

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

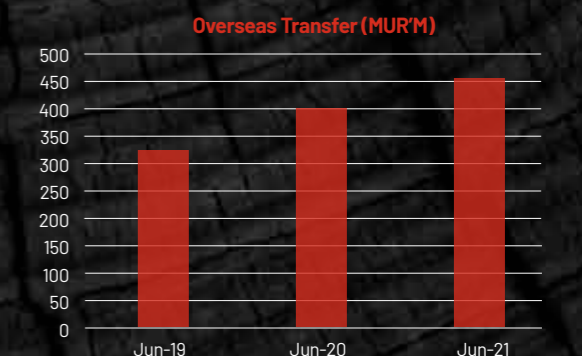
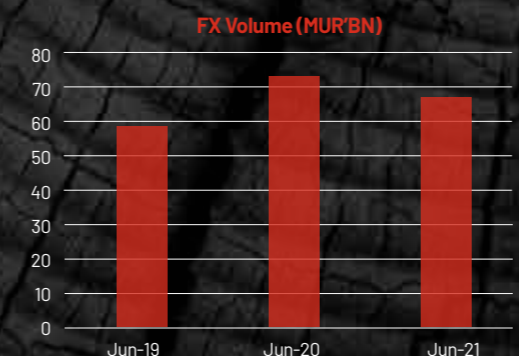
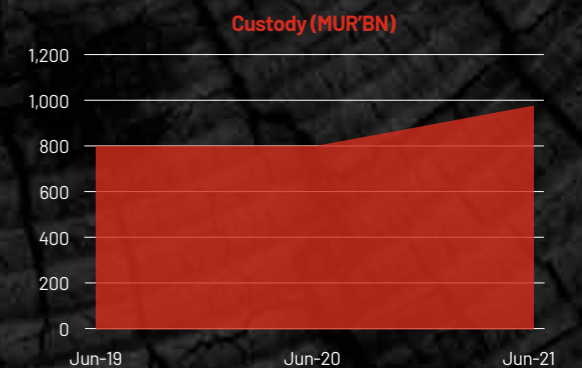
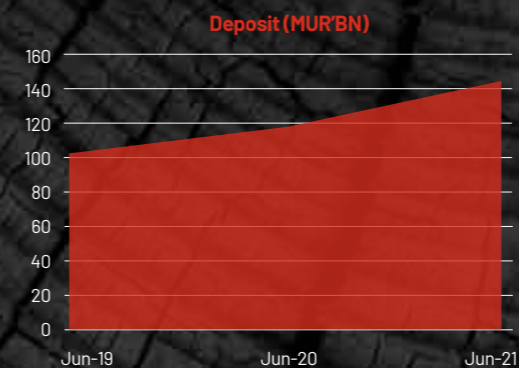


ACHIEVEMENTS IN THE FINANCIAL YEAR ("FY") 21

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 drop in 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.

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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS SEGMENTS REVIEW (Cont'd)

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 HNWI's → **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**

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.

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.

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 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.

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.

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, streamlining 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
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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.

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.

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.

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.

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.

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.

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.

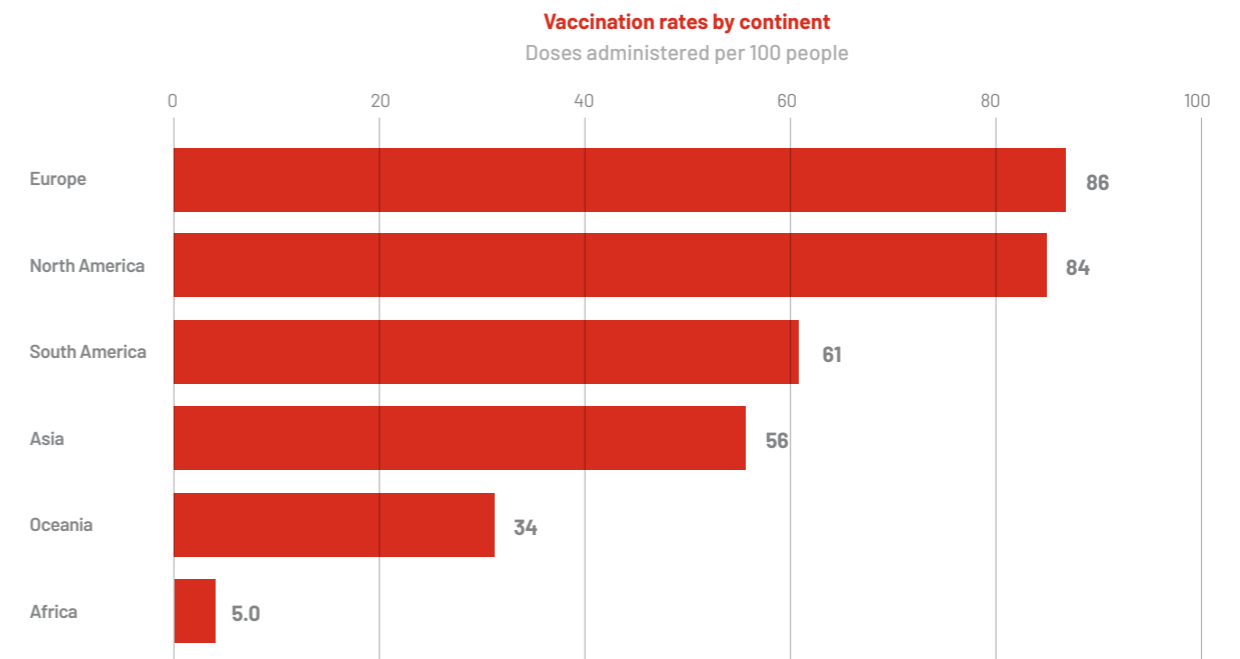
The pandemic triggered an unprecedented response from governments as the fiscal support reached nearly \$16 trillion (around 15% of global GDP) in 2020. Various relief packages were provided from loan guarantees to businesses in Europe to individual stimulus checks in the United States while interest 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.



