

SBM Holdings Ltd

Management Statement

For year ended 31 December 2021



Key highlights

- ✓ Significant improvement of SBM Group's profitability level in spite of the testing context
- ✓ Sound financial metrics registered by the Group
- ✓ A diversified business model to further underpin future growth endeavours across markets

PROFIT AFTER TAX

Dec-21: **MUR 1,739 Mn**

Dec-20: *MUR 1,021 Mn*

 **70.3%**

TOTAL ASSETS

Dec-21: **MUR 357,668 Mn**

Dec-20: *MUR 288,041 Mn*

 **24.2%**

Review by Group Chairman

Performance

Against the backdrop of a challenging operating landscape, the full-year results of SBM Group are very encouraging. They demonstrate that the organisation is on the right track and that strategic initiatives unleashed are gradually bearing fruit. The performance reiterates that the Group has the drive and credentials to achieve sound and sustained business growth, with the support of its employees.

Profit attributable to the equity holders of the parent rose by 70.3% to attain MUR 1,738.9 million for the year ended December 2021. This was largely attributable to a drop in credit loss expense on the back of moves to tackle impaired loans and strengthened risk stewardship. Support also emanated from higher core earnings as the Group pursued its business expansion, with operating income rising by 5.1%. While facing up to a low interest environment, net interest income was underpinned by higher investment in short-term securities in view of the subdued economic climate. Gross loans and advances to non-bank customers went up by 7.0% to attain MUR 145.1 billion. Testifying to the Group's goodwill and trustworthiness, deposits from non-bank customers rose by 31.6% to stand at MUR 298.6 billion. Net fee and commission income increased considerably on the back of ongoing market diversification initiatives.

The Group continued to invest in its future growth, with focus on further strengthening its human and technological capabilities. This can be gauged by the notable rise in operating expenses during the year under review, thus leading to a cost to income ratio of 60.6%.

In support of its growth ambitions, the Group has remained highly liquid and well capitalised. The capital base of the Group stood at MUR 32.7 billion as at 31 December 2021, with the overall capital adequacy ratio reaching 21.4%. In spite of being exposed to a testing economic environment across different market segments, the Group has preserved generally manageable asset quality levels.

Earnings per share from continuing operations stood at 67.3 cents for the year ended December 2021, compared to 39.2 cents for the preceding year.

The Group results were underpinned by the sustained momentum built across business lines and entities. While foreign banking entities have capitalised on well-engineered growth-enabling initiatives and enriched customer experiences, SBM Bank (Mauritius) Ltd delivered the most significant contribution to the overall performance in spite of testing operating and market conditions. The contribution of the Non-Banking Financial Cluster to Group profit was appreciable.

Outlook

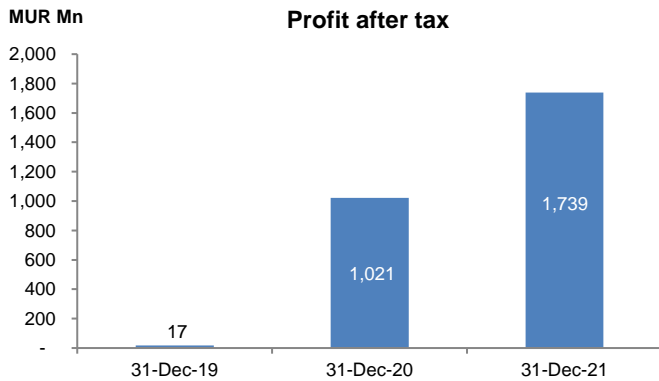
Reassuring signs of gradual economic upturn are being witnessed across our presence countries. Yet, the market environment remains particularly volatile and complex amidst the pandemic propagation, persisting inflationary pressures, heightened geopolitical uncertainties, supply chain bottlenecks and vulnerabilities across international financial markets. In Mauritius, GDP growth is anticipated to gather additional steam this year, with the momentum underpinned by progress in vaccination, support measures by the authorities, the healing global landscape, and a relative mending of consumer and investor sentiment. The context, though, remains challenging, with the conflict between Russia and Ukraine deserving close attention in view of the repercussions on market conditions and the business climate.

While remaining vigilant to the risks and opportunities emanating from the operating environment, SBM Group has set out to further reinforce its capabilities so as to embark on a renewed phase of its growth journey in the periods ahead, as it aims to progressively diversify its revenue streams across markets. Towards those ends, the Group has, lately, pivoted its key strategic orientations, which revolve around: (i) Purposeful and sustainable business model; (ii) Simpler and smarter organisation; and (iii) Growth as an international and universal service provider. In this light, the Board will continue to oversee the smooth execution of strategic priorities, while promoting strengthened risk management and enhanced operational efficiency levels. In the end, SBM Group is intent on creating sustainable value and building a better future for its stakeholders, including its shareholders, customers, employees, and societies and communities.

