

STATE BANK OF MAURITIUS LTD

Abridged unaudited interim financial report for the quarter ended 31 March 2014

State Bank of Mauritius Ltd is pleased to submit its abridged unaudited interim financial report for the quarter ended 31 March 2014.

The abridged unaudited interim financial report has been prepared in accordance with the Bank of Mauritius Guideline on Public Disclosure of Information and IAS 34 - Interim Financial Reporting. The interim financial report has been prepared using the accounting policies as those adopted in the audited financial statements for the eighteen months ended 31 December 2013, except new standards that are effective as from 01 January 2014. The adoption of the revised IAS 19, Employee Benefits has been applied retrospectively in this abridged unaudited interim financial report. The Bank's statutory auditors have reviewed the interim accounts and their report is attached.

Results

The Group's profit after tax for the quarter ended 31 March 2014 decreased by 16.6% to Rs 596.5m, compared to Rs 715.2m for the quarter ended 31 March 2013 mainly on account of a substantial increase in credit impairment losses and decrease in non interest income.

For the quarter under review interest income was flat as advances continue to stagnate in the current economic climate and large corporates are resorting to capital markets for refinancing bank debts and lower yields in our increasing government securities portfolio. Interest expense decreased slightly during the quarter March 2014 compared to March 2013 despite growth in deposits on account of increase in lower cost CASA and decrease in high cost term deposits. The Group's net interest margin to average assets dropped from 3.82% for the quarter ended 31 March 2013 to 3.66% for the quarter ended 31 March 2014.

Non interest income amounted to Rs 326.3m, compared to Rs 368.1m for the last corresponding quarter mainly due to lower cross border card income and forex income. The Bank has signed up with UPI Card Association Payment operator and expects to improve card income from this partnership.

Non interest expenses were under control with a marginal decrease of 2.2% against quarter March 2013.

The Group's gross advances decreased by Rs 274.4m from December 2013 to reach Rs 70.8bn as at 31 March 2014 and Group deposits decreased by Rs 1.8bn to Rs 81.3bn over the same period mostly due to non renewal of high cost term deposits. Impaired advances witnessed an increase during the quarter under review with net impaired advances to net advances at 0.92%.

The public offer for the issue of Subordinated Senior Unsecured Multicurrency Floating Interest Rate Bonds for Class A MUR Bond of Rs 1bn launched on 20 December 2013 was oversubscribed and a maximum amount of Rs 1.5bn was retained.

The Group capital adequacy ratio under Basel II was 23.1% as at 31 March 2014, which is comfortably above the minimum regulatory requirement of 10% whereas under the Basel III, the capital adequacy ratio stood at 21.5%.

In line with the policy of payment of dividend on a quarterly basis; an interim dividend of 1.3 cents has been declared for the second quarter of the financial year ending 31 December 2014.

Outlook

The global economy continues to recover, particularly in key advanced economies but remains vulnerable to headwinds. On the domestic front, the operating environment should continue to face challenges during the year. Growth in credit demand is expected to be subdued and the excess liquidity situation is expected to persist for some more time. Against this backdrop, SBM will strengthen prudence and augment focus on risk management. SBM continues to pursue its technology and business transformation objectives. While related costs are being incurred now, returns from these investments are expected to accrue over the medium to long term.

Jairaj Sonoo, C.S.K.
Chief Executive

Alain A.J.G.R. Rey
Chairman, Audit Committee

Muni Krishna T.Reddy, G.O.S.K., F.S.I.D.
Chairman

15 May 2014

SBM

**Report on Review of Interim Financial Information
To the Board of Directors of
State Bank of Mauritius Ltd “SBM”**

Introduction

We have reviewed the accompanying abridged unaudited interim statements of financial position of the Group and of the Bank as at 31 March 2014 and the related abridged unaudited interim statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and abridged statements of cash flows for the quarter then ended. The Board of Directors and management of SBM are responsible for the preparation and presentation of this interim financial information in accordance with the Bank of Mauritius Guideline on Public Disclosure of Information and International Financial Reporting Standards. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with the Bank of Mauritius Guideline on Public Disclosure of Information and International Financial Reporting Standards.