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

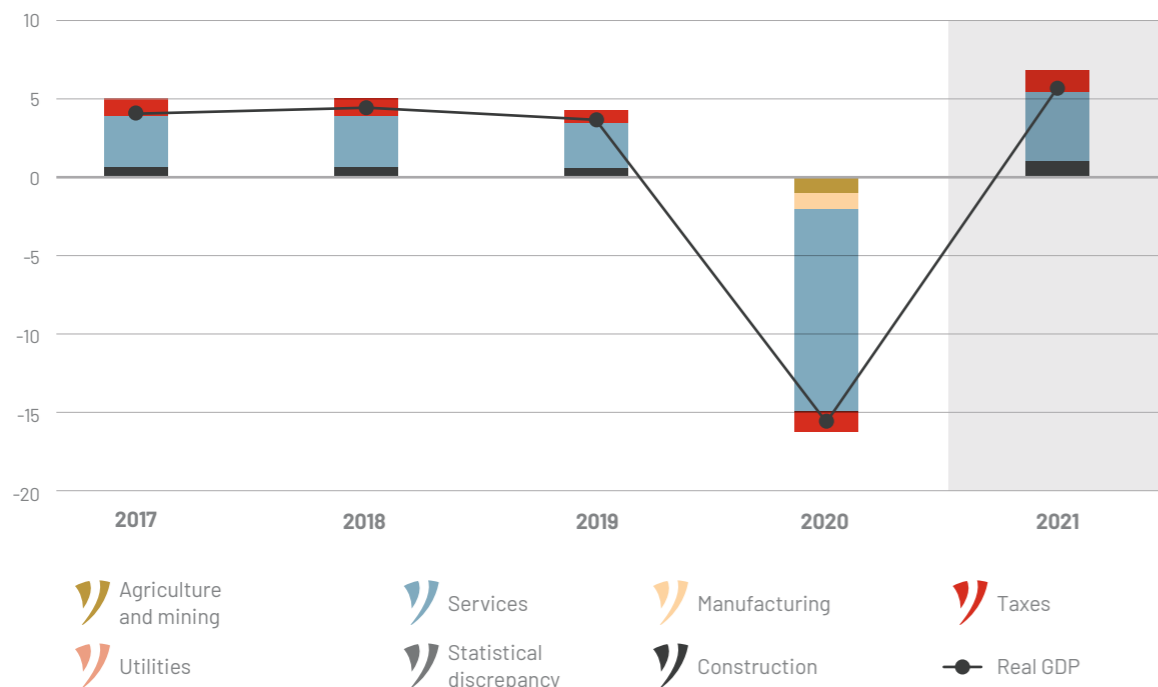
THE MAURITIAN ECONOMY

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

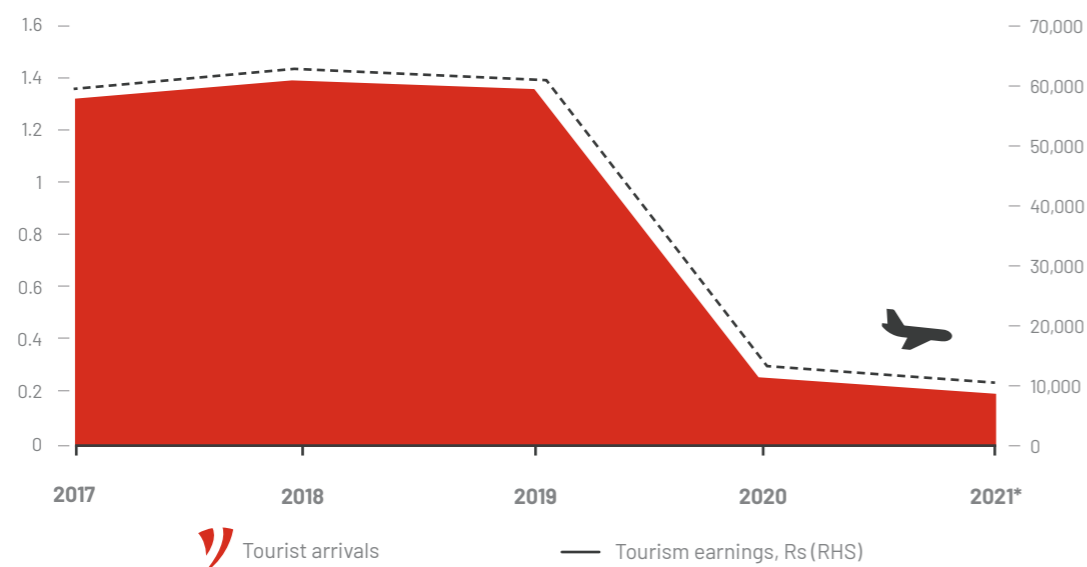
Contribution to Real GDP Growth : Supply Side
(in percent of GDP)



Source: IMF country Report No.21/139

With tourism coming to a standstill in 2020, 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.

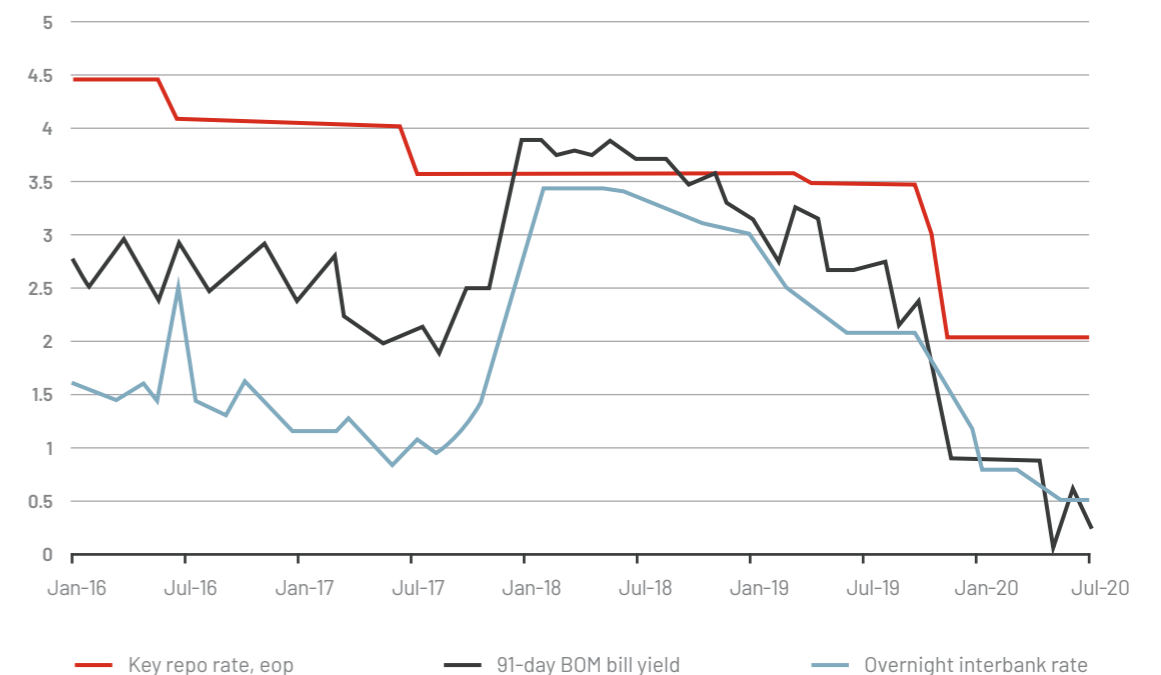
Furthermore, Mauritius has been placed on the Financial Action Task Force (FATF) in February 2020 due to strategic deficiencies identified by the FATF in its AML/CFT system. In order to graduate from this list, Mauritius was asked by the FATF to implement an action plan, which included, among other things,