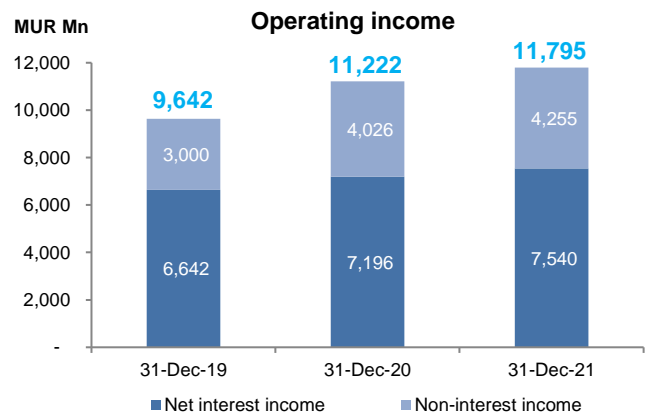
In light of the Group's improving profitability and its favourable growth prospects going forward, the Board is pleased to announce the resumption of dividend payment to its shareholders, after a careful review of the capital positions and requirements of its banking subsidiaries. For the financial year ended 31 December 2021, the Board has approved a dividend of 20 cents per share, subject to regulatory approval, payable in June 2022. Looking ahead, SBM Group endeavours to deliver attractive and sustainable shareholder returns, while being guided by the strength of its financial and capital positions as well as by unfolding economic and market conditions.

Sattar HAJEE ABDOULA
Group Chairman – SBM Holdings Ltd
30 March 2022

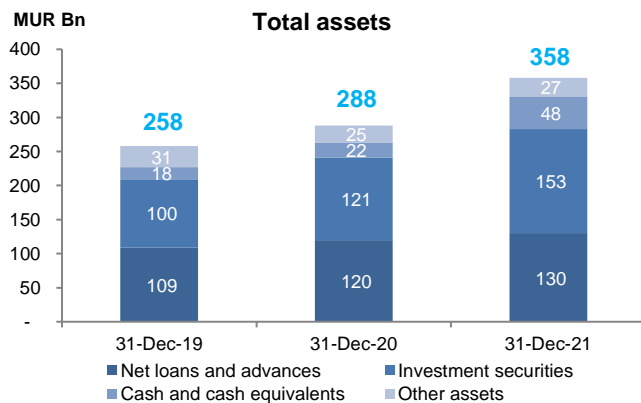
Group financial performance



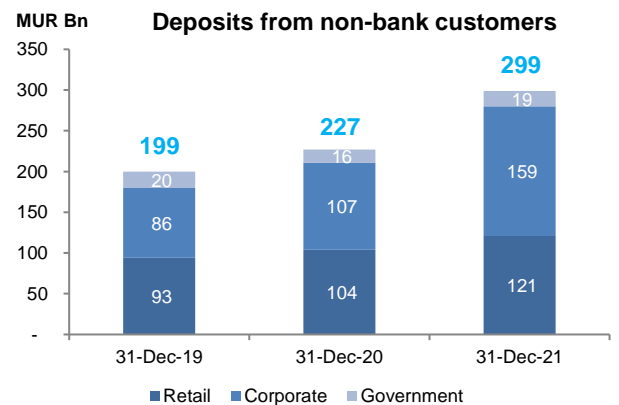
Notwithstanding the exigent economic and market conditions, the Group's profit after tax improved significantly on the back of a drop in credit loss expense and the continued business development of entities during the year under review.



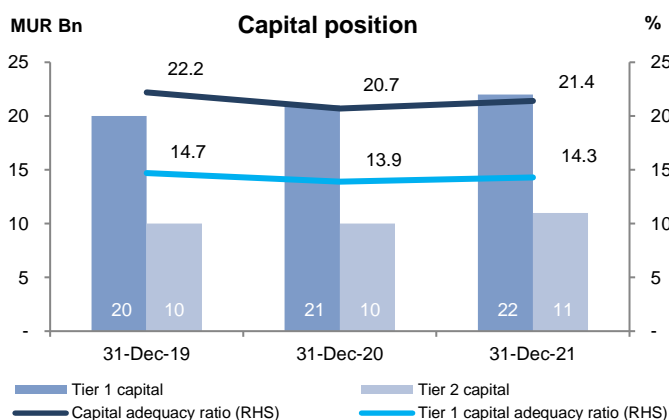
Amidst the low interest environment and the subdued economic climate, operating income further improved in 2021 on account of a higher portfolio of investment securities and expanding business volumes in Mauritius and abroad.



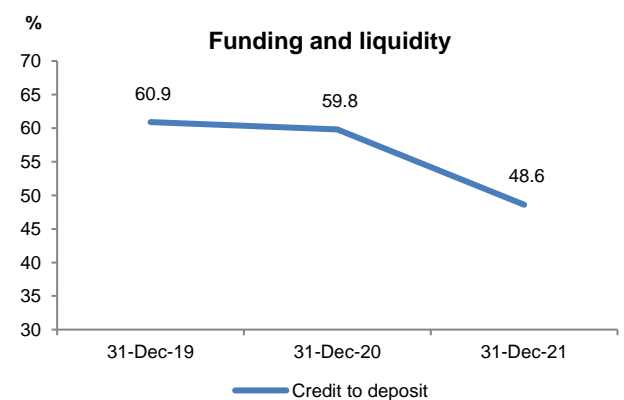
The growth in total assets was largely attributable to increases in investment securities and in cash and cash equivalents, while the loan book maintained its expansion.