**Deloitte
Chartered Accountants**

15 May 2014

STATE BANK OF MAURITIUS LTD

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2014

	-----Group-----			-----Bank-----		
	31-Mar 2014	31-Mar 2013 (Restated)	31-Dec 2013 (Restated)	31-Mar 2014	31-Mar 2013 (Restated)	31-Dec 2013 (Restated)
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
ASSETS						
Cash and cash equivalents	3,507,332	6,313,438	6,900,534	3,433,248	6,165,787	6,485,251
Mandatory balances with central banks	5,755,122	5,056,568	5,494,981	5,502,361	4,744,890	5,223,056
Loans to and placements with banks	1,696,214	1,131,535	932,428	1,696,214	1,131,535	932,428
Trading assets	387,473	219,027	249,571	257,089	219,026	249,504
Loans and advances to non-bank customers	69,712,003	69,429,885	70,093,266	69,316,461	68,936,452	69,776,577
Investment securities	25,331,886	22,447,818	23,210,737	19,500,307	16,593,871	17,563,894
Property and equipment	1,331,032	1,344,034	1,340,194	1,293,769	1,305,542	1,302,531
Intangible assets	751,187	256,545	638,914	751,164	255,571	638,857
Deferred tax assets	261,234	85,810	223,070	261,234	85,810	223,070
Other assets	1,832,264	514,773	2,238,899	1,922,482	489,611	2,167,910
Total assets	110,565,747	106,799,433	111,322,594	103,934,329	99,928,095	104,563,078
LIABILITIES						
Deposits from banks	117,968	333,702	217,281	150,317	389,546	271,802
Deposits from non-bank customers	81,260,997	80,460,455	83,016,635	79,575,384	78,422,409	81,276,155
Other borrowed funds	5,342,381	5,104,452	6,110,051	5,342,381	5,104,452	6,110,051
Trading liabilities	248,192	68,451	238,555	248,191	68,450	238,469
Current tax liabilities	385,907	264,699	247,198	384,373	262,991	246,591
Deferred tax liabilities	-	24,043	-	-	24,013	-
Other liabilities	2,101,496	1,241,242	2,255,222	2,047,057	1,136,916	2,135,022
Subordinated debts	1,505,425	-	4,200	1,505,425	-	4,200
Total liabilities	90,962,366	87,497,044	92,089,142	89,253,128	85,408,777	90,282,290
SHAREHOLDERS' EQUITY						
Share capital	303,740	303,740	303,740	303,740	303,740	303,740
Retained earnings	17,175,606	16,133,007	16,862,185	15,731,628	14,813,964	15,395,536
Other reserves	4,457,321	5,198,928	4,400,813	979,119	1,734,900	914,798
	21,936,667	21,635,675	21,566,738	17,014,487	16,852,604	16,614,074
Less treasury shares	(2,333,286)	(2,333,286)	(2,333,286)	(2,333,286)	(2,333,286)	(2,333,286)
Total equity attributable to equity holders of the parent	19,603,381	19,302,389	19,233,452	14,681,201	14,519,318	14,280,788
Total equity and liabilities	110,565,747	106,799,433	111,322,594	103,934,329	99,928,095	104,563,078

