



# SBM

STATE BANK OF MAURITIUS LTD

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## Sub Saharan Investment Conference London

16 - 17 March 2009

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Presentation by:  
Rajah Ramdaursingh, Chairman  
Pauline Seeyave, Divisional Leader Finance



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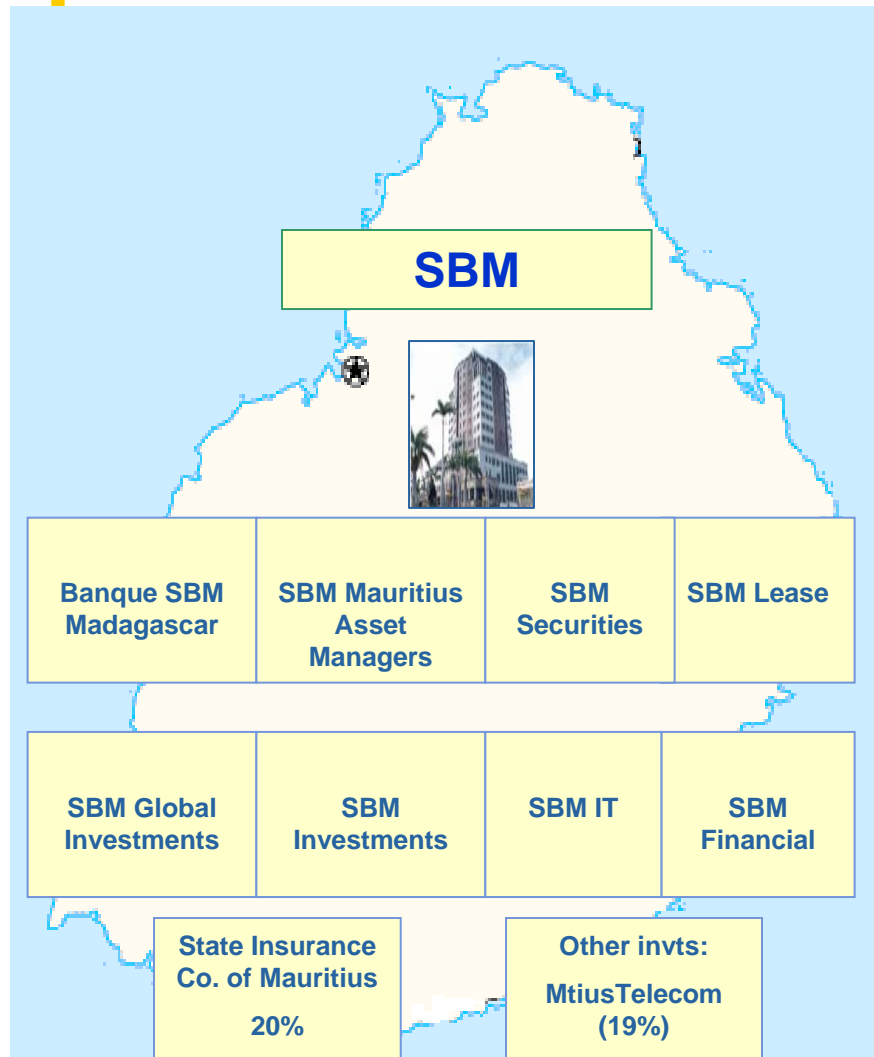
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- **Overview of SBM Group**
- **Financial highlights**
- **SBM Group amidst the financial crisis**
- **SBM share price analysis**
- **Challenges and strategic orientations**
- **Summary and Conclusion**

## SBM Group at a glance

- Integrated Financial Services Group with strong local franchise built over last 35 years
- Market share of around 20% in domestic market
- Presence in Mauritius, India and Madagascar
- Comfortable capital position, sound liquidity level and improving efficiency
- Local lead in technology and risk management
- Moody's ratings of Baa2/P-2 and FSR of C-, highest among local peers
- Second largest market capitalisation on the Stock Exchange of Mauritius (Jun08: Rs29Bn, Mar 09: Rs12Bn)
- FY08 Profit of Rs2.1Bn and assets of Rs67.5Bn
- HY09: Profit of Rs1.3Bn and assets of Rs72Bn

## Group structure



- Integrated financial services group
  - Commercial banking, leasing, asset management, security broking and fiduciary services
- 49 service units across Mauritius, India and Madagascar
- Multi-currency electronic delivery channels and eCommerce Platform
- Enterprise wide risk management systems and datawarehousing capabilities
- Over 1,000 employees
- Over 16,000 shareholders

