

SBM Holdings Ltd

Management Statement

For the nine months ended 30 September 2021



Key highlights

- Pursuance of the Group's business growth momentum across markets and jurisdictions
- Maintenance of our key financial fundamentals
- Sustained efforts deployed to strengthen our growth agenda and revenue streams over time

PROFIT AFTER TAX

Sep-21: **MUR 1,211 Mn**

Sep-20: *MUR 657 Mn*

 **84.4%**

TOTAL ASSETS

Sep-21: **MUR 339,865 Mn**

Dec-20: *MUR 288,422 Mn*

 **17.8%**

Review by Group Chairman

Performance

The Group profit after tax reached MUR 1,211 million for the nine months ended 30 September 2021, which represents a growth of 84.4% when compared to results posted during the corresponding period of last year. This encouraging performance has been delivered against the backdrop of a testing context and testifies to the judiciousness of our strategic orientations. It shows that the Group is recovering at a comforting pace and is moving in the right direction.

Whilst continuously pressurised by exchange loss with respect to the US dollar-denominated subordinated debt owing to the appreciation of the greenback, the Group results were supported by lower credit loss expense on the back of dedicated moves to address exposure to impaired files as well as by the ongoing business growth momentum. Total assets were up by 17.8% from 31 December 2020, mainly due to a higher portfolio of investment securities. Gross loans and advances to non-bank customers rose by 4.3% to reach MUR 141.8 billion. Reflecting the trustworthiness of our organisation, deposits from non-bank customers expanded by 22.6% to stand at MUR 278.1 billion. For the nine months ended 30 September 2021, net interest income increased by a resilient 2.5% in spite of the low interest environment, while non-interest income was boosted by higher net trading income. Non-interest expense moved up amidst capacity-building initiatives, notably aimed to bolster human capital. Earnings per share stood at 46.8 cents for the period ended 30 September 2021, compared to 25.6 cents for the corresponding period last year.

The Group results were driven by broad-based foundations. While foreign banking entities have continued to benefit from stabilisation and growth-enabling initiatives, SBM Bank (Mauritius) Ltd delivered the most significant contribution to the overall performance in spite of the challenging economic climate. Reflecting the diversification of the organisation's revenue streams, the contribution of Non-Banking Financial Cluster to Group profit has increased.

Capitalising on its robust business model and prudent growth strategy, the Group maintained sound metrics in support of its growth endeavours. The capital base of the Group rose to attain MUR 32 billion as at 30 September 2021. Accordingly, the overall capital adequacy ratio reached 20.9% as at 30 September 2021, which is well above regulatory thresholds. In spite of challenges faced, we preserved relatively healthy asset quality, funding, liquidity and efficiency positions.

Outlook

Amidst a volatile and uncertain operating environment, our presence countries are showing encouraging signs of economic recovery. In Mauritius, real GDP growth is on course to register a noteworthy upturn in 2021 and 2022, mainly underpinned by headway in vaccination, reopening of our international borders, relief measures adopted by the authorities and improved global demand. Happening lately, the exit of Mauritius from the FATF list of jurisdictions under increased monitoring and UK list of High-Risk Countries should also benefit the financial services sector and underpin capital flows into the country.

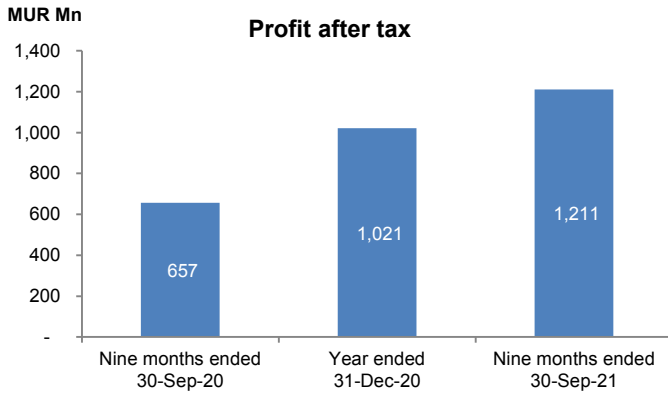
The Board is confident that wide-ranging measures being taken will help to strengthen and sustain the Group's growth trajectory over time. The Group will prudently execute its strategic priorities, as it monitors key challenges, notably with respect to liquidity conditions, credit demand, inflationary pressures and country-specific developments. Building on recent achievements, the Group will reinforce its operating model and value proposition to tap into opportunities emanating from the economic upturn. It will preserve its financial soundness to deliver long-term value to stakeholders. It will actively assist Mauritius and other presence countries to recuperate from the pandemic, while promoting their socio-economic progress.

