	1,085,830	858,407	**611,994**	1,085,786	858,274
NET INTEREST INCOME	**1,071,122**	2,028,198	2,310,615	**1,072,418**	2,028,242	2,310,773
Analysed as follows:						
Continuing operations	**1,071,129**	2,028,242	2,310,746	**1,072,418**	2,028,242	2,310,773
Discontinued operations (Note 41)	**(7)**	(44)	(131)	**-**	-	-
	1,071,122	2,028,198	2,310,615	**1,072,418**	2,028,242	2,310,773

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

5 NET FEE AND COMMISSION INCOME

5(a) Fee and commission income

	THE GROUP			THE BANK		
	2021	2020	2019	**2021**	2020	2019
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Fee and commission income	**554,228**	496,528	439,202	**554,228**	496,528	439,202
Credit card income	**83,965**	93,214	107,796	**83,965**	93,214	107,796
Custody fees income	**193,856**	166,004	163,279	**193,896**	166,715	164,330
Other fees	**45,708**	30,957	22,146	**45,781**	31,021	21,276
Asset management fees	**16,827**	40,591	49,422	**-**	-	-
Total fee and commission income	**894,584**	827,294	781,845	**877,870**	787,478	732,604
Analysed as follows:						
Continuing operations	**877,757**	786,703	731,362	**877,870**	787,478	732,604
Discontinued operations (Note 41)	**16,827**	40,591	50,483	**-**	-	-
	894,584	827,294	781,845	**877,870**	787,478	732,604

5(b) Fee and commission expense

	THE GROUP			THE BANK		
	2021	2020	2019	**2021**	2020	2019
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Commission paid to other banks	**(131,145)**	(94,657)	(88,380)	**(131,145)**	(94,657)	(88,381)
Credit card expenses	**(89,951)**	(89,176)	(92,226)	**(89,951)**	(89,176)	(92,226)
Custody fees expense	**(70,203)**	(56,689)	(57,279)	**(70,163)**	(56,715)	(57,178)
Retrocession fees	**(24,505)**	(54,685)	(48,651)	**(23,661)**	(54,685)	(48,651)
Other fees paid	**(450)**	(4,697)	(6,548)	**(450)**	(2,259)	(4,943)
Total fee and commission expense	**(316,254)**	(299,904)	(293,084)	**(315,370)**	(297,492)	(291,379)
Analysed as follows:						
Continuing operations	**(313,605)**	(297,502)	(291,381)	**(315,370)**	(297,492)	(291,379)
Discontinued operations (Note 41)	**(2,649)**	(2,402)	(1,703)	**-**	-	-
	(316,254)	(299,904)	(293,084)	**(315,370)**	(297,492)	(291,379)
Net fee and commission income	**578,330**	527,390	488,761	**562,500**	489,986	441,225
Analysed as follows:						
Continuing operations	**564,152**	489,201	439,981	**562,500**	489,986	441,225
Discontinued operations (Note 41)	**14,178**	38,189	48,780	**-**	-	-
	578,330	527,390	488,761	**562,500**	489,986	441,225

6 NET (LOSS)/GAIN FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

	THE GROUP AND THE BANK		
	2021	2020	2019
	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 NET TRADING INCOME AND OTHER OPERATING INCOME

7(a) NET TRADING INCOME

	THE GROUP			THE BANK		
	2021	2020	2019	**2021**	2020	2019
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Net gain on debt instruments measured at fair value through profit or loss	**124,602**	499,320	235,878	**124,602**	499,320	235,878
Gain/(loss) on other derivatives held for trading	**58,201**	117,234	(7,016)	**58,201**	117,234	(7,016)
(Loss)/gain on foreign exchange derivatives	**(71,391)**	74,598	(105,279)	**(71,391)**	74,598	(105,279)
Gain on foreign exchange	**836,929**	611,198	785,698	**833,831**	611,198	793,220
	948,341	1,302,350	909,281	**945,243**	1,302,350	916,803
Analysed as follows:						
Continuing operations	**948,341**	1,302,350	909,281	**945,243**	1,302,350	916,803
Discontinued operations (Note 18(b))	**-**	-	-	**-**	-	-
	948,341	1,302,350	909,281	**945,243**	1,302,350	916,803

Net gain on debt instruments measured at fair value through profit or loss includes exchange gains of MUR 47.7m (2020: MUR 161.3m and 2019: MUR 23.0m) and interest income of MUR 53.1m (2020: MUR 212.2m and 2019: 188.9m).

7(b) OTHER GAINS/(LOSSES)

	THE GROUP THE BANK		
	2021	2020	2019
	MUR'000	MUR'000	MUR'000
Net (loss)/gain arising from derecognition of debt instrument measured at fair value through other comprehensive income (Note 1)	**-**	(3,046)	98
Fair value gain on equity Investment measured at fair value through profit or loss	**1,696**	-	-
	1,696	(3,046)	98

Note 1: The above relates to bonds disposed and redeemed on maturity during the year 2020 and 2019.

7(c) OTHER OPERATING INCOME/(EXPENSE)

	THE GROUP			THE BANK		
	2021	2020	2019	**2021**	2020	2019
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Profit on disposal of motor vehicle	**-**	769	-	**-**	402	-
Transaction and other related fees	**(106)**	6,168	(8,855)	**(106)**	(777)	665
Gain/(loss) on foreign exchange	**(1,492)**	(10,001)	3,761	**-**	-	-
	(1,598)	(3,064)	(5,094)	**(106)**	(375)	665
Analysed as follows:						
Continuing operations	**(1,843)**	(5,372)	(5,300)	**(106)**	(375)	665
Discontinued operations (Note 41)	**245**	2,308	206	**-**	-	-
	(1,598)	(3,064)	(5,094)	**(106)**	(375)	665

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

8 NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

	THE GROUP			THE BANK		
	2021	2020	2019	**2021**	2020	2019
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Cash and cash equivalents (Note 13)	**956**	(22,774)	(24,449)	**956**	(22,774)	(24,449)
Due from banks (Note 14)	**(1,523)**	991	3,660	**(1,523)**	991	3,660
Loans and advances to banks (Note 16(a))	**17,811**	(3,508)	(2,662)	**17,811**	(3,508)	(2,662)
Loans and advances to customers (Note 16(b))	**420,594**	977,437	577,719	**420,594**	977,437	577,719
Debt instruments measured at FVTOCI (Note 17(b))	**-**	(1,074)	527	**-**	(1,074)	527
Debt instruments measured at amortised cost (Note 17(c))	**33,411**	(586)	2,395	**33,411**	(586)	2,395
Financial guarantee contracts and loan commitments (Note 37(b))	**22,215**	(3,116)	390	**22,215**	(3,116)	390
Trade and other receivables	**9,285**	60	(65)	**3,669**	-	-
Net impairment losses	**502,749**	947,430	557,515	**497,133**	947,370	557,580
Bad debts recovered	**(32,002)**	(108,275)	(89,200)	**(32,002)**	(108,275)	(89,200)
	470,747	839,155	468,315	**465,131**	839,095	468,380
Analysed as follows:						
Continuing operations	**470,747**	839,095	468,380	**465,131**	839,095	468,380
Discontinued operations (Note 41)	**-**	60	(65)	**-**	-	-
	470,747	839,155	468,315	**465,131**	839,095	468,380

9 PERSONNEL EXPENSES

	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
Salaries	**406,029**	425,126	369,667	**388,827**	401,348	339,654
Staff benefits	**236,560**	275,923	269,962	**236,121**	268,263	264,204
Retirement benefit cost (Note 30)	**14,782**	15,489	14,353	**14,782**	14,953	13,697
Pension cost - defined contribution scheme	**27,861**	27,234	24,533	**27,861**	25,972	22,414
Training expenses	**(4,724)**	7,624	6,605	**(4,657)**	7,543	6,327
	680,508	751,396	685,120	**662,934**	718,079	646,296
Analysed as follows:						
Continuing operations	**662,934**	718,079	646,296	**662,934**	718,079	646,296
Discontinued operations (Note 41)	**17,574**	33,317	38,824	**-**	-	-
	680,508	751,396	685,120	**662,934**	718,079	646,296

10 OTHER OPERATING EXPENSES

	THE GROUP			THE BANK		
	2021	2020	2019	**2021**	2020	2019
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Advertising and marketing expenses	**13,888**	54,363	64,312	**12,757**	53,411	63,736
Rental expense (non-cancellable)	**-**	-	36,713	**-**	-	38,862
Administrative expenses	**232,954**	255,811	179,159	**234,617**	250,236	171,208
Equipment and intangibles written off	**11,618**	206	1,309	**11,618**	206	1,309
Professional fees	**64,749**	68,097	60,212	**60,552**	62,708	48,391
	323,209	378,477	341,705	**319,544**	366,561	323,506
Analysed as follows:						
Continuing operations	**313,733**	369,248	332,705	**319,544**	366,561	323,506
Discontinued operations (Note 41)	**9,476**	9,229	9,000	**-**	-	-
	323,209	378,477	341,705	**319,544**	366,561	323,506

Special levy was reclassified from other operating expenses to taxation - Refer to note 11 for more details.

11 TAXATION

Income tax is calculated on the profit for the year as adjusted for income tax for the Bank's 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. For the year ended 30 June 2020, the Bank has complied with the prescribed conditions and has applied the graduated tax rate. For the year under review, the chargeable income of the Bank was below the threshold of MUR 1.5bn.

The income tax rate applicable for 2019 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 subsidiaries is calculated at the rate of 15% (2020 and 2019: 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.

11 TAXATION (Cont'd)

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.

A communique issued by BOM during the year under review, clarified that Special Levy should be treated as a tax expense. Thus, the Bank reclassified the amount recognised in respect of Special Levy from 'Other operating expenses' to 'Tax expense' in the statement of profit or loss and other comprehensive income. The amount recognised for Special Levy has also been reclassified from 'Other liabilities' to 'Current tax liabilities' in the statement of financial position. These line items in the statement of profit or loss and other comprehensive income for the years ended 30 June 2019 and 2020 and in the statement of financial position as at 30 June 2019 and 2020 were also restated to reflect this reclassification as follows:

THE GROUP

	30-Jun-20			30-Jun-19		
Statement of Profit or Loss and other comprehensive income	**As previously reported**	Reclassification	As restated	**As previously reported**	Reclassification	As restated
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Continuing operations						
Other operating expenses:	**(450,913)**	81,665	(369,248)	**(396,502)**	63,797	(332,705)
Profit before tax	**1,692,912**	81,665	1,774,577	**1,867,083**	63,797	1,930,880
Tax expense:	**(146,771)**	(81,665)	(228,436)	**(239,219)**	(63,797)	(303,016)
Profit for the year	**1,546,141**	-	1,546,141	**1,627,864**	-	1,627,864

	30-Jun-20			30-Jun-19		
Statement of Financial Position	**As previously reported**	Reclassification	As restated	**As previously reported**	Reclassification	As restated
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Current tax liabilities	**13,618**	81,665	95,283	**112,116**	63,797	175,913
Other liabilities	**578,800**	(81,665)	497,135	**522,732**	(63,797)	458,935

THE BANK

	30-Jun-20			30-Jun-19		
Statement of Profit or Loss and other comprehensive income	**As previously reported**	Reclassification	As restated	**As previously reported**	Reclassification	As restated
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Other operating expenses	**(448,226)**	81,665	(366,561)	**(387,303)**	63,797	(323,506)
Profit before tax	**1,668,326**	81,665	1,749,991	**1,824,002**	63,797	1,887,799
Tax expense	**(146,771)**	(81,665)	(228,436)	**(239,219)**	(63,797)	(303,016)
Profit for the year	**1,521,555**	-	1,521,555	**1,584,783**	-	1,584,783

	30-Jun-20			30-Jun-19		
Statement of Financial Position	**As previously reported**	Reclassification	As restated	**As previously reported**	Reclassification	As restated
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Current tax liabilities	**13,618**	81,665	95,283	**112,116**	63,797	175,913
Other liabilities	**568,061**	(81,665)	486,396	**507,327**	(63,797)	443,530

11 TAXATION (Cont'd)

11(a) Statements of financial position

	THE GROUP			THE BANK		
	2021	2020 (Restated)	2019 (Restated)	**2021**	2020 (Restated)	2019 (Restated)
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Corporate tax liability:						
Provision for the year	**74,247**	139,890	170,618	**74,247**	139,890	170,618
Tax paid under advance payment scheme	**(60,053)**	(128,282)	(63,408)	**(60,053)**	(128,282)	(59,312)
	14,194	11,608	107,210	**14,194**	11,608	111,306
CSR liability	**2,789**	2,010	1,040	**2,789**	2,010	810
Special levy	**68,664**	81,665	63,797	**68,664**	81,665	63,797
Current tax liabilities	**85,647**	95,283	172,047	**85,647**	95,283	175,913
Analysed as follows:						
Current tax liabilities	**85,647**	95,283	175,913	**85,647**	95,283	175,913
Current tax assets (included in other assets Note 22)	**-**	-	(3,866)	**-**	-	-
	85,647	95,283	172,047	**85,647**	95,283	175,913

Total tax paid (including levy, APS, CSR and tax assessment review) during the year ended 30 June 2021 was MUR 185.7m (2020: MUR 328.6m, 2019: MUR 95.9m).

11(b) Statements of profit or loss and other comprehensive income

The components of income tax expense for the years ended 30 June 2021, 2020 and 2019 are as follows

	THE GROUP			THE BANK		
	2021	2020 (Restated)	2019 (Restated)	**2021**	2020 (Restated)	2019 (Restated)
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Current income tax	**74,247**	139,890	170,618	**74,247**	139,890	170,618
Under/(over) provision in income tax in prior years	**10,846**	425	(1,053)	**10,846**	425	(311)
Amount paid under tax assessment review	**-**	10,176	-	**-**	10,176	-
Withholding tax	**-**	2,541	431	**-**	2,541	431
CSR expense	**22,299**	15,856	7,199	**22,299**	15,856	6,469
Special levy	**68,664**	81,665	63,797	**68,664**	81,665	63,797
(Over)/under provision in deferred tax in prior years	**(44)**	(394)	34	**(44)**	(393)	31
Deferred tax movement (Note 11(d))	**(27,607)**	(21,180)	61,597	**(27,607)**	(21,724)	61,981
Tax expense for the year	**148,405**	228,979	302,623	**148,405**	228,436	303,016
Analysed as follows:						
Continuing operations	**148,405**	228,436	303,016	**148,405**	228,436	303,016
Discontinued operations (Note 41)	**-**	543	(393)	**-**	-	-
	148,405	228,979	302,623	**148,405**	228,436	303,016

11 TAXATION (Cont'd)

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 2021, 2020 and 2019 is as follows:

	THE GROUP			THE BANK		
	2021	2020 (Restated)	2019 (Restated)	**2021**	2020 (Restated)	2019 (Restated)
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Accounting 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 (Note 41)	**-**	(2,603)	(285)	**-**	-	-
	1,078,001	1,771,975	1,930,595	**1,023,631**	1,749,991	1,887,799
Taxed at 7% (2020: 7% and 2019: 17%)	**75,460**	124,038	328,201	**71,654**	122,499	320,926
Deemed credit on Segment B profits	**-**	-	(247,039)	**-**	-	(247,039)
(Over)/under provision in deferred tax in prior years	**(44)**	(394)	34	**(44)**	(393)	31
Under/(over) provision in income tax in prior years	**10,846**	425	(1,053)	**10,846**	425	(311)
Amount paid under tax assessment review	**-**	10,176	-	**-**	10,176	-
Non deductible expenses	**(1,031)**	7,710	46,908	**2,775**	5,863	52,812
Bad debt written off subject to tax	**-**	8,710	31,368	**-**	8,710	31,368
Non taxable income	**(30)**	(6,470)	(9,875)	**(30)**	(3,628)	(6,442)
Withholding tax	**-**	2,541	431	**-**	2,541	431
CSR adjustment	**3,127**	(6,414)	(8,521)	**3,127**	(6,437)	(9,333)
Tax rate differential	**(8,587)**	6,992	98,372	**(8,587)**	7,015	96,776
Special levy	**68,664**	81,665	63,797	**68,664**	81,665	63,797
Tax expense	**148,405**	228,979	302,623	**148,405**	228,436	303,016
Analysed as follows:						
Continuing operations	**148,405**	228,436	303,016	**148,405**	228,436	303,016
Discontinued operations (Note 41)	**-**	543	(393)	**-**	-	-
	148,405	228,979	302,623	**148,405**	228,436	303,016

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%.

11(d) Deferred tax

	THE GROUP			THE BANK		
	2021	2020	2019	**2021**	2020	2019
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
At 1 July	**(124,506)**	(101,664)	(162,869)	**(124,388)**	(100,953)	(162,584)
Disposal of subsidiary	**118**	-	-	**-**	-	-
Charge to profit or loss:						
(Over)/under provision in deferred tax in prior years (Note 11 (b))	**(44)**	(394)	34	**(44)**	(393)	31
Movement for the year	**(27,607)**	(21,180)	61,597	**(27,607)**	(21,724)	61,981
Charge to other comprehensive income:						
Movement for the year	**2,446**	(1,268)	(426)	**2,446**	(1,318)	(381)
At 30 June	**(149,593)**	(124,506)	(101,664)	**(149,593)**	(124,388)	(100,953)

Prior to 30 June 2019, 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 TAXATION (Cont'd)

11(d) Deferred tax (Cont'd)

THE GROUP	At 1 July 2019	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	**Disposal of subsidiary**	**Charge/ (credit) to profit or loss**	**Charge/ (credit) to OCI**	**At 30 June 2021**
Deferred tax assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
Impairment losses on loans and advances to banks and customers	(142,018)	(18,096)	53,852	-	(106,262)	(24,834)	-	(131,096)	**-**	**(22,247)**	**-**	**(153,343)**
Other temporary differences	(285)	-	(253)	-	(538)	(31)	-	(569)	**569**	**-**	**-**	**-**
Impairment loss on bond and other financial assets	(11,402)	(3,026)	8,438	-	(5,990)	5,017	-	(973)	**-**	**(2,260)**	**-**	**(3,233)**
Retirement benefit obligations	(2,939)	-	(480)	(426)	(3,845)	(293)	(1,268)	(5,406)	**(491)**	**(1,013)**	**2,446**	**(4,464)**
	(156,644)	(21,122)	61,557	(426)	(116,635)	(20,141)	(1,268)	(138,044)	**78**	**(25,520)**	**2,446**	**(161,040)**
Deferred tax liability												
Accelerated capital allowances	14,897	-	74	-	14,971	(1,433)	-	13,538	**40**	**(2,131)**	**-**	**11,447**
Net deferred tax assets	(141,747)	(21,122)	61,631	(426)	(101,664)	(21,574)	(1,268)	(124,506)	**118**	**(27,651)**	**2,446**	**(149,593)**

THE BANK	At 1 July 2019	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	**Disposal of subsidiary**	**Charge/ (credit) to profit or loss**	**Charge/ (credit) to OCI**	**At 30 June 2021**
	MUR'000	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	(142,018)	(18,096)	53,852	-	(106,262)	(24,834)	-	(131,096)	**-**	**(22,247)**	**-**	**(153,343)**
Impairment loss on bond and other financial assets	(11,402)	(3,026)	8,438	-	(5,990)	5,017	-	(973)	**-**	**(2,260)**	**-**	**(3,233)**
Retirement benefit obligations	(2,939)	-	(392)	(381)	(3,712)	(867)	(1,318)	(5,897)	**-**	**(1,013)**	**2,446**	**(4,464)**
	(156,359)	(21,122)	61,898	(381)	(115,964)	(20,684)	(1,318)	(137,966)	**-**	**(25,520)**	**2,446**	**(161,040)**
Deferred tax liability												
Accelerated capital allowances	14,897	-	114	-	15,011	(1,433)	-	13,578	**-**	**(2,131)**	**-**	**11,447**
Net deferred tax assets	(141,462)	(21,122)	62,012	(381)	(100,953)	(22,117)	(1,318)	(124,388)	**-**	**(27,651)**	**2,446**	**(149,593)**

12 DIVIDENDS

	THE GROUP AND THE BANK		
	2021	2020	2019
	MUR'000	MUR'000	MUR'000
Dividends on Ordinary shares:			
Dividend paid	**338,932**	429,313	186,412
Dividends on Class A shares - Series 1 & Series 2:			
Dividend paid	**132,897**	147,371	147,096
Dividends in Specie			
Distribution of AfrAsia Capital Management Ltd (ACM)			
Shares	**38,277**	-	-
Total dividends	**510,106**	576,684	333,508

Ordinary Shares

During the year ended 30 June 2021, the directors proposed that a dividend of MUR 3 (2020: MUR 3.80, 2019: MUR 1.65) per share to be paid to the holders of Ordinary shares with respect to the year ended 30 June 2020. The Board of Directors approved the dividend on 30 November 2020 and it was paid in June and July 2021. Total dividend paid is MUR 339M (2020: MUR 429M; 2019: MUR 186M).

Class A Shares

On 25 February 2021, the Directors proposed and approved that an interim dividend of MUR 14.52 per share to be paid to the holders of Class A shares Series 1 and MUR 4.64 per share to be paid to holders of Class A shares series 2. The interim dividend amounted to MUR 66.2M and it was paid in July 2021.

In relation to the year ended 30 June 2020, the Board proposed a final dividend of MUR 15.90 per share to the holders of Class A shares Series 1 and MUR 4.37 per share to be paid to the holders of Class A shares Series 2. The Board of directors approved the dividends on 30 November 2020 and these were paid in February 2021. The total amount paid were MUR 66.7M.

