

SBM Holdings Ltd

Management Statement

For the quarter ended 31 March 2022



Key highlights

- ✓ Encouraging start to the new financial year as the organisation maintains its growth momentum
- ✓ Significant improvement in SBM Group's net profit
- ✓ Sound financial ratios upheld on multiple fronts

PROFIT AFTER TAX

Mar-22: **MUR 714.5 Mn**

Mar-21: *MUR 417.8 Mn*

 **71.0%**

TOTAL ASSETS

Mar-22: **MUR 381,896 Mn**

Dec-21: *MUR 357,668 Mn*

 **6.8%**

Review by Group Chairman

Performance

SBM Group has begun the financial year on a solid footing, as it continues to reap the benefits of ongoing initiatives aimed at further restructuring its operations, strengthening its business model and expanding its market reach.

Profit attributable to equity holders of the parent attained MUR 714.5 million for the quarter ended 31 March 2022, representing an increase of 71.0% when compared to the corresponding period of last year. This performance is very encouraging as it has been delivered against the backdrop of a highly challenging and uncertain economic context, with sustained pressures on market conditions.

Earnings per share from continuing operations stood at 27.7 cents for the quarter ended 31 March 2022, compared to 16.1 cents for the same quarter of the preceding year.

Group results were driven by a significant decline in credit loss expense on the back of strengthened risk stewardship and higher operating revenue. Despite the low interest environment and the still subdued demand for credit in some instances, net interest income grew by 15.5% to reach MUR 1,985.8 million in the wake of initiatives to accelerate business development across jurisdictions and business lines. This outturn contributed to operating income expanding to MUR 2,956.7 million for the quarter ended 31 March 2022, underpinned by an increase of 27.2% in net fee and commission income following market diversification initiatives. Operating expenses moved up amidst capacity-building measures, with a major focus area relating to the reinforcement of human capital.

While the portfolio of investment securities has further broadened, revenue generated by the Group was underpinned by the sustained rise in gross loans and advances to non-bank customers, which attained MUR 150.3 billion as at 31 March 2022, as compared to MUR 145.1 billion as at 31 December 2021. Testifying to the Group's trustworthiness, deposits from non-bank customers increased by 8.2% during the quarter under review to attain MUR 323.1 billion.

Group results were enabled by broad-based foundations. While SBM Bank (Mauritius) Ltd led the way as the mainstay of the organisation, other banking entities and the Non-Banking Financial Cluster contributed positively to the overall profit level.

Alongside embarking on its strategic drive, the Group has kept a vigilant eye on its financial soundness metrics in support of future growth endeavours. The capital base of the Group stayed comfortable at MUR 32.3 billion as at 31 March 2022, thus leading to a capital adequacy ratio of 20.3%, which is well above regulatory thresholds. Notwithstanding the demanding landscape, the Group has preserved healthy asset quality, funding, liquidity and efficiency positions after capitalising on its robust fundamentals and prudent growth strategy.

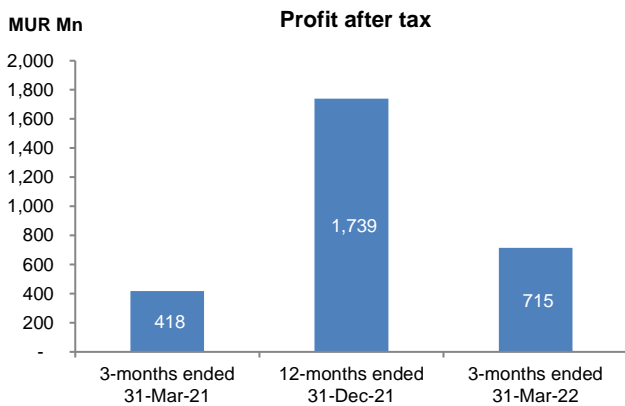
Outlook

Whereas the ongoing economic recovery momentum was already unsteady, geopolitical disturbances have triggered a substantial drag on the world economy. Whilst uncertainty levels have accentuated across different markets, global economic growth is forecasted by the IMF to decline from 6.1% last year to 3.6% in 2022. As a key apprehension, inflation has witnessed a steep and sustained uptrend on a worldwide scale and across the Group's presence countries on account of higher commodity prices and the spill-over effects on other items.

