

SBM BANK (MAURITIUS) LTD

Abridged unaudited interim financial report for the six months ended 30 June 2015

SBM Bank (Mauritius) Ltd ('the Bank') is pleased to present its abridged unaudited interim financial report for the six months ended 30 June 2015.

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 based on the accounting policies as those adopted in the audited financial statements for the year ended 31 December 2014, and the new standards that are effective as from 01 January 2015.

Operating Results

The Bank's profit after tax for