The dividend paid in 2020 and 2019 were MUR 38.53 and MUR 38.15 per share to the holders of Class A Series 1 and MUR 8.79 and MUR 8.85 per share to the holders of Class A shares series 2 and amounted to MUR 147.4M and MUR 147.1M respectively.

Dividend in Specie

In November 2019, the Board approved the distribution of the shares of EKADA Capital Ltd (formerly known AfrAsia Capital Management Ltd). Following the approval from the Financial Services Commission and the Bank of Mauritius respectively, the Board declared the dividend in Specie of the shares of EKADA Capital Ltd in November 2020 and the distribution was completed in January 2021.

13 CASH AND CASH EQUIVALENTS

	THE GROUP			THE BANK		
	2021	2020	2019	**2021**	2020	2019
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Cash in hand	**28,782**	40,108	42,087	**28,782**	40,108	42,087
Unrestricted balances with the Central Bank (Note 1)	**16,893,152**	8,500,527	3,988,536	**16,893,152**	8,500,527	3,988,536
Short term placements with other banks	**43,312,526**	39,092,753	33,808,173	**43,312,526**	39,092,753	33,808,173
Short term placements with the Central Bank	**-**	281,945	-	**-**	281,945	-
Current accounts with other banks	**37,579,779**	21,124,814	12,887,788	**37,579,767**	21,120,088	12,886,142
	97,814,239	69,040,147	50,726,584	**97,814,227**	69,035,421	50,724,938
Less: allowance for impairment losses	**(4,128)**	(3,172)	(25,946)	**(4,128)**	(3,172)	(25,946)
	97,810,111	69,036,975	50,700,638	**97,810,099**	69,032,249	50,698,992

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.

The table below shows the credit quality and the maximum exposure to credit risk for short term placements with other banks based on the Bank's external credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

13 CASH AND CASH EQUIVALENTS (Cont'd)

	THE GROUP AND THE BANK		
	2021	2020	2019
External rating grade	**MUR'000**	MUR'000	MUR'000
Performing:			
Credit rating AAA	**-**	281,946	-
Credit rating AA+ to AA-	**11,844,264**	15,662,466	2,979,536
Credit rating A+ to A-	**22,705,277**	10,802,675	19,647,910
Credit rating BBB+ to BBB-	**2,574,334**	4,050,875	4,221,998
Credit rating BB+ to BB-	**5,121,714**	8,576,736	6,958,729
Credit rating B+ to B-	**1,066,937**	-	-
Total gross carrying amount	**43,312,526**	39,374,698	33,808,173
Loss allowance	**(4,101)**	(3,156)	(25,929)
Carrying amount at 30 June	**43,308,425**	39,371,542	33,782,244

Allowance for impairment losses

The balances were classified in stage 1 and 12-month ECL was calculated hereon at 30 June 2021, 2020 and 2019.

	THE GROUP AND THE BANK		
	2021	2020	2019
	MUR'000	MUR'000	MUR'000
Loss allowance as at 1 July	**3,172**	25,946	50,395
Movement in ECL during the year	**956**	(22,774)	(24,449)
Loss allowance as at 30 June	**4,128**	3,172	25,946

14 DUE FROM BANKS

	THE GROUP AND THE BANK		
	2021	2020	2019
	MUR'000	MUR'000	MUR'000
At amortised cost:			
Short term collateralised placements	**16,378,549**	7,039,627	4,844,692
Medium term collateralised placements	**-**	-	1,781,279
Medium term placements with the Central Bank	**-**	507,262	1,009,464
Long term placements with Central Bank	**-**	-	507,181
Medium term placements with other banks	**1,598,895**	3,590,726	4,829,200
	17,977,444	11,137,615	12,971,816
Less: allowance for impairment losses	**(3,354)**	(4,877)	(3,886)
	17,974,090	11,132,738	12,967,930

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 2021 was MUR 23.4bn (2020: MUR 10.9bn, 2019: MUR 9.4bn).

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 2021, 2020 and 2019.

	THE GROUP AND THE BANK		
	2021	2020	2019
External rating grade	**MUR'000**	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-	**11,113,026**	2,012,429	8,955,768
Credit rating BB+ to BB-	**5,797,435**	6,829,589	717,391
Credit rating B+ to B-	**1,066,983**	802,531	-
Total gross carrying amount	**17,977,444**	11,137,615	12,971,816
Loss allowance	**(3,354)**	(4,877)	(3,886)
Carrying amount at 30 June	**17,974,090**	11,132,738	12,967,930

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	THE GROUP AND THE BANK		
	2021	2020	2019
	MUR'000	MUR'000	MUR'000
Gross carrying amount at 1 July	**11,137,615**	12,971,816	5,164,742
New financial assets originated	**17,977,444**	11,137,615	12,971,816
Financial assets that have been repaid	**(11,137,615)**	(12,971,816)	(5,164,742)
Gross carrying amount at 30 June	**17,977,444**	11,137,615	12,971,816

Allowance for impairment losses	THE GROUP AND THE BANK		
	2021	2020	2019
	MUR'000	MUR'000	MUR'000
Loss allowance as at 1 July	**4,877**	3,886	226
New financial assets originated	**3,354**	4,877	3,886
Financial assets that have been repaid	**(4,877)**	(3,886)	(226)
Loss allowance as at 30 June	**3,354**	4,877	3,886

15 DERIVATIVE FINANCIAL INSTRUMENTS

(a) THE GROUP

	Assets	**Liabilities**	Assets	Liabilities	Assets	Liabilities
	2021	**2021**	2020	2020	2019	2019
	MUR'000	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000
Foreign exchange option contracts	**2,050**	**(2,050)**	2,062	(1,759)	8,361	(7,945)
Foreign exchange contracts	**59,798**	**(13,701)**	125,451	(7,706)	84,052	(42,050)
Cross currency interest rate swap	**151,683**	**-**	97,580	-	-	-
Interest rate swap	**2,870**	**(3,162)**	3,906	(4,741)	-	-
Options contracts (structured deposits)	**191,479**	**(191,479)**	92,962	(92,962)	-	-
Index linked notes	**-**	**-**	-	-	652,182	(652,182)
	407,880	**(210,392)**	321,961	(107,168)	744,595	(702,177)

(b) THE BANK

	Assets	**Liabilities**	Assets	Liabilities	Assets	Liabilities
	2021	**2021**	2020	2020	2019	2019
	MUR'000	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000
Foreign exchange option contracts	**2,050**	**(2,050)**	2,062	(1,759)	8,361	(7,945)
Foreign exchange contracts	**59,798**	**(13,701)**	125,451	(7,706)	84,052	(42,050)
Cross currency interest rate swap	**151,683**		97,580	-	-	-
Interest rate swaps	**2,870**	**(3,162)**	3,906	(4,741)	-	-
Options contracts (structured deposits)	**191,479**	**(191,479)**	92,962	(92,962)	-	-
	407,880	**(210,392)**	321,961	(107,168)	92,413	(49,995)

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.

Structured deposit

A structured deposit combines a normal deposit with a derivative product. The return on those structured deposits depends on the performance of the derivative's underlying asset. These underlying assets may include market indices, shares, interest rates, bonds , foreign exchange rates, or a combination of these. The derivative portion of the investment may involve the purchase/sale of options from / to the Bank's clients immediately followed by the sale/purchase of the same options to/from the Bank's financial institutions counterparties. Since the derivative portion is fully back to back there is no options open position in the Bank's books.

16(a) LOANS AND ADVANCES TO BANKS

	THE GROUP AND THE BANK		
	2021	2020	2019
	MUR'000	MUR'000	MUR'000
Banks:			
Segment A	-	1,002,583	-
Segment B	6,668,316	4,255,014	6,034,226
Total gross carrying amount loans and advances to banks	6,668,316	5,257,597	6,034,226
Less: allowance for impairment losses	(29,481)	(11,670)	(15,178)
	6,638,835	5,245,927	6,019,048

All the loans and advances to banks are classified in stage 1 and 12 months ECL calculated thereon.

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		
	2021	2020	2019
	MUR'000	MUR'000	MUR'000
Performing:			
Credit rating A+ to A-	2,217,104	321,758	1,521,469
Credit rating BBB+ to BBB-	1,702,874	1,404,181	2,763,402
Credit rating BB+ to BB-	2,110,731	3,328,236	1,425,850
Credit rating B+ to B-	637,607	203,422	323,505
Total gross carrying amount	6,668,316	5,257,597	6,034,226
Loss allowance	(29,481)	(11,670)	(15,178)
Carrying amount at 30 June	6,638,835	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		
	2021	2020	2019
	MUR'000	MUR'000	MUR'000
Gross carrying amount at 1 July	5,257,597	6,034,226	5,827,242
New financial assets originated	6,348,107	2,130,461	3,455,025
Financial assets that have been repaid	(4,957,998)	(2,918,440)	(2,794,423)
Financial assets that have been derecognised	-	-	(514,200)
Other movements	20,610	11,350	60,582
Gross carrying amount at 30 June	6,668,316	5,257,597	6,034,226

Allowance for impairment losses	THE GROUP AND THE BANK		
	2021	2020	2019
	MUR'000	MUR'000	MUR'000
Loss allowance as at 1 July	11,670	15,178	22,755
Financial assets that have been derecognised	-	-	(4,915)
New financial assets originated	27,796	5,333	4,748
Financial assets that have been repaid	(8,484)	(9,585)	(12,079)
Other movements	(1,501)	744	4,669
Loss allowance as at 30 June	29,481	11,670	15,178

16(b) LOANS AND ADVANCES TO CUSTOMERS

	THE GROUP AND THE BANK		
	2021	2020	2019
	MUR'000	MUR'000	MUR'000
Retail and personal	2,676,026	2,297,051	1,460,455
Business	9,210,853	10,559,598	9,434,693
Government and parastatal bodies	-	-	992,546
Entities outside Mauritius	9,437,082	12,501,873	12,065,223
Credit cards	108,836	75,283	109,796
Total gross carrying amount loans and advances to customers	21,432,797	25,433,805	24,062,713
Less: allowance for impairment losses	(2,682,868)	(2,389,883)	(1,912,517)
	18,749,929	23,043,922	22,150,196

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.

Internal rating grade	THE GROUP AND THE BANK			
	2021			
	Stage 1	Stage 2	Stage 3	Total
	MUR'000	MUR'000	MUR'000	MUR'000
Performing:				
Credit rating AAA	662,221	-	-	662,221
Credit rating AA+ to AA-	1,106,069	13,901	-	1,119,970
Credit rating A+ to A-	4,632,049	667,179	-	5,299,228
Credit rating BBB+ to BBB-	7,583,046	464,097	-	8,047,143
Credit rating BB+ to BB-	2,822,297	54,328	-	2,876,625
Credit rating B+ to B-	325,262	267,849	-	593,111
Credit rating CCC+ to C	-	17,401	-	17,401
Non performing:				
Credit rating D	-	-	2,817,098	2,817,098
Total gross carrying amount	17,130,944	1,484,755	2,817,098	21,432,797
Loss allowance	(327,424)	(69,158)	(2,286,286)	(2,682,868)
Carrying amount at 30 June	16,803,520	1,415,597	530,812	18,749,929

Internal rating grade	THE GROUP AND THE BANK			
	2020			
	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

16(b) LOANS AND ADVANCES TO CUSTOMERS (Cont'd)

Internal rating grade	THE GROUP AND THE BANK 2019 Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total 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	20,582,610	891,057	676,529	22,150,196

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

Gross carrying amount	THE GROUP AND THE BANK 2021 Stage 1 12-months ECL MUR'000	Stage 2 Lifetime ECL MUR'000	Stage 3 Lifetime ECL MUR'000	Total MUR'000
Gross carrying amount at 1 July	**22,128,273**	**476,204**	**2,829,328**	**25,433,805**
Changes in the gross carrying amount				
Transfer to stage 1	**837**	**(832)**	**(5)**	**-**
Transfer to stage 2	**(1,117,142)**	**1,117,142**	**-**	**-**
Transfer to stage 3	**(211,323)**	**(8,632)**	**219,955**	**-**
New financial assets originated	**5,483,720**	**125,391**	**442**	**5,609,553**
Financial assets that have been repaid	**(8,164,898)**	**(260,469)**	**(133,176)**	**(8,558,543)**
Write-offs	**-**	**-**	**(308,660)**	**(308,660)**
Other movements	**(988,523)**	**35,951**	**209,214**	**(743,358)**
Gross carrying amount at 30 June	**17,130,944**	**1,484,755**	**2,817,098**	**21,432,797**

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16(b) LOANS AND ADVANCES TO CUSTOMERS (Cont'd)

Gross carrying amount	THE GROUP AND THE BANK 2020 Stage 1 12-months ECL MUR'000	Stage 2 Lifetime ECL MUR'000	Stage 3 Lifetime ECL MUR'000	Total MUR'000
Gross carrying amount at 1 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

Gross carrying amount	THE GROUP AND THE BANK 2019 Stage 1 12-months ECL MUR'000	Stage 2 Lifetime ECL MUR'000	Stage 3 Lifetime ECL MUR'000	Total MUR'000
Gross carrying amount at 1 July	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	(240,704)	(1,030,316)	1,271,020	-
New financial assets originated	11,821,406	4,700	17,233	11,843,339
Financial assets that have been repaid	(8,524,383)	(590,152)	(533,459)	(9,647,994)
Financial assets that have been derecognised	-	(310,091)	-	(310,091)
Write-offs	-	-	(213,662)	(213,662)
Other movements	(917,799)	(130,207)	(74,068)	(1,122,074)
Gross carrying amount at 30 June	20,702,961	1,117,417	2,242,335	24,062,713

16(b) LOANS AND ADVANCES TO CUSTOMERS (Cont'd)

Allowance for impairment losses	THE GROUP AND THE BANK 2021 Stage 1 12-months ECL MUR'000	Stage 2 Lifetime ECL MUR'000	Stage 3 Lifetime ECL MUR'000	Total MUR'000
Loss allowance as at 1 July	151,766	15,745	2,222,372	2,389,883
Changes in the loss allowance				
Transfer to stage 1	30	(25)	(5)	-
Transfer to stage 2	(31,814)	31,814	-	-
Transfer to stage 3	(573)	(93)	666	-
Write-offs	-	-	(308,660)	(308,660)
Net remeasurement of loss allowance	(3)	8,589	73,268	81,854
New financial assets originated	88,702	11,183	440	100,325
Financial assets that have been repaid	(18,634)	(8,956)	(7,810)	(35,400)
Other movements	137,950	10,901	306,015	454,866
Loss allowance as at 30 June	327,424	69,158	2,286,286	2,682,868

Allowance for impairment losses	THE GROUP AND THE BANK 2020 Stage 1 12-months ECL MUR'000	Stage 2 Lifetime ECL MUR'000	Stage 3 Lifetime ECL MUR'000	Total MUR'000
Loss allowance as at 1 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

16(b) LOANS AND ADVANCES TO CUSTOMERS (Cont'd)

Allowance for impairment losses	THE GROUP AND THE BANK 2019 Stage 1 12-months ECL MUR'000	Stage 2 Lifetime ECL MUR'000	Stage 3 Lifetime ECL MUR'000	Total MUR'000
Loss allowance as at 1 July	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	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 324m at 30 June 2021 (2020: MUR 250m, 2019: MUR 296m) on non-performing loans which are in arrears for more than 90 days (included in stage 3).

The interest suspended for the year ended 30 June 2021 amounts to MUR 97.3m (2020: MUR 67.7m and 2019: MUR 54.7m).
Revaluation adjustments on ECL of MUR 83.7m (2020: MUR 78.5m) have been accounted under ' Gain on foreign exchange'.

17 INVESTMENT SECURITIES

	THE GROUP			THE BANK		
	2021	2020	2019	**2021**	2020	2019
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Financial assets held for trading measured at fair value through profit or loss (Note 17(a))	**5,534,813**	2,046,878	5,715,984	**5,534,813**	2,042,480	4,843,845
Debt instruments measured at fair value through other comprehensive income (Note 17(b))	**-**	-	3,571,880	**-**	-	3,571,880
Debt instruments measured at amortised cost (Note 17(c))	**39,859,873**	46,612,747	36,884,143	**39,859,873**	46,612,747	36,884,143
Equity Investments designated at fair value through other comprehensive income (Note 17(d))	**13,804**	36,940	31,945	**13,804**	9,673	8,303
Equity Investment measured at fair value through profit or loss (Note 17(e))	**1,705**	-	-	**1,705**	-	-
	45,410,195	48,696,565	46,203,952	**45,410,195**	48,664,900	45,308,171

(a) FINANCIAL ASSETS HELD FOR TRADING MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP			THE BANK		
	2021	2020	2019	**2021**	2020	2019
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Trading assets:						
Government of Mauritius debt securities	**2,805,517**	850,043	1,416,463	**2,805,517**	850,043	1,416,463
Bank of Mauritius bonds and notes	**1,038,656**	920,011	3,427,026	**1,038,656**	920,011	3,427,026
Local securities: corporate bonds and notes	**150,253**	-	-	**150,253**	-	-
Unquoted equity investments	**-**	4,398	58,356	**-**	-	-
Quoted equity investments	**-**	-	813,783	**-**	-	-
Foreign securities: corporate bonds and notes	**1,540,387**	272,426	356	**1,540,387**	272,426	356
	5,534,813	2,046,878	5,715,984	**5,534,813**	2,042,480	4,843,845

(b) DEBT INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	THE GROUP AND THE BANK		
	2021	2020	2019
	MUR'000	MUR'000	MUR'000
Foreign securities treasury bills and bonds	**-**	-	3,571,880
	-	-	3,571,880

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. 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		
	2021	2020	2019
	MUR'000	MUR'000	MUR'000
Performing:			
Credit rating A+ to A-	**-**	-	3,571,880
Carrying amount	**-**	-	3,571,880
Loss allowance	**-**	-	(1,074)
Total gross carrying amount at 30 June	**-**	-	3,570,806

17 INVESTMENT SECURITIES (Cont'd)

An analysis of changes in the carrying amount and the corresponding ECLs is, as follows:

Gross carrying amount	THE GROUP AND THE BANK		
	2021	2020	2019
	MUR'000	MUR'000	MUR'000
Carrying amount at 1 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		
	2021	2020	2019
	MUR'000	MUR'000	MUR'000
Loss allowance as at 1 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		
	2021	2020	2019
	MUR'000	MUR'000	MUR'000
Government of Mauritius treasury bills and bonds	**12,177,847**	12,250,207	7,291,728
Bank of Mauritius bonds and notes	**3,432,443**	2,279,722	5,056,172
Local Securities: corporate bonds and notes	**1,952,332**	2,370,619	1,792,723
Foreign securities: corporate bonds and notes	**5,119,520**	7,499,416	-
Foreign securities: sovereign bills, bonds and notes	**17,218,935**	22,220,576	22,751,899
	39,901,077	46,620,540	36,892,522
Less: allowance for impairment losses	**(41,204)**	(7,793)	(8,379)
	39,859,873	46,612,747	36,884,143

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		
	2021	2020	2019
	MUR'000	MUR'000	MUR'000
Performing:			
Credit rating AAA	**32,851,989**	37,518,100	28,837,100
Credit rating AA+ to AA-	**1,391,701**	3,152,204	3,846,157
Credit rating A+ to A-	**3,293,560**	3,579,616	2,416,542
Credit rating BBB+ to BBB-	**411,496**	100,025	-
Credit rating BB+ to BB-	**1,519,096**	2,270,595	1,792,723
Credit rating B+ to B-	**433,235**	-	-
Total gross carrying amount	**39,901,077**	46,620,540	36,892,522
Loss allowance	**(41,204)**	(7,793)	(8,379)
Carrying amount at 30 June	**39,859,873**	46,612,747	36,884,143

17 INVESTMENT SECURITIES (Cont'd)

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

Gross carrying amount	THE GROUP AND THE BANK 2021 MUR'000	2020 MUR'000	2019 MUR'000
Gross carrying amount at 1 July	**46,620,540**	36,892,522	27,360,177
New financial assets originated	**26,062,877**	36,825,566	25,605,260
Financial assets that have been repaid	**(32,994,190)**	(26,742,405)	(16,047,518)
Financial assets that have been derecognised	**-**	(595,253)	(89,762)
Other movements	**211,850**	240,110	64,365
Gross carrying amount at 30 June	**39,901,077**	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 2021 MUR'000	2020 MUR'000	2019 MUR'000
Loss allowance as at 1 July	**7,793**	8,379	6,029
New financial assets originated	**1,343**	3,403	6,284
Financial assets that have been repaid	**(1,748)**	(3,135)	(2,980)
Financial assets that have been derecognised	**-**	-	(45)
Other movements	**33,816**	(854)	(909)
Loss allowance as at 30 June	**41,204**	7,793	8,379

(d) EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	THE GROUP 2021 MUR'000	2020 MUR'000	2019 MUR'000	THE BANK 2021 MUR'000	2020 MUR'000	2019 MUR'000
Equity securities:						
At 1 July	**36,940**	31,945	18,559	**9,673**	8,303	-
Reclassification from other assets	**-**	-	7,181	**-**	-	7,181
Additions	**2,649**	-	-	**2,649**	-	-
Disposal of subsidiary	**(49)**	-	-	**-**	-	-
Fair value movement	**(25,736)**	4,995	6,205	**1,482**	1,370	1,122
At 30 June	**13,804**	36,940	31,945	**13,804**	9,673	8,303

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 (2020 and 2019: Nil).