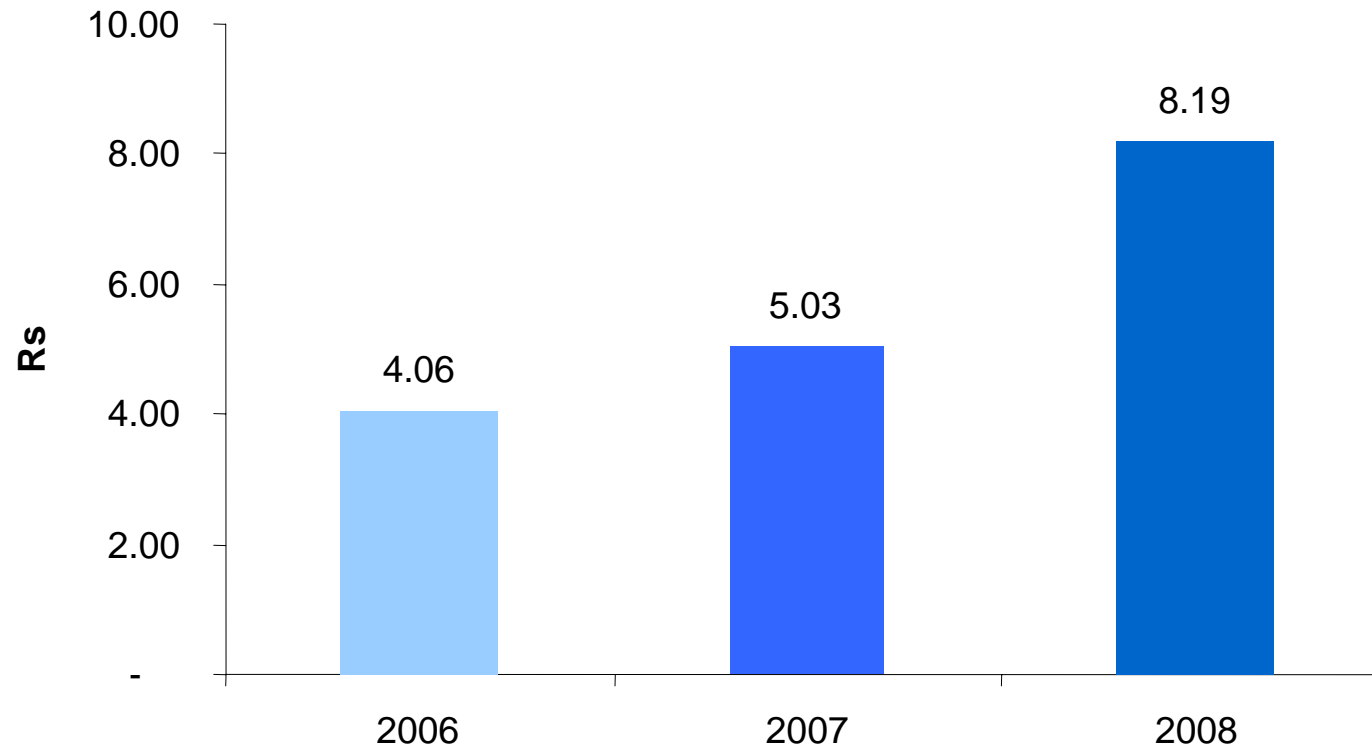


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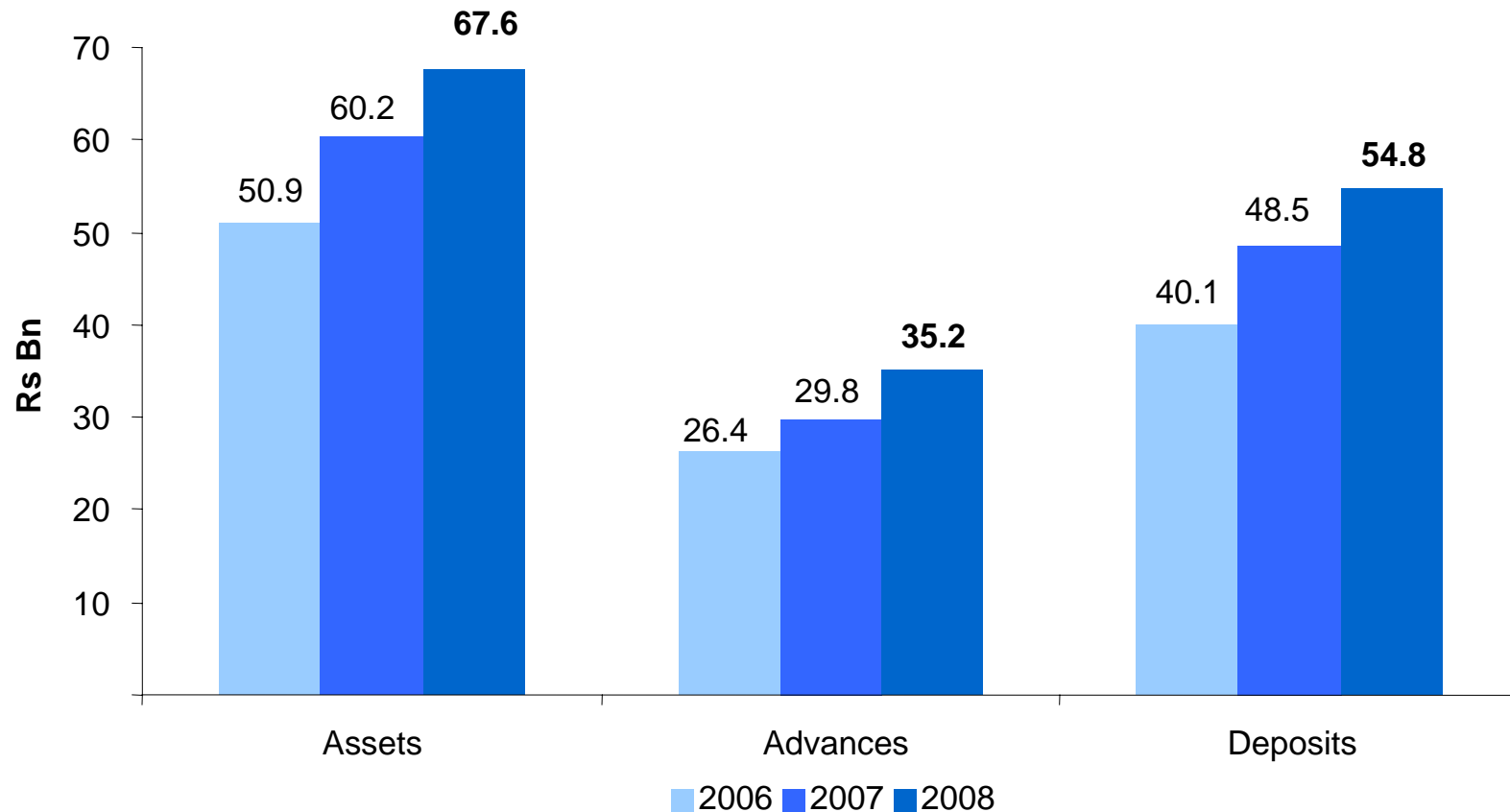
## Earnings per share



