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:

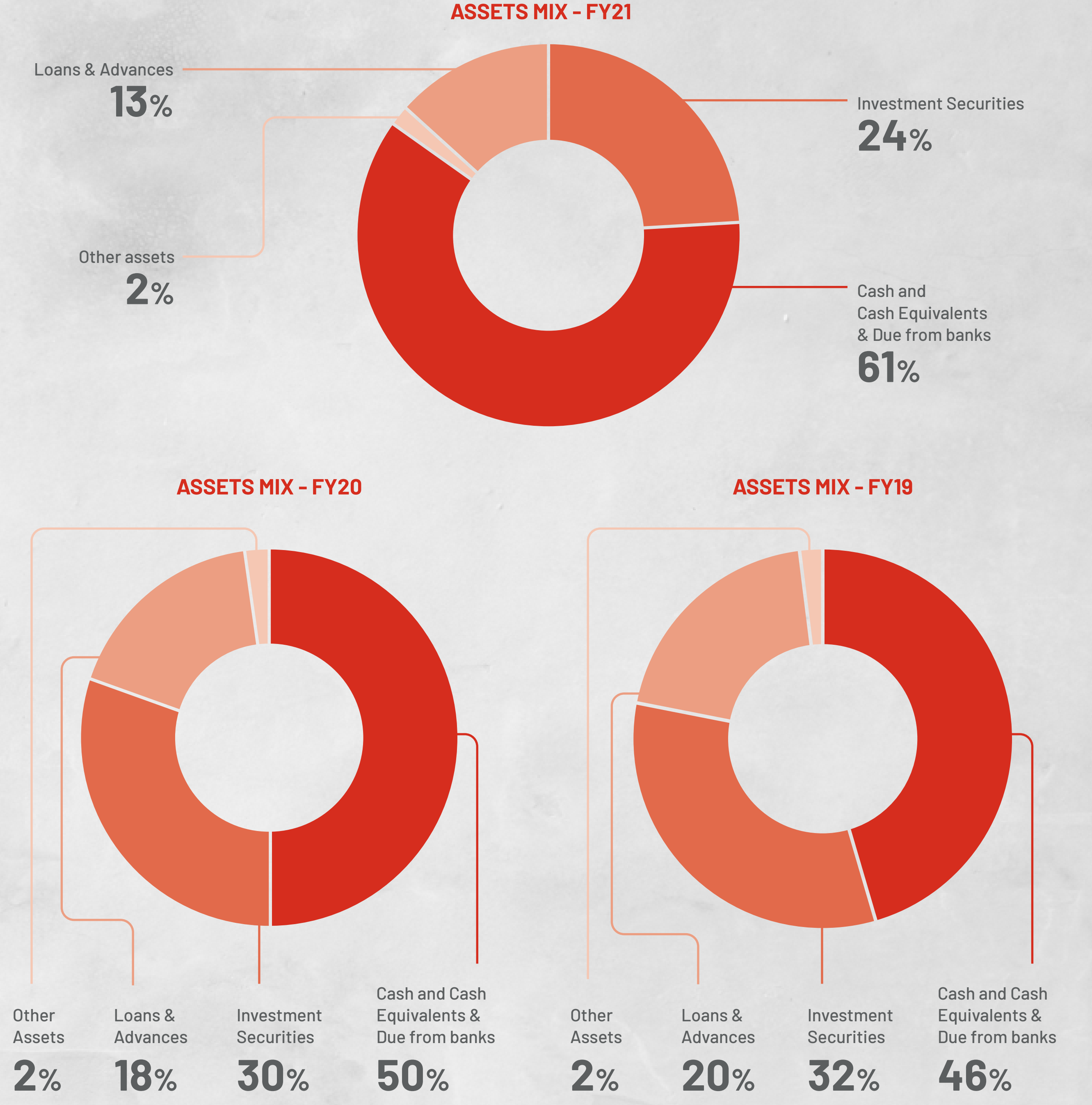
	GROSS MAXIMUM EXPOSURE		
Sectors – MUR'm	**2019**	**2020**	**2021**
	Total	Total	Total
Agriculture	510	1,279	979
Construction, infrastructure and real estate	1,119	1,980	1,850
Financial and business services	121,014	100,869	136,142
Government and parastatal bodies	479	35,022	32,201
Information, communication 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:



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)