(e) EQUITY INVESTMENT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP AND THE BANK 2021 MUR'000	2020 MUR'000	2019 MUR'000
Acquisition during the year	**9**	-	-
Fair Value Movement	**1,696**	-	-
At 30 June	**1,705**	-	-

18 (a) INVESTMENT IN SUBSIDIARIES

	THE BANK 2021 MUR'000	2020 MUR'000	2019 MUR'000
Cost			
At 1 July	**-**	-	189,563
Impairment loss recognised	**-**	-	(189,563)
Addition	**-**	38,277	-
Less Asset held for distribution (Note 18(b))	**-**	(38,277)	-
At 30 June	**-**	-	-

During FY 2020, all shares of EKADA Capital Ltd (formerly known AfrAsia Capital Management Ltd) held by AfrAsia Investments Limited ("AIL") were acquired by AfrAsia Bank Limited ("ABL") for a consideration of MUR 38.3m

In 2019, AfrAsia Investments Limited had acquired the shares of AfrAsia Special Opportunities Fund ("ASOF") from its unit holders. The directors of AfrAsia Investments Limited were of the opinion that the investment was fully impaired in the financial statements as ASOF was under liquidation and write-off in the profit or loss amounted to MUR 57.2m.

The details of the direct and indirect subsidiaries are as follows:

	Country of Incorporation	Class of Shares	Effective % Holdings 2021 %	2020 %	2019 %
Direct subsidiaries					
AfrAsia Investments Limited	Mauritius	Ordinary	**100**	100	100
EKADA Capital Ltd (formerly known AfrAsia Capital Management Ltd)	Mauritius	Ordinary	**-**	100	-
Indirect subsidiary					
EKADA Capital Ltd (formerly known AfrAsia Capital Management Ltd)	Mauritius	Ordinary	**-**	-	100

18 (b) ASSET HELD FOR DISTRIBUTION

The asset held for distribution pertain to the distribution of the shares in EKADA Capital Ltd (formerly known AfrAsia Capital Management Ltd) as dividend in specie amounting to MUR 38.3m. The shares was distributed on 25 January 2021 and EKADA Capital Ltd was deconsolidated as subsidiary on that date (Refer to Note 41).

19 PROPERTY AND EQUIPMENT

(a) THE GROUP

	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
COST							
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
Recognised to expense	-	-	-	-	-	(32)	(32)
Disposal for the year	-	-	-	(8,965)	-	-	(8,965)
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	-	-
Assets written off	-	-	(136)	-	(451)	-	(587)
At 30 June 2020	59,465	86,844	17,998	5,713	143,572	12,590	326,182
At 1 July 2020	**59,465**	**86,844**	**17,998**	**5,713**	**143,572**	**12,590**	**326,182**
Reclassification of assets	**149**	**(320)**	**190**	**-**	**(19)**	**-**	**-**
Additions for the year	**-**	**923**	**1,056**	**-**	**2,846**	**2,810**	**7,635**
Capitalisation of assets in progress	**-**	**-**	**5**	**-**	**579**	**(584)**	**-**
Assets written off	**-**	**(2,008)**	**(1,115)**	**(5,530)**	**(2,989)**	**-**	**(11,642)**
Disposal of subsidiary	**-**	**(1,868)**	**1,959**	**(59)**	**(1,843)**	**-**	**(1,811)**
At 30 June 2021	**59,614**	**83,571**	**20,093**	**124**	**142,146**	**14,816**	**320,364**
ACCUMULATED DEPRECIATION							
At 1 July 2018	14,729	22,944	8,610	4,813	38,049	-	89,145
Charge for the year - Continuing operations	5,293	7,147	2,213	1,045	20,664	-	36,362
Charge for the year - Discontinued operations (Note 41)	-	28	-	744	592	-	1,364
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
Reclassification of assets	-	-	7	-	(7)	-	-
Charge for the year - Continuing operations	5,343	7,475	1,720	821	20,355	-	35,714
Charge for the year - Discontinued operations (Note 41)	-	11	428	-	-	-	439
Disposal for the year	-	-	-	(5,589)	-	-	(5,589)
Assets written off	-	-	(69)	-	(312)	-	(381)
At 30 June 2020	25,365	37,430	12,580	1,834	77,778	-	154,987

	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
At 1 July 2020	**25,365**	**37,430**	**12,580**	**1,834**	**77,778**	**-**	**154,987**
Reclassification of assets	**291**	**(383)**	**112**	**-**	**(20)**	**-**	**-**
Charge for the year - Continuing operations	**5,351**	**7,480**	**2,169**	**482**	**20,151**	**-**	**35,633**
Charge for the year - Discontinued operations (Note 41)	**-**	**3**	**150**	**-**	**-**	**-**	**153**
Assets written off	**-**	**(912)**	**(758)**	**(2,204)**	**(2,226)**	**-**	**(6,100)**
Disposal of subsidiary	**-**	**(670)**	**765**	**(6)**	**(1,835)**	**-**	**(1,746)**
At 30 June 2021	**31,007**	**42,948**	**15,018**	**106**	**93,848**	**-**	**182,927**
CARRYING AMOUNT							
At 30 June 2021	**28,607**	**40,623**	**5,075**	**18**	**48,298**	**14,816**	**137,437**
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

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 (2020 and 2019: Nil)

19 PROPERTY AND EQUIPMENT (Cont'd)

(b) THE BANK

	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
COST							
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
Recognised to expense	-	-	-	-	-	(32)	(32)
Disposal for the year	-	-	-	(5,275)	-	-	(5,275)
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	-	-
Assets written off	-	-	(136)	-	(451)	-	(587)
At 30 June 2020	59,614	84,816	19,957	5,654	141,698	12,590	324,329
At 1 July 2020	**59,614**	**84,816**	**19,957**	**5,654**	**141,698**	**12,590**	**324,329**
Reclassification of assets	**-**	**(171)**	**190**	**-**	**(19)**	**-**	**-**
Additions for the year	**-**	**923**	**1,056**	**-**	**2,846**	**2,810**	**7,635**
Capitalisation of assets in progress	**-**	**-**	**5**	**-**	**579**	**(584)**	**-**
Assets written off	**-**	**(2,008)**	**(1,115)**	**(5,530)**	**(2,989)**	**-**	**(11,642)**
At 30 June 2021	**59,614**	**83,560**	**20,093**	**124**	**142,115**	**14,816**	**320,322**
ACCUMULATED DEPRECIATION							
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
Reclassification of assets	-	-	7	-	(7)	-	-
Charge for the year	5,343	7,474	2,148	821	19,927	-	35,713
Disposal for the year	-	-	-	(2,637)	-	-	(2,637)
Assets written off	-	-	(69)	-	(312)	-	(381)
At 30 June 2020	25,656	36,461	13,495	1,828	75,912	-	153,352
At 1 July 2020	**25,656**	**36,461**	**13,495**	**1,828**	**75,912**	**-**	**153,352**
Reclassification of assets	**-**	**(93)**	**112**	**-**	**(19)**	**-**	**-**
Charge for the year	**5,351**	**7,480**	**2,169**	**482**	**20,151**	**-**	**35,633**
Assets written off	**-**	**(911)**	**(758)**	**(2,204)**	**(2,227)**	**-**	**(6,100)**
At 30 June 2021	**31,007**	**42,937**	**15,018**	**106**	**93,817**	**-**	**182,885**
CARRYING AMOUNT							
At 30 June 2021	**28,607**	**40,623**	**5,075**	**18**	**48,298**	**14,816**	**137,437**
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
NET BOOK VALUE AT 30 JUNE 2021							
SEGMENT A	**15,760**	**22,380**	**2,796**	**10**	**26,608**	**8,162**	**75,716**
SEGMENT B	**12,847**	**18,243**	**2,279**	**8**	**21,690**	**6,654**	**61,721**
	28,607	**40,623**	**5,075**	**18**	**48,298**	**14,816**	**137,437**
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

For the year ended 30 June 2021, an amount of MUR 3.1m (2020: 0.6m and 2019: MUR 3.4m) with respect to certain categories of assets have been written off due to damage. Assets amounting to MUR 5.5m was given to a staff as benefits and has been written off during the year ended 30 June 2021.

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 (2020 and 2019: Nil)

20 INTANGIBLE ASSETS

(a) THE GROUP

	Computer software MUR'000	Banking software MUR'000	Other MUR'000	Assets in progress MUR'000	Goodwill MUR'000	Customer relations MUR'000	Total MUR'000
COST							
At 1 July 2018	54,511	221,620	9,105	49,078	134,903	124,609	593,826
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)
Impairment loss on goodwill	-	-	-	-	(134,903)	-	(134,903)
At 30 June 2019	77,678	241,319	9,631	38,085	-	124,609	491,322
At 1 July 2019	77,678	241,319	9,631	38,085	-	124,609	491,322
Additions for the year	5,195	3,170	-	59,158	-	-	67,523
Capitalisation of assets in progress	1,056	10,235	-	(11,291)	-	-	-
At 30 June 2020	83,929	254,724	9,631	85,952	-	124,609	558,845
At 1 July 2020	**83,929**	**254,724**	**9,631**	**85,952**	**-**	**124,609**	**558,845**
Additions for the year	**8,707**	**1,167**	**-**	**62,366**	**-**	**-**	**72,240**
Capitalisation of assets in progress	**2,953**	**6,075**	**-**	**(9,028)**	**-**	**-**	**-**
Recognise to expense	**-**	**-**	**-**	**(853)**	**-**	**-**	**(853)**
Disposal of subsidiary	**(678)**	**-**	**-**	**-**	**-**	**-**	**(678)**
Disposal	**-**	**-**	**-**	**(1,169)**	**-**	**-**	**(1,169)**
Assets written off	**(1,691)**	**-**	**(318)**	**(9,014)**	**-**	**(124,609)**	**(135,632)**
At 30 June 2021	**93,220**	**261,966**	**9,313**	**128,254**	**-**	**-**	**492,753**
ACCUMULATED AMORTISATION							
At 1 July 2018	22,949	55,433	6,328	-	-	91,197	175,907
Charge for the year - Continuing operations	11,941	25,291	1,353	-	-	33,412	71,997
Charge for the year - Discontinued operations (Note 41)	17	-	-	-	-	-	17
At 30 June 2019	34,907	80,724	7,681	-	-	124,609	247,921

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FOR THE YEAR ENDED 30 JUNE 2021

20 INTANGIBLE ASSETS (Cont'd)

(a) THE GROUP (Cont'd)

	Computer software MUR'000	Banking software MUR'000	Other MUR'000	Assets in progress MUR'000	Goodwill MUR'000	Customer relations MUR'000	Total MUR'000
At 1 July 2019	34,907	80,724	7,681	-	-	124,609	247,921
Charge for the year - Continuing operations	12,912	26,912	1,099	-	-	-	40,923
Charge for the year - Discontinued operations (Note 41)	11	-	-	-	-	-	11
At 30 June 2020	47,830	107,636	8,780	-	-	124,609	288,855
At 1 July 2020	**47,830**	**107,636**	**8,780**	**-**	**-**	**124,609**	**288,855**
Charge for the year - Continuing operations	**12,278**	**29,467**	**221**	**-**	**-**	**-**	**41,966**
Charge for the year - Discontinued operations (Note 41)	**53**	**-**	**-**	**-**	**-**	**-**	**53**
Assets written off	**(1,218)**	**-**	**(318)**	**-**	**-**	**(124,609)**	**(126,145)**
Disposal of subsidiary	**(655)**	**-**	**-**	**-**	**-**	**-**	**(655)**
At 30 June 2021	**58,288**	**137,103**	**8,683**	**-**	**-**	**-**	**204,074**
NET CARRYING AMOUNT							
At 30 June 2021	**34,932**	**124,863**	**630**	**128,254**	**-**	**-**	**288,679**
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

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.

20 INTANGIBLE ASSETS (Cont'd)

(b) THE BANK

	Computer software MUR'000	Banking software MUR'000	Other MUR'000	Assets in progress MUR'000	Total MUR'000
COST					
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
At 1 July 2020	**83,253**	**254,725**	**9,628**	**85,952**	**433,558**
Additions for the year	**8,707**	**1,167**	**-**	**62,366**	**72,240**
Capitalisation of assets in progress	**2,953**	**6,075**	**-**	**(9,028)**	**-**
Recognised to expense	**-**	**-**	**-**	**(853)**	**(853)**
Disposal	**-**	**-**	**-**	**(1,169)**	**(1,169)**
Assets written off	**(1,691)**	**-**	**(318)**	**(9,014)**	**(11,023)**
At 30 June 2021	**93,222**	**261,967**	**9,310**	**128,254**	**492,753**
ACCUMULATED AMORTISATION					
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

20 INTANGIBLE ASSETS (Cont'd)

(b) THE BANK (Cont'd)

	Computer software MUR'000	Banking software MUR'000	Other MUR'000	Assets in progress MUR'000	Total MUR'000
At 1 July 2020	**47,228**	**107,636**	**8,780**	**-**	**163,644**
Charge for the year	**12,278**	**29,467**	**221**	**-**	**41,966**
Assets written off	**(1,218)**	**-**	**(318)**	**-**	**(1,536)**
At 30 June 2021	**58,288**	**137,103**	**8,683**	**-**	**204,074**
CARRYING AMOUNT					
At 30 June 2021	**34,934**	**124,864**	**627**	**128,254**	**288,679**
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
NET BOOK VALUE AS AT 30 JUNE 2021					
SEGMENT A	**19,246**	**68,789**	**345**	**70,657**	**159,037**
SEGMENT B	**15,688**	**56,075**	**282**	**57,597**	**129,642**
	34,934	**124,864**	**627**	**128,254**	**288,679**
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

During the year ended 30 June 2021, intangibles assets in progress amounting to MUR 9.0m has been written off and MUR 1.2m has been disposed off since management decided not to proceed with the projects.

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 (2020 and 2019: 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	
	2021	2020
	MUR'000	MUR'000
COST		
At 1 July	**113,596**	92,766
Additions	**72**	20,830
Remeasurement of right of use assets	**415**	-
Lease terminated	**(4,918)**	-
Lease expired	**(8,664)**	-
At 30 June	**100,501**	113,596
ACCUMULATED DEPRECIATION		
At 1 July	**33,579**	-
Charge for the year	**34,140**	33,579
Lease terminated	**(3,072)**	-
Lease expired	**(8,664)**	-
At 30 June	**55,983**	33,579
CARRYING AMOUNT		
AT 30 June	**44,518**	80,017

One of the lease contracts for property was terminated and 2 lease contracts have expired during the current financial year. The additions to the lease contracts relate to the CPI adjustments to the rental payments for one property lease contract.

There are no variable lease payments in the lease contracts of the Group and the Bank.

LEASE LIABILITIES	THE GROUP AND THE BANK	
	2021	2020
	MUR'000	MUR'000
Analysed as:		
Non-current	**19,975**	48,501
Current	**27,683**	34,070
	47,658	82,571
Disclosure required by IFRS 16		
Maturity analysis		
Year 1	**29,621**	37,526
Year 2	**15,568**	30,647
Year 3	**5,189**	15,568
Year 4	**-**	5,189
	50,378	88,930
Less unearned interest	**(2,720)**	(6,359)
	47,658	82,571

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 (Cont'd)

RECONCILIATION OF FINANCIAL LIABILITIES ARISING FROM FINANCING ACTIVITIES

LEASE LIABILITY

	THE GROUP AND THE BANK							
		Financing cash flows		Non-Cash changes				
	Opening balance 01 July	Additions	Lease repayments	Adoption of IFRS 16	Remeasurement of lease liabilities	Lease terminated	Interest Accrued	Closing Balance 30 June
2021	**82,571**	**72**	**(37,404)**	**-**	**415**	**(1,822)**	**3,825**	**47,658**
2020	-	20,830	(36,085)	92,766	-	-	5,060	82,571

AMOUNTS RECOGNISED IN PROFIT OR LOSS

	THE GROUP AND THE BANK	
	2021	2020
	MUR'000	MUR'000
Depreciation expense on right-of-use assets	**32,912**	31,735
Depreciation expense on right-of-use assets - staff benefits	**1,228**	1,844
Interest expense on lease liabilities (Note 4(b))	**3,798**	4,845
Interest expense accounted under staff costs	**89**	215
	38,027	38,639

22 OTHER ASSETS

	THE GROUP			THE BANK		
	2021	2020	2019	**2021**	2020	2019
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Mandatory balances with the Central Bank	**2,276,930**	2,174,086	1,865,835	**2,276,930**	2,174,086	1,865,835
Trade receivable (net)	**-**	874	146	**-**	-	-
Contract assets	**-**	9,110	11,908	**-**	-	-
Current tax receivable (Note 11)	**-**	-	3,866	**-**	-	-
Indirect and other taxes receivable	**98,960**	84,393	73,870	**98,960**	84,393	73,870
Due from credit card service provider	**-**	12,510	25,866	**-**	12,510	25,866
Prepaid expenses	**56,732**	43,331	37,183	**56,732**	42,936	36,722
Other receivables	**39,332**	28,777	23,541	**39,332**	32,712	18,544
Amount due from subsidiaries	**-**	-	-	**-**	922	85,885
	2,471,954	2,353,081	2,042,215	**2,471,954**	2,347,559	2,106,722

22 OTHER ASSETS (Cont'd)

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 2021, 2020 and 2019 respectively.

During the year ended 30 June 2021, 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:

	2021	2020	2019
	MUR'000	MUR'000	MUR'000
Loss allowance as at 1 July	47,718	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	3,098	8,661	-
Loss allowance as at 30 June	50,816	47,718	50,000

Receivable from subsidiary is nil (2020: MUR 922m and 2019: MUR 86m) bears interest at 3.60%, is unsecured and is repayable on demand. Receivable from subsidiary is nil (2020: MUR 1m and 2019: MUR 1m) and is unsecured, interest free and payable on demand.

At 30 June 2021, there was a receivable from a director of MUR 3.7m which was fully provided as management has assessed the recoverability to be doubtful.

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

The credit term is 30 days and the average credit period is 90 days.

Contract assets are initially recognised for revenue as per the agreement in place between the subsidiary and its customers. Upon invoicing of the fees, the amount recognised as contract assets are reclassified to trade receivables.

The ageing of trade receivables are as follows:

	2021	2020	2019
Movement in allowance for expected credit loss	MUR'000	MUR'000	MUR'000
Loss allowance as at 1 July	96	36	101
Movement in ECL during the year (Note 8)	-	60	(65)
Disposal of subsidiary	(96)	-	-
Loss allowance as at 30 June	-	96	36

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23 DUE TO BANKS

	THE GROUP			THE BANK		
	2021	2020	2019	2021	2020	2019
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At amortised cost:						
Borrowings from the Central Bank	-	6,376	29,787	-	6,376	29,787
Borrowings from other banks	1,000,025	-	-	1,000,025	-	-
Bank overdraft	97	6,876	647	97	6,876	647
	1,000,122	13,252	30,434	1,000,122	13,252	30,434

The borrowings from the Central Bank are secured by the Bank's cash balances held with the Central Bank. For 2019, 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%.

Short term interbank borrowing from local bank at 30 June 2021 was MUR 1.00 bn with an interest rate of 0.45% per annum with a remaining tenor of 2 days.

24 (a). DEPOSITS FROM BANKS

	THE GROUP			THE BANK		
	2021	2020	2019	2021	2020	2019
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At amortised cost:						
- Current account	17,255	15,754	14,106	17,255	15,754	14,106
- Savings account	347,471	80,611	-	347,471	80,611	-
	364,726	96,365	14,106	364,726	96,365	14,106

24 (b). DEPOSITS FROM CUSTOMERS

	THE GROUP			THE BANK		
	2021	2020	2019	2021	2020	2019
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At amortised cost:						
Personal						
- Current accounts	22,350,824	15,583,148	10,111,598	22,350,824	15,583,148	10,111,598
- Savings accounts	4,745,568	4,965,847	4,537,142	4,745,568	4,965,847	4,537,142
- Term deposits	8,803,199	11,265,782	9,978,045	8,803,199	11,265,782	9,978,045
Business						
- Current accounts	119,274,562	91,180,935	80,350,818	119,288,834	91,205,309	80,526,578
- Savings accounts	1,024,076	970,602	570,048	1,024,076	970,602	570,048
- Term deposits	20,747,512	25,418,203	25,200,564	20,747,512	25,418,203	25,200,564
Government institutions						
- Current accounts	1,592,014	717,204	248,093	1,592,014	717,204	248,093
- Savings accounts	17,749	22,604	22,191	17,749	22,604	22,191
- Term deposits	276,782	701,781	-	276,782	701,920	-
	178,832,286	150,826,106	131,018,499	178,846,558	150,850,619	131,194,259

Included in 'Deposits from customers' are deposits of MUR 1.6bn (2020: MUR 1.1bn and 2019: MUR 790.2m) held as collateral against loans and advances to the respective customers.

25 DEBTS ISSUED

	THE GROUP			THE BANK		
	2021	2020	2019	**2021**	2020	2019
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Loan notes (i)	**-**	1,083	136,457	**-**	-	-
Unsecured subordinated bonds (ii)	**-**	-	184,205	**-**	-	184,205
	-	1,083	320,662	**-**	-	184,205

(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		
	2021	2020	2019
	MUR'000	MUR'000	MUR'000
The notes are due as follows:			
Within 1 year	**-**	1,083	136,457
	-	1,083	136,457

The loan notes were unsecured and interest free. The loan notes for 2020 and 2019 were capital protected contracts and represented the discounted value of the capital of investors, subject to the credit risk of the issuer.

(ii) Unsecured subordinated bonds

	THE GROUP			THE BANK		
	2021	2020	2019	**2021**	2020	2019
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
The bonds are due as follows:						
Within 1 year	**-**	-	184,205	**-**	-	184,205
	-	-	184,205	**-**	-	184,205

Interest on unsecured subordinated bonds denominated in MUR ranges between 5.85% to 7.00% for 2019 while USD-denominated bonds bear interest between 4.19% to 6.67% for 2019.