Earnings per share doubled over the last 2 years

*Feb09: US\$=Rs34.40*

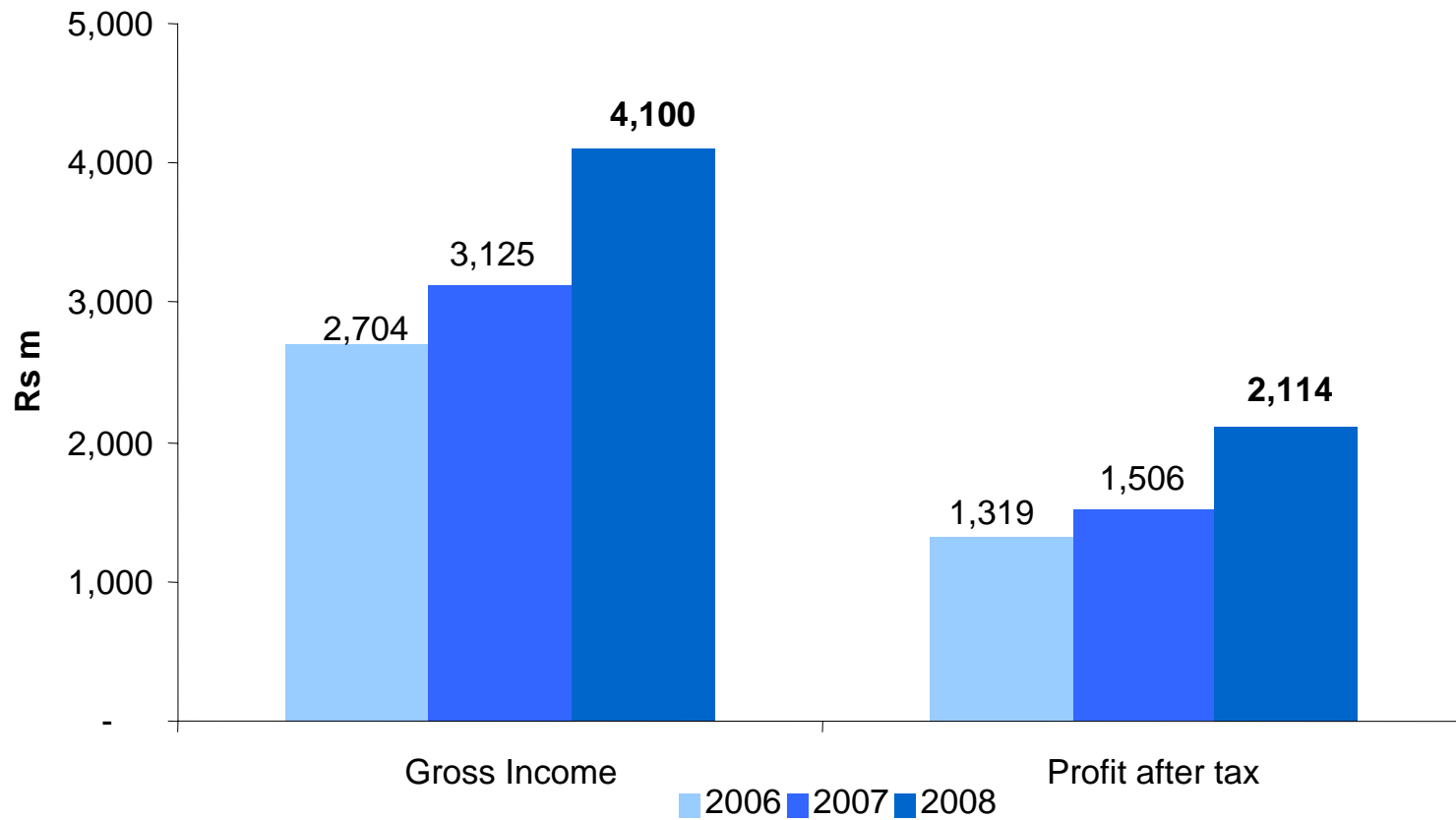
## Business growth



Growth of over 30% over the last two years

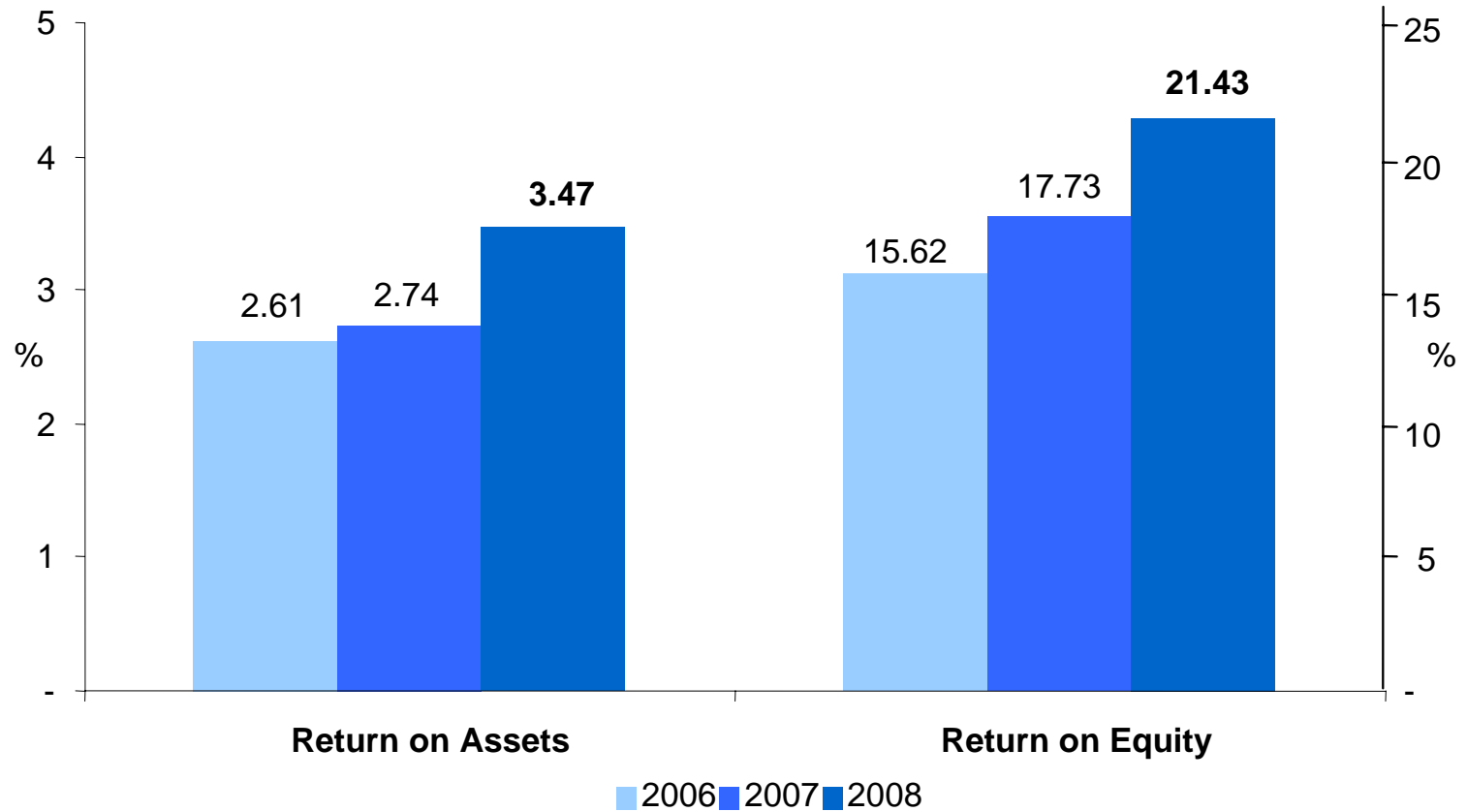
Feb 09: US\$=Rs34.40

## Revenue and profit growth



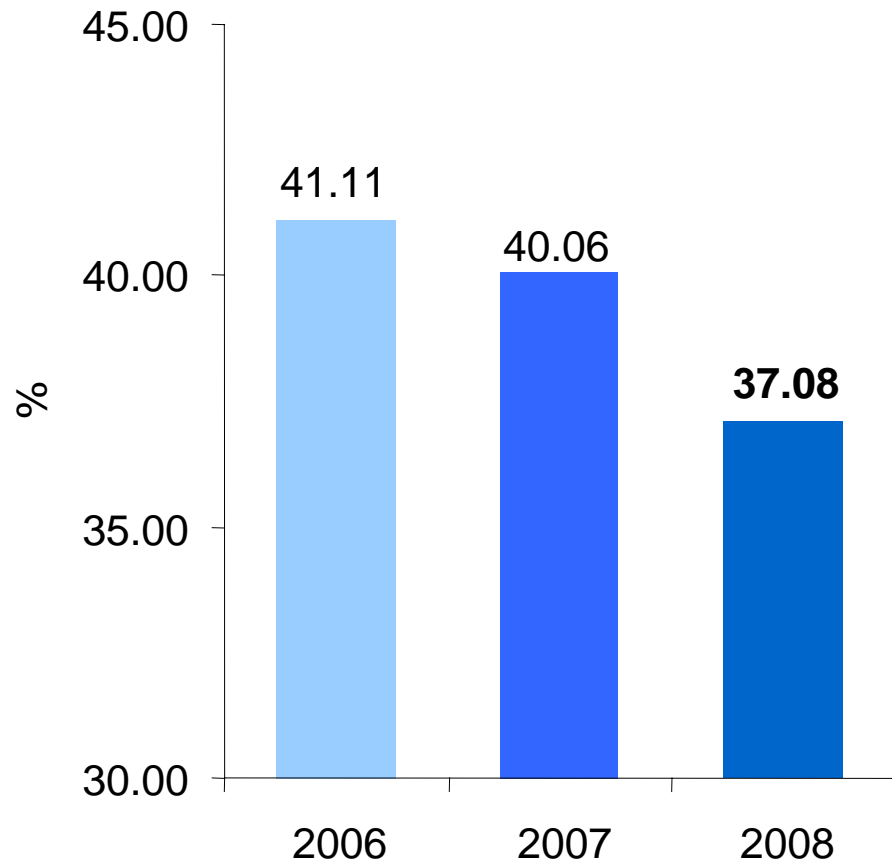
Feb 09: US\$=Rs34.40

## Rising returns



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## Improving efficiency



- Cost to Income ratio is the measure of efficiency in banking
- Ratio of less than 40%
  - Internationally enviable level
  - One of the lowest in the sub Saharan region
  - Lowest amongst its domestic peers