Reflecting sustained confidence in our organisation, total deposits across the different categories registered an appreciable growth during the year under review.



In support of its growth ambitions across jurisdictions, the Group's capitalisation levels and ratios have remained comfortable during the year under review, alongside acting as a solid buffer against potential shocks.

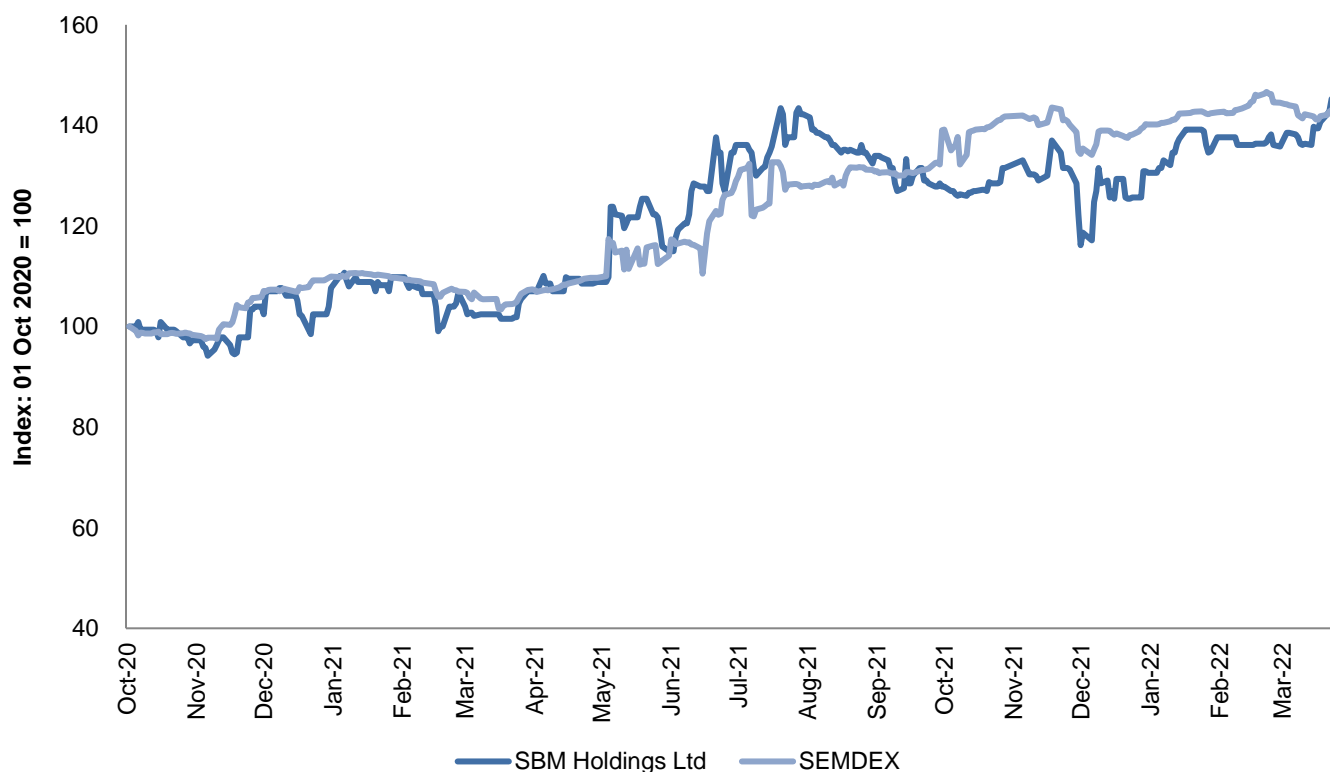


While a decline has been recorded therein after bearing in mind the particularly uncertain economic landscape, the credit to deposit ratio of the Group continues to reflect a comfortable funding and liquidity position for its entities.

Financial soundness metrics

	Dec-19	Dec-20	Dec-21
Profitability and efficiency			
Return on average shareholders' equity (%)	0.1	4.1	6.7
Return on average assets (%)	0.0	0.4	0.5
Cost to income ratio (%)	63.4	54.8	60.6
Capital position			
Capital adequacy ratio (%)	22.2	20.7	21.4
Tier 1 capital adequacy ratio (%)	14.7	13.9	14.3
Asset quality			
Gross impaired advances to gross advances (%)	11.7	13.8	11.4
Net impaired advances to net advances (%)	4.1	4.1	3.3
Provision coverage ratio (%)	69.0	73.4	74.3
Funding and liquidity			
Credit to deposit ratio (%)	60.9	59.8	48.6
Share information			
Market price per share (MUR)	6.4	3.6	4.3
Earnings per share (cents)	1.4	39.2	67.3

Share price evolution





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

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