STATE BANK OF MAURITIUS LTD

ABRIDGED STATEMENTS OF PROFIT OR LOSS FOR THE QUARTER ENDED 31 MARCH 2014

	Group			Bank		
	Quarter ended	Quarter ended	18 months ended	Quarter ended	Quarter ended	18 months ended
	31-Mar	31-Mar	31-Dec	31-Mar	31-Mar	31-Dec
	2014	2013	2013	2014	2013	2013
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Interest income	1,575,690	1,567,033	9,333,865	1,539,771	1,528,500	9,095,940
Interest expense	(573,552)	(571,506)	(3,417,785)	(559,000)	(550,756)	(3,302,038)
Net interest income	1,002,138	995,527	5,916,080	980,771	977,744	5,793,902
Net fee and commission income	199,863	248,848	1,534,266	188,109	235,607	1,443,284
Dividend income	898	1,467	823,026	60,897	238,466	871,403
Net trading income	74,885	100,523	575,464	67,870	83,185	497,143
Other operating income	50,610	17,277	460,200	50,610	17,277	460,122
Non interest income	326,256	368,115	3,392,956	367,486	574,535	3,271,952
Operating income	1,328,394	1,363,642	9,309,036	1,348,257	1,552,279	9,065,854
Non interest expenses	(437,496)	(447,352)	(2,950,192)	(415,299)	(428,772)	(2,823,434)
Profit before net impairment loss on financial assets	890,898	916,290	6,358,844	932,958	1,123,507	6,242,420
Net impairment loss on financial assets	(208,523)	(41,964)	(830,273)	(205,012)	(54,550)	(829,086)
Operating profit	682,375	874,326	5,528,571	727,946	1,068,957	5,413,334
Share of profit of associates	28,569	19,740	141,671	-	-	-
Profit before income tax	710,944	894,066	5,670,242	727,946	1,068,957	5,413,334
Tax expense	(114,451)	(178,907)	(905,838)	(108,782)	(172,428)	(867,302)
Profit attributable to equity holders of the parent	596,493	715,159	4,764,404	619,164	896,529	4,546,032
Earnings per share (Cents)	2.31	2.77	18.45			

STATE BANK OF MAURITIUS LTD
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 MARCH 2014

	Group			Bank		
	Quarter ended 31-Mar 2014	Quarter ended 31-Mar 2013	18 months ended 31-Dec 2013	Quarter ended 31-Mar 2014	Quarter ended 31-Mar 2013	18 months ended 31-Dec 2013
			<i>(Restated)</i>			<i>(Restated)</i>
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Profit attributable to equity holders of the parent	596,493	715,159	4,764,404	619,164	896,529	4,546,032
Other comprehensive income :						
<i>Items that will not be reclassified subsequently to profit or loss:</i>						
Deferred tax on disposal of property	-	200	200	-	200	200
Effect of change in deferred tax rate	-	-	(804)	-	-	(804)
Share of other comprehensive income of associate	-	-	(5,668)	-	-	-
Remeasurement of defined benefit pension plan	-	-	(25,220)	-	-	(25,220)
	-	200	(31,492)	-	200	(25,824)
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Exchange differences on translation of foreign operations	91,748	109,484	(443,034)	99,561	106,367	(520,100)
Increase in value of available-for-sale investments	17,777	109,213	552,536	17,777	96,119	282,106
Fair value realised on disposal of available-for-sale investments	(52,092)	-	(357,127)	(52,092)	-	(357,127)
	57,433	218,697	(247,625)	65,246	202,486	(595,121)
Other comprehensive income/(loss) for the period	57,433	218,897	(279,117)	65,246	202,686	(620,945)
Total comprehensive income attributable to equity holders of the parent	653,926	934,056	4,485,287	684,410	1,099,215	3,925,087