## Strong first half (Dec 2008) results

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- YOY growth of nearly 15% in customer deposits and advances
- Increase of 62% in operating profit excluding dividends
- Strong capital position, providing an effective cushion against unanticipated shocks
- Liquidity at very comfortable level
- Continued improvement in asset quality, with the net impaired asset ratio at below 0.5%, despite the deterioration in the economic environment

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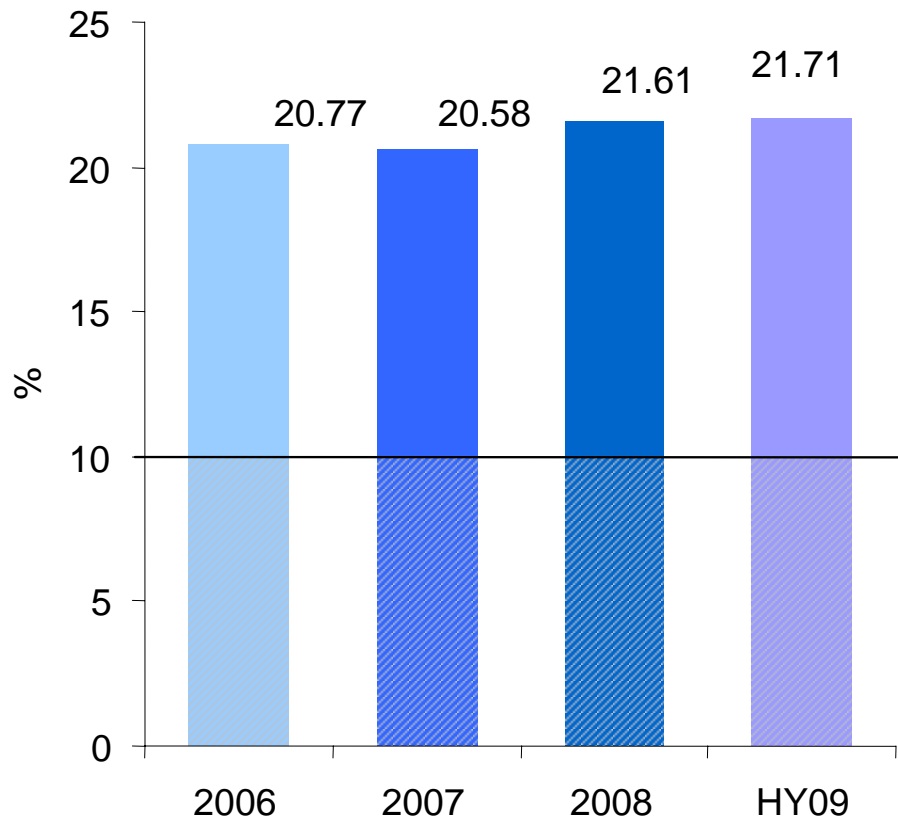
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## So far unscathed from financial crisis