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

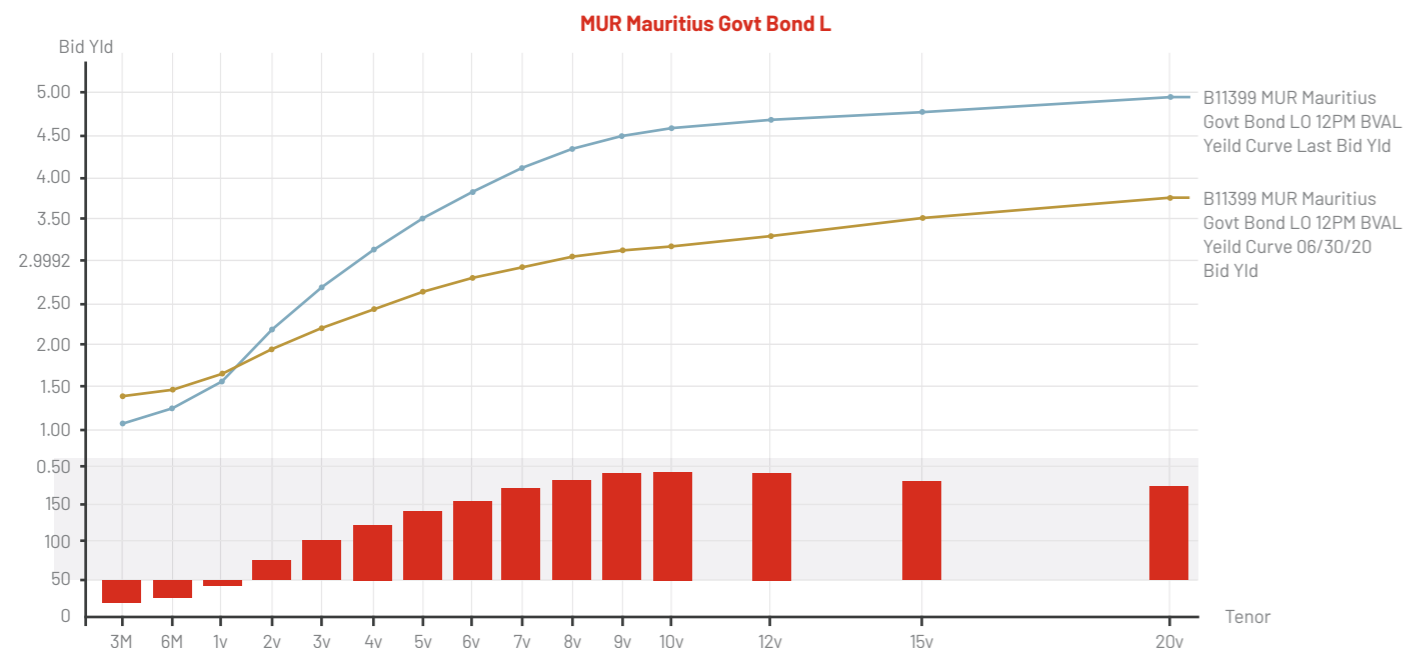
MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 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.

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-to-deposits 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.

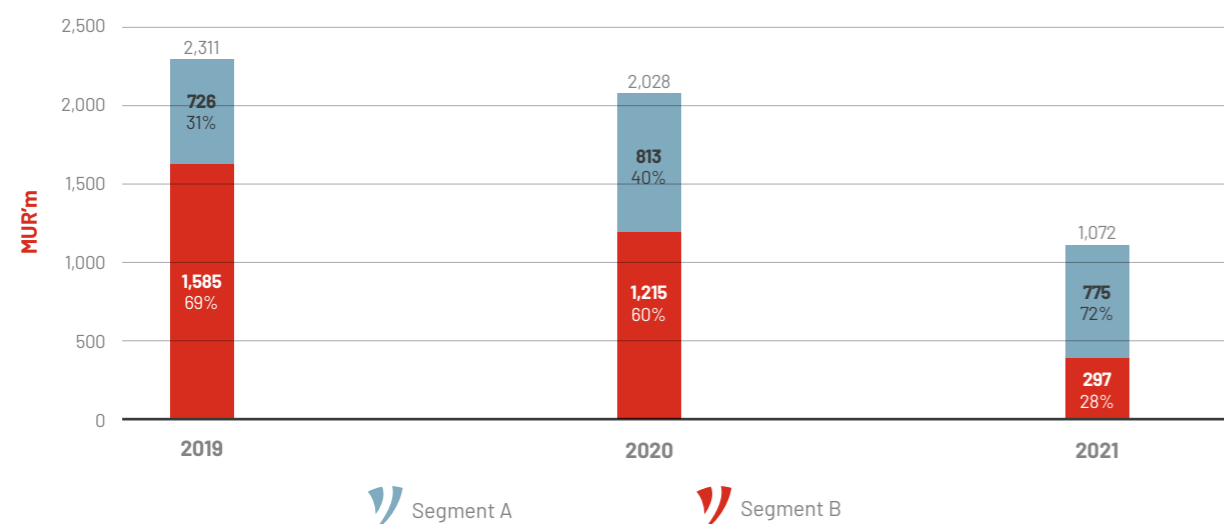
MANAGEMENT DISCUSSION AND ANALYSIS

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.



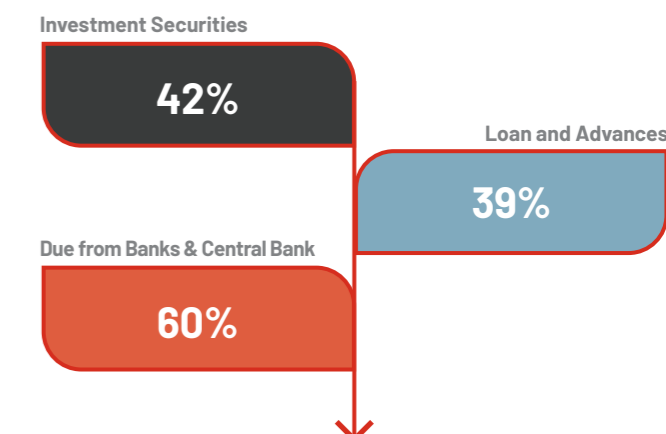
MANAGEMENT DISCUSSION AND ANALYSIS

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

INTEREST INCOME (Cont'd)

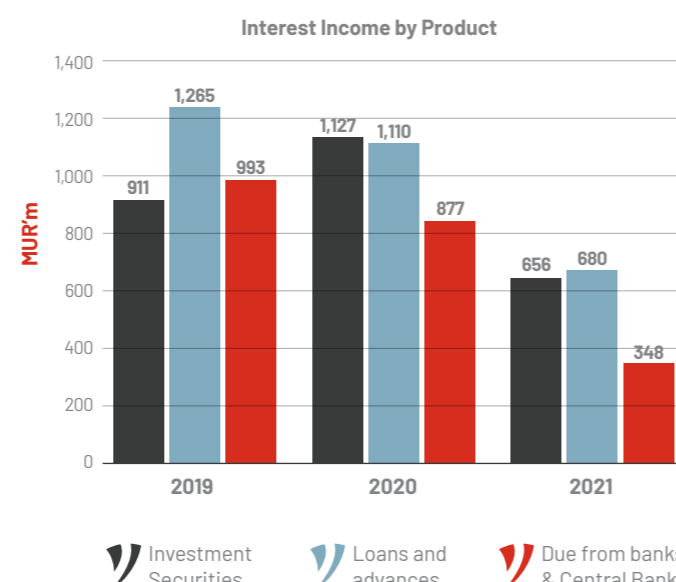
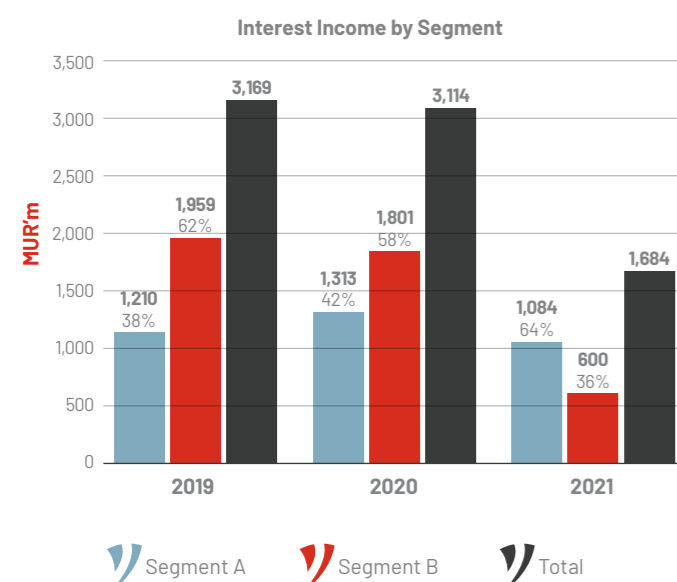
The shrinkage in interest income from MUR 3.1bn to MUR 1.7bn is predominantly due to our operations in the current low interest rate environment. The ramifications took a considerable toll on bank-wide interest-bearing assets. While reference rates such as the Fed Rate and KRR plummeted around March 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:

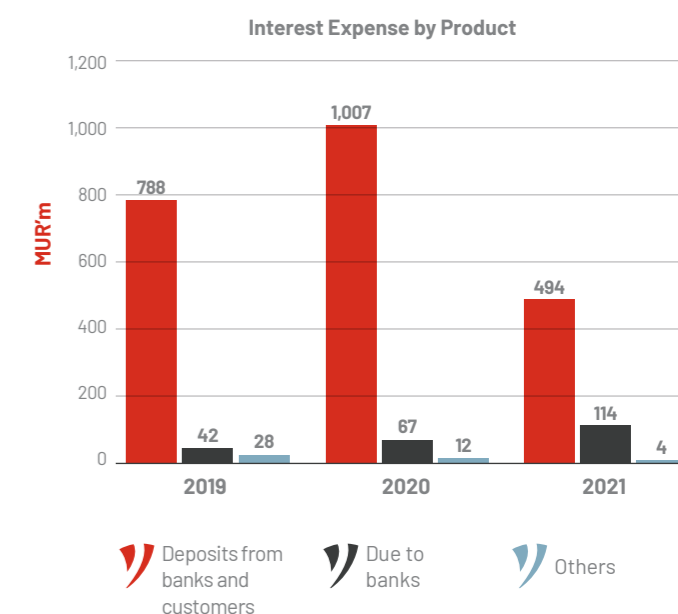
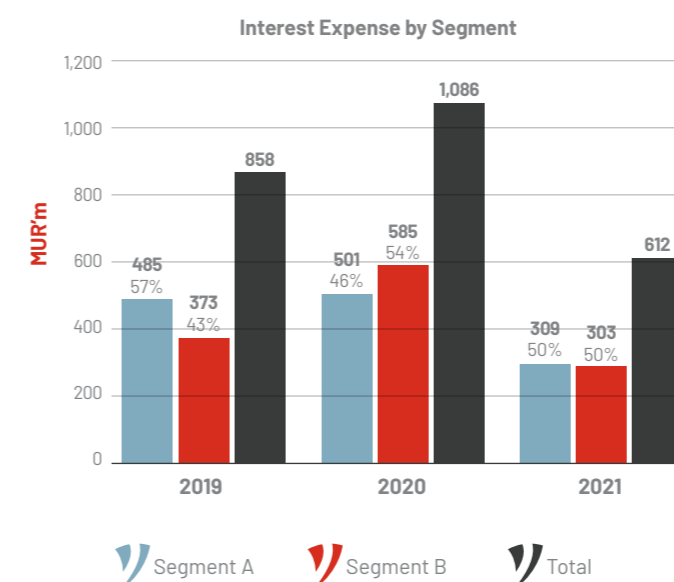


%	MUR			FCY (Inclusive of USD)			FCY (USD only)		
	Customers	Banks	Securities	Customers	Banks	Securities	Customers	Banks	Securities
FY21	3.60%	3.11%	3.18%	2.33%	0.25%	0.56%	2.32%	0.50%	0.51%
FY20	4.85%	3.13%	3.71%	3.40%	1.27%	1.82%	3.57%	1.84%	1.85%

INTEREST INCOME



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:

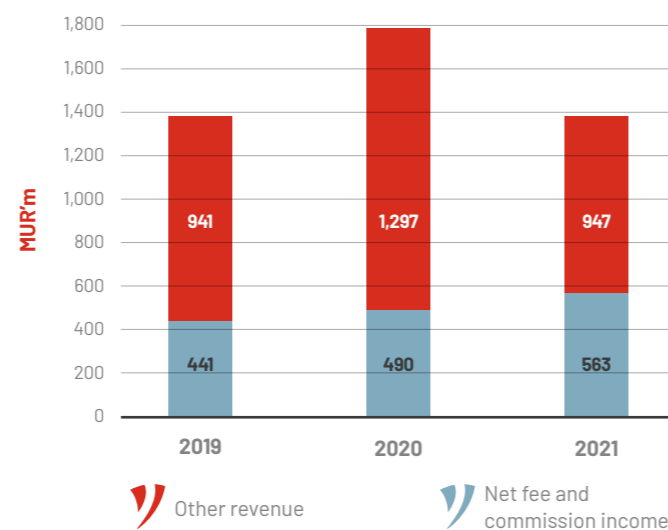
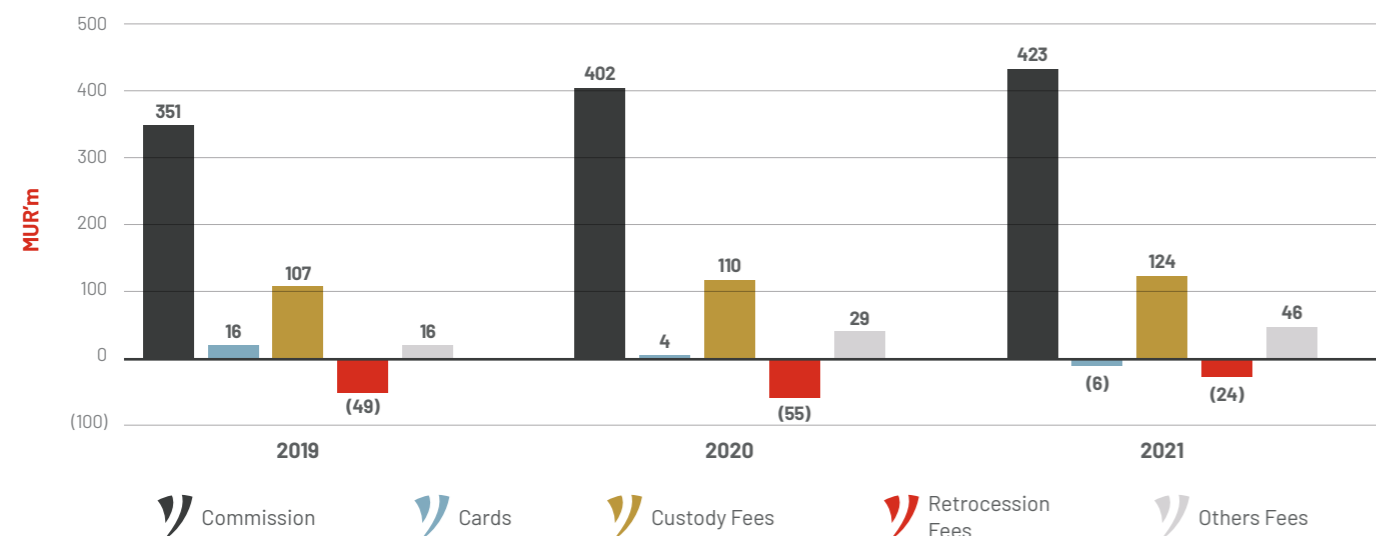
- Net fee and commission income amounting to MUR 0.6bn (2020: MUR 0.5bn); and
- Other revenue of MUR 0.9bn (2020: MUR 1.3bn).