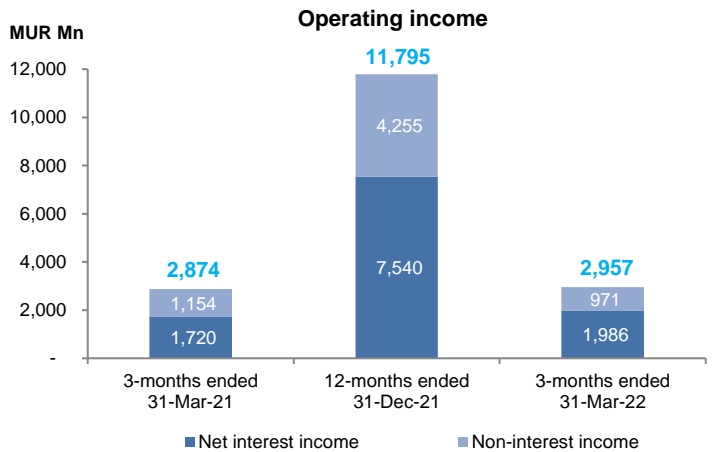
Alongside prudently scrutinising and coping with the risks and challenges associated with this testing backdrop, SBM Group will continue to exercise caution when executing its strategic intents in the periods ahead, supported by a further strengthening of its risk management and governance set-up. In this spirit, the Board will conscientiously oversee the articulation and implementation of growth-enabling initiatives, mindful of the aim to further diversify the revenue streams and reinforce the financial resilience of the organisation. As it moves forward, an underlying objective of SBM Group remains to position itself as a reference banking and financial services player locally and regionally, alongside purposefully and dynamically partaking in the advancement of the societies and economies in which it operates.

Sattar HAJEE ABDOULA
Group Chairman – SBM Holdings Ltd
12 May 2022

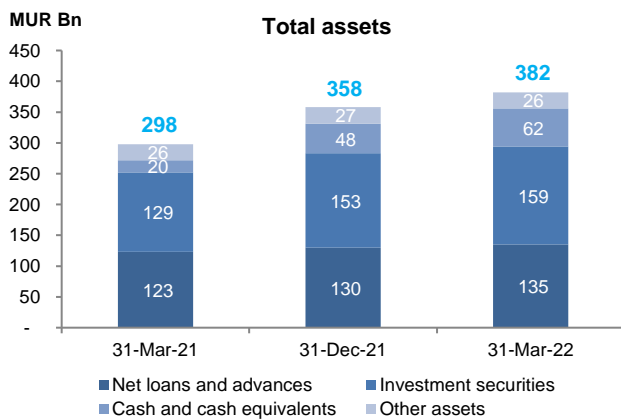
Group financial performance



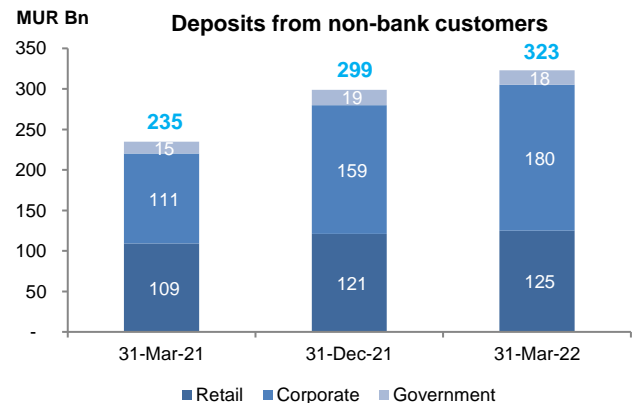
The Group profit after tax was driven by higher core earnings and a major decline in credit loss expense.



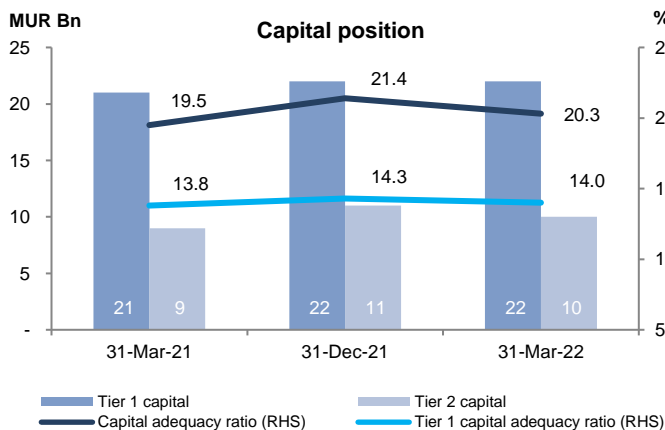
Notwithstanding the challenging context, operating income stepped up, notably supported by the growing loan portfolio.



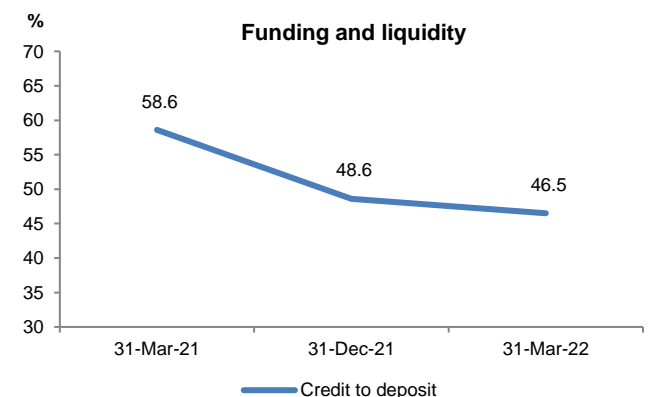
The total assets of the Group have kept on expanding, particularly underpinned by cash and cash equivalents, loans to non-bank customers and investment securities.