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- SBM Group remains strong despite the turmoil
  - Positive first half year results
  - Strong capital base
  - High level of liquidity
  - Quality advances portfolio
- Resilience underpinned by the following factors
  - Sound risk management
  - Quality funding
  - Good corporate governance practices

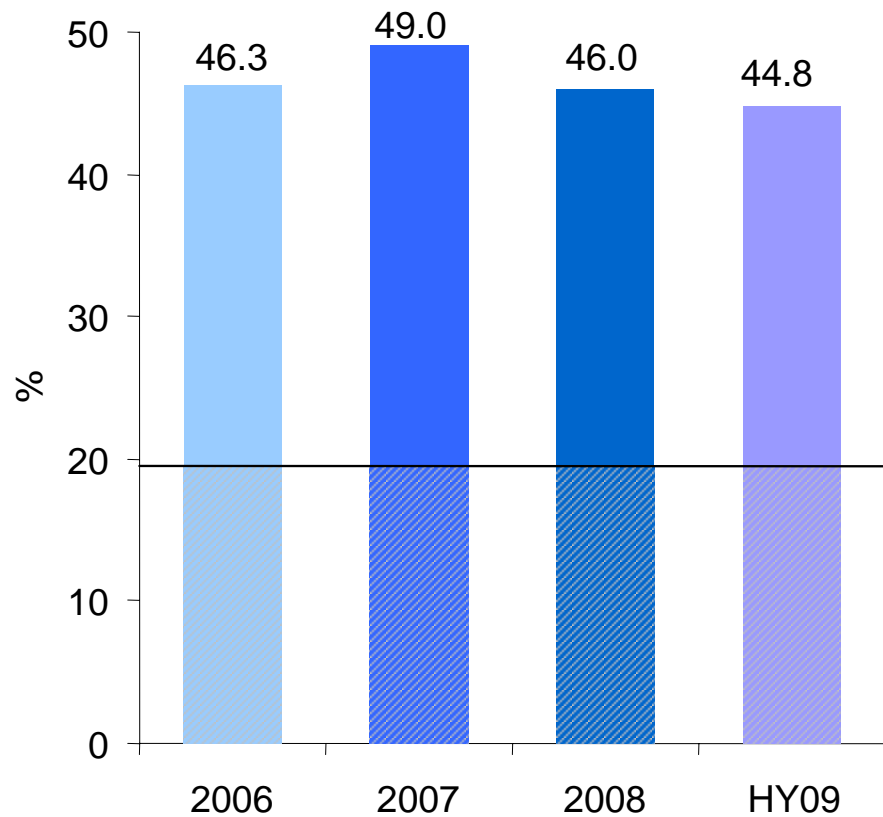
## Comfortable capital position



- Strong Capital Adequacy ratio
- Minimum prescribed ratios
  - Basel II: 8%
  - Central Bank: 10%
- Currently holding more than twice the regulatory requirements
- Assets/Equity ratio: 6 times
- Tier 1 Capital: 80%
- Adequate own funds to sustain unanticipated shocks and growth initiatives
- Treasury shares: 15%

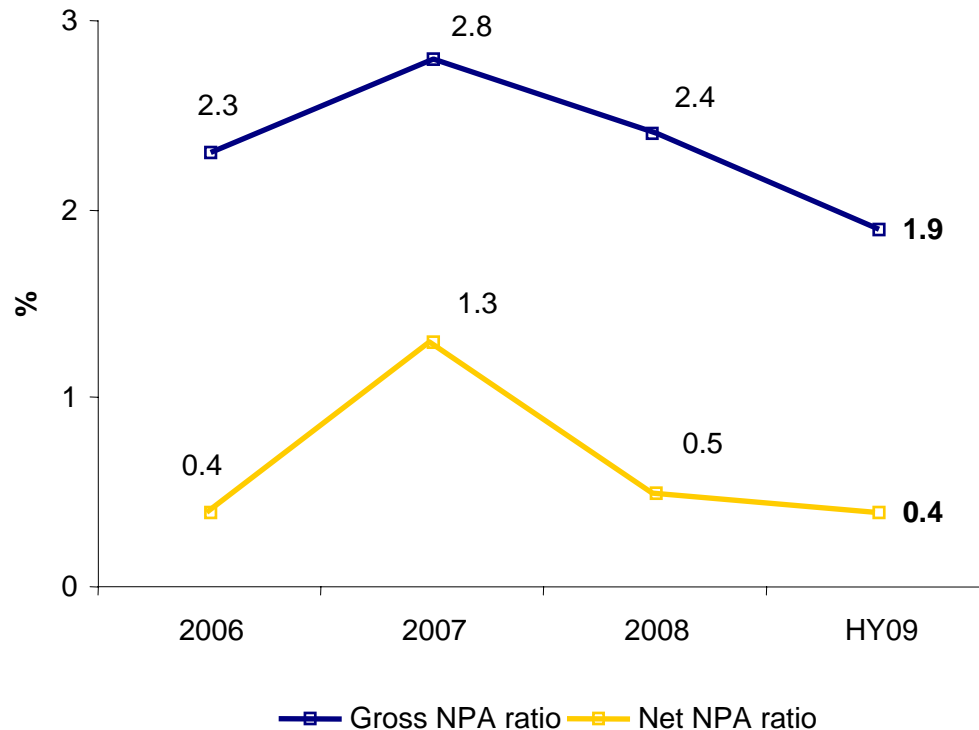


## High liquidity level



- Liquid asset ratio is around 45%
- Proposed regulatory limit: 15% above CRR of 4.5%
- More than twice the proposed prudential limit
- Comfortable cushion for smooth running of operations