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		
	2021	2020	2019
	MUR'000	MUR'000	MUR'000
At 1 July	**1,083**	320,662	855,302
Repayment of unsecured bonds	**-**	(170,556)	(385,033)
Cash movements	**(1,083)**	(135,374)	(118,637)
Non cash movements	**-**	(13,649)	(30,970)
At 30 June	**-**	1,083	320,662

	THE BANK		
	2021	2020	2019
	MUR'000	MUR'000	MUR'000
At 1 July	**-**	184,205	600,208
Repayment of unsecured bonds	**-**	(170,556)	(385,033)
Non cash movements	**-**	(13,649)	(30,970)
At 30 June	**-**	-	184,205

26 OTHER LIABILITIES

	THE GROUP			THE BANK		
	2021	2020	2019	**2021**	2020	2019
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Dividend payable	**85,102**	344	344	**85,102**	344	344
Advance commission	**210**	253	50,369	**210**	253	50,369
Other payables	**148,514**	277,599	192,788	**144,000**	266,860	178,640
Loss allowance on financial guarantee contracts and loan commitments (Note 37)	**29,576**	7,361	10,476	**29,576**	7,361	10,476
Personnel expenses related accruals	**149,105**	211,578	204,958	**149,105**	211,578	203,701
	412,507	497,135	458,935	**407,993**	486,396	443,530

Accounted under other payables are funds received from deposit clients at reporting date which has not yet been allocated to the respective client accounts. Refer to Note 11 for more details on the restatement.

27 Financial liabilities measured at fair value through profit or loss

	THE GROUP	
	2020	2019
Held for trading:	MUR'000	MUR'000
Equities	**4,398**	813,783
Bonds	**-**	58,356
	4,398	872,139

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		
	2021	2020	2019
	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:	THE GROUP AND THE BANK					
Issued and fully paid	**2021**		2020		2019	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
		MUR'000		MUR'000		MUR'000
At 1 July and 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.

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29 CLASS A SHARES

THE GROUP

Issued and fully paid	**2021**		2020		2019	
	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)**	-	(4,812)	-	(4,812)
	10,000,000	**1,385,768**	10,000,000	1,399,768	10,000,000	1,399,768

THE BANK

Issued and fully paid	**2021**		2020		2019	
	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:	**2021**		2020		2019	
	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

	2021		2020		2019	
	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 exercised the option to redeem the shares as at 30 June 2021.

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 2021 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		
	2021	2020	2019	**2021**	2020	2019
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Present value of obligations	**73,189**	102,034	67,307	**73,189**	99,851	64,652

Movement in liability recognised in statements of financial position:	**2021**	2020	2019	**2021**	2020	2019
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Net liability at start of year	**102,034**	67,307	42,776	**99,851**	64,652	41,688
Disposal of subsidiary	**(2,183)**	-	-	**-**	-	-
Amount recognised in profit or loss	**14,782**	15,489	14,352	**14,782**	14,953	13,695
Amount recognised in other comprehensive income	**(41,444)**	20,723	10,179	**(41,444)**	21,731	9,269
Benefits paid	**-**	(1,485)	-	**-**	(1,485)	-
Net liability at end of the year	**73,189**	102,034	67,307	**73,189**	99,851	64,652

Amounts recognised in statements of profit or loss and other comprehensive income	**2021**	2020	2019	**2021**	2020	2019
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Current service cost	**11,087**	11,689	11,125	**11,087**	11,310	10,548
Net interest cost	**3,695**	3,800	3,227	**3,695**	3,643	3,147
Components of amount recognised in profit or loss	**14,782**	15,489	14,352	**14,782**	14,953	13,695
Remeasurement of defined benefit obligations:						
Liability experience (gain)/ loss	**(22,891)**	10,979	1,999	**(22,891)**	12,934	1,632
Liability (gain)/ loss due to change in financial assumptions	**(18,553)**	9,744	8,180	**(18,553)**	8,797	7,637
Components of amount recognised in other comprehensive income	**(41,444)**	20,723	10,179	**(41,444)**	21,731	9,269
	(26,662)	36,212	24,531	**(26,662)**	36,684	22,964

Changes in the present value of the defined benefit obligations:	**2021**	2020	2019	**2021**	2020	2019
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
At 1 July						
Disposal of subsidiary	**102,034**	67,307	42,776	**99,851**	64,652	41,688
Interest cost	**(2,183)**	-	-	**-**	-	-
Current service cost	**3,695**	3,800	3,227	**3,695**	3,643	3,147
Liability experience (gain)/ loss	**11,087**	11,689	11,125	**11,087**	11,310	10,548
Liability (gain)/loss due to change in financial	**(22,891)**	10,979	1,999	**(22,891)**	12,934	1,632
assumptions	**(18,553)**	9,744	8,180	**(18,553)**	8,797	7,637
Benefits paid						
At 30 June	**-**	(1,485)	-	**-**	(1,485)	-
	73,189	102,034	67,307	**73,189**	99,851	64,652

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30 RETIREMENT BENEFIT OBLIGATION (Cont'd)

Retirement gratuities (Cont'd)

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.

	THE GROUP			THE BANK		
	2021	2020	2019	**2021**	2020	2019
	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	**21,331**	18,932	13,464	**14,544**	18,318	12,652
Decrease in defined benefit obligation due to 1% increase in discount rate	**17,634**	15,675	11,160	**12,116**	15,185	10,494
Increase in defined benefit obligation due to 1% increase in future long-term salary assumption	**21,323**	18,763	13,613	**14,636**	18,164	12,796
Decrease in defined benefit obligation due to 1% decrease in future long-term salary assumption	**17,945**	15,836	11,459	**12,396**	15,347	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 principal actuarial assumptions used for accounting purposes are:	THE GROUP			THE BANK		
	2021	2020	2019	**2021**	2020	2019
Discount rate	**3.50%**	3.7% - 3.8%	5.7% - 5.9%	**5.10%**	3.70%	5.70%
Salary increases	**3.50%**	3.5% - 5%	5.00%	**3.50%**	3.50%	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 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

	Retained Earnings	Fair value reserve	Statutory reserve	General Banking reserve	Provision reserve	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July 2018	770,869	(1,570)	454,679	142,351	-	595,460
Profit for the year	1,627,972	-	-	-	-	-
Remeasurement of retirement benefit obligations	(9,753)	-	-	-	-	-
Appropriation of reserves	(254,286)	-	237,719	16,567	-	254,286
Dividends	(333,508)	-	-	-	-	-
Gains arising during the year	-	2,047	-	-	-	2,047
Reclassification of losses included in profit or loss on derecognition	-	(98)	-	-	-	(98)
ECL for financial assets at FVTOCI	-	527	-	-	-	527
Fair value gain on equity instruments designated at fair value through other comprehensive income	-	6,205	-	-	-	6,205
At 30 June 2019	1,801,294	7,111	692,398	158,918	-	858,427
At 1 July 2019	1,801,294	7,111	692,398	158,918	-	858,427
Profit for the year	1,542,996	-	-	-	-	-
Remeasurement of retirement benefit obligations	(19,455)	-	-	-	-	-
Additional provision in relation to Bank of Mauritius Guideline	(146,054)	-	-	-	146,054	146,054
Appropriation of reserves	(316,858)	-	228,233	88,625	-	316,858
Dividends	(576,684)	-	-	-	-	-
Fair value losses arising during the year	-	(2,880)	-	-	-	(2,880)
Reclassification of gains included in profit or loss on derecognition	-	3,046	-	-	-	3,046
ECL for financial assets at FVTOCI	-	(1,074)	-	-	-	(1,074)
Fair value gain on equity instruments designated at fair value through other comprehensive income	-	4,995	-	-	-	4,995
At 30 June 2020	2,285,239	11,198	920,631	247,543	146,054	1,325,426
At 1 July 2020	**2,285,239**	**11,198**	**920,631**	**247,543**	**146,054**	**1,325,426**
Profit for the year	**916,056**	**-**	**-**	**-**	**-**	**-**
Remeasurement of retirement benefit obligations	**38,998**	**-**	**-**	**-**	**-**	**-**
Reversal of provision in relation to Bank of Mauritius Guideline	**146,054**	**-**	**-**	**-**	**(146,054)**	**(146,054)**
Appropriation of reserves	**(183,166)**	**-**	**131,284**	**51,882**	**-**	**183,166**
Dividends	**(510,106)**	**-**	**-**	**-**	**-**	**-**
Fair value (loss)/gain on equity instruments designated at fair value through other comprehensive income	**-**	**(25,736)**	**-**	**-**	**-**	**(25,736)**
At 30 June 2021	**2,693,075**	**(14,538)**	**1,051,915**	**299,425**	**-**	**1,336,802**

THE BANK

	Retained Earnings	Fair value reserve	Statutory reserve	General Banking reserve	Provision reserve	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July 2018	848,141	(1,569)	454,679	142,351	-	595,461
Profit for the year	1,584,783	-	-	-	-	-
Remeasurement of retirement benefit obligations	(8,888)	-	-	-	-	-
Appropriation of reserves	(254,286)	-	237,719	16,567	-	254,286
Dividends	(333,508)	-	-	-	-	-
Gains arising during the year	-	2,047	-	-	-	2,047
Reclassification of losses included in profit or loss on derecognition	-	(98)	-	-	-	(98)
ECL for financial assets at FVTOCI	-	527	-	-	-	527
Fair value gain on equity instruments designated at fair value through other comprehensive income	-	1,122	-	-	-	1,122
At 30 June 2019	1,836,242	2,029	692,398	158,918	-	853,345
At 1 July 2019	1,836,242	2,029	692,398	158,918	-	853,345
Profit for the year	1,521,555	-	-	-	-	-
Remeasurement of retirement benefit obligations	(20,413)	-	-	-	-	-
Additional provision in relation to Bank of Mauritius Guideline	(146,054)	-	-	-	146,054	146,054
Appropriation of reserves	(316,858)	-	228,233	88,625	-	316,858
Dividends	(576,684)	-	-	-	-	-
Fair value losses arising during the year	-	(2,880)	-	-	-	(2,880)
Reclassification of gains included in profit or loss on derecognition	-	3,046	-	-	-	3,046
ECL for financial assets at FVTOCI	-	(1,074)	-	-	-	(1,074)
Fair value gain on equity instruments designated at fair value through other comprehensive income	-	1,370	-	-	-	1,370
At 30 June 2020	2,297,788	2,491	920,631	247,543	146,054	1,316,719
At 1 July 2020	**2,297,788**	**2,491**	**920,631**	**247,543**	**146,054**	**1,316,719**
Profit for the year	**875,226**	**-**	**-**	**-**	**-**	**-**
Remeasurement of retirement benefit obligations	**38,998**	**-**	**-**	**-**	**-**	**-**
Reversal of provision in relation to Bank of Mauritius Guideline	**146,054**	**-**	**-**	**-**	**(146,054)**	**(146,054)**
Appropriation of reserves	**(183,166)**	**-**	**131,284**	**51,882**	**-**	**183,166**
Dividends	**(510,106)**	**-**	**-**	**-**	**-**	**-**
Fair value (loss)/gain on equity instruments designated at fair value through other comprehensive income	**-**	**1,482**	**-**	**-**	**-**	**1,482**
At 30 June 2021	**2,664,794**	**3,973**	**1,051,915**	**299,425**	**-**	**1,355,313**

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.

PROVISION RESERVE

The Bank had accounted with respect to 30 June 2020, 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. In 2021 the provision reserve was reversed as the IFRS9 provision for stage 1 and stage 2 for loans and advances exceed the minimum portfolio provision. 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	2021				2020				2019			
	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	Significant unobservable inputs	
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	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	MUR'000
Derivative financial instruments												
Foreign exchange option contracts	-	2,050	-	2,050	-	2,062	-	2,062	-	8,361	-	8,361
Forward foreign exchange contracts and swaps	-	59,798	-	59,798	-	125,451	-	125,451	-	84,052	-	84,052
Cross currency interest rate swap	-	151,683	-	151,683	-	97,580	-	97,580	-	-	-	-
Interest rate swaps	-	2,870	-	2,870	-	3,906	-	3,906	-	-	-	-
Options contracts	-	191,479	-	191,479	-	92,962	-	92,962	-	652,182	-	652,182
	-	407,880	-	407,880	-	321,961	-	321,961	-	744,595		744,595
Debt instruments mandatorily measured at fair value through profit or loss									-			
Government of Mauritius debts securities	-	2,805,517	-	2,805,517	-	850,043	-	850,043	-	1,416,463	-	1,416,463
Bank of Mauritius bonds and notes	-	1,038,656	-	1,038,656	-	920,011	-	920,011	-	3,427,026	-	3,427,026
Unquoted equity investments	-	-	-	-	-	4,398	-	4,398	-	58,356	-	58,356
Listed equity shares	-	-	-	-		-	-	-	-	813,783	-	813,783
Corporate bonds and notes	1,656,406	34,234	-	1,690,640	190,635	81,791	-	272,426	356	-	-	356
	1,656,406	3,878,407	-	5,534,813	190,635	1,856,243	-	2,046,878	356	5,715,628	-	5,715,984
Debt instruments at fair value through other comprehensive income												
Foreign Securities treasury bills and bonds	-	-	-	-	-	-	-	-	-	3,571,880	-	3,571,880
	-	-	-	-	-	-	-	-	-	3,571,880	-	3,571,880
Equity investment designated at fair value through other comprehensive income*												
Equity investments	-	-	13,804	13,804	-	-	36,940	36,940	-	-	31,945	31,945
	-	-	13,804	13,804	-	-	36,940	36,940	-	-	31,945	31,945
Equity Investment measured at fair value through profit or loss												
Equity investment	1,705	-	-	1,705	-	-	-	-	-	-	-	-
	1,705	-	-	1,705	-	-	-	-	-	-	-	-
	1,658,111	4,286,287	13,804	5,958,202	190,635	2,178,204	36,940	2,405,779	356	10,032,103	31,945	10,064,404
Financial liabilities at amortised cost												
Derivative financial instruments												
Foreign exchange option contracts	-	2,050	-	2,050	-	1,759	-	1,759	-	7,945	-	7,945
Forward foreign exchange contracts	-	13,701	-	13,701	-	7,706	-	7,706	-	42,050	-	42,050
Interest rate swap	-	3,162	-	3,162	-	4,741	-	4,741	-	-	-	-
Options contracts	-	191,479	-	191,479	-	92,962	-	92,962	-	652,182	-	652,182
	-	210,392	-	210,392	-	107,168	-	107,168	-	702,177	-	702,177
Financial liabilities measured at fair value through profit or loss												
Equities	-	-	-	-	-	4,398	-	4,398	-	813,783	-	813,783
Bonds				-	-	-	-	-	-	58,356	-	58,356
	-	-	-	-	-	4,398	-	4,398	-	872,139	-	872,139

* 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 reconciliation for level 3 has been disclosed in note 17(d).

32 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value (Cont'd)

THE BANK	2021				2020				2019			
	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	Significant unobservable inputs	
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	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	MUR'000
Derivative financial instruments												
Foreign exchange option contracts	-	2,050	-	2,050	-	2,062	-	2,062	-	8,361	-	8,361
Foreign exchange contracts	-	59,798	-	59,798	-	125,451	-	125,451	-	84,052	-	84,052
Cross currency interest rate swap	-	151,683	-	151,683	-	97,580	-	97,580	-	-	-	-
Interest rate swaps	-	2,870	-	2,870	-	3,906	-	3,906	-	-	-	-
Options contracts	-	191,479	-	191,479	-	92,962	-	92,962	-	-	-	-
	-	407,880	-	407,880	-	321,961	-	321,961	-	92,413		92,413
Financial assets held for trading measured at fair value through profit or loss												
Government of Mauritius debts securities	-	2,805,517	-	2,805,517	-	850,043	-	850,043	-	1,416,463	-	1,416,463
Bank of Mauritius bonds and notes	-	1,038,656	-	1,038,656	-	920,011	-	920,011	-	3,427,026	-	3,427,026
Corporate bonds and notes	1,656,406	34,234	-	1,690,640	190,635	81,791	-	272,426	356	-	-	356
	1,656,406	3,878,407	-	5,534,813	190,635	1,851,845	-	2,042,480	356	4,843,489	-	4,843,845
Debt instruments measured at fair value through other comprehensive income												
Foreign Securities treasury bills and bonds	-	-	-	-	-	-	-	-	-	3,571,880	-	3,571,880
	-	-	-	-	-	-	-	-	-	3,571,880		3,571,880
Equity investments designated at fair value through other comprehensive income *												
Equity investments	-	-	13,804	13,804	-	-	9,673	9,673	-	-	8,303	8,303
	-	-	13,804	13,804	-	-	9,673	9,673	-	-	8,303	8,303
Equity Investment measured at fair value through profit or loss												
Equity investment	1,705	-	-	1,705	-	-	-	-	-	-	-	-
	1,705	-	-	1,705	-	-	-	-	-	-	-	-
	1,658,111	4,286,287	13,804	5,958,202	190,635	2,173,806	9,673	2,374,114	356	8,507,782	8,303	8,516,441
Financial liabilities at amortised cost												
Derivative financial instruments												
Foreign exchange option contracts	-	2,050	-	2,050	-	1,759	-	1,759	-	7,945	-	7,945
Forward foreign exchange contracts and swaps	-	13,701	-	13,701	-	7,706	-	7,706	-	42,050	-	42,050
Interest rate swaps	-	3,162	-	3,162	-	4,741	-	4,741	-	-	-	-
Options contracts	-	191,479	-	191,479	-	92,962	-	92,962	-	-	-	-
	-	210,392	-	210,392	-	107,168	-	107,168	-	49,995		49,995

*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 reconciliation for level 3 has been disclosed in note 17(d).

Valuation techniques

Financial assets held for trading 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 and Foreign Sovereign debt securities
Those investments are valued based on the market yield or market price if available the most which is appropriate.

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 foreign exchange spot and forward rates, interest rate curves, volatility curves and/or feeds from appointed valuation/calculation agents.

Transfers between hierarchy

There was no transfer between fair value hierarchy during the year under review.

32 FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont'd)

(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 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

	2021		2020		2019	
	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	97,810,111	97,810,111	69,036,975	69,036,975	50,700,638	50,700,638
Due from banks	17,974,090	17,974,090	11,132,738	11,132,738	12,967,930	12,967,930
Loans and advances to banks	6,638,835	6,638,835	5,245,927	5,245,927	6,019,048	6,019,048
Loans and advances to customers	18,749,929	18,751,543	23,043,922	23,513,051	22,150,196	22,284,503
Debt instruments at amortised cost	39,859,873	45,869,154	46,612,747	48,583,089	36,884,143	37,553,867
Other assets (excluding prepayments, accrued income,inventory and taxes)	2,302,308	2,302,308	2,216,920	2,216,920	1,922,348	1,922,348
	183,335,146	189,346,041	157,289,229	159,728,700	130,644,303	131,448,334

	2021		2020		2019	
	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	1,000,122	1,000,122	13,252	13,252	30,434	30,434
Deposits from banks	364,726	364,726	96,365	96,365	14,106	14,106
Deposits from customers	178,832,286	179,008,496	150,826,106	151,219,408	131,018,499	131,424,988
Debts issued	-	-	1,083	1,083	320,662	361,671
Lease liabilities	47,658	47,658	82,571	82,571	-	-
Other liabilities (excluding advance commission and taxes)	353,621	353,621	484,907	484,907	394,083	394,083
	180,598,413	180,774,623	151,504,284	151,897,586	131,777,784	132,225,282

32 FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial assets and liabilities not measured at fair value (Cont'd)

THE BANK

	2021		2020		2019	
	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	97,810,099	97,810,099	69,032,249	69,032,249	50,698,992	50,698,992
Due from banks	17,974,090	17,974,090	11,132,738	11,132,738	12,967,930	12,967,930
Loans and advances to banks	6,638,835	6,638,835	5,245,927	5,245,927	6,019,048	6,019,048
Loans and advances to customers	18,749,929	18,751,543	23,043,922	23,513,051	22,150,196	22,284,503
Debt instruments at amortised cost	39,859,873	45,869,154	46,612,747	48,583,089	36,884,143	37,553,867
Other assets (excluding prepayments, accrued income,inventory and taxes)	2,302,308	2,302,308	2,211,795	2,211,795	1,991,181	1,991,181
	183,335,134	189,346,029	157,279,378	159,718,849	130,711,490	131,515,521

	2021		2020		2019	
	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	1,000,122	1,000,122	13,252	13,252	30,434	30,434
Deposits from banks	364,726	364,726	96,365	96,365	14,106	14,106
Deposits from customers	178,846,558	179,022,768	150,850,619	151,243,920	131,194,259	131,600,749
Debts issued	-	-	-	-	184,205	225,214
Lease liabilities	47,658	47,658	82,571	82,571	-	-
Other liabilities (excluding advance commission and taxes)	353,203	353,203	474,168	474,168	378,678	378,678
	180,612,267	180,788,477	151,516,975	151,910,276	131,801,682	132,249,181