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

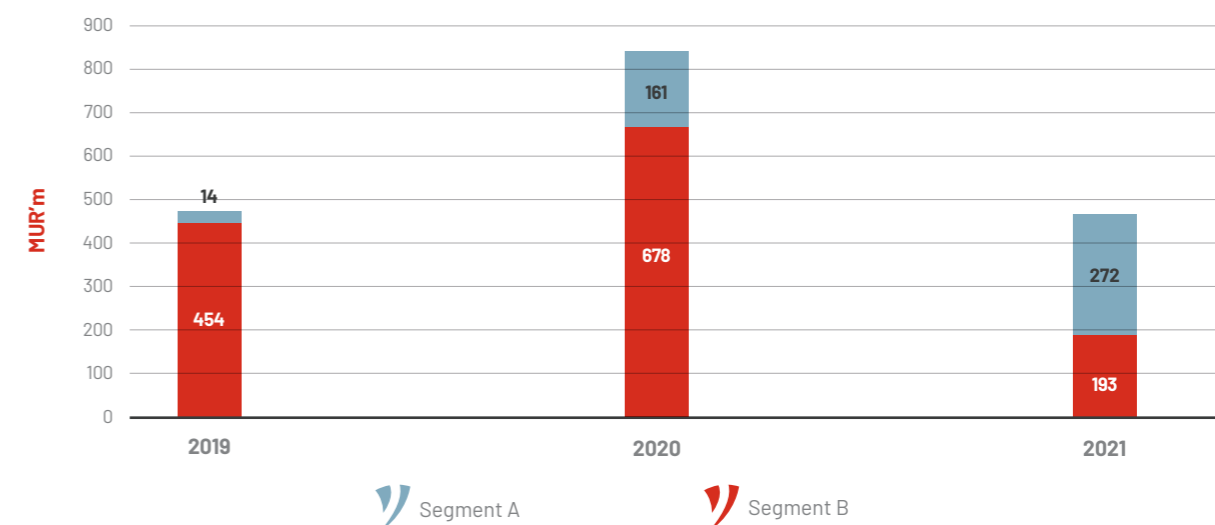
in average rates, reduction in activity on the local fixed income side, loss on the FCY Corporate Bonds, reduction in structuring sales income and slight drop in FX income.

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.

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

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



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.

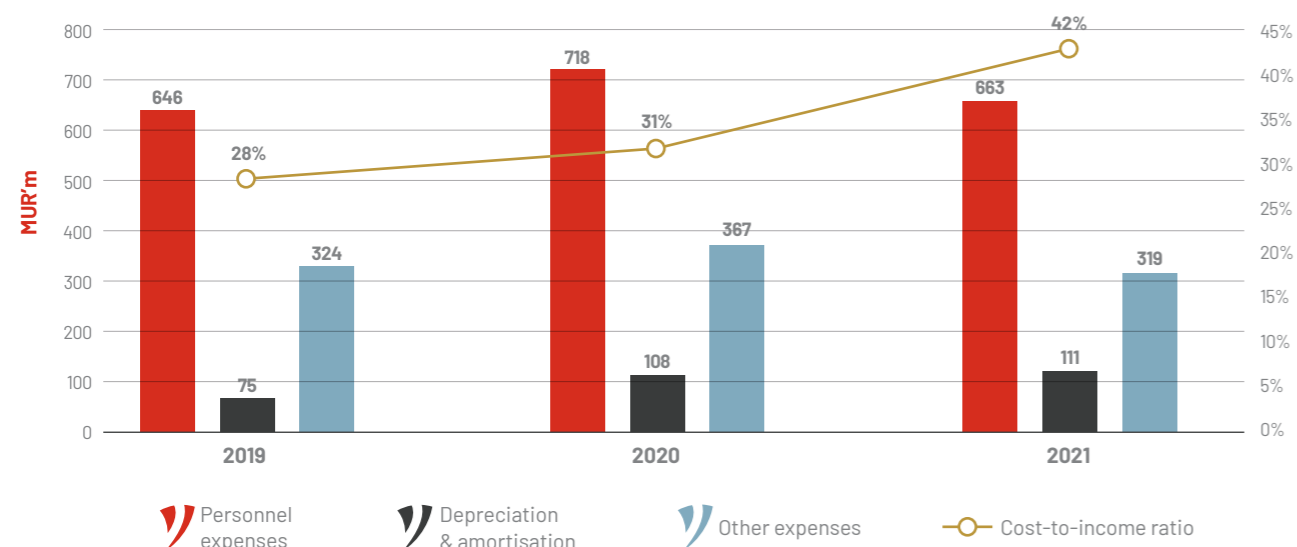
In terms of IT costs, the Bank made continuous outlays to maintain its banking environment to improve user experience and produce active enhancements from both an employee and a client perspective. During the year under review, IT related expenses comprising running expenses (including amortisation and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

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.

MANAGEMENT DISCUSSION AND ANALYSIS

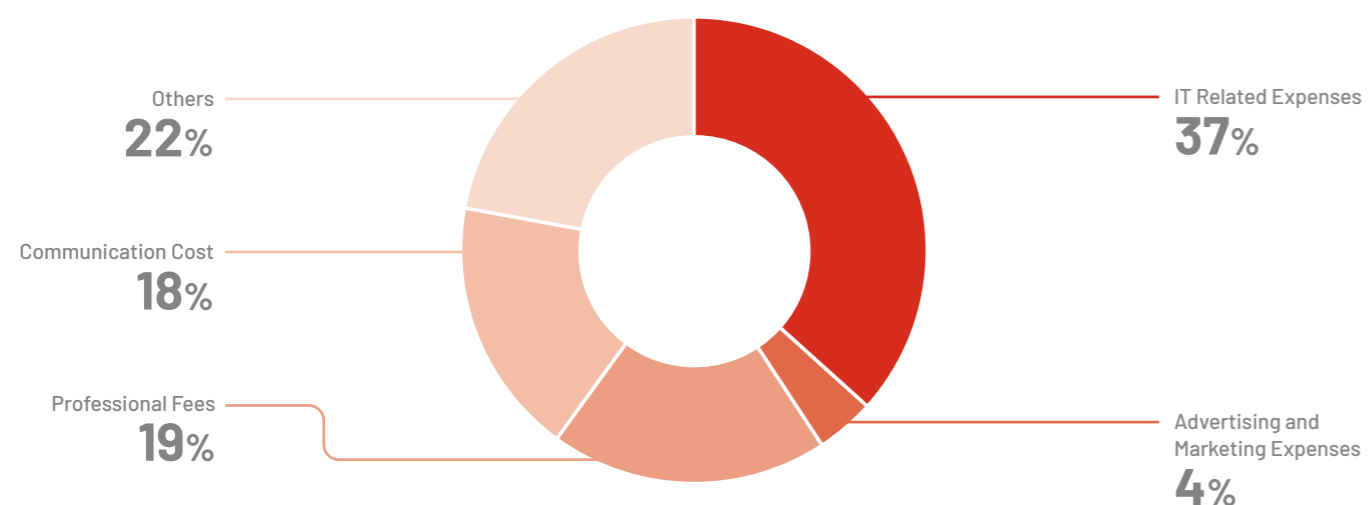
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME REVIEW (Cont'd)

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:

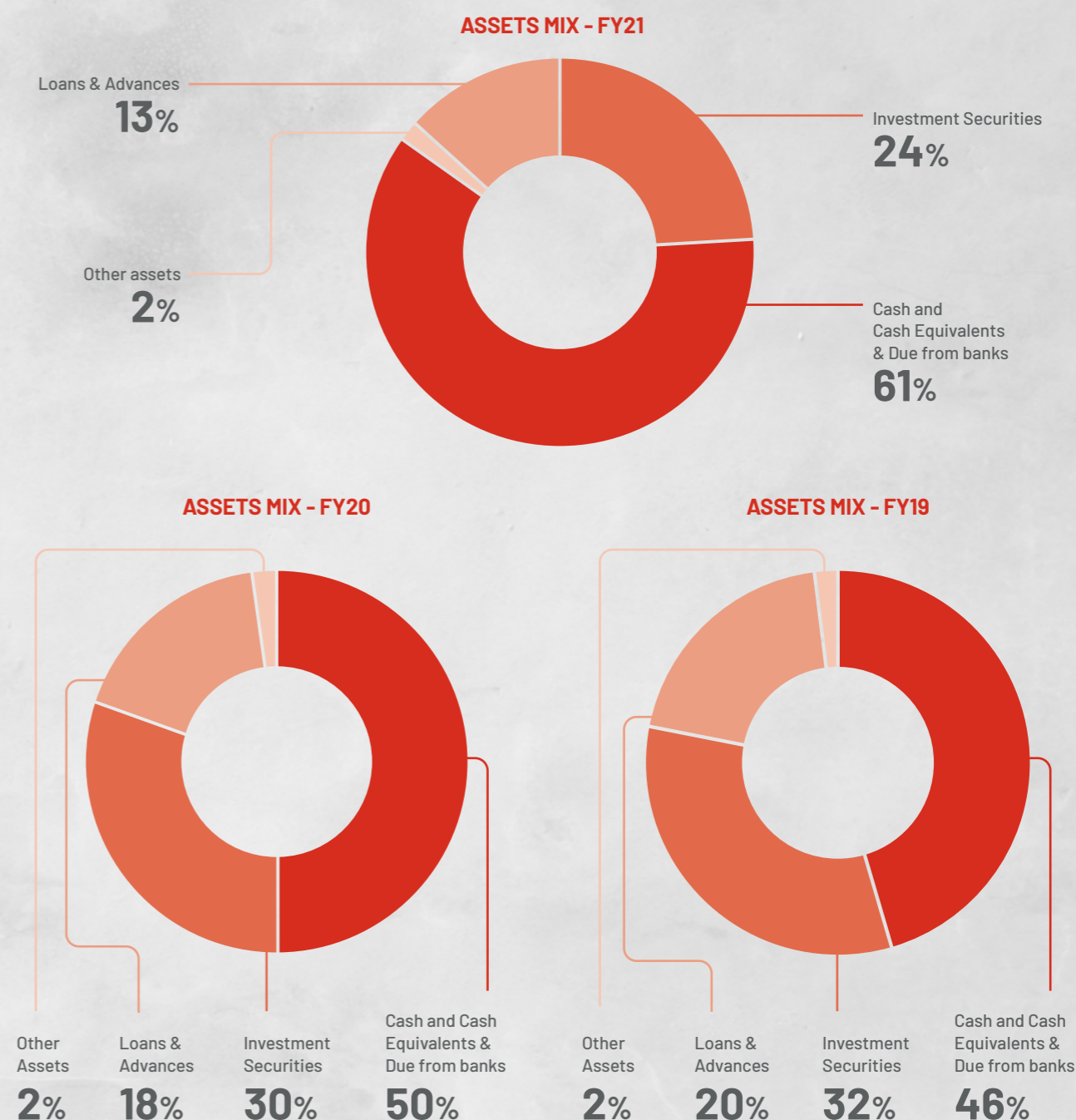
Sectors - MUR'm	GROSS MAXIMUM EXPOSURE		
	2019	2020	2021
	Total	Total	Total
Agriculture	510	1,279	979
Construction, infrastructure and real estate	1,119	1,980	1,850
Financial and business services	121,014	100,869	136,142
Government and parastatal bodies	479	35,022	32,201
Information, communication and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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION REVIEW (Cont'd)

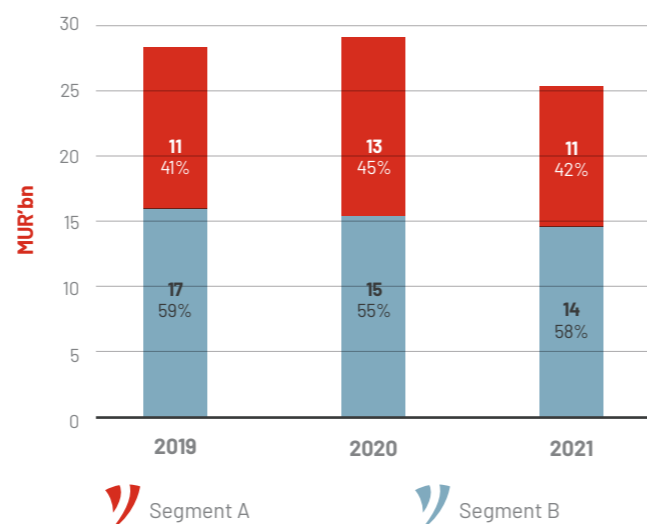
LOANS AND ADVANCES TO BANKS AND CUSTOMERS

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	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

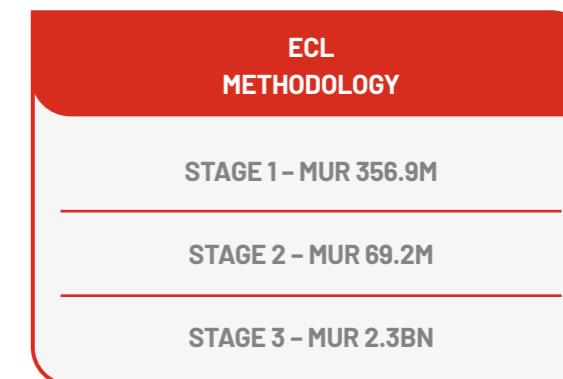
FINANCIAL POSITION REVIEW (Cont'd)

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.