## High quality of assets



- Gross impaired asset ratio has been consistently below 3% over the last three years
- Further improved in Dec08 to below 2%
- Net impaired asset ratio also further improved to 0.4%
- Taking into account portfolio provisioning, impaired assets are fully provided for

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## Resilience through diligent approach

- SBM Group has adopted good risk management principles in building its portfolios.
  - Good understanding of the risks taken and seeking adequate risk/return trade off
  - Objective credit sanctioning with the support of decision tools
  - Well-diversified portfolios with strong adherence to prudential and regulatory norms
  - Clear segregation of origination, evaluation and administration
  - Effective monitoring and reporting structure
- No exposure to toxic assets
- Non performing assets below peer group average

## Sound Funding Base

- Diversified low cost and loyal deposit base
- Operating within prudential limits in respect of liquid asset ratios, large deposits and Credit to Deposit ratio
  - Credit to Deposit Ratio: HY09 -68%, FY08-66%
- Practically no reliance on interbank loans for local currency
- Available lines of credit with reputable financial institutions
- Syndicated loans may be resorted to if needed
- Sizeable realisable investments providing an alternative source of funding in case of need

## Sound governance principles

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- Large shareholder base, represented by a strong Board of Directors
- Majority of independent directors
- Board committees: strategic planning, corporate governance, conduct review, credit, risk management, and nomination and remuneration providing effective oversight
- Independence of the audit and risk management functions
- Strong regulatory framework at national level