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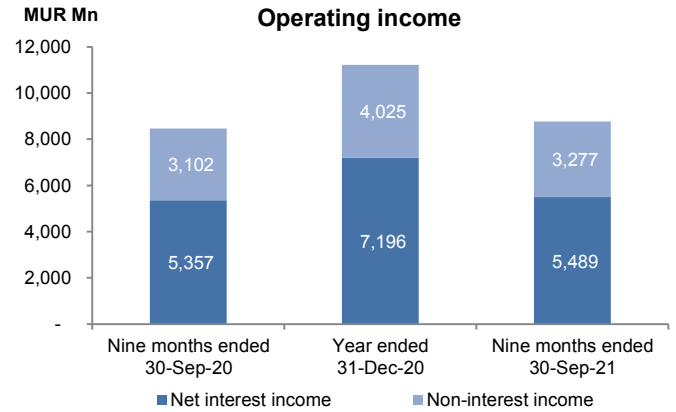
Group Chairman – SBM Holdings Ltd

11 November 2021

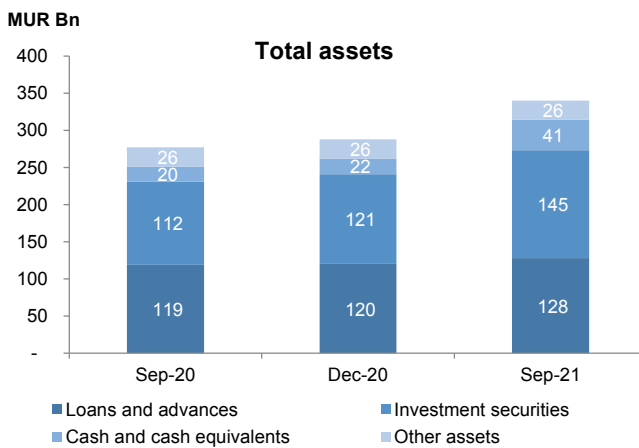
Group financial performance



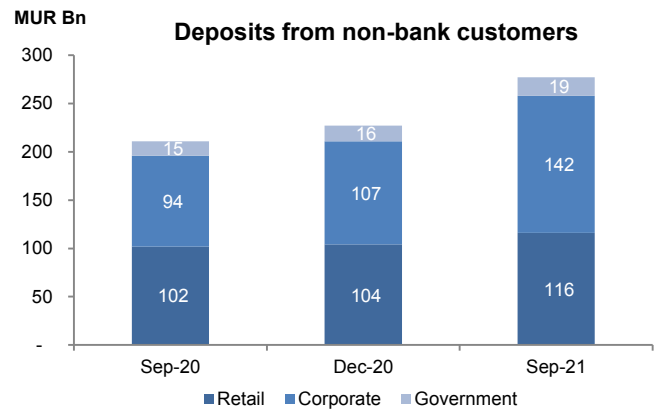
In addition to a significant decline registered with regard to credit loss expense, the rise in Group profit after tax was supported by higher core earnings.



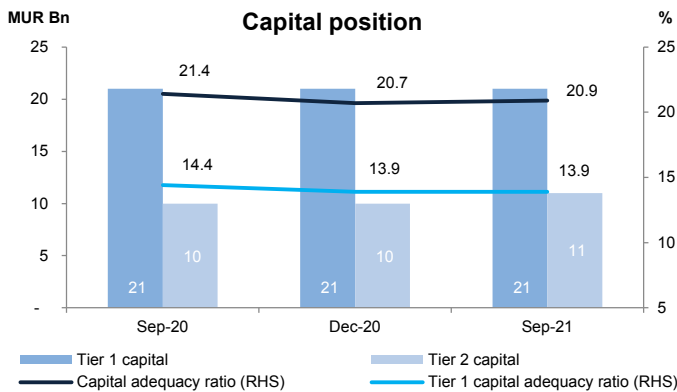
Amidst our growing loan portfolio, net interest income rose in spite of the low interest environment. Non-interest income was, to a notable extent, underpinned by a major increase in net trading income.



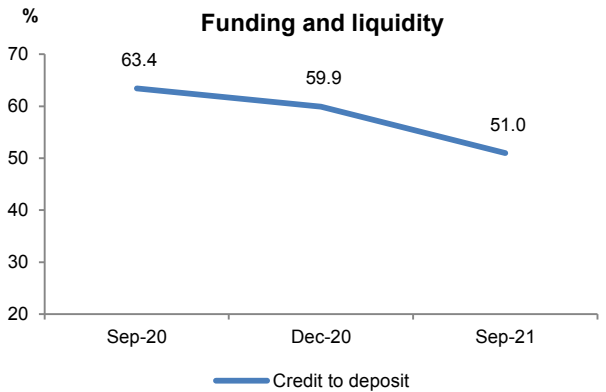
While our loan book continued to expand, the rise in total assets was mainly underpinned by investment securities as well as cash and cash equivalents.