Total deposits maintained upward trajectories across specific categories, reflecting sustained confidence in the Group.



In support of its growth ambitions across jurisdictions, the Group has upheld sound capital positions, which, at the same time, acted as a robust buffer against potential shocks.

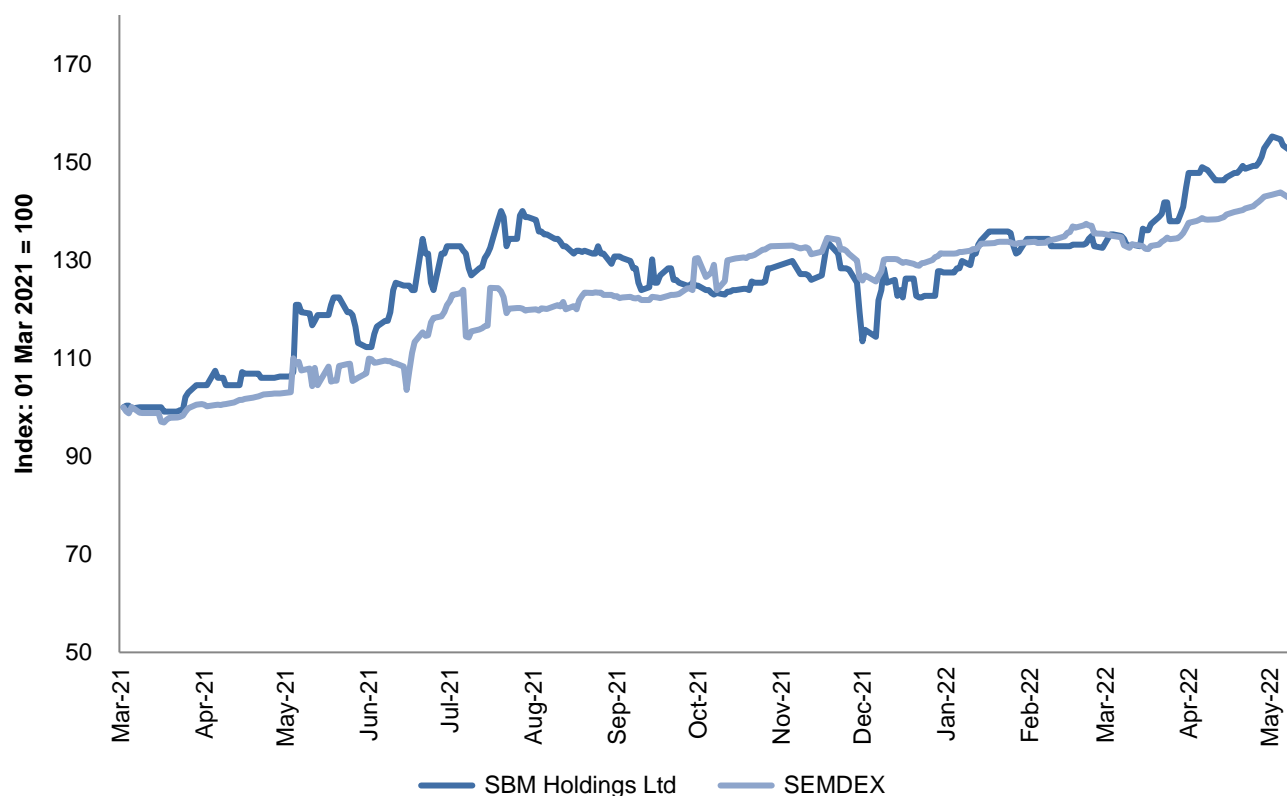


While the credit to deposit ratio has pursued its downward trend in the wake of the testing environment, it continues to reflect a comfortable funding and liquidity position.

Financial soundness metrics

	Mar-21	Dec-21	Mar-22
Profitability and efficiency			
Return on average shareholders' equity (%)	6.5	6.7	10.9
Return on average assets (%)	0.5	0.5	0.8
Cost to income ratio (%)	62.6	60.6	63.8
Capital position			
Capital adequacy ratio (%)	19.5	21.4	20.3
Tier 1 capital adequacy ratio (%)	13.8	14.3	14.0
Asset quality			
Gross impaired advances to gross advances (%)	12.4	11.4	11.3
Net impaired advances to net advances (%)	4.2	3.3	3.3
Provision coverage ratio (%)	69.4	74.3	73.6
Funding and liquidity			
Credit to deposit ratio (%)	58.6	48.6	46.5
Share information			
Market price per share (MUR)	3.50	4.27	4.95
Earnings per share (cents)	16.1	67.3	27.7

Share price evolution





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

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