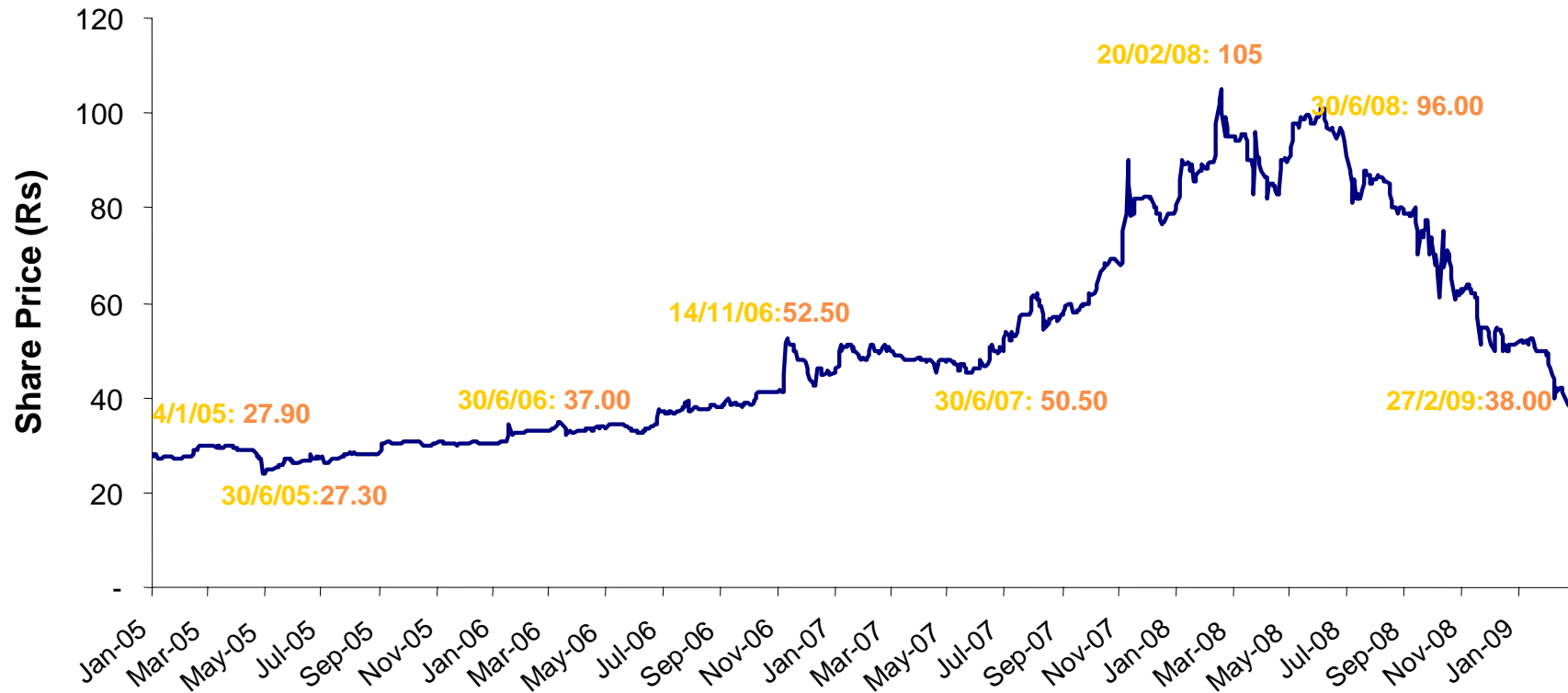


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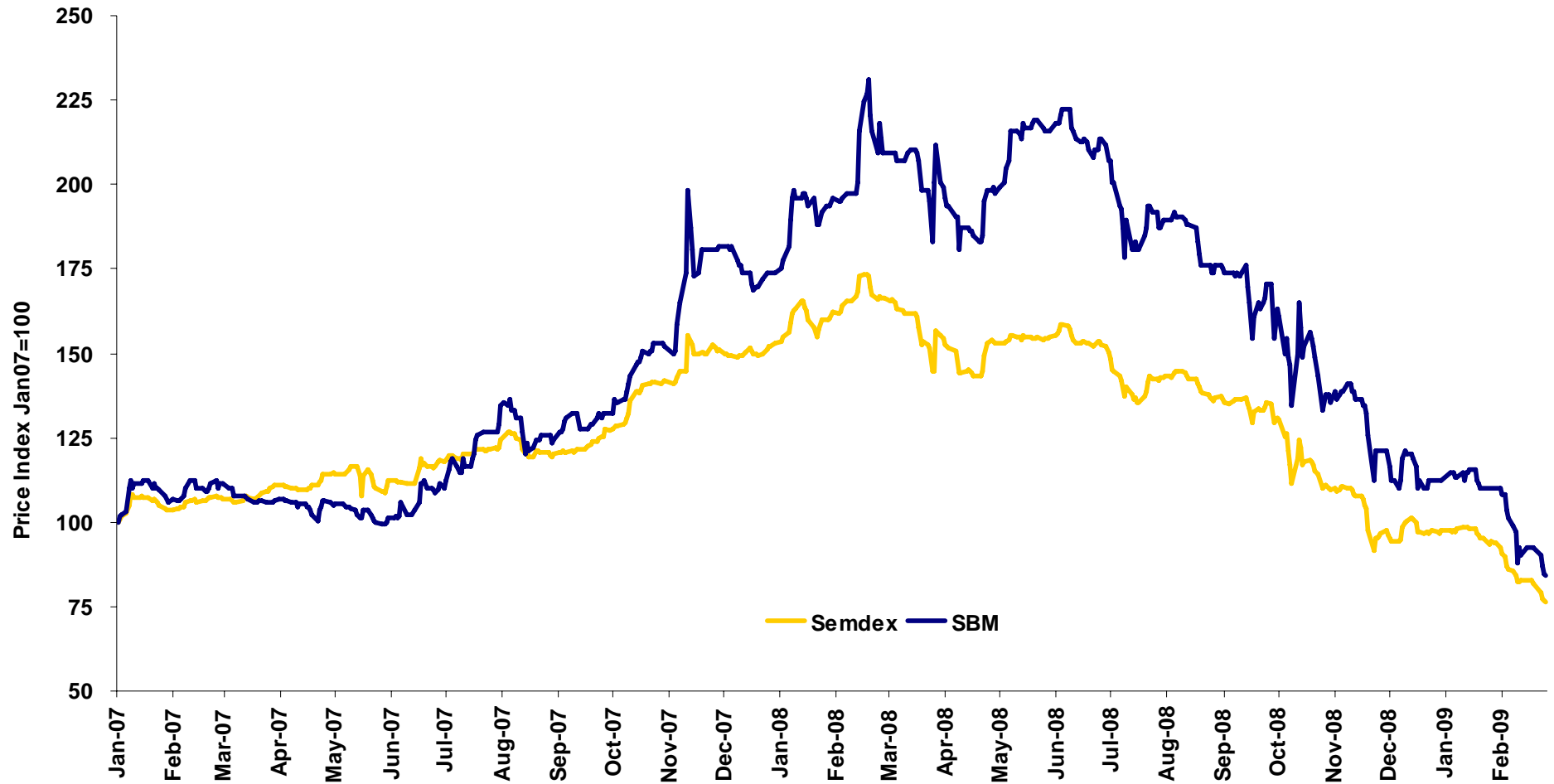
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# SBM Share Price Evolution