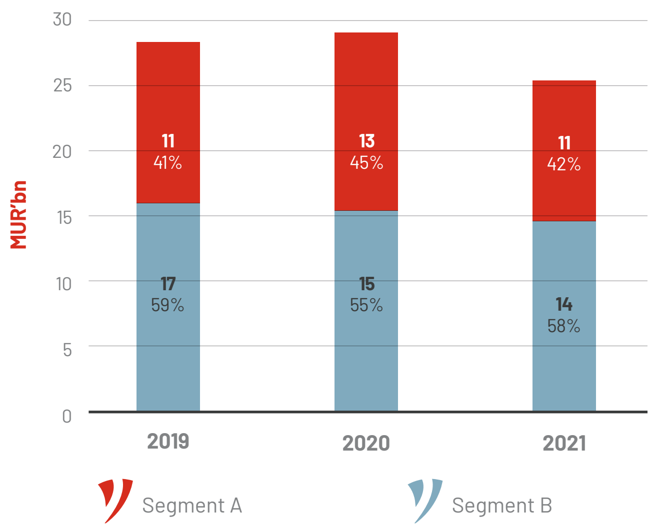
LOANS AND ADVANCES TO BANKS AND CUSTOMERS

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

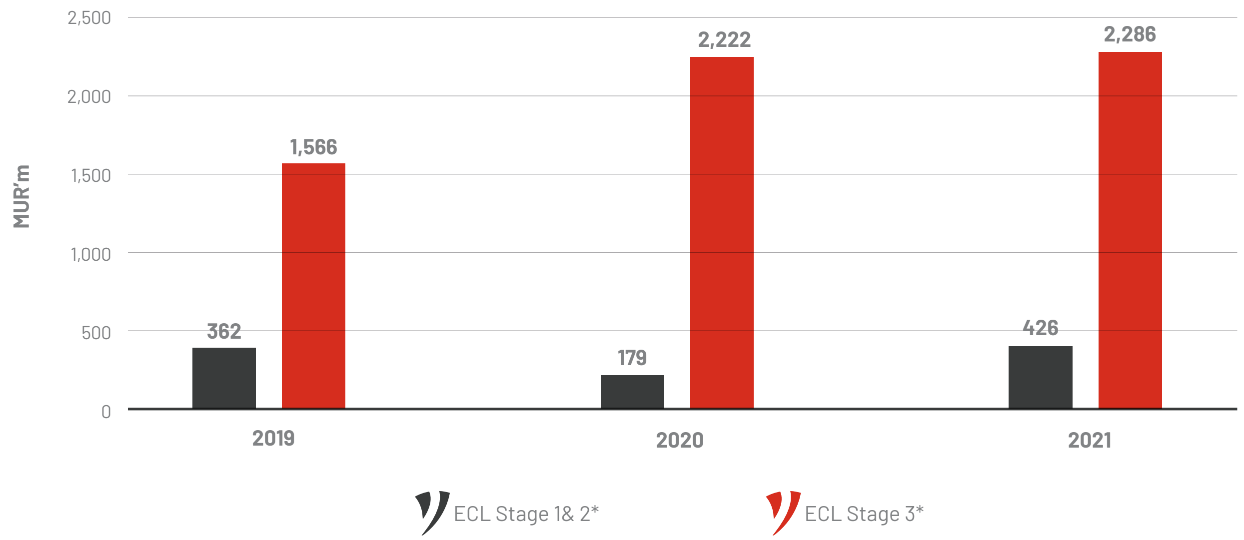
STAGE 3 – MUR 2.3BN

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.)

MANAGEMENT DISCUSSION AND ANALYSIS

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.

