

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
<p>Provision for expected credit losses – Financial assets which are not credit impaired</p> <p>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:</p> <ul style="list-style-type: none"> 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. 	<p>Our audit procedures included amongst others:</p> <ul style="list-style-type: none"> 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.

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

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Key audit matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>Provision for expected credit losses – Financial assets which are not credit impaired (cont'd)</p> <ul style="list-style-type: none"> 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. 	
<p>Provision for expected credit losses – Credit impaired assets</p> <p>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.</p> <p>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.</p> <p>The most significant judgements are:</p> <ul style="list-style-type: none"> whether impairment events have occurred valuation of collateral and future cash flows management judgements and assumptions used <p>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.</p>	<p>Our audit procedures included amongst others:</p> <ul style="list-style-type: none"> 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

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