## Performance against the market

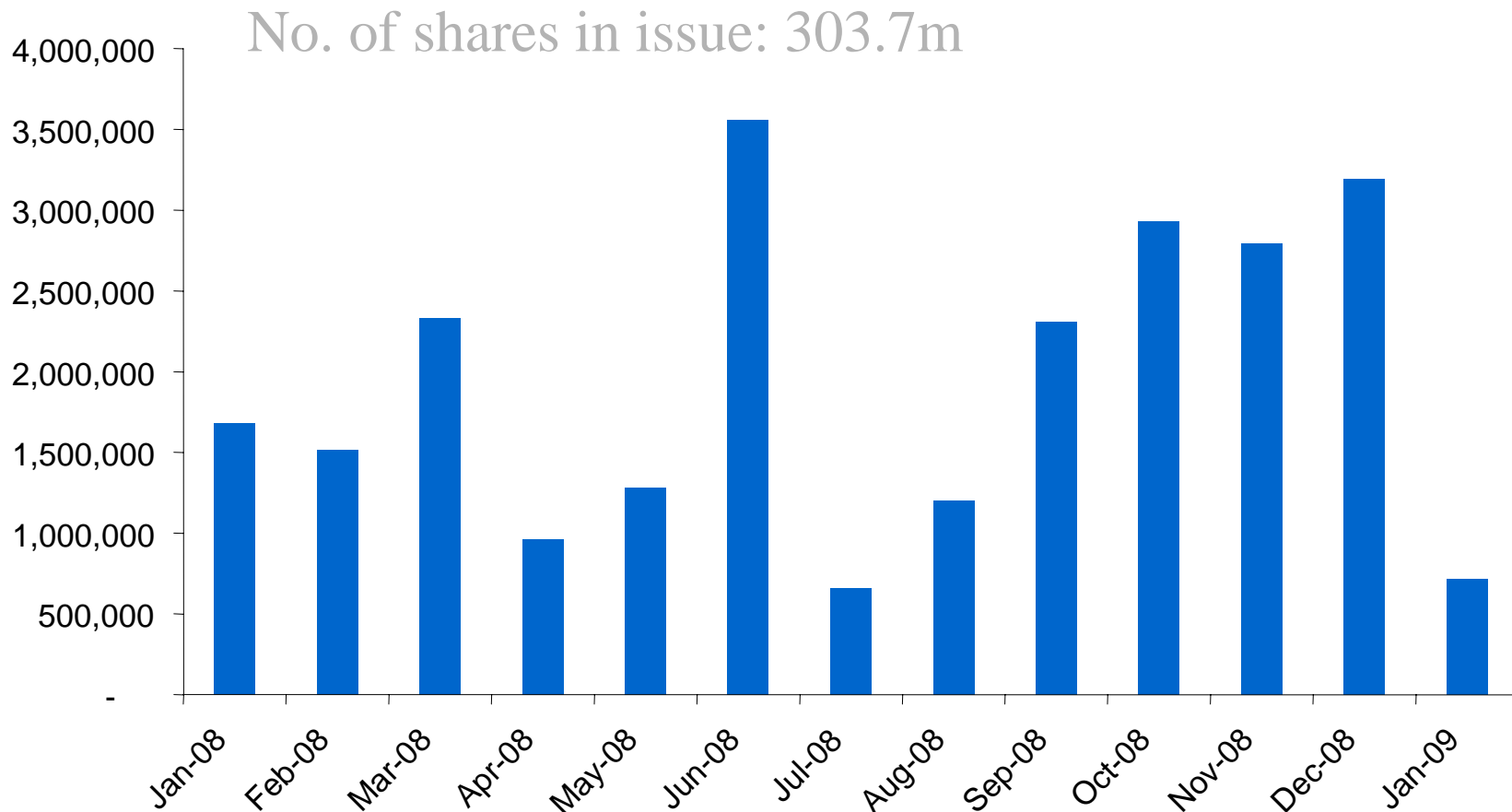


## Performance against the market



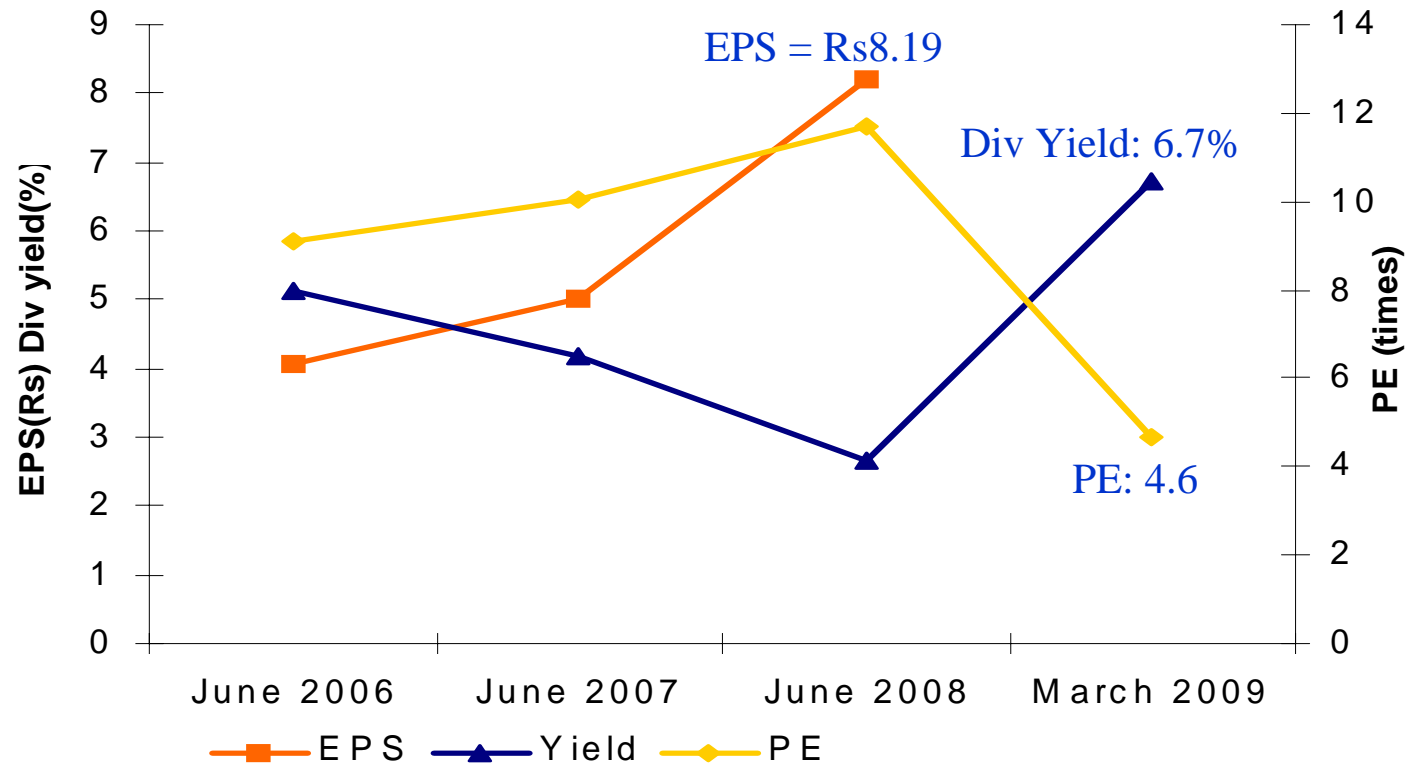
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## Volume traded



- SBM trades represented around 15% of value traded on the exchange
- Relatively low volumes traded – fall in price driven by retrenchment of capital flows

## Attractive PE ratio



SBM share currently offers an attractive yield



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## Growth challenges

- Current global economic crisis – duration and depth
- Domestic banking market
  - Market size
  - Vulnerability to external shocks
  - Competitive pressures
- Human resources - scarcity
- Regulatory constraints for growth

## Opportunities

- Leverage on sound capital base to pursue growth objectives
- Possibility of alliances / acquisitions
  - Introduction of new lines of business
  - Increase in international presence
- Consolidate market share as a result of retrenchment of competition
- Diversified and selective cross border transactions
- Easier access to talent pool
- Unlocking of value in assets including investment in Mauritius Telecom and SICOM

## Key strategic objectives (1/2)

- Diversification
  - Consolidate domestic business
    - Capitalise on financial strength relative to competitors
    - Actively exploit new lines of business
  - Increase penetration in international markets
    - Consolidate presence in India
    - Capture trade flows as the gateway between Asia and Africa
    - Increase cross-border deals
  - Grow non-bank financial services
    - Promote investment and securities services
    - Expand the range of e-commerce services
  - Grow fee based income

## Key strategic objectives (2/2)

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- Reinforce internal capabilities
  - Strategic recruitments
  - Continuous review of risk management processes
  - Reinforce customer-centric business model
  - Aligning HR capability with service delivery
  - Maintain lead in technology



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## Conclusion

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- So far unscathed from the economic crisis
  - Capital, liquidity and portfolio quality
  - Recent financial performance
- A tested business model which remains sound
- More resilient than major competitors in a prolonged economic crisis
- Uniquely positioned to seize current opportunities in line with objective to diversify into a fully fledged international financial services group
- Harnessing resources to increase shareholder value

## The poetry of D. H. Rumsfeld

*“There are known knowns. These are things we know that we know.*

*There are known unknowns. That is to say, there are things that we know we don't know.*

*But there are also unknown unknowns. There are things we don't know we don't know”*



# State Bank of Mauritius Ltd

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