STATE BANK OF MAURITIUS LTD
STATEMENTS OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 MARCH 2014

Group	Share	Treasury	Reserve	Statutory	Revenue	Capital	Net	Net	Net	Net	Total	
	Capital	Shares	on Share	Reserve	Reserve	Conservation	Unrealised	Property	Translation	Other	Equity	
	Rs' 000	Rs' 000	Buy Back	Rs' 000	(Restated)	Rs' 000	Fair Value	Revaluation	Reserve	Reserve	Rs' 000	
At 01 January 2013												
- As previously stated	303,740	(2,333,286)	236,071	526,500	15,540,320	-	3,857,519	293,404	(555,309)	78,358	17,947,317	
- Effect of adopting IAS 19 (revised)	-	-	-	-	(47,457)	-	-	-	-	-	(47,457)	
- Reversal of portfolio provision, net of tax	-	-	-	-	468,473	-	-	-	-	-	468,473	
- Transfer to capital conservation reserve	-	-	-	-	(551,145)	551,145	-	-	-	-	-	
- As restated	303,740	(2,333,286)	236,071	526,500	15,410,191	551,145	3,857,519	293,404	(555,309)	78,358	18,368,333	
Profit for the period	-	-	-	-	715,159	-	-	-	-	-	715,159	
Other comprehensive income for the period	-	-	-	-	-	-	109,213	200	109,484	-	218,897	
Transfer to retained earnings	-	-	-	-	7,657	-	-	(7,657)	-	-	-	
At 31 March 2013 (as Restated)	303,740	(2,333,286)	236,071	526,500	16,133,007	551,145	3,966,732	285,947	(445,825)	78,358	19,302,389	
At 01 July 2012												
- As previously stated	303,740	(2,333,286)	236,071	520,133	14,660,857	551,145	3,480,601	295,271	(544,566)	78,358	17,248,324	
- Effect of adopting IAS 19 (revised)	-	-	-	-	(47,457)	-	-	-	-	-	(47,457)	
- As restated	303,740	(2,333,286)	236,071	520,133	14,613,400	551,145	3,480,601	295,271	(544,566)	78,358	17,200,867	
Profit for the period	-	-	-	-	4,764,404	-	-	-	-	-	4,764,404	
Other comprehensive loss for the period	-	-	-	-	(25,220)	-	195,409	(604)	(443,034)	(5,668)	(279,117)	
Revaluation reserve realised on disposal of property	-	-	-	-	6,749	-	-	(6,749)	-	-	-	
Transfer to retained earnings	-	-	-	-	7,767	-	-	(7,767)	-	-	-	
Transfer to statutory reserve	-	-	-	52,213	(52,213)	-	-	-	-	-	-	
Dividend	-	-	-	-	(2,452,702)	-	-	-	-	-	(2,452,702)	
At 31 December 2013 (as Restated)	303,740	(2,333,286)	236,071	572,346	16,862,185	551,145	3,676,010	280,151	(987,600)	72,690	19,233,452	
At 01 January 2014	303,740	(2,333,286)	236,071	572,346	16,862,185	551,145	3,676,010	280,151	(987,600)	72,690	19,233,452	
Profit for the period	-	-	-	-	596,493	-	-	-	-	-	596,493	
Other comprehensive income for the period	-	-	-	-	-	-	(34,315)	-	91,748	-	57,433	
Transfer to retained earnings	-	-	-	-	925	-	-	(925)	-	-	-	
Dividend	-	-	-	-	(283,997)	-	-	-	-	-	(283,997)	
At 31 March 2014	303,740	(2,333,286)	236,071	572,346	17,175,606	551,145	3,641,695	279,226	(895,852)	72,690	19,603,381	

STATE BANK OF MAURITIUS LTD

STATEMENTS OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 MARCH 2014 (CONT'D)