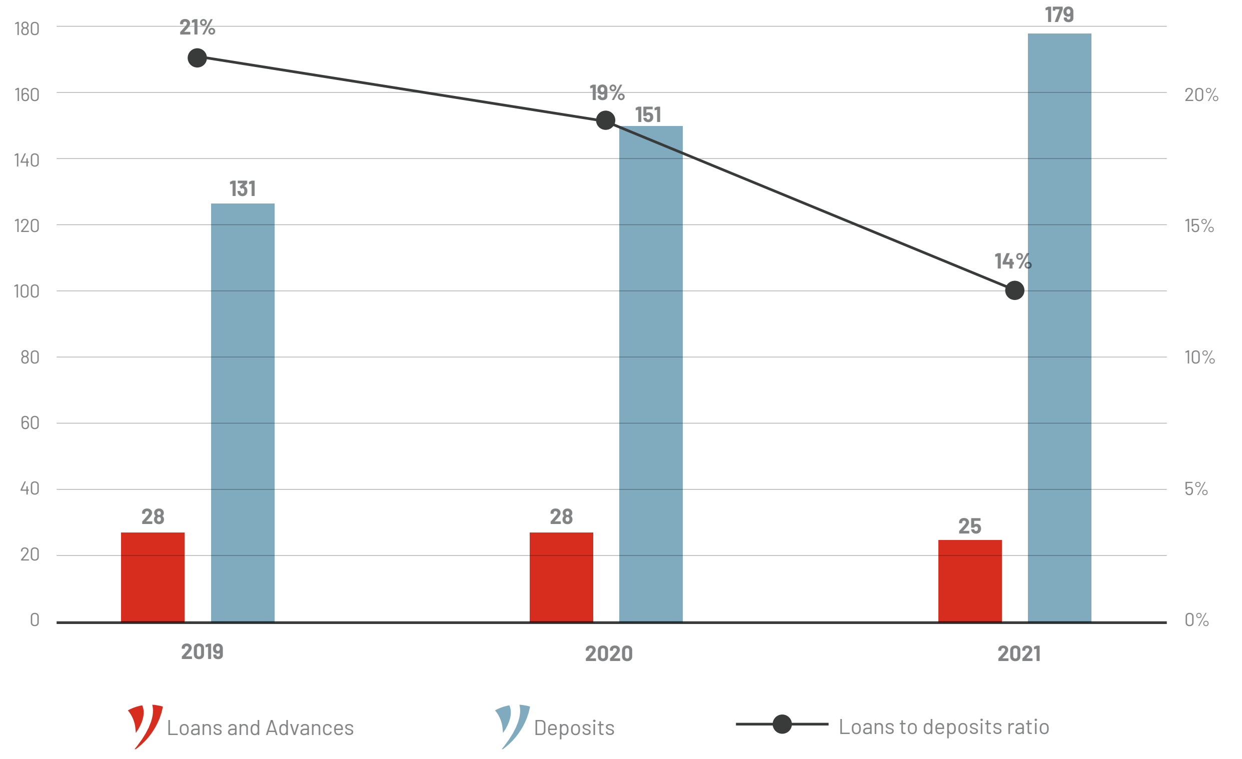
From a year-on-year viewpoint, when analyzing potential expansion/contraction in the provision level in Stage 3, we note a stout increase from the agriculture and fishing sector mainly in segment B. On the other hand, we saw a 27% drop on the financial and business services sector side.

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).

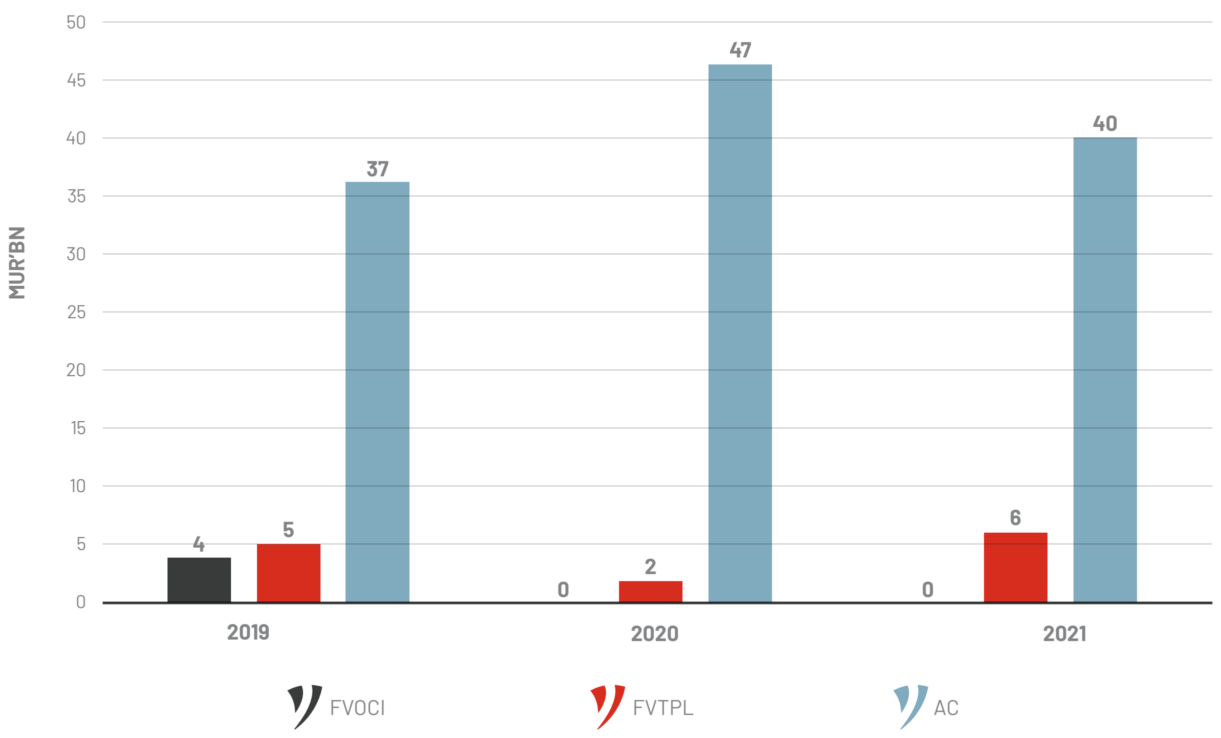
Mandated by IFRS 9, the investment securities are categorized as follows:

- 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:



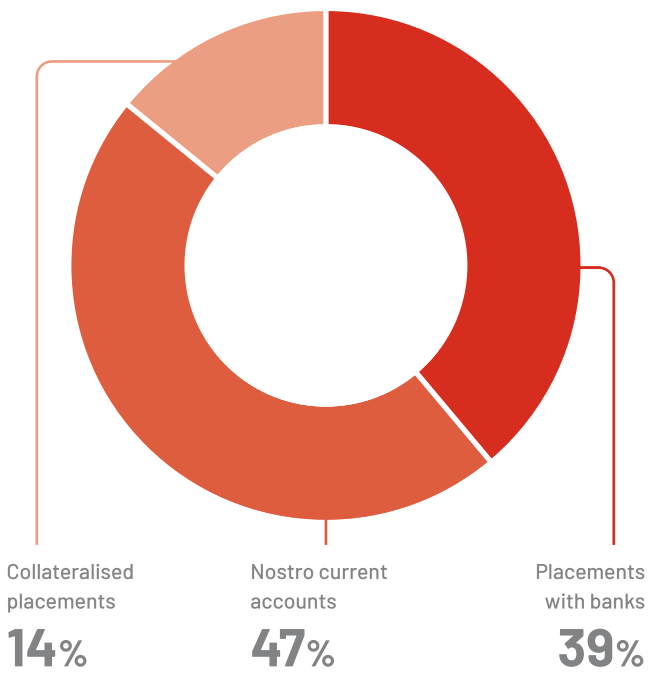
The main constituent of investment securities is primarily in debt instruments measured at amortised cost (88%) which is split mostly in foreign sovereign securities at 43% and in GOM securities at 31%. The remaining category are financial assets held for trading measured at FVTPL (12%) predominantly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

MANAGEMENT DISCUSSION AND ANALYSIS

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

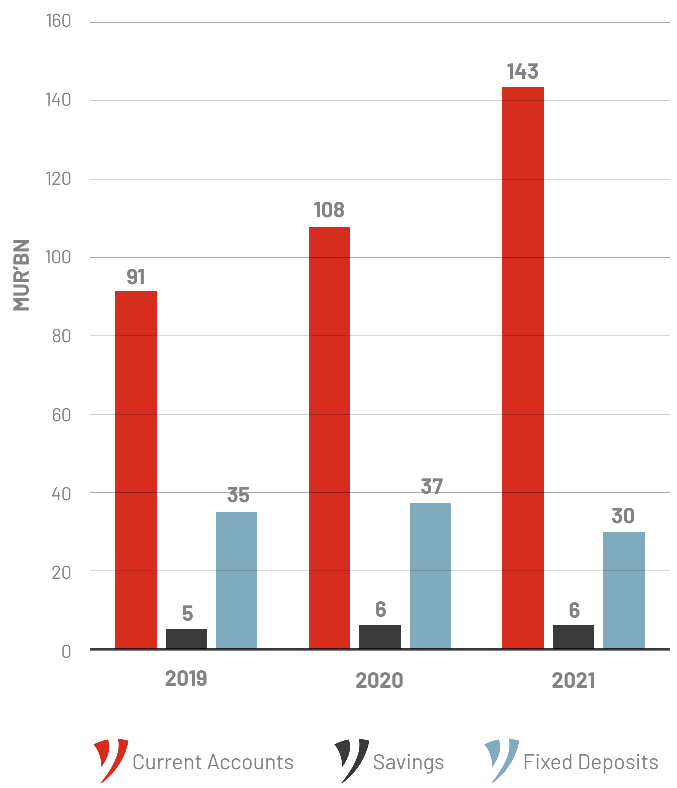
- MUR 6.5bn (LCY) - 5%
- MUR 136.7bn (FCY) - 95% of which MUR 95.6bn (USD) - 67%