33 ADDITIONAL CASH FLOW INFORMATION

		THE GROUP			THE BANK		
		2021	2020 (Restated)	2019 (Restated)	**2021**	2020 (Restated)	2019 (Restated)
(a) Cash and cash equivalents	**Notes**	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Cash in hand		**28,782**	40,108	42,087	**28,782**	40,108	42,087
Unrestricted balances with the Central Bank		**16,893,152**	8,500,527	3,988,536	**16,893,152**	8,500,527	3,988,536
Short term placements with other banks		**43,312,526**	39,092,753	33,808,173	**43,312,526**	39,092,753	33,808,173
Short term placements with the central bank		**-**	281,945	-	**-**	281,945	-
Current accounts with other banks		**37,579,779**	21,124,814	12,887,788	**37,579,767**	21,120,088	12,886,142
Allowance for impairment losses		**(4,128)**	(3,172)	(25,946)	**(4,128)**	(3,172)	(25,946)
	13	**97,810,111**	69,036,975	50,700,638	**97,810,099**	69,032,249	50,698,992
Bank overdrafts		**(97)**	(6,876)	(647)	**(97)**	(6,876)	(647)
		97,810,014	69,030,099	50,699,991	**97,810,002**	69,025,373	50,698,345
(b) Change in operating assets							
Net change in mandatory balances with the Central Bank		**(102,844)**	(308,251)	(346,038)	**(102,844)**	(308,251)	(346,038)
Net change in placement with the Central Bank		**507,262**	1,009,383	159,017	**507,262**	1,009,383	159,019
Net change in placement with the other banks		**(7,347,091)**	824,818	(7,966,092)	**(7,347,091)**	824,818	(7,966,092)
Net change in derivative financial instruments		**(85,919)**	422,634	152,457	**(85,919)**	(229,548)	116,076
Net change in loans and advances to banks		**(1,410,719)**	776,629	(206,984)	**(1,410,719)**	776,629	(206,984)
Net change in loans and advances to customers		**3,905,400**	(1,762,888)	(764,854)	**3,905,400**	(1,762,888)	(764,854)
Net change in investment securities		**3,227,175**	(2,432,270)	(10,901,117)	**3,222,778**	(3,300,007)	(10,926,637)
Net change in other assets		**(28,017)**	(5,215)	(11,137)	**(25,262)**	31,813	(22,942)
		(1,334,753)	(1,475,160)	(19,884,748)	**(1,336,395)**	(2,958,051)	(19,958,452)
(c) Change in operating liabilities							
Net change in due to banks		**993,649**	(23,411)	(902,854)	**993,649**	(23,411)	(902,854)
Net change in derivative financial instruments		**103,224**	(595,009)	(50,767)	**103,224**	57,173	(14,387)
Net change in debts issued		**(1,083)**	(149,023)	(149,607)	**-**	(13,649)	(30,970)
Net change in deposits from banks		**268,361**	82,259	(19,234)	**268,361**	82,259	(19,234)
Net change in deposits from customers		**28,006,179**	19,807,608	19,915,739	**27,995,939**	19,656,360	19,842,134
Net change in other liabilities		**(177,810)**	41,317	(24,594)	**(185,378)**	45,986	(12,329)
Net change in Financial liabilities measured at fair value through profit or loss		**(4,398)**	(867,741)	(25,515)	**-**	-	-
		29,188,122	18,296,000	18,743,168	**29,175,795**	19,804,718	18,862,360

		THE GROUP			THE BANK		
		2021	2020 (Restated)	2019 (Restated)	**2021**	2020 (Restated)	2019 (Restated)
(d) Non-cash items included in profit before tax	**Notes**	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Continuing operations							
Depreciation of property and equipment	19	**35,633**	35,714	36,362	**35,633**	35,713	36,361
Depreciation of right of use assets	21	**34,140**	33,579	-	**34,140**	33,579	-
Amortisation of intangible assets	20	**41,966**	40,923	71,997	**41,966**	40,923	38,586
Profit on disposal of property and equipment		**-**	(402)	-	**-**	(402)	-
Property and equipment written off	19	**5,542**	206	1,309	**5,542**	206	1,309
Intangible assets written off	20	**9,487**	-	134,903	**9,487**	-	-
Adjustment for property and equipment		**853**	32	1,293	**853**	32	1,293
Loss on termination of lease		**24**	-	-	**24**	-	-
Interest in lease liabilities	21	**3,825**	5,060	-	**3,825**	5,060	-
Retirement benefit obligation	30	**14,782**	14,953	13,697	**14,782**	14,953	13,697
Impairment loss on investment in subsidiary		**-**	-	-	**-**	-	189,563
Loss on winding up of subsidiary		**-**	-	57,210	**-**	-	-
Impairment on financial investments - held for trading		**-**	(54,600)	(12,472)	**-**	(54,600)	(12,472)
Net impairment loss on financial assets	8	**470,747**	839,095	468,380	**465,131**	839,095	468,380
Impairment on receivable from subsidiary	22	**-**	-	-	**-**	33,057	103,000
Disposal of subsidiary		**(64,340)**	-	-	**-**	-	-
		552,659	914,560	772,679	**611,383**	947,616	839,717
Discontinued operations							
Non-cash items included in profit before tax from discontinued operations		**206**	679	1,971	**-**	-	-
Depreciation of property and equipment		**153**	439	1,364	**-**	-	-
Amortisation of intangible assets		**53**	11	17	**-**	-	-
Profit on disposal of property and equipment		**-**	(367)	-	**-**	-	-
Retirement benefit obligation		**-**	536	655	**-**	-	-
Net impairment loss on financial assets		**-**	60	65	**-**	-	-
		206	679	1,971	**-**	-	-
		552,865	915,239	774,650	**611,383**	947,616	839,717

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

	2021			2020			2019		
	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	**97,810,111**	**-**	**97,810,111**	69,036,975	-	69,036,975	50,700,638	-	50,700,638
Due from banks	**9,424,916**	**8,549,174**	**17,974,090**	11,132,738	-	11,132,738	12,460,749	507,181	12,967,930
Derivative financial instruments	**148,162**	**259,718**	**407,880**	127,513	194,448	321,961	92,413	652,182	744,595
Loans and advances to banks	**1,598,371**	**5,040,464**	**6,638,835**	2,524,197	2,721,730	5,245,927	3,620,346	2,398,702	6,019,048
Loans and advances to customers	**6,049,876**	**12,700,053**	**18,749,929**	9,416,916	13,627,006	23,043,922	8,588,332	13,561,864	22,150,196
Investment securities	**25,347,790**	**20,062,405**	**45,410,195**	34,859,445	13,837,120	48,696,565	35,224,940	10,979,012	46,203,952
Property and equipment	**-**	**137,437**	**137,437**	-	171,195	171,195	-	187,071	187,071
Intangible assets	**-**	**288,679**	**288,679**	-	269,990	269,990	-	243,401	243,401
Right of use assets	**-**	**44,518**	**44,518**	-	80,017	80,017	-	-	-
Deferred tax assets	**-**	**149,593**	**149,593**	-	124,506	124,506	-	101,664	101,664
Other assets	**2,471,954**	**-**	**2,471,954**	2,353,081	-	2,353,081	2,042,215	-	2,042,215
TOTAL ASSETS	**142,851,180**	**47,232,041**	**190,083,221**	129,450,865	31,026,012	160,476,877	112,729,633	28,631,077	141,360,710
LIABILITIES									
Due to banks	**1,000,122**	**-**	**1,000,122**	13,252	-	13,252	19,204	11,230	30,434
Deposits from banks	**364,726**	**-**	**364,726**	96,365	-	96,365	14,106	-	14,106
Deposits from customers	**173,996,258**	**4,836,028**	**178,832,286**	143,336,876	7,489,230	150,826,106	123,730,906	7,287,593	131,018,499
Derivative financial instruments	**102,358**	**108,034**	**210,392**	9,465	97,703	107,168	49,995	652,182	702,177
Debts issued	**-**	**-**	**-**	1,083	-	1,083	320,662	-	320,662
Financial liabilities measured at fair value through profit or loss	**-**	**-**	**-**	4,398	-	4,398	813,783	58,356	872,139
Retirement benefits obligation	**-**	**73,189**	**73,189**	-	102,034	102,034	-	67,307	67,307
Current tax liabilities	**85,647**	**-**	**85,647**	95,283	-	95,283	175,913	-	175,913
Lease liabilities	**27,683**	**19,975**	**47,658**	34,070	48,501	82,571	-	-	-
Other liabilities	**412,507**	**-**	**412,507**	497,135	-	497,135	458,935	-	458,935
TOTAL LIABILITIES	**175,989,301**	**5,037,226**	**181,026,527**	144,087,927	7,737,468	151,825,395	125,583,504	8,076,668	133,660,172

34 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Cont'd)

(b)THE BANK

	2021			2020			2019		
	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	97,810,099	-	97,810,099	69,032,249	-	69,032,249	50,698,992	-	50,698,992
Due from banks	9,424,916	8,549,174	17,974,090	11,132,738	-	11,132,738	12,460,749	507,181	12,967,930
Derivative financial instruments	148,162	259,718	407,880	127,513	194,448	321,961	92,413	-	92,413
Loans and advances to banks	1,598,371	5,040,464	6,638,835	2,524,197	2,721,730	5,245,927	3,620,346	2,398,702	6,019,048
Loans and advances to customers	6,049,876	12,700,053	18,749,929	9,416,916	13,627,006	23,043,922	8,588,332	13,561,864	22,150,196
Investment securities	25,347,790	20,062,405	45,410,195	34,827,829	13,837,071	48,664,900	34,387,515	10,920,656	45,308,171
Asset held for distribution	-	-	-	38,277	-	38,277	-	-	-
Property and equipment	-	137,437	137,437	-	170,977	170,977	-	185,675	185,675
Intangible assets	-	288,679	288,679	-	269,914	269,914	-	243,398	243,398
Right of use assets	-	44,518	44,518	-	80,017	80,017	-	-	-
Deferred tax assets	-	149,593	149,593	-	124,388	124,388	-	100,953	100,953
Other assets	2,471,954	-	2,471,954	2,347,559	-	2,347,559	2,106,722	-	2,106,722
TOTAL ASSETS	142,851,168	47,232,041	190,083,209	129,447,278	31,025,551	160,472,829	111,955,069	27,918,429	139,873,498
LIABILITIES									
Due to banks	1,000,122	-	1,000,122	13,252	-	13,252	19,204	11,230	30,434
Deposits from banks	364,726	-	364,726	96,365	-	96,365	14,106	-	14,106
Deposits from customers	174,010,530	4,836,028	178,846,558	143,361,389	7,489,230	150,850,619	123,906,666	7,287,593	131,194,259
Derivative financial instruments	102,358	108,034	210,392	9,465	97,703	107,168	49,995	-	49,995
Debts issued	-	-	-	-	-	-	184,205	-	184,205
Retirement benefits obligation	-	73,189	73,189	-	99,851	99,851	-	64,652	64,652
Current tax liabilities	85,647	-	85,647	95,283	-	95,283	175,913	-	175,913
Lease liabilities	27,683	19,975	47,658	34,070	48,501	82,571	-	-	-
Other liabilities	407,993	-	407,993	486,396	-	486,396	443,530	-	443,530
TOTAL LIABILITIES	175,999,059	5,037,226	181,036,285	144,096,220	7,735,285	151,831,505	124,793,619	7,363,475	132,157,094

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. 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.

Contingent liabiliites

	THE SUBSIDIARY		
	2021	2020	2019
	MUR'000	MUR'000	MUR'000
At 1 July	**5,052**	3,814	-
Amounts received during the year from clients	**-**	1,238	3,814
Disposal of subsidiary	**(5,052)**	-	-
At 30 June	**-**	5,052	3,814

	THE BANK		
	2021	2020	2019
	MUR'000	MUR'000	MUR'000
Financial guarantees	**296,899**	281,866	353,258
Letters of credit	**149,690**	151,588	208,486
Bills for collection	**1,266,173**	825,895	323,703
	1,712,762	1,259,349	885,447
Commitments			
Undrawn commitments to lend	**981,661**	914,812	1,093,881
Total	**2,694,423**	2,174,161	1,979,328

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.

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.

Capital Commitment

The Group and the Bank

Authorised by the Board of Directors for the next 12 months but contracted for:

Commitments for the acquisition of plant and equipment and intangible assets of MUR 125m

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.

Future minimum lease payments under the non-cancellable operating leases at 30 June 2019 are as follows:

	THE GROUP AND THE BANK	
	2019	
	MUR'000	MUR'000
Within one year	33,261	34,143
After one year but not more than five years	62,171	67,488
	95,432	101,631

36 RELATED PARTY DISCLOSURES

	THE GROUP			THE BANK		
	2021	2020	2019	**2021**	2020	2019
Compensation to key management personnel (Including executive director)	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Short-term employee benefits	**146,420**	153,694	132,870	**138,570**	142,602	112,262

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	**2021**		2020		2019	
	Balances as at 30 June 2021	**Income from / (expense to)**	Balances as at 30 June 2020	Income from / (expense to)	Balances as at 30 June 2019	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	**45,016**	**1,737**	49,496	2,093	51,530	2,509
Deposits from customers:						
- Term deposits	**24,702**	**(963)**	50,662	(1,286)	47,719	(1,433)
- Savings and current accounts	**86,930**	**(463)**	130,706	(2,352)	105,930	(3,582)
	111,632	**(1,426)**	181,368	(3,638)	153,649	(5,015)
Directors' fees	**3,756**	**(19,690)**	3,833	(10,381)	4,230	(8,062)
Other fees	**-**	**(1,871)**	6,341	(3,071)	3,761	(2,150)
Other expense	**39,136**	**(3,319)**	36,847	(314)	21,190	(531)
	154,524	**(26,306)**	228,389	(17,404)	182,830	(15,758)

THE BANK	**2021**		2020		2019	
	Balances as at 30 June 2021	**Income from / (expense to)**	Balances as at 30 June 2020	Income from / (expense to)	Balances as at 30 June 2019	Income from / (expense to)
Directors of the Bank:	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000
Loans and advances	**194**	**427**	12,595	922	27,076	1,070
Deposits from customers:						
- Term deposits	**16,162**	**(954)**	43,674	(1,179)	39,003	(966)
- Savings and current accounts	**8,141**	**(104)**	27,465	(367)	26,625	(1,209)
	24,303	**(1,058)**	71,139	(1,546)	65,628	(2,175)
Directors' fees	**3,756**	**(19,690)**	3,273	(10,381)	4,230	(7,502)
Other fees	**-**	**(1,909)**	6,341	(3,073)	3,761	(2,150)
	28,059	**(22,657)**	80,753	(15,000)	73,619	(11,827)

	2021		2020		2019	
Key management personnel of the Bank:	**Balances as at 30 June 2021**	**Income from / (expense to)**	Balances as at 30 June 2020	Income from / (expense to)	Balances as at 30 June 2019	Income from / (expense to)
Loans and advances	**35,187**	**1,074**	36,879	1,148	18,559	987
Deposits from customers:						
- Term deposits	**8,540**	**(9)**	6,426	(107)	8,716	(467)
- Savings and current accounts	**34,356**	**(176)**	48,181	(301)	21,812	(657)
	42,896	**(185)**	54,607	(408)	30,528	(1,124)
Other expense	**39,136**	**(3,319)**	36,847	(314)	21,190	(530)
	82,032	**(3,504)**	91,454	(722)	51,718	(1,654)

36 RELATED PARTY DISCLOSURES (Cont'd)

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
2021							
Entities with significant influence over the Group	**2,293**	**57,004**	**44,059**	**4,556**	**1,517,524**	**1,069,996**	**13,949,487**
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

(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
2021							
Entities with significant influence over the Bank	**2,165**	**56,151**	**44,059**	**4,544**	**1,517,524**	**1,037,311**	**13,949,487**
Subsidiary companies	**852**	**533**	**-**	**-**	**-**	**14,111**	**-**
	3,017	**56,684**	**44,059**	**4,544**	**1,517,524**	**1,051,422**	**13,949,487**
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

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 2021, 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. At 30 June 2021, none of the facilities to related parties was non-performing (2020: MUR Nil, 2019: MUR Nil). In addition, for the year ended 30 June 2021 the Bank has not written off any amount owed by related party (2020: MUR Nil, 2019: MUR Nil).

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.

The total on and off balance sheet exposure to the related parties amounted to MUR 1.98 bn (2020: MUR 1.7 bn, 2019: MUR 3.0 bn) representing 7.13% (2020: 5.5%, 2019: 10%) of loan and advances exposure.

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.

Risk 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.

Asset and Liability Management

The Bank's Asset and Liability Management 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

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 businesses 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. 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.

Excessive risk concentration

Concentrations of credit risk arise when several distinct counterparties or exposures have comparable economic characteristics, or such counterparties are engaged in similar activities or operate in the same geographical areas or industry sectors so that their collective ability to meet contractual obligations is uniformly 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, a number of controls and measures to minimise undue concentration of exposure in the Bank's portfolio have been implemented. The Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Any identified concentrations of credit risks are controlled and managed and in line with the Risk Appetite Framework.

37 FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Credit risk

Credit risk is the risk of suffering financial loss should any customers or counterparties fail to fulfil their contractual obligations to the Bank. The Bank's main income generating activity is advancing credit to customers thereby making credit risk a principal risk factor whose effective management is of critical importance. Credit risk arises principally from direct lending, trade finance, participation in syndicated credit advances, trade finance, investment in debt securities but also from other products such non fund based facilities including but not limited to guarantees, derivatives and letters of credit. The Group and the Bank take a holistic approach with credit risk management by considering all elements of credit risk exposure such as counterparty default risk, geographical, political and industry risk for an effective risk management approach.

Credit risk management

The Bank's approach to credit risk management comprises of three main pillars which includes i) Policies ii) Risk Methodologies iii) Processes, systems and reports. The systematically driven credit risk management framework involves maintaining a culture of responsible lending complemented by a well defined credit risk appetite and internal policies duly supported by robust control systems. Independently of the business functions, it is ensured that there is expert scrutiny and approval of credit risk with ongoing monitoring of exposure relative to the set appetite, limits and quality of assets and counterparty. It is also ensured that there is independent oversight and reporting the governance committees in respect of breaches of limits, policies/ procedures and compliance the approved risk appetite. The credit risk management framework is further supported by the policies and procedures in place to appropriately maintain and validate models to assess and measure ECL.

The Bank uses 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

All customers and counterparties of the Bank are assigned a credit rating by CRISIL system based on quantitative and qualitative information received and fed into the model thereby providing a Through The Cycle (TTC) ratings based on historical data. Ratings are revised based on updated information on a frequent basis.

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 subsequent table provides a mapping of the Bank's internal credit risk grades to external ratings.

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37 FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Credit risk (Cont'd)

2021

Internal Rating	External Rating Equivalent	Description	Average 1YR PD Range
-	AAA	Prime	0.04% - 0.04%
AAA	AA-	High Grade	0.04% - 0.04%
AA+	A+	Upper Medium Grade	0.06% - 0.06%
AA	A-		0.07% - 0.07%
AA-	BBB	Lower Medium Grade	0.18% - 0.18%
A+	BB+	Non-Investment Grade Speculative	0.38% - 0.38%
A	BB		0.48% - 1.02%
A-			
BBB+	BB-		1.15% - 1.92%
BBB			
BBB-	B+	Highly Speculative	1.98% - 4.21%
BB+	B		3.76% - 6.65%
BB			
BB-	B-		7.82% - 13.04%
B+			
B			
B-			
CCC/C	CCC/C	Highly Vulnerable	28.30%
D	D	In Default	100%

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 Specu-lative	0.33% - 0.43%
A	BB		0.54% - 1.09%
A-			
BBB+	BB-		1.09% - 1.95%
BBB			
BBB-	B+	Highly Specu-lative	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

CRISIL	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	CC	Highly Vulnerable	34.44% - 34.44%
D	D	In Default	100%

37 FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Credit risk (Cont'd)

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 (SICR) since initial recognition. The Bank recognises lifetime ECL on SICR assets.

At each reporting date, the Bank assesses whether the credit risk on financial instruments have increased significantly as follows:

- The assessment is 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 Bank may assume that it is not subject to SICR.
- Forward looking information is also used in the determination of SICR.
- A 30-days past due backstop criterion is also used for SICR identification.

In addition, the Bank has developed a number of objective and subjective factors to consider when evaluating whether an account exhibits SICR as follows:

- Negative market information
- Changes in credit worthiness/ratings
- Adverse changes in economic/business environment
- Modification to a borrower due to financial difficulty
- Financial difficulty
- Application of court order
- Significant country downgrade
- Decline is share price /profitability
- Significant country downgrade: if the external country rating on the borrower drops to below A- and has dropped by two or more notches.

The Bank has implemented adequate procedures for monitoring and control to ensure effectiveness of the qualitative and quantitative criteria used to identify signs of SICR, thereby increasing probability of identifying signs of SICR assets prior to default or asset turning 30 days past due.

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 also factored in post-model adjustments 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. Such overlays include the "early recognition" of lifetime ECL on assets in highly impacted sectors, COVID-19 restructured facilities or clients with overdue ratings, without changes in stage classification.

NOTES TO THE FINANCIAL STATEMENTS
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37 FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Credit risk (Cont'd)

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, lifetime ECL is calculated on 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, as prescribed by BASEL. 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 that a bank may be exposed to in the event of default. The EAD of a financial asset is the amount of risk at the time the Bank expect the default to occur. For overdraft, credit card and financial guarantees, the EAD includes the current outstanding amount, as well as potential future amounts that may be drawn under the contract. The Bank measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk. 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 reviewed 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.

37 FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Credit risk (Cont'd)

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 reversed the regulatory provision of MUR 146m in portfolio reserve during the year since the stage 1 and 2 provision for loans and advances was higher than the minimum portfolio provision.

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 committments 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 borower's domectic 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, 30 June 2020 and 30 June 2021. This is posted in the general banking reserve, which comprises amounts set aside for general banking risks, including future losses and other unforeseen risks. Country risk is also embeded in the IFRS 9 framework of the Bank.