Reflecting sustained confidence in our organisation, total deposits across different categories maintained their upward trajectories over the period under review.



In support of its growth ambitions across jurisdictions and as a robust buffer against potential shocks, the Group has maintained sound capital positions.

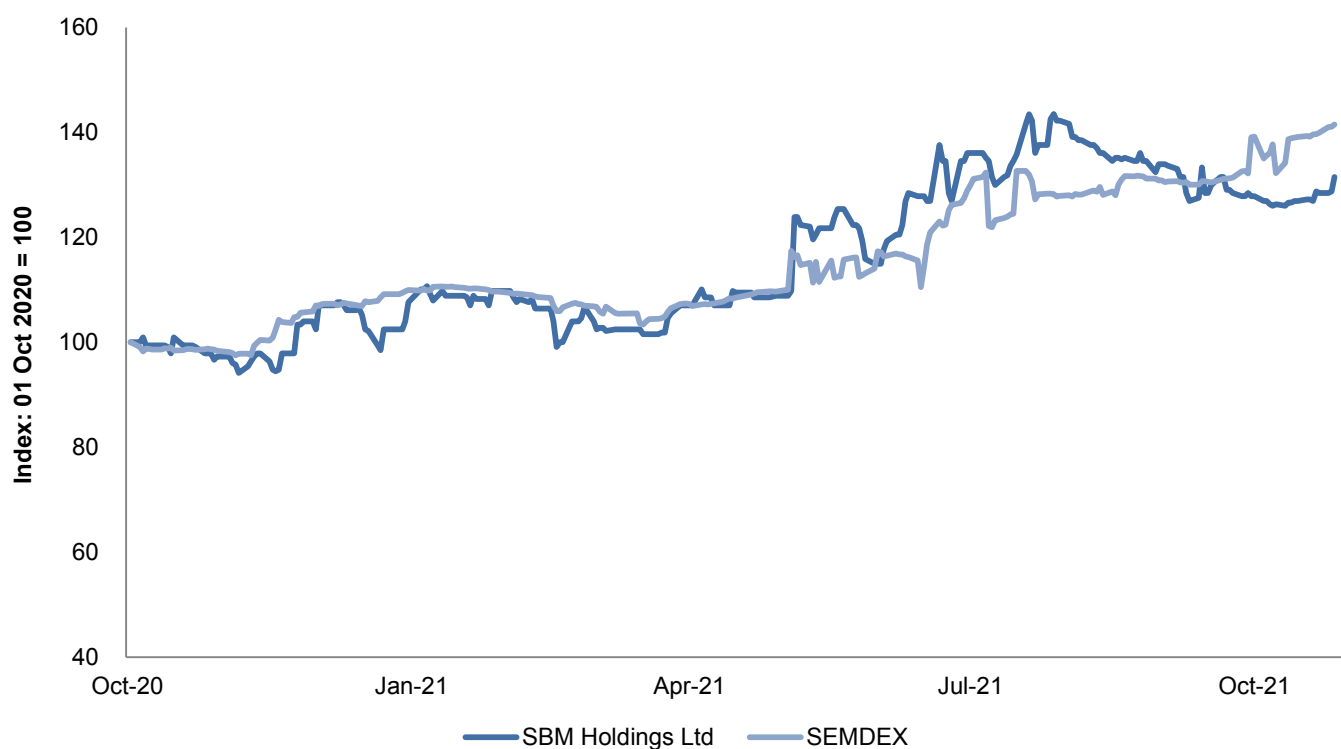


Whereas the credit to deposit ratio fell lately on the back of the challenging economic context, it continues to reflect a comfortable funding and liquidity position.

Financial soundness metrics

	Sept-21	Dec-20	Sept-20
Profitability and efficiency			
Return on average shareholders' equity (%)	6.3	4.1	3.5
Return on average assets (%)	0.5	0.4	0.3
Cost to income ratio (%)	61.4	54.8	55.6
Capital position			
Capital adequacy ratio (%)	20.9	20.7	21.4
Tier 1 capital adequacy ratio (%)	13.9	13.9	14.4
Asset quality			
Gross impaired advances to gross advances (%)	11.7	13.8	13.3
Net impaired advances to net advances (%)	3.9	4.1	4.7
Provision coverage ratio (%)	70.3	64.2	68.7
Funding and liquidity			
Credit to deposit ratio (%)	51.0	59.9	63.4
Share information			
Market price per share (MUR)	4.2	3.6	3.3
Earnings per share (cents)	46.8	39.2	25.6

Share price evolution





For further information, please email us at investor.relations@sbmgroup.mu

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