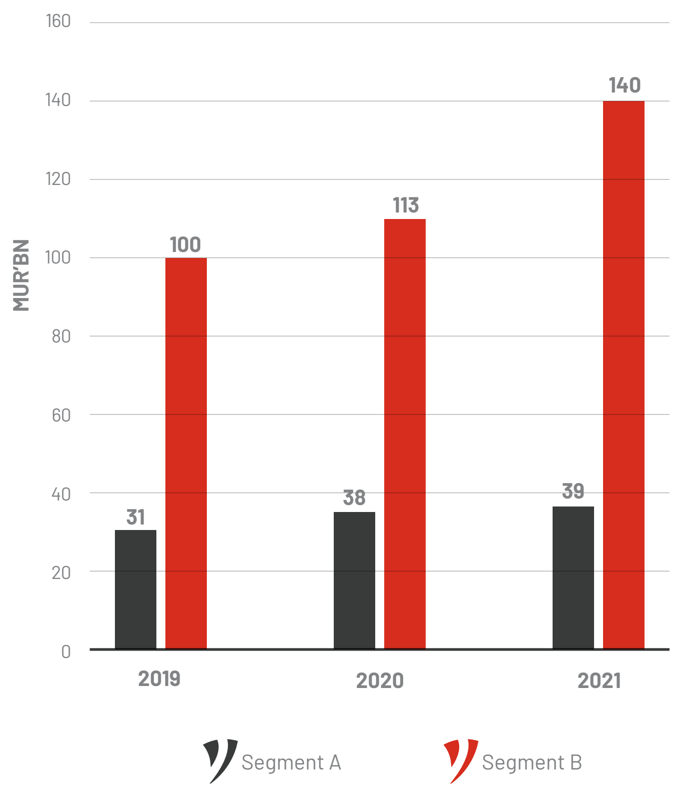
Saving Accounts

- 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%





MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION REVIEW (Cont'd)

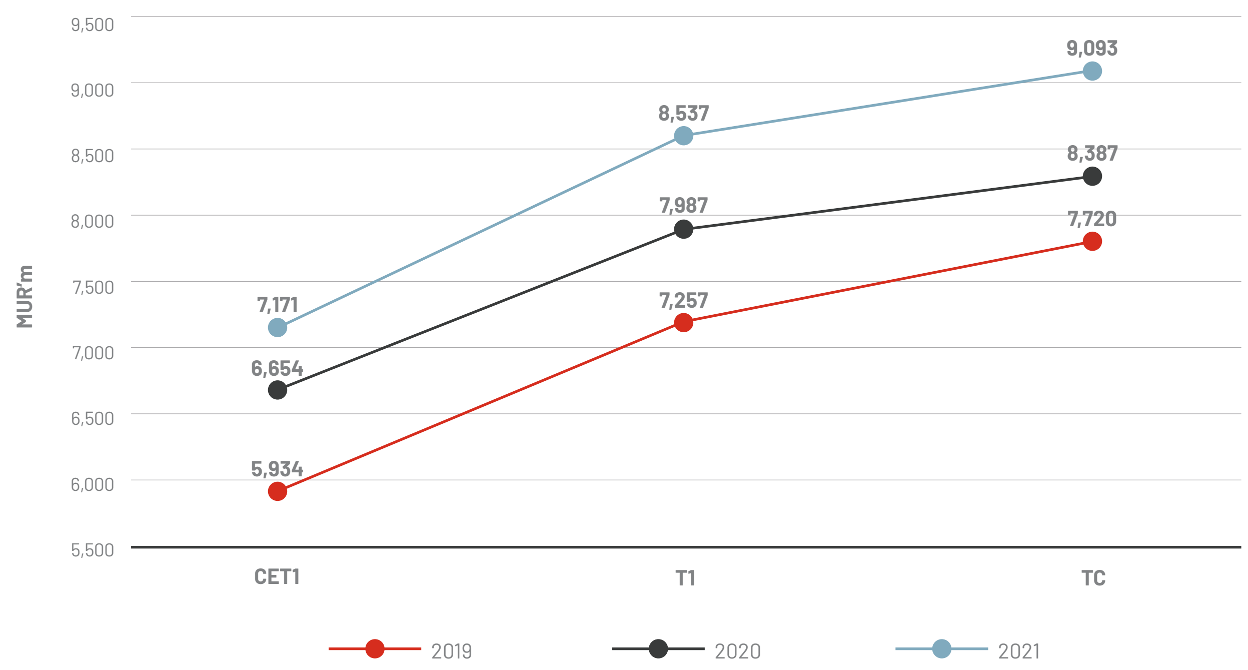
SHAREHOLDERS' EQUITY

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.