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 responsible for setting the Bank's tolerance for country risks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

37 FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Credit risk (Cont'd)

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 2021 was MUR 13.9bn (2020: MUR 17.6bn and 2019: MUR 18.5bn) 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		
	2021	2020	2019	**2021**	2020	2019
Financial assets	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Cash and cash equivalents	**97,814,239**	69,040,147	50,726,584	**97,814,227**	69,035,421	50,724,938
Due from banks	**17,977,444**	11,137,615	12,971,816	**17,977,444**	11,137,615	12,971,816
Derivative financial instruments	**407,880**	321,961	744,595	**407,880**	321,961	92,413
Loans and advances to banks	**6,668,316**	5,257,597	6,034,226	**6,668,316**	5,257,597	6,034,226
Loans and advances to customers	**21,432,797**	25,433,805	24,062,713	**21,432,797**	25,433,805	24,062,713
Investment securities	**45,451,399**	48,704,358	46,212,331	**45,451,399**	48,672,693	45,316,550
Other assets (excluding prepayments, accrued income, inventory and taxes)	**2,302,308**	2,216,920	1,922,348	**2,302,308**	2,211,795	1,991,181
	192,054,383	162,112,403	142,674,613	**192,054,371**	162,070,887	141,193,837

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		
	2021	2020	2019	**2021**	2020	2019
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Africa						
Mauritius	**74,699,028**	58,739,539	52,199,588	**74,699,016**	58,704,122	52,243,133
Other African countries	**8,676,615**	12,332,502	13,310,034	**8,676,615**	12,332,502	13,310,034
North America	**54,254,420**	41,225,695	35,588,651	**54,254,420**	41,225,695	35,279,049
Europe	**21,568,983**	19,636,463	10,005,145	**21,568,983**	19,632,067	10,005,145
Asia	**32,269,714**	29,377,200	26,778,439	**32,269,714**	29,377,200	26,778,439
Others	**585,623**	801,004	4,792,756	**585,623**	799,301	3,578,037
	192,054,383	162,112,403	142,674,613	**192,054,371**	162,070,887	141,193,837

37 FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Credit risk (Cont'd)

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		
	2021	2020	2019	**2021**	2020	2019
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Agriculture	**979,158**	1,278,888	509,649	**979,158**	1,278,888	509,649
Construction, infrastructure and real estate	**1,849,854**	1,980,120	1,119,041	**1,849,854**	1,980,120	1,119,041
Financial and business services	**136,141,763**	100,910,269	122,495,156	**136,141,751**	100,868,753	121,014,380
Government and parastatal bodies	**32,201,281**	35,021,623	479,419	**32,201,281**	35,021,623	479,419
Information, communication and technology	**1,274,563**	1,100,878	16,516	**1,274,563**	1,100,878	16,516
Manufacturing	**3,934,486**	5,867,227	2,725,894	**3,934,486**	5,867,227	2,725,894
Personal	**2,785,392**	2,373,536	1,912,148	**2,785,392**	2,373,536	1,912,148
Tourism	**4,919,289**	4,528,383	3,165,754	**4,919,289**	4,528,383	3,165,754
Traders	**3,794,823**	4,452,605	1,550,713	**3,794,823**	4,452,605	1,550,713
Others	**4,173,774**	4,598,874	8,700,323	**4,173,774**	4,598,874	8,700,323
	192,054,383	162,112,403	142,674,613	**192,054,371**	162,070,887	141,193,837

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 2021 is MUR 17.4bn (2020: MUR 18.4bn and 2019: MUR 14.7bn). All other financial assets are unsecured except for collateralised placements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

37 FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Credit risk (Cont'd)

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 2021		30 June 2020		30 June 2019	
	Gross carrying amount	**Loss allowance**	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
	MUR 000	**MUR 000**	MUR 000	MUR 000	MUR 000	MUR 000
0-29 days	**18,563,474**	**405,210**	22,601,874	168,192	20,707,171	121,006
30-59 days	**32,213**	**2,253**	-	-	2,998	78
60-89 days	**61,303**	**15,489**	-	-	1,127,597	226,227
90-180 days	**189,953**	**78,342**	795,389	629,677	72,870	31,973
More than 181 days	**2,585,854**	**2,181,574**	2,036,542	1,592,014	2,152,077	1,533,233
Total	**21,432,797**	**2,682,868**	25,433,805	2,389,883	24,062,713	1,912,517

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 2021 amounts to MUR 307.7m (2020: MUR 507m and 2019: MUR 665m) and MUR 659.9m (2020: MUR 810m and 2019: MUR 658m) respectively.

Collateral repossessed

During the year, the Group and the Bank did not take possession of any collateral (2020: Nil and 2019: 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-21	30-Jun-20
	MUR'000	MUR'000
Gross carrying amount after modification	**4,399,976**	5,278,916
Loss allowance after modification	**238,594**	48,227
	4,638,570	5,327,143

37 FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Credit risk (Cont'd)

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.

Financial guarantees and unutilised commitments are assessed and provision made in similar manner as for loans.

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		
	2021	2020	2019
	MUR'000	MUR'000	MUR'000
Financial guarantees	**296,899**	281,866	353,258
Letters of credit	**149,690**	151,588	208,486
Bills for collection	**1,266,173**	825,895	323,703
Undrawn commitments to lend	**981,661**	914,812	1,093,881
	2,694,423	2,174,161	1,979,328

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

37 FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Credit risk (Cont'd)

Financial guarantee contracts and loan commitments (Cont'd)

	2021			
External rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Performing:				
Credit rating AAA	**136,132**	**-**	**-**	**136,132**
Credit rating AA+ to AA-	**144,749**	**-**	**-**	**144,749**
Credit rating A+ to A-	**380,058**	**157**	**-**	**380,215**
Credit rating BBB+ to BBB-	**590,590**	**6,785**	**-**	**597,375**
Credit rating BB+ to BB-	**4,910,102**	**6,871**	**-**	**4,916,973**
Credit rating B+ to B-	**997,960**	**5,799**	**-**	**1,003,759**
Non performing:				
Credit rating D	**-**	**-**	**736**	**736**
Total gross carrying amount	**7,159,591**	**19,612**	**736**	**7,179,939**
Loss allowance	**(28,743)**	**(833)**	**-**	**(29,576)**
Carrying amount	**7,130,848**	**18,779**	**736**	**7,150,363**

	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
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

37 FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Credit risk (Cont'd)

Financial guarantee contracts and loan commitments (Cont'd)

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

Financial guarantee contracts and loan commitments	2021			
	Stage 1 12-months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	MUR'000	MUR'000	MUR'000	MUR'000
Gross carrying amount as at 1 July 2020	4,329,845	-	786	4,330,631
Changes in the amount guaranteed:				
Transfer to stage 2	(20,792)	20,792	-	-
New financial assets originated	2,054,124	6,796	-	2,060,920
Financial assets that have been derecognised	(740,780)		(50)	(740,830)
Other movements	1,537,194	(7,976)	-	1,529,218
Gross carrying amount at 30 June 2021	7,159,591	19,612	736	7,179,939

Financial guarantee contracts and loan commitments	2020			
	Stage 1 12-months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	MUR'000	MUR'000	MUR'000	MUR'000
Gross carrying amount as at 1 July 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

	2019			
	Stage 1 12-months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Financial guarantee contracts and loan commitments	MUR'000	MUR'000	MUR'000	MUR'000
Gross carrying amount as at 1 July 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

37 FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Credit risk (Cont'd)

Financial guarantee contracts and loan commitments (Cont'd)

Loss allowance - Financial guarantee contracts	2021			
	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 1 July 2020	7,311	-	50	7,361
Changes in the loss allowance				
Transfer to stage 2	(833)	833		-
New financial assets originated	7,833	-	-	7,833
Financial assets that have been derecognised	(2,600)	-	(50)	(2,650)
Other movements	17,032	-	-	17,032
Expected credit loss as at 30 June 2021	28,743	833	-	29,576

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 1 July 2019	10,411	65	-	10,476
Changes in the loss allowance				
Transfer to stage 3	(1)	-	1	-
New financial assets originated	6,824	-	-	6,824
Financial assets that have been derecognised	(7,641)	(65)	-	(7,706)
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 1 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 (Cont'd)

(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 the 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 tables below summarise 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 2021									
	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	54,501,687	43,308,424	-	-	97,810,111	-	-	-	97,810,111
Due from banks	-	2,138,397	5,149,532	2,136,987	9,424,916	8,549,174	-	8,549,174	17,974,090
Derivative financial instruments	-	13,781	127,943	6,438	148,162	108,034	151,684	259,718	407,880
Loans and advances to banks	-	-	341,913	1,256,458	1,598,371	5,040,464	-	5,040,464	6,638,835
Loans and advances to customers	298,092	4,916,449	231,548	603,787	6,049,876	7,145,195	5,554,858	12,700,053	18,749,929
Investment securities	-	17,884,797	3,237,427	4,225,566	25,347,790	13,998,443	6,063,962	20,062,405	45,410,195
Other assets (excluding prepayments, accrued income, inventory and taxes)	2,302,308	-	-	-	2,302,308	-	-	-	2,302,308
Total	57,102,087	68,261,848	9,088,363	8,229,236	142,681,534	34,841,310	11,770,504	46,611,814	189,293,348
Liabilities									
Due to banks	1,000,122	-	-	-	1,000,122	-	-	-	1,000,122
Deposits from banks:									
-Current account	17,255	-	-	-	17,255	-	-	-	17,255
-Savings account	347,471	-	-	-	347,471	-	-	-	347,471
	364,726	-	-	-	364,726	-	-	-	364,726
Deposits from customers:									
-Current account	143,217,400	-	-	-	143,217,400	-	-	-	143,217,400
-Savings account	5,787,393	-	-	-	5,787,393	-	-	-	5,787,393
-Term deposits	-	13,181,149	4,840,335	6,969,981	24,991,465	4,109,672	726,356	4,836,028	29,827,493
	149,004,793	13,181,149	4,840,335	6,969,981	173,996,258	4,109,672	726,356	4,836,028	178,832,286
Derivative financial instruments	-	12,119	89,188	1,051	102,358	108,034	-	108,034	210,392
Lease liabilities	-	7,654	7,481	12,548	27,683	19,975	-	19,975	47,658
Other liabilities	149,521	162	-	203,938	353,621	-	-	-	353,621
Total	150,519,162	13,201,084	4,937,004	7,187,518	175,844,768	4,237,681	726,356	4,964,037	180,808,805
Net liquidity gap	(93,417,075)	55,060,764	4,151,359	1,041,718	(33,163,234)	30,603,629	11,044,148	41,647,777	8,484,543

37 FINANCIAL RISK MANAGEMENT (Cont'd)

(c) Liquidity risk and funding management (Cont'd)

Analysis of financial assets and liabilities by remaining contractual maturities (Cont'd)

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 (Cont'd)

(c) Liquidity risk and funding management (Cont'd)

Analysis of financial assets and liabilities by remaining contractual maturities (Cont'd)

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
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	96,365	-	-	-	96,365	-	-	-	96,365
	96,365	-	-	-	96,365	-	-	-	96,365
Deposits from customers:									
-Current account	90,764,707	-	(136,457)	-	90,628,250	-	-	-	90,628,250
-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
	95,894,088	16,441,090	4,544,381	6,769,088	123,648,647	7,185,195	102,398	7,287,593	130,936,240
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

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FOR THE YEAR ENDED 30 JUNE 2021

37 FINANCIAL RISK MANAGEMENT (Cont'd)

(c) Liquidity risk and funding management (Cont'd)

Analysis of financial assets and liabilities by remaining contractual maturities (Cont'd)

THE BANK	2021								
	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
Cash and cash equivalents	54,501,675	43,308,424	-	-	97,810,099	-	-	-	97,810,099
Due from banks	-	2,138,397	5,149,532	2,136,987	9,424,916	8,549,174	151,684	8,549,174	17,974,090
Derivative financial instruments	-	13,781	127,943	6,438	148,162	108,034	-	259,718	407,880
Loans and advances to banks	-	-	341,913	1,256,458	1,598,371	5,040,464	5,554,858	5,040,464	6,638,835
Loans and advances to customers	298,092	4,916,449	231,548	603,787	6,049,876	7,145,195	6,063,962	12,700,053	18,749,929
Investment securities	-	17,884,797	3,237,427	4,225,566	25,347,790	13,998,443		20,062,405	45,410,195
Other assets (excluding prepayments, accrued income, inventory and taxes)	2,302,308	-	-	-	2,302,308	-	-	-	2,302,308
Total	57,102,075	68,261,848	9,088,363	8,229,236	142,681,522	34,841,310	11,770,504	46,611,814	189,293,336
Liabilities									
Due to banks	1,000,122	-	-	-	1,000,122	-	-	-	1,000,122
Deposits from banks:									
-Current account	17,255	-	-	-	17,255	-	-	-	17,255
-Savings account	347,471	-	-	-	347,471	-	-	-	347,471
	364,726	-	-	-	364,726	-	-	-	364,726
Deposits from customers:									
-Current account	143,231,672	-	-	-	143,231,672	-	-	-	143,231,672
-Savings account	5,787,393	-	-	-	5,787,393	-	-	-	5,787,393
-Term deposits	-	13,181,149	4,840,335	6,969,981	24,991,465	4,109,672	726,356	4,836,028	29,827,493
	149,019,065	13,181,149	4,840,335	6,969,981	174,010,530	4,109,672	726,356	4,836,028	178,846,558
Derivative financial instruments	-	12,119	89,188	1,051	102,358	108,034	-	108,034	210,392
Lease liabilities	-	7,654	7,481	12,548	27,683	19,975	-	19,975	47,658
Other liabilities	149,521	162	-	203,520	353,203	-	-	-	353,203
Total	150,533,434	13,201,084	4,937,004	7,187,100	175,858,622	4,237,681	726,356	4,964,037	180,822,659
Net liquidity gap	(93,431,359)	55,060,764	4,151,359	1,042,136	(33,177,100)	30,603,629	11,044,148	41,647,777	8,470,677

37 FINANCIAL RISK MANAGEMENT (Cont'd)

(c) Liquidity risk and funding management (Cont'd)

Analysis of financial assets and liabilities by remaining contractual maturities (Cont'd)

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
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 (Cont'd)

(c) Liquidity risk and funding management (Cont'd)

Analysis of financial assets and liabilities by remaining contractual maturities (Cont'd)

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
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 (Cont'd)

(c) Liquidity risk and funding management (Cont'd)

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 2021					
Contingent liabilities	**1,493,657**	**140,126**	**36,330**	**42,649**	**1,712,762**
Commitments	**510,431**	**172,637**	**179,813**	**118,780**	**981,661**
Total	**2,004,088**	**312,763**	**216,143**	**161,429**	**2,694,423**
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

The Group and the Bank do not expect all the contingent liabilities or commitments to be drawn before expiry of commitments.

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37 FINANCIAL RISK MANAGEMENT (Cont'd)

(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 (2020: 100 basis points; 2019: 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.

THE GROUP

Currency	**2021 Change in Basis points**	2020 Change in Basis points	2019 Change in Basis points	**2021 Sensitivity of profit or loss**	2020 Sensitivity of profit or loss	2019 Sensitivity of profit or loss
				MUR'000	MUR'000	MUR'000
AUD	**+100**	+100	+50	**7,180**	6,973	2,170
	-100	-100	-50	**(433)**	131	(2,170)
EUR	**+100**	+100	+50	**263,425**	200,671	68,571
	-100	-100	-50	**(264,443)**	(203,178)	(75,287)
GBP	**+100**	+100	+50	**60,888**	51,342	26,967
	-100	-100	-50	**(14,755)**	(15,126)	(26,967)
MUR	**+100**	+100	+50	**(9,391)**	(5,539)	7,769
	-100	-100	-50	**(26,913)**	(33,041)	(7,769)
USD	**+100**	+100	+50	**788,670**	553,835	239,917
	-100	-100	-50	**(193,667)**	(321,706)	(239,917)

THE BANK

Currency	**2021 Change in Basis points**	2020 Change in Basis points	2019 Change in Basis points	**2021 Sensitivity of profit or loss**	2020 Sensitivity of profit or loss	2019 Sensitivity of profit or loss
				MUR'000	MUR'000	MUR'000
AUD	**+100**	+100	+50	**7,180**	6,973	2,233
	-100	-100	-50	**(433)**	131	(2,233)
EUR	**+100**	+100	+50	**263,425**	200,663	68,569
	-100	-100	-50	**(264,443)**	(203,170)	(75,285)
GBP	**+100**	+100	+50	**60,888**	51,342	27,246
	-100	-100	-50	**(14,755)**	(15,126)	(27,246)
MUR	**+100**	+100	+50	**(9,391)**	(5,574)	7,240
	-100	-100	-50	**(26,913)**	(33,006)	(7,240)
USD	**+100**	+100	+50	**788,670**	553,831	238,232
	-100	-100	-50	**(193,667)**	(321,702)	(238,232)

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FOR THE YEAR ENDED 30 JUNE 2021

37 FINANCIAL RISK MANAGEMENT (Cont'd)

(d) Market risk (Cont'd)

(i) Interest rate risk (Cont'd)

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	2021							
Assets	**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**
Cash and cash equivalents	**97,810,111**	**37,579,753**	**43,308,424**	**-**	**-**	**-**	**-**	**16,921,934**
Due from banks	**17,974,090**	**-**	**2,138,397**	**5,149,532**	**2,136,987**	**8,549,174**	**-**	**-**
Loans and advances to banks	**6,638,835**	**-**	**-**	**341,913**	**1,256,458**	**5,040,464**	**-**	**-**
Loans and advances to customers	**18,749,929**	**298,092**	**4,916,449**	**231,548**	**603,787**	**7,145,195**	**5,554,858**	**-**
Debt instruments measured at amortised cost	**39,859,873**	**-**	**16,239,619**	**2,495,716**	**3,186,173**	**12,352,930**	**5,585,435**	**-**
Other assets (excluding prepayments, accrued income and inventory)	**2,302,308**	**1,047,901**	**-**	**-**	**-**	**-**	**-**	**1,254,407**
Total assets	**183,335,146**	**38,925,746**	**66,602,889**	**8,218,709**	**7,183,405**	**33,087,763**	**11,140,293**	**18,176,341**
Liabilities								
Due to banks	**1,000,122**	**1,000,122**	**-**	**-**	**-**	**-**	**-**	**-**
Deposits from banks	**364,726**	**347,471**	**-**	**-**	**-**	**-**	**-**	**17,255**
Deposits from customers	**178,832,286**	**7,842,860**	**12,945,890**	**4,601,245**	**6,731,422**	**3,680,709**	**726,356**	**142,303,804**
Total liabilities	**180,197,134**	**9,190,453**	**12,945,890**	**4,601,245**	**6,731,422**	**3,680,709**	**726,356**	**142,321,059**
Total interest sensitivity gap	**3,138,012**	**29,735,293**	**53,656,999**	**3,617,464**	**451,983**	**29,407,054**	**10,413,937**	**(124,144,718)**

THE GROUP	2020							
Assets	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
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	-
Other assets (excluding prepayments, accrued income and inventory)	2,216,920	1,009,308	920	80	5,047	-	-	1,201,565
Total assets	157,289,229	22,266,660	69,126,987	15,543,180	10,519,574	21,890,986	8,199,642	9,742,200
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	-	-	-	-
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	14,402,249	51,868,654	10,100,393	3,868,126	14,897,375	8,065,698	(96,850,072)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

37 FINANCIAL RISK MANAGEMENT (Cont'd)

(d) Market risk (Cont'd)

(i) Interest rate risk (Cont'd)

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	475,385	5,082	10,655	229,661	-	-	1,201,565
Total assets	130,676,248	15,767,361	58,211,060	15,054,005	11,788,867	20,321,930	6,630,163	2,902,862
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	-	-	-	-
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)	(80,223,739)	41,769,970	10,188,962	5,001,222	13,125,505	6,527,765	2,902,862

37 FINANCIAL RISK MANAGEMENT (Cont'd)

(d) Market risk (Cont'd)

(i) Interest rate risk (Cont'd)

THE BANK	2021							
	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	97,810,099	37,579,741	43,308,424	-	-	-	-	16,921,934
Due from banks	17,974,090	-	2,138,397	5,149,532	2,136,987	8,549,174	-	-
Loans and advances to banks	6,638,835	-	-	341,913	1,256,458	5,040,464	-	-
Loans and advances to customers	18,749,929	298,092	4,916,449	231,548	603,787	7,145,195	5,554,858	-
Debt instruments measured at amortised cost	39,859,873	-	16,239,619	2,495,716	3,186,173	12,352,930	5,585,435	-
Other assets (excluding prepayments, accrued income and inventory)	2,302,308	1,047,901	-	-	-	-	-	1,254,407
Total assets	183,335,134	38,925,734	66,602,889	8,218,709	7,183,405	33,087,763	11,140,293	18,176,341
Liabilities								
Due to banks	1,000,122	1,000,122	-	-	-	-	-	-
Deposits from banks	364,726	347,471	-	-	-	-	-	17,255
Deposits from customers	178,846,558	7,857,132	12,945,890	4,601,245	6,731,422	3,680,709	726,356	142,303,804
Total liabilities	180,211,406	9,204,725	12,945,890	4,601,245	6,731,422	3,680,709	726,356	142,321,059
Total interest sensitivity gap	3,123,728	29,721,009	53,656,999	3,617,464	451,983	29,407,054	10,413,937	(124,144,718)

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
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Assets								
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	969,895	69	853	-	-	-	1,240,978
Total assets	157,279,378	22,222,521	69,126,136	15,543,953	10,514,527	21,890,986	8,199,642	9,781,613
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	14,333,597	51,867,803	10,102,249	3,863,079	14,897,375	8,065,698	(96,810,659)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

37 FINANCIAL RISK MANAGEMENT (Cont'd)

(d) Market risk (Cont'd)

(i) Interest rate risk (Cont'd)

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	664,270	-	-	125,346	-	-	1,201,565
Total assets	130,711,490	15,954,600	58,205,978	15,043,350	11,652,607	20,321,930	6,630,163	2,902,862
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)	(9,886,031)	39,732,726	10,178,307	4,864,962	13,125,505	6,527,765	(65,254,748)

37 FINANCIAL RISK MANAGEMENT (Cont'd)

(d) Market risk (Cont'd)

(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

		2021		
	% Change in Currency	Effect of change in currency on		Sensitivity of profit or
Currency	rate	Assets	Liabilities	loss
		MUR'000	MUR'000	MUR'000
AUD	+5%	41,802	(41,822)	(20)
	-5%	(41,802)	41,822	20
EUR	+5%	1,535,645	(1,540,110)	(4,465)
	-5%	(1,535,645)	1,540,110	4,465
GBP	+5%	441,129	(441,960)	(831)
	-5%	(441,129)	441,960	831
USD	+5%	6,040,720	(6,036,803)	3,917
	-5%	(6,040,720)	6,036,803	(3,917)

		2020		
	% Change in Currency	Effect of change in currency on		Sensitivity of profit or
Currency	rate	Assets	Liabilities	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		
	% Change in Currency	Effect of change in currency on		Sensitivity of profit or
Currency	rate	Assets	Liabilities	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)

37 FINANCIAL RISK MANAGEMENT (Cont'd)

(d) Market risk (Cont'd)

(ii) Currency risk (Cont'd)

THE BANK

		2021		
	% Change in Currency	Effect of change in currency on		Sensitivity of profit or
Currency	rate	Assets	Liabilities	loss
		MUR'000	MUR'000	MUR'000
AUD	+5%	41,802	(41,822)	(20)
	-5%	(41,802)	41,822	20
EUR	+5%	1,535,645	(1,540,110)	(4,465)
	-5%	(1,535,645)	1,540,110	4,465
GBP	+5%	441,129	(441,960)	(831)
	-5%	(441,129)	441,960	831
USD	+5%	6,040,720	(6,036,803)	3,917
	-5%	(6,040,720)	6,036,803	(3,917)

		2020		
	% Change in Currency	Effect of change in currency on		Sensitivity of profit or
Currency	rate	Assets	Liabilities	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

		2019		
	% Change in Currency	Effect of change in currency on		Sensitivity of profit or
Currency	rate	Assets	Liabilities	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)

(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 make 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	Basel III	Basel III	**Basel III**	Basel III	Basel III
	2021	2020	2019	**2021**	2020	2019
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Tier 1 capital	**8,546,750**	7,996,924	7,240,680	**8,536,977**	7,986,957	7,257,255
Tier 2 capital	**555,833**	399,896	463,159	**555,833**	399,896	463,159
Total capital	**9,102,583**	8,396,820	7,703,839	**9,092,810**	8,386,853	7,720,414
Risk-weighted assets	**56,243,598**	55,437,946	50,286,707	**56,208,349**	55,363,146	48,714,294
	%	%	%	**%**	%	%
Capital adequacy ratio	**16.18**	15.15	15.32	**16.18**	15.15	15.85

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

There are no events after the reporting date which require adjustments or disclosures to the financial statements as at 30 June 2021.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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 execute 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.