Bank	Share	Treasury	Statutory	Revenue	Capital	Net	Net	Net	Total
	<u>Capital</u>	<u>Shares</u>	<u>Reserve</u>	<u>Reserve</u>	<u>Conservation</u>	<u>Investment</u>	<u>Property</u>	<u>Translation</u>	<u>Equity</u>
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
At 01 January 2013									
- As previously stated	303,740	(2,333,286)	476,467	14,039,907	-	574,356	293,404	(355,501)	12,999,087
- Effect of adopting IAS 19 (revised)	-	-	-	(47,457)	-	-	-	-	(47,457)
- Reversal of portfolio provision, net of tax	-	-	-	468,473	-	-	-	-	468,473
- Transfer to capital conservation reserve	-	-	-	(551,145)	551,145	-	-	-	-
- As restated	303,740	(2,333,286)	476,467	13,909,778	551,145	574,356	293,404	(355,501)	13,420,103
Profit for the period	-	-	-	896,529	-	-	-	-	896,529
Other comprehensive income for the period	-	-	-	-	-	96,119	200	106,367	202,686
Transfer to retained earnings	-	-	-	7,657	-	-	(7,657)	-	-
At 31 March 2013 (as Restated)	303,740	(2,333,286)	476,467	14,813,964	551,145	670,475	285,947	(249,134)	14,519,318
At 01 July 2012									
- As previously stated	303,740	(2,333,286)	476,467	13,405,785	551,145	420,917	295,271	(264,179)	12,855,860
- Effect of adopting IAS 19 (revised)	-	-	-	(47,457)	-	-	-	-	(47,457)
- As restated	303,740	(2,333,286)	476,467	13,358,328	551,145	420,917	295,271	(264,179)	12,808,403
Profit for the period	-	-	-	4,546,032	-	-	-	-	4,546,032
Other comprehensive loss for the period	-	-	-	(25,220)	-	(75,021)	(604)	(520,100)	(620,945)
Revaluation reserve realised on disposal of property	-	-	-	6,749	-	-	(6,749)	-	-
Transfer to retained earnings	-	-	-	7,767	-	-	(7,767)	-	-
Transfer to statutory reserve	-	-	45,418	(45,418)	-	-	-	-	-
Dividend	-	-	-	(2,452,702)	-	-	-	-	(2,452,702)
At 31 December 2013 (as Restated)	303,740	(2,333,286)	521,885	15,395,536	551,145	345,896	280,151	(784,279)	14,280,788
At 01 January 2014	303,740	(2,333,286)	521,885	15,395,536	551,145	345,896	280,151	(784,279)	14,280,788
Profit for the period	-	-	-	619,164	-	-	-	-	619,164
Other comprehensive income for the period	-	-	-	-	-	(34,315)	-	99,561	65,246
Transfer to retained earnings	-	-	-	925	-	-	(925)	-	-
Dividend	-	-	-	(283,997)	-	-	-	-	(283,997)
At 31 March 2014	303,740	(2,333,286)	521,885	15,731,628	551,145	311,581	279,226	(684,718)	14,681,201

STATE BANK OF MAURITIUS LTD

ABRIDGED STATEMENTS OF CASH FLOWS FOR THE QUARTER ENDED 31 MARCH 2014

	-----Group-----			-----Bank-----		
	Quarter ended 31-Mar 2014 Rs' 000	Quarter ended 31-Mar 2013 Rs' 000	18 months ended 31-Dec 2013 Rs' 000	Quarter ended 31-Mar 2014 Rs' 000	Quarter ended 31-Mar 2013 Rs' 000	18 months ended 31-Dec 2013 Rs' 000
Net cash used in operating activities	(3,993,347)	(1,856,695)	(932,784)	(3,712,572)	(1,835,451)	(3,314,695)
Net cash from / (used in) financing activities	733,555	(135,596)	1,253,112	733,555	(135,597)	1,253,112
Net cash (used in) / from investing activities	(133,410)	261,070	(413,189)	(72,986)	348,474	1,582,559
Net change in cash and cash equivalents	(3,393,202)	(1,731,221)	(92,861)	(3,052,003)	(1,622,574)	(479,024)
Cash and cash equivalents at beginning of period	6,900,534	8,044,659	6,993,395	6,485,251	7,788,361	6,964,275
Cash and cash equivalents at end of period	3,507,332	6,313,438	6,900,534	3,433,248	6,165,787	6,485,251

ACCOUNTING POLICIES

The interim financial report has been prepared using the accounting policies as those adopted in the audited financial statements for the 18 months ended 31 December 2013, except new standards that are effective as from 01 January 2014. The adoption of the revised IAS 19, Employee Benefits has been applied retrospectively in the abridged unaudited interim financial report.

Copies of the interim report are available to the public free of charge at the registered office of the Company, SBM Tower, 1 Queen Elizabeth II Avenue, Place D'Armes, Port Louis and can be viewed on our website: www.sbmgroup.mu.

The statement of direct and indirect interests of officers of the Company in the capital of the Company and its subsidiaries may also be obtained free of charge upon request at the registered office of the Bank.

By order of the Board

B. M. Kallee
Company Secretary

15 May 2014

The Communiqué is issued pursuant to Listing Rule 12.20 and Securities Act 2005.

The Board of Directors of State Bank of Mauritius Ltd accepts full responsibility for the accuracy of the information contained in this Communiqué.

The financial information, including the report on review of interim financial information, has been extracted from the abridged unaudited interim financial report for the quarter ended 31 March 2014.