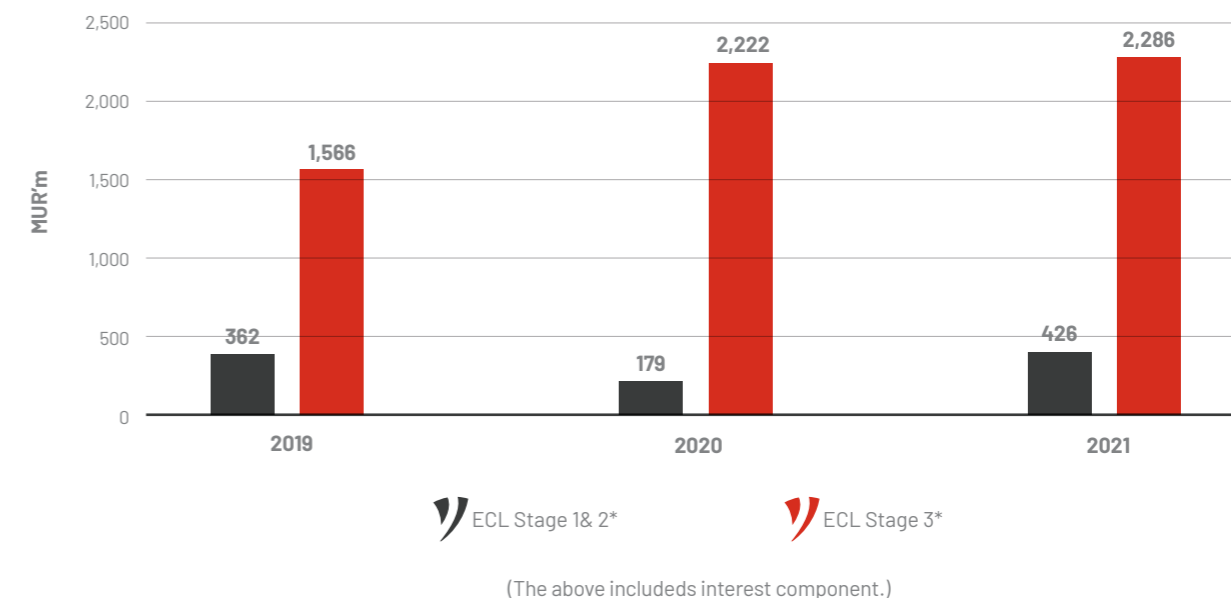


NPA

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.



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.

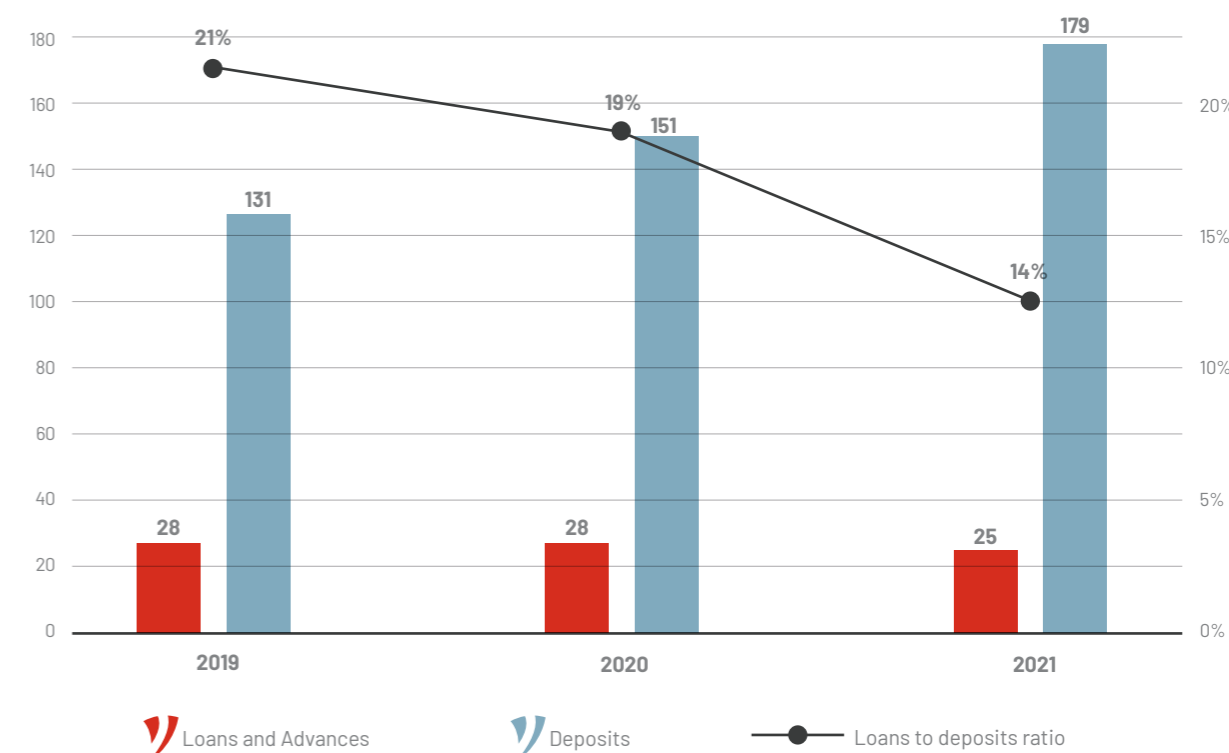
MANAGEMENT DISCUSSION AND ANALYSIS

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).

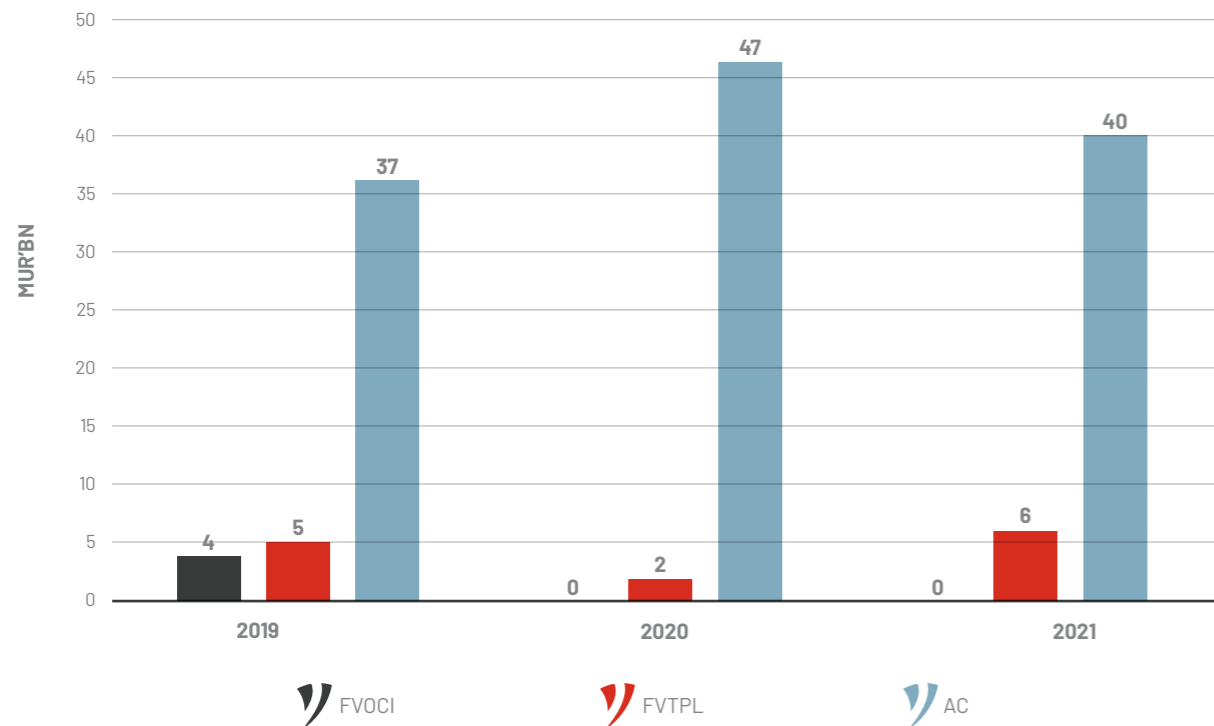
Mandated by IFRS 9, the investment securities are categorized as follows:

- 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

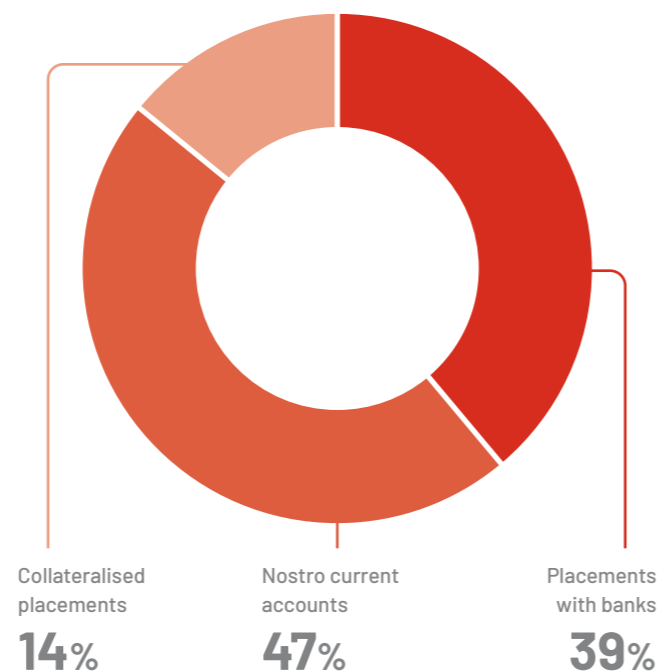
remaining category are financial assets held for trading measured at FVTPL (12%) predominantly GOM securities at 51% and foreign corporate bonds and notes at 28%.

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

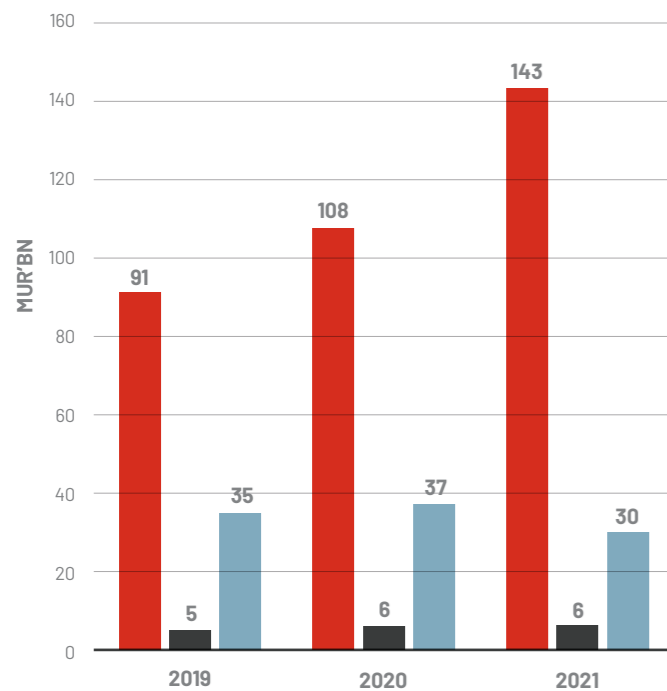
- MUR 6.5bn (LCY) - 5%
- MUR 136.7bn (FCY) - 95% of which MUR 95.6bn (USD) - 67%

Saving Accounts

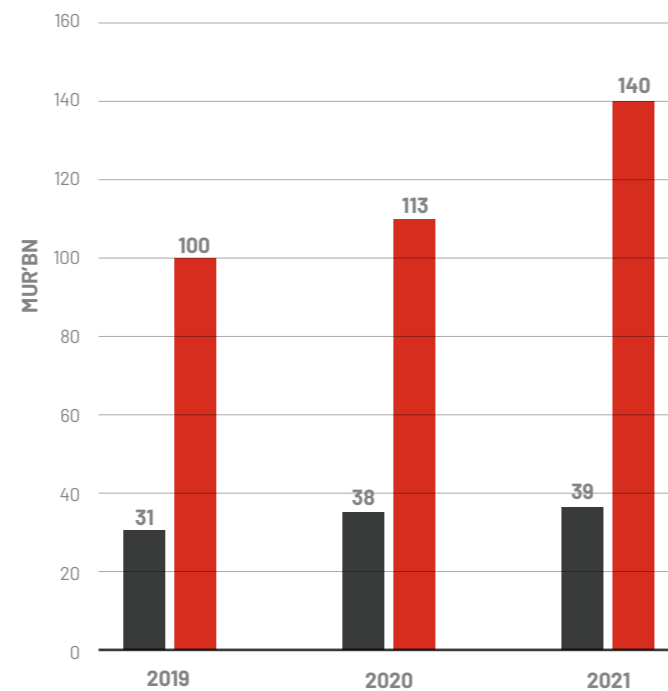
- MUR 5.9bn (LCY) - 97%
- MUR 0.2bn (FCY) - 3%

Fixed Deposits

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



Current Accounts Savings Fixed Deposits



Segment A Segment B

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION REVIEW (Cont'd)

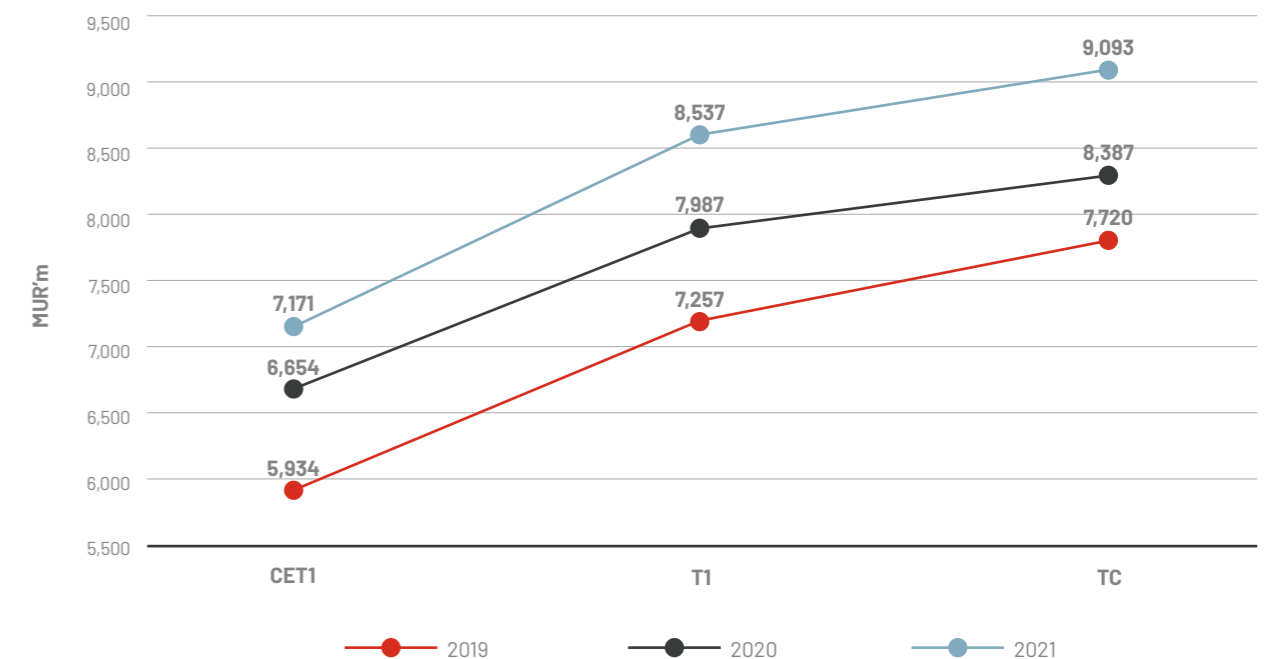
SHAREHOLDERS' EQUITY

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.