THE GROUP
2021

	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**
Derivative financial instruments	**407,880**	**-**	**407,880**	**(154,190)**	**253,690**
Loans and advances to customers	**18,749,929**	**-**	**18,749,929**	**(1,593,416)**	**17,156,513**
	19,157,809	**-**	**19,157,809**	**(1,747,606)**	**17,410,203**
LIABILITIES					
Deposits from banks	**364,726**	**-**	**364,726**	**(154,190)**	**210,536**
Deposits from customers	**178,832,286**	**-**	**178,832,286**	**(1,593,416)**	**177,238,870**
	179,197,012	**-**	**179,197,012**	**(1,747,606)**	**177,449,406**

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
Derivative financial instruments	321,961	-	321,961	(80,611)	241,350
Loans and advances to customers	23,043,922	-	23,043,922	(1,119,385)	21,924,537
	23,365,883	-	23,365,883	(1,199,996)	22,165,887
LIABILITIES					
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
	150,922,471	-	150,922,471	(1,199,996)	149,722,475

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
Derivative financial instruments	-	744,595	744,595	-	744,595
Loans and advances to customers	22,150,196	-	22,150,196	(790,271)	21,359,925
	22,150,196	744,595	22,894,791	(790,271)	22,104,520
LIABILITIES					
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
	130,976,081	744,595	131,720,676	(790,271)	130,930,405

40 OFFSETTING FINANCIAL INSTRUMENTS (Cont'd)

THE BANK

2021

	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**
Derivative financial instruments	**407,880**	**-**	**407,880**	**(154,190)**	**253,690**
Loans and advances to customers	**18,749,929**	**-**	**18,749,929**	**(1,593,416)**	**17,156,513**
	19,157,809	**-**	**19,157,809**	**(1,747,606)**	**17,410,203**
LIABILITIES					
Deposits from banks	**364,726**	**-**	**364,726**	**(154,190)**	**210,536**
Deposits from customers	**178,846,558**	**-**	**178,846,558**	**(1,593,416)**	**177,253,142**
	179,211,284	**-**	**179,211,284**	**(1,747,606)**	**177,463,678**

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
Derivative financial instruments	321,961	-	321,961	(80,611)	241,350
Loans and advances to customers	23,043,922	-	23,043,922	(1,119,385)	21,924,537
	23,365,883	-	23,365,883	(1,199,996)	22,165,887
LIABILITIES					
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
	150,946,984	-	150,946,984	(1,199,996)	149,746,988

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
Derivative financial instruments	-	92,413	92,413	-	92,413
Loans and advances to customers	22,150,196	-	22,150,196	(790,271)	21,359,925
	22,150,196	92,413	22,242,609	(790,271)	21,452,338
LIABILITIES					
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
	131,151,841	92,413	131,244,254	(790,271)	130,453,983

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 2020 and 2019 these amounts have been shown in "due to customers" and have not been offset against the loan balances.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

41 DISCONTINUED OPERATIONS

In November 2019, the Board approved the distribution of the shares of EKADA Capital Ltd (formerly known AfrAsia Capital Management Ltd). Following the approval from the Financial Services Commission and the Bank of Mauritius respectively, the Board declared the dividend in Specie of the shares of EKADA Capital Ltd in November 2020 and the distribution was completed in January 2021. The subsidiary was consolidated for the period up to 25 January 2021.

The results of the discontinued operation, which have been included in the profit for the year, were as follows:

	THE GROUP		
	2021	2020	2019
	MUR'000	MUR'000	MUR'000
Interest income	**-**	-	2
Interest expense	**(7)**	(44)	(133)
Net interest income, calculated using EIR method	**(7)**	(44)	(131)
Fees and commission income	**16,827**	40,591	50,483
Fees and commission expense	**(2,649)**	(2,402)	(1,703)
Net fees and commission income	**14,178**	38,189	48,780
Other operating income	**245**	2,308	206
Total operating income	**14,416**	40,453	48,855
Net impairment loss on financial assets	**-**	(60)	65
Net operating income	**14,416**	40,393	48,920
Personnel expenses	**(17,574)**	(33,317)	(38,824)
Depreciation of equipment	**(153)**	(439)	(1,364)
Depreciation of right of use assets	**(700)**	-	-
Amortization of intangible assets	**(53)**	(11)	(17)
Other operating expenses	**(9,476)**	(9,229)	(9,000)
Total operating expenses	**(27,956)**	(42,996)	(49,205)
Loss before tax	**(13,540)**	(2,603)	(285)
Income tax expense	**-**	(543)	393
(Loss)/profit for the year	**(13,540)**	(3,146)	108

The asset and liabilities at 25 January 2021, date of disposal, were as follows:

	THE GROUP
	2019
ASSETS	**MUR'000**
Cash and cash equivalents	**5,891**
Property and equipment	**769**
Intangible assets	**219**
Right of use assets	**10,203**
Investment Securities	**49**
Deferred tax assets	**118**
Other assets	**8,286**
TOTAL ASSETS	**25,535**
LIABILITIES	
Retirement benefit obligations	**2,183**
Lease liabilities	**10,203**
Other liabilities	**13,705**
TOTAL LIABILITIES	**26,091**

42 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 2021			Year ended 30 June 2020			Year ended 30 June 2019		
		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	1,084,806	599,606	1,684,412	1,313,453	1,800,575	3,114,028	1,210,073	1,958,974	3,169,047
Interest expense	I	(308,830)	(303,164)	(611,994)	(500,810)	(584,976)	(1,085,786)	(484,612)	(373,662)	(858,274)
Net interest income, calculated using EIR method		775,976	296,442	1,072,418	812,643	1,215,599	2,028,242	725,461	1,585,312	2,310,773
Fee and commission income	II	179,280	698,590	877,870	181,027	606,451	787,478	176,972	555,632	732,604
Fee and commission expense	II	(103,540)	(211,830)	(315,370)	(81,719)	(215,773)	(297,492)	(41,457)	(249,922)	(291,379)
Net fee and commission income		75,740	486,760	562,500	99,308	390,678	489,986	135,515	305,710	441,225
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)	570,712	374,531	945,243	821,492	480,858	1,302,350	514,520	402,283	916,803
Other gains/(losses)	IV (b)	-	1,696	1,696	-	(3,046)	(3,046)	98	-	98
Other operating income	IV (c)	(106)	-	(106)	(375)	-	(375)	665	-	665
Total operating income		1,422,322	1,159,429	2,581,751	1,733,068	2,082,086	3,815,154	1,376,259	2,317,232	3,693,491
Net impairment loss on financial assets	V	(271,586)	(193,545)	(465,131)	(161,472)	(677,623)	(839,095)	(14,085)	(454,295)	(468,380)
Net operating income		1,150,736	965,884	2,116,620	1,571,596	1,404,463	2,976,059	1,362,174	1,862,937	3,225,111
Personnel expenses		(355,386)	(307,548)	(662,934)	(318,885)	(399,194)	(718,079)	(236,064)	(410,232)	(646,296)
Depreciation of property and equipment		(19,631)	(16,002)	(35,633)	(16,223)	(19,490)	(35,713)	(13,549)	(22,812)	(36,361)
Depreciation on right of use assets		(18,132)	(14,780)	(32,912)	(14,416)	(17,319)	(31,735)	-	-	-
Amortisation of intangible assets		(23,120)	(18,846)	(41,966)	(18,590)	(22,333)	(40,923)	(14,378)	(24,208)	(38,586)
Other operating expenses		(176,041)	(143,503)	(319,544)	(166,515)	(200,046)	(366,561)	(120,544)	(202,962)	(323,506)
Total operating expenses		(592,310)	(500,679)	(1,092,989)	(534,629)	(658,382)	(1,193,011)	(384,535)	(660,214)	(1,044,749)
Operating profit		558,426	465,205	1,023,631	1,036,967	746,081	1,783,048	977,639	1,202,723	2,180,362
Impairment loss on subsidiary		-	-	-	-	-	-	(189,563)	-	(189,563)
Impairment on receivable from subsidary		-	-	-	(33,057)	-	(33,057)	(103,000)	-	(103,000)
Profit before tax		558,426	465,205	1,023,631	1,003,910	746,081	1,749,991	685,076	1,202,723	1,887,799
Tax expense		(115,198)	(33,207)	(148,405)	(168,468)	(59,968)	(228,436)	(279,964)	(23,052)	(303,016)
Profit for the year		443,228	431,998	875,226	835,442	686,113	1,521,555	405,112	1,179,671	1,584,783
Other comprehensive income/(loss) 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)	(2,880)	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
Other comprehensive income/(loss) that will not be reclassified to profit or loss:										
Remeasurement of retirement benefit obligations		22,832	18,612	41,444	(9,872)	(11,859)	(21,731)	(3,454)	(5,815)	(9,269)
Deferred tax on remeasurement of retirement benefit obligations		(1,310)	(1,136)	(2,446)	810	508	1,318	142	239	381
Gain on equity instruments designated at fair value through other comprehensive income		(101)	1,583	1,482	(46)	1,416	1,370	1,122	-	1,122
		21,421	19,059	40,480	(9,108)	(9,935)	(19,043)	(2,190)	(5,576)	(7,766)
Other comprehensive gain/(loss) for the year		21,421	19,059	40,480	(9,108)	(10,843)	(19,951)	179	(5,469)	(5,290)
Total comprehensive income for the year attributable to equity holders of the parent		464,649	451,057	915,706	826,334	675,270	1,501,604	405,291	1,174,202	1,579,493

42 SEGMENTAL REPORTING (Cont'd)

		Year ended 30 June 2021			Year ended 30 June 2020			Year ended 30 June 2019		
		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
ASSETS										
Cash and cash equivalent	VI	20,689,468	77,120,631	97,810,099	12,393,035	56,639,214	69,032,249	6,469,041	44,229,951	50,698,992
Due from banks	VII	16,378,549	1,595,541	17,974,090	9,346,939	1,785,799	11,132,738	10,469,896	2,498,034	12,967,930
Derivative financial instruments	VIII	227,587	180,293	407,880	221,553	100,408	321,961	81,507	10,906	92,413
Loans and advances to banks	X(b)	-	6,638,835	6,638,835	1,000,889	4,245,038	5,245,927	-	6,019,048	6,019,048
Loans and advances to customers	X(a)	10,753,505	7,996,424	18,749,929	11,770,371	11,273,551	23,043,922	11,480,579	10,669,617	22,150,196
Investment securities	IX	21,519,704	23,890,491	45,410,195	18,666,736	29,998,164	48,664,900	18,981,315	26,326,856	45,308,171
Asset held for distribution	XI	-	-	-	38,277	-	38,277	-	-	-
Property and equipment		75,716	61,721	137,437	77,668	93,309	170,977	69,186	116,489	185,675
Right of use assets		24,526	19,992	44,518	36,348	43,669	80,017	-	-	-
Intangible assets		159,037	129,642	288,679	122,611	147,303	269,914	90,695	152,703	243,398
Deferred tax assets		55,247	94,346	149,593	33,777	90,611	124,388	32,142	68,811	100,953
Other assets	XII	2,430,493	41,461	2,471,954	2,320,065	27,494	2,347,559	2,088,780	17,942	2,106,722
TOTAL ASSETS		72,313,832	117,769,377	190,083,209	56,028,269	104,444,560	160,472,829	49,763,141	90,110,357	139,873,498
LIABILITIES AND EQUITY										
Due to banks	XIII	1,000,025	97	1,000,122	6,376	6,876	13,252	29,787	647	30,434
Deposits from banks	XIV(a)	154,201	210,525	364,726	80,627	15,738	96,365	-	14,106	14,106
Deposits from customers	XIV(b)	39,039,475	139,807,083	178,846,558	37,674,940	113,175,679	150,850,619	31,030,246	100,164,013	131,194,259
Derivative financial instruments	VIII	126,376	84,016	210,392	53,634	53,534	107,168	9,823	40,172	49,995
Debts issued	XV	-	-	-	-	-	-	184,205	-	184,205
Retirement Benefits Obligation		40,321	32,868	73,189	45,358	54,493	99,851	24,091	40,561	64,652
Current tax liabilities		80,616	5,031	85,647	89,211	6,072	95,283	146,108	29,805	175,913
Lease liabilities		26,255	21,403	47,658	37,509	45,062	82,571	-	-	-
Other liabilities	XVI	299,008	108,985	407,993	325,066	161,330	486,396	229,563	213,967	443,530
TOTAL LIABILITIES		40,766,277	140,270,008	181,036,285	38,312,721	113,518,784	151,831,505	31,653,823	100,503,271	132,157,094
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				2,664,794			2,297,788			1,836,242
Other reserves				1,355,313			1,316,719			853,345
TOTAL EQUITY				9,046,924			8,641,324			7,716,404
TOTAL LIABILITIES AND EQUITY				190,083,209			160,472,829			139,873,498

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

42 SEGMENTAL REPORTING (Cont'd)

	2021			2020			2019		
	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	200,219	134,399	334,618	206,060	617,853	823,913	240,066	703,835	943,901
- Loans and advances to banks	7,236	70,795	78,031	14,985	174,914	189,899	-	214,044	214,044
- Loans and advances to customers	352,949	248,701	601,650	468,684	451,013	919,697	507,356	543,129	1,050,485
- Investment securities	510,264	145,711	655,975	570,595	538,600	1,109,195	407,559	394,539	802,098
- Placements with the Central Bank	14,138	-	14,138	53,129	-	53,129	49,377	-	49,377
	1,084,806	599,606	1,684,412	1,313,453	1,782,380	3,095,833	1,204,358	1,855,547	3,059,905
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
Total interest income calculated using EIR	1,084,806	599,606	1,684,412	1,313,453	1,800,575	3,114,028	1,210,073	1,958,974	3,169,047
I INTEREST EXPENSE									
Interest expense on financial instruments measured at amortised cost:									
- Due to banks	36,300	78,169	114,469	20,462	46,803	67,265	14,845	27,545	42,390
- Deposits from banks	1,684	37	1,721	603	-	603	-	-	-
- Deposits from customers	268,400	223,606	492,006	468,229	538,173	1,006,402	441,594	346,117	787,711
- Subordinated debts issued	-	-	-	6,671	-	6,671	28,173	-	28,173
- Lease liability	2,446	1,352	3,798	4,845	-	4,845	-	-	-
Total interest expense	308,830	303,164	611,994	500,810	584,976	1,085,786	484,612	373,662	858,274
NET INTEREST INCOME	775,976	296,442	1,072,418	812,643	1,215,599	2,028,242	725,461	1,585,312	2,310,773
II NET FEE AND COMMISSION INCOME									
Fee and commission income									
Commission and fee income	68,247	485,981	554,228	70,882	425,646	496,528	75,259	363,943	439,202
Credit card fees	41,817	42,148	83,965	48,734	44,480	93,214	52,531	55,265	107,796
Custody fees income	50,424	143,472	193,896	41,110	125,605	166,715	38,380	125,950	164,330
Other fees received	18,792	26,989	45,781	20,301	10,720	31,021	10,802	10,474	21,276
Total fee and commission income	179,280	698,590	877,870	181,027	606,451	787,478	176,972	555,632	732,604
Fee and commission expense									
Commission to other banks	(13,306)	(117,839)	(131,145)	(9,706)	(84,951)	(94,657)	(9,314)	(79,067)	(88,381)
Credit card expenses	(44,058)	(45,893)	(89,951)	(31,151)	(58,025)	(89,176)	(27,221)	(65,005)	(92,226)
Custody fees expense	(34,367)	(35,796)	(70,163)	(19,812)	(36,903)	(56,715)	(1,405)	(55,773)	(57,178)
Retrocession fees	(11,589)	(12,072)	(23,661)	(19,103)	(35,582)	(54,685)	(209)	(48,442)	(48,651)
Other fees paid	(220)	(230)	(450)	(1,947)	(312)	(2,259)	(3,308)	(1,635)	(4,943)
Total fee and commission expense	(103,540)	(211,830)	(315,370)	(81,719)	(215,773)	(297,492)	(41,457)	(249,922)	(291,379)
Net fee and commission income	75,740	486,760	562,500	99,308	390,678	489,986	135,515	305,710	441,225

42 SEGMENTAL REPORTING (Cont'd)

		2021			2020			2019		
		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 gain on debt instruments measured at fair value through profit or loss	113,325	11,277	124,602	382,790	116,530	499,320	184,668	51,210	235,878
	Gain/(loss) on other derivatives held for trading	58,563	(362)	58,201	122,673	(5,439)	117,234	(7,016)	-	(7,016)
	Gain/(loss) on foreign exchange derivatives	(37,344)	(34,047)	(71,391)	43,776	30,822	74,598	(18,305)	(86,974)	(105,279)
	Gain on foreign exchange	436,168	397,663	833,831	272,253	338,945	611,198	355,173	438,047	793,220
		570,712	374,531	945,243	821,492	480,858	1,302,350	514,520	402,283	916,803
IV (b)	**OTHER GAINS/(LOSSES)**									
	Net (loss)/gain arising from derecognition of debt instrument measured at fair value through other comprehensive income (Note 1)	-	-	-	-	(3,046)	(3,046)	98	-	98
	Fair value gain on equity Investment measured at fair value through profit or loss	-	1,696	1,696	-	-	-	-	-	-
		-	1,696	1,696	-	(3,046)	(3,046)	98	-	98
IV (c)	**OTHER OPERATING INCOME**									
	Other operating income:									
	- Profit on disposal of motor vehicle	-	-	-	402	-	402	-	-	-
	- Transaction and other related fees	(106)	-	(106)	(777)	-	(777)	665	-	665
		(106)	-	(106)	(375)	-	(375)	665	-	665
V	**NET IMPAIRMENT LOSS ON FINANCIAL ASSETS**									
	LOSS ALLOWANCE ON FINANCIAL ASSETS									
	Cash and cash equivalents	(150)	1,106	956	(1,969)	(20,805)	(22,774)	(2,206)	(22,243)	(24,449)
	Due from banks	(2,341)	818	(1,523)	(175)	1,166	991	2,290	1,370	3,660
	Loans and advances to banks	(1,694)	19,505	17,811	1,694	(5,202)	(3,508)	-	(2,662)	(2,662)
	Loan and advances to customers	252,840	167,754	420,594	177,583	799,854	977,437	16,824	560,895	577,719
	Debt instruments measured at FVTOCI	-	-	-	-	(1,074)	(1,074)	(77)	604	527
	Debt instruments measured at amortised cost	33,376	35	33,411	1,023	(1,609)	(586)	1,890	505	2,395
	Financial guarantee contracts and loan commitments (Note 38)	16,997	5,218	22,215	(5,320)	2,204	(3,116)	1,092	(702)	390
	Trade and other receivables	3,669	-	3,669	-	-	-	-	-	-
	Total credit loss expense under IFRS 9	302,697	194,436	497,133	172,836	774,534	947,370	19,813	537,767	557,580
	Bad debt recovered	(31,111)	(891)	(32,002)	(11,364)	(96,911)	(108,275)	(5,728)	(83,472)	(89,200)
		271,586	193,545	465,131	161,472	677,623	839,095	14,085	454,295	468,380

42 SEGMENTAL REPORTING (Cont'd)

	2021			2020			2019		
	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
VI CASH AND CASH EQUIVALENTS									
Cash in hand	**28,782**	**-**	**28,782**	40,108	-	40,108	28,690	13,397	42,087
Unrestricted balances with the Central Bank	**16,893,152**	**-**	**16,893,152**	8,500,527	-	8,500,527	3,988,536	-	3,988,536
Short term placements with other banks	**3,749,700**	**39,562,826**	**43,312,526**	3,561,299	35,531,454	39,092,753	2,430,659	31,377,514	33,808,173
Short term placements with the Central Bank	**-**	**-**	**-**	281,945	-	281,945	-	-	-
Current accounts with other banks	**18,343**	**37,561,424**	**37,579,767**	9,814	21,110,274	21,120,088	23,783	12,862,359	12,886,142
	20,689,977	**77,124,250**	**97,814,227**	12,393,693	56,641,728	69,035,421	6,471,668	44,253,270	50,724,938
Less: Impairment on placement	**(509)**	**(3,619)**	**(4,128)**	(658)	(2,514)	(3,172)	(2,627)	(23,319)	(25,946)
	20,689,468	**77,120,631**	**97,810,099**	12,393,035	56,639,214	69,032,249	6,469,041	44,229,951	50,698,992

	2021			2020			2019		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
VII DUE FROM BANKS	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At amortised cost:									
Short term collateralised placements	**16,378,549**	**-**	**16,378,549**	7,039,627	-	7,039,627	4,844,692	-	4,844,692
Medium term collateralised placements	**-**	**-**	**-**	-	-	-	1,781,279	-	1,781,279
Medium term placements with the central bank	**-**	**-**	**-**	507,262	-	507,262	1,009,464	-	1,009,464
Long term placements with central bank	**-**	**-**	**-**	-	-	-	507,181	-	507,181
Medium term placements with other banks	**-**	**1,598,895**	**1,598,895**	1,802,391	1,788,335	3,590,726	2,329,796	2,499,404	4,829,200
	16,378,549	**1,598,895**	**17,977,444**	9,349,280	1,788,335	11,137,615	10,472,412	2,499,404	12,971,816
Less: allowance for impairment losses	**-**	**(3,354)**	**(3,354)**	(2,341)	(2,536)	(4,877)	(2,516)	(1,370)	(3,886)
	16,378,549	**1,595,541**	**17,974,090**	9,346,939	1,785,799	11,132,738	10,469,896	2,498,034	12,967,930

	2021			2020			2019		
VIII DERIVATIVE FINANCIAL INSTRUMENTS									
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
ASSETS	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	**530**	**1,520**	**2,050**	173	1,889	2,062	6,315	2,046	8,361
Foreign exchange contracts and swaps	**59,798**	**-**	**59,798**	115,467	9,984	125,451	75,192	8,860	84,052
Cross currency interest rate swap	**151,683**	**-**	**151,683**	97,580	-	97,580	-	-	-
Interest rate swaps	**2,870**	**-**	**2,870**	3,906	-	3,906	-	-	-
Options contracts	**12,706**	**178,773**	**191,479**	4,427	88,535	92,962	-	-	-
	227,587	**180,293**	**407,880**	221,553	100,408	321,961	81,507	10,906	92,413
LIABILITIES									
Derivative Financial Instruments									
Foreign exchange option contracts	**-**	**(2,050)**	**(2,050)**	-	(1,759)	(1,759)	(593)	(7,352)	(7,945)
Forward foreign exchange contracts	**(13,701)**	**-**	**(13,701)**	(4,245)	(3,461)	(7,706)	(9,230)	(32,820)	(42,050)
Interest rate swaps	**-**	**(3,162)**	**(3,162)**	-	(4,741)	(4,741)	-	-	-
Options contracts	**(112,675)**	**(78,804)**	**(191,479)**	(49,389)	(43,573)	(92,962)	-	-	-
	(126,376)	**(84,016)**	**(210,392)**	(53,634)	(53,534)	(107,168)	(9,823)	(40,172)	(49,995)

42 SEGMENTAL REPORTING (Cont'd)

	2021			2020			2019		
	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
IX INVESTMENT SECURITIES									
Financial assets mandatorily measured at fair value through profit or loss (a)	**3,994,426**	**1,540,387**	**5,534,813**	1,770,054	272,426	2,042,480	4,843,489	356	4,843,845
Debt instruments measured at fair value through other comprehensive income (b)	**-**	**-**	**-**	-	-	-	-	3,571,880	3,571,880
Debt instruments measured at amortised cost (c)	**17,523,153**	**22,336,720**	**39,859,873**	16,894,456	29,718,291	46,612,747	14,135,554	22,748,589	36,884,143
Equity Investment measured at fair value through profit or loss (d)	**2,125**	**11,679**	**13,804**	2,226	7,447	9,673	2,272	6,031	8,303
	-	**1,705**	**1,705**	-	-	-	-	-	-
	21,519,704	**23,890,491**	**45,410,195**	18,666,736	29,998,164	48,664,900	18,981,315	26,326,856	45,308,171
(a) FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS									
Government of Mauritius debt securities	**2,805,517**	**-**	**2,805,517**	850,043	-	850,043	1,416,463	-	1,416,463
Bank of Mauritius bonds and notes	**1,038,656**	**-**	**1,038,656**	920,011	-	920,011	3,427,026	-	3,427,026
Local Securities : corporate bonds and notes	**150,253**	**-**	**150,253**	-	-	-	-	-	-
Foreign Securities: corporate bonds and notes	**-**	**1,540,387**	**1,540,387**	-	272,426	272,426	-	356	356
	3,994,426	**1,540,387**	**5,534,813**	1,770,054	272,426	2,042,480	4,843,489	356	4,843,845
(b) DEBT INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME									
Government of Mauritius debt securities	**-**	**-**	**-**	-	-	-	-	-	-
Bank of Mauritius bonds and notes	**-**	**-**	**-**	-	-	-	-	-	-
Foreign Securities treasury bills and bonds	**-**	**-**	**-**	-	-	-	-	3,571,880	3,571,880
	-	**-**	**-**	-	-	-	-	3,571,880	3,571,880
(c) DEBT INSTRUMENTS MEASURED AT AMORTISED COST									
Government of Mauritius treasury bills and bonds	**12,177,847**	**-**	**12,177,847**	12,250,207	-	12,250,207	7,291,728	-	7,291,728
Bank of Mauritius bonds and notes	**3,432,443**	**-**	**3,432,443**	2,279,722	-	2,279,722	5,056,172	-	5,056,172
Local Securities: corporate bonds and notes	**1,952,332**	**-**	**1,952,332**	2,370,619	-	2,370,619	1,792,723	-	1,792,723
Foreign Securities: corporate bonds and notes	**-**	**5,119,520**	**5,119,520**	-	7,499,416	7,499,416	-	-	-
Foreign Securities: sovereign bills, bonds and notes	**-**	**17,218,935**	**17,218,935**	-	22,220,576	22,220,576	-	22,751,899	22,751,899
	17,562,622	**22,338,455**	**39,901,077**	16,900,548	29,719,992	46,620,540	14,140,623	22,751,899	36,892,522
Less: Allowance for impairment losses	**(39,469)**	**(1,735)**	**(41,204)**	(6,092)	(1,701)	(7,793)	(5,069)	(3,310)	(8,379)
	17,523,153	**22,336,720**	**39,859,873**	16,894,456	29,718,291	46,612,747	14,135,554	22,748,589	36,884,143
(d) EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME									
Equities securities:									
At 1 July	**2,226**	**7,447**	**9,673**	2,272	6,031	8,303	-	-	-
Reclassification from other assets	**-**	**-**	**-**	-	-	-	2,525	4,656	7,181
Acquisition of shares	**-**	**2,649**	**2,649**	-	-	-	-	-	-
Fair value movement	**(101)**	**1,583**	**1,482**	(46)	1,416	1,370	(253)	1,375	1,122
At 30 June	**2,125**	**11,679**	**13,804**	2,226	7,447	9,673	2,272	6,031	8,303
(e) Equity Investment at fair value through profit or loss									
At 1 July	**-**	**-**	**-**	-	-	-	-	-	-
Acquisition during the year	**-**	**9**	**9**	-	-	-	-	-	-
Fair Value Movement	**-**	**1,696**	**1,696**	-	-	-	-	-	-
	-	**1,705**	**1,705**	-	-	-	-	-	-

42 SEGMENTAL REPORTING (Cont'd)

X(a) LOANS AND ADVANCES TO CUSTOMERS

	2021			2020			2019		
	Segment A	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
(a) Remaining term to maturity									
Within 3 months	**3,111,690**	**3,918,780**	**7,030,470**	5,493,103	3,035,263	8,528,366	5,021,059	2,453,588	7,474,647
Over 3 to 6 months	**166,927**	**66,617**	**233,544**	58,860	639,263	698,123	130,832	269,797	400,629
Over 6 to 12 months	**63,655**	**543,572**	**607,227**	133,505	1,001,286	1,134,791	226,701	1,543,648	1,770,349
Over 1 to 5 years	**3,162,672**	**4,658,242**	**7,820,914**	1,307,132	7,770,033	9,077,165	2,412,072	6,695,222	9,107,294
Over 5 years	**5,038,731**	**701,911**	**5,740,642**	5,303,408	691,952	5,995,360	4,147,081	1,162,713	5,309,794
Gross loans and advances to customers	**11,543,675**	**9,889,122**	**21,432,797**	12,296,008	13,137,797	25,433,805	11,937,745	12,124,968	24,062,713
Less: Allowances for impairment losses	**(790,170)**	**(1,892,698)**	**(2,682,868)**	(525,637)	(1,864,246)	(2,389,883)	(457,166)	(1,455,351)	(1,912,517)
Net loans and advances to customers	**10,753,505**	**7,996,424**	**18,749,929**	11,770,371	11,273,551	23,043,922	11,480,579	10,669,617	22,150,196
(b) Credit concentration of risk by industry sectors									
Agriculture and fishing	**106,856**	**868,762**	**975,618**	435,381	802,692	1,238,073	159,099	350,551	509,650
Manufacturing	**388,832**	**3,123,693**	**3,512,525**	306,670	5,001,850	5,308,520	436,431	2,289,225	2,725,656
Tourism	**4,008,196**	**570,775**	**4,578,971**	3,375,528	516,729	3,892,257	2,714,782	449,560	3,164,342
Transport	**33,061**	**178,615**	**211,676**	35,164	565,872	601,036	44,608	318,959	363,567
Construction, infrastructure and real estate	**1,150,372**	**699,483**	**1,849,855**	1,336,498	633,538	1,970,036	913,531	205,502	1,119,033
Financial and business services	**1,418,912**	**1,932,100**	**3,351,012**	2,369,230	2,312,417	4,681,647	2,739,957	1,621,871	4,361,828
Traders	**649,444**	**1,122,377**	**1,771,821**	1,543,947	951,734	2,495,681	1,204,300	363,938	1,568,238
Personal	**2,332,341**	**452,522**	**2,784,863**	1,736,409	635,925	2,372,334	1,506,811	442,365	1,949,176
Professional	**-**	**66,050**	**66,050**	-	59,746	59,746	456,563	-	456,563
Information, communication and technology	**388,826**	**874,057**	**1,262,883**	256,687	836,359	1,093,046	251,421	-	251,421
Government and parastatal bodies	**-**	**-**	**-**	-	-	-	-	101,768	101,768
Global Business Licence Holders (GBL)	**-**	**-**	**-**	-	-	-	-	2,577,547	2,577,547
Other entities	**1,066,835**	**688**	**1,067,523**	900,494	820,935	1,721,429	1,510,242	3,403,682	4,913,924
	11,543,675	**9,889,122**	**21,432,797**	12,296,008	13,137,797	25,433,805	11,937,745	12,124,968	24,062,713

Loss allowance by sector

	2021					Total provision		
	Gross amount of loans	**Non performing loans**	**STAGE 1**	**STAGE 2**	**STAGE 3**	**2021**	2020	2019
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	MUR'000	MUR'000
Agriculture and fishing	**975,618**	**668,752**	**306**	**5,361**	**405,595**	**411,262**	211,335	210,381
Manufacturing	**3,512,525**	**851,590**	**7,022**	**1,669**	**755,627**	**764,318**	685,255	406,294
Tourism	**4,578,971**	**9,421**	**200,927**	**20,002**	**462**	**221,391**	44,362	11,168
Transport	**211,676**	**-**	**781**	**125**	**-**	**906**	5,334	118,985
Construction, infrastructure and real estate	**1,849,855**	**325,565**	**16,623**	**5,879**	**276,184**	**298,686**	291,339	232,484
Financial and business services	**3,351,012**	**677,265**	**28,624**	**2,438**	**641,713**	**672,775**	897,120	432,213
Traders	**1,771,821**	**14,235**	**6,930**	**207**	**14,235**	**21,372**	20,878	72,027
Personal	**2,784,863**	**111,418**	**49,434**	**30,347**	**68,431**	**148,212**	102,827	168,402
Professional	**66,050**	**-**	**48**	**-**	**-**	**48**	47	815
Information, communication and technology	**1,262,883**	**157,224**	**4,619**	**617**	**122,412**	**127,648**	117,719	3,254
Government and parastatal bodies	**-**	**-**	**-**	**-**	**-**	**-**	-	1,562
Global Business Licence Holders (GBL)	**-**	**-**	**-**	**-**	**-**	**-**	-	143,428
Other entities	**1,067,523**	**1,628**	**12,110**	**2,513**	**1,627**	**16,250**	13,667	111,504
	21,432,797	**2,817,098**	**327,424**	**69,158**	**2,286,286**	**2,682,868**	2,389,883	1,912,517

42 SEGMENTAL REPORTING (Cont'd)

X LOANS AND ADVANCES TO CUSTOMERS (Continued)

Loss allowance by sector (Continued)

	2021					Total provision		
Analysed by Segments:	Gross amount of loans	Non performing loans	STAGE 1	STAGE 2	STAGE 3	2021	2020	2019
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Segment A								
Agriculture and fishing	106,856	-	306	1,252	-	1,558	183	230
Manufacturing	388,832	159,919	1,265	-	159,919	161,184	150,501	94,098
Tourism	4,008,196	9,421	196,028	6,139	462	202,629	21,756	7,385
Transport	33,061	-	529	125	-	654	525	149
Construction, infrastructure and real estate	1,150,372	103,366	15,635	5,879	75,310	96,824	100,982	91,110
Financial and business services	1,418,912	1,181	19,546	2,438	117	22,101	5,304	8,278
Traders	649,444	14,235	4,595	207	14,235	19,037	18,391	71,172
Personal	2,332,341	95,476	46,261	30,334	66,259	142,854	97,569	156,814
Professional	-	-	-	-	-	-	-	815
Information, communication and technology	388,826	157,224	4,073	600	122,412	127,085	116,995	3,254
Others entities	1,066,835	1,628	12,104	2,513	1,627	16,244	13,431	23,861
	11,543,675	542,450	300,342	49,487	440,341	790,170	525,637	457,166
Segment B								
Agriculture and fishing	868,762	668,752	-	4,109	405,595	409,704	211,152	210,151
Manufacturing	3,123,693	691,671	5,757	1,669	595,708	603,134	534,754	312,196
Tourism	570,775	-	4,899	13,863	-	18,762	22,606	3,783
Transport	178,615	-	252	-	-	252	4,809	118,836
Construction, infrastructure and real estate	699,483	222,199	988	-	200,874	201,862	190,357	141,374
Financial and business services	1,932,100	676,084	9,078	-	641,596	650,674	891,816	423,935
Traders	1,122,377	-	2,335	-	-	2,335	2,487	855
Personal	452,522	15,942	3,173	13	2,172	5,358	5,258	11,588
Professional	66,050	-	48	-	-	48	47	-
Information, communication and technology	874,057	-	546	17	-	563	724	-
Government and parastatal bodies	-	-	-	-	-	-	-	1,562
Global Business Licence Holders (GBL)	-	-	-	-	-	-	-	143,428
Others entities	688	-	6	-	-	6	236	87,643
	9,889,122	2,274,648	27,082	19,671	1,845,945	1,892,698	1,864,246	1,455,351

42 SEGMENTAL REPORTING (Cont'd)

X(b) LOANS AND ADVANCES TO BANKS

	2021			2020			2019		
	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
Over 3 to 6 months	-	341,954	341,954	-	1,201,411	1,201,411	-	2,323,488	2,323,488
Over 6 to 12 months	-	1,277,517	1,277,517	-	1,002,266	1,002,266	-	375,833	375,833
Over 1 to 5 years	-	5,048,845	5,048,845	1,002,583	1,725,250	2,727,833	-	2,402,594	2,402,594
Gross loans and advances to banks	-	6,668,316	6,668,316	1,002,583	4,255,014	5,257,597	-	6,034,226	6,034,226
Less: Allowances for impairment losses	-	(29,481)	(29,481)	(1,694)	(9,976)	(11,670)	-	(15,178)	(15,178)
Net loans and advances to banks	-	6,638,835	6,638,835	1,000,889	4,245,038	5,245,927	-	6,019,048	6,019,048

	2021		2021			Total provision		
	Gross amount of loans	Non performing loans	STAGE 1	STAGE 2	STAGE 3	2021	2020	2019
Loss allowance by sector	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Financial and business services	6,668,316	-	29,481	-	-	29,481	11,670	15,178

	2021		2021			Total provision		
Analysed by Segments:	Gross amount of loans	Non performing loans	STAGE 1	STAGE 2	STAGE 3	Total provision 2021	2020	2019
Segment A	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Financial and business services	-	-	-	-	-	-	1,694	-
Segment B								
Financial and business services	6,668,316	-	29,481	-	-	29,481	9,976	15,178

42 SEGMENTAL REPORTING (Cont'd)

	2021			2020			2019		
	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
XI INVESTMENT IN SUBSIDIARY									
Cost									
Opening balance	**-**	**-**	**-**	-	-	-	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	**-**	**-**	**-**	-	-	-	-	-	-
XII OTHER ASSETS									
Mandatory balances with the central bank	**2,276,930**	**-**	**2,276,930**	2,174,086	-	2,174,086	1,865,835	-	1,865,835
Indirect and other taxes receivable	**98,960**	**-**	**98,960**	84,393	-	84,393	73,570	300	73,870
Due from credit card service provider	**-**	**-**	**-**	12,510	-	12,510	25,866	-	25,866
Prepayments	**25,130**	**31,602**	**56,732**	18,543	24,393	42,936	20,414	16,308	36,722
Other receivables	**29,473**	**9,859**	**39,332**	29,611	3,101	32,712	17,210	1,334	18,544
Amount due from subsidiaries	**-**	**-**	**-**	922	-	922	85,885	-	85,885
	2,430,493	**41,461**	**2,471,954**	2,320,065	27,494	2,347,559	2,088,780	17,942	2,106,722
XIII DUE TO BANKS									
At amortised cost	**-**	**-**	**-**	6,376	-	6,376	29,787	-	29,787
Borrowings from the central bank	**1,000,025**	**-**	**1,000,025**	-	-	-	-	-	-
Borrowings from other banks	**-**	**97**	**97**	-	6,876	6,876	-	647	647
Bank overdraft	**1,000,025**	**97**	**1,000,122**	6,376	6,876	13,252	29,787	647	30,434
XIV(a) DEPOSITS FROM BANKS									
At amortised cost									
- Current and savings accounts	**154,201**	**210,525**	**364,726**	80,627	15,738	96,365	-	14,106	14,106
	154,201	**210,525**	**364,726**	80,627	15,738	96,365	-	14,106	14,106
XIV(b) DEPOSITS FROM CUSTOMERS									
At amortised cost									
Personal									
- Current and savings accounts	**8,741,513**	**18,354,879**	**27,096,392**	7,565,196	12,983,799	20,548,995	5,442,041	9,206,699	14,648,740
- Term deposits	**5,480,375**	**3,322,824**	**8,803,199**	6,793,927	4,471,855	11,265,782	6,020,392	3,957,653	9,978,045
Business						-			-
- Current and savings accounts	**18,968,305**	**101,344,605**	**120,312,910**	17,478,837	74,697,074	92,175,911	13,041,224	68,055,402	81,096,626
- Term deposits	**3,962,737**	**16,784,775**	**20,747,512**	4,395,252	21,022,951	25,418,203	6,256,305	18,944,259	25,200,564
Government institutions									
- Current and savings accounts	**1,609,763**	**-**	**1,609,763**	739,808	-	739,808	270,284	-	270,284
- Term deposits	**276,782**	**-**	**276,782**	701,920	-	701,920	-	-	-
	39,039,475	**139,807,083**	**178,846,558**	37,674,940	113,175,679	150,850,619	31,030,246	100,164,013	131,194,259
XV DEBTS ISSUED									
Unsecured subordinated bonds	**-**	**-**	**-**	-	-	-	184,205	-	184,205
XVI OTHER LIABILITIES									
Other payables and sundry creditors	**299,008**	**108,985**	**407,993**	325,066	161,330	486,396	229,563	213,967	443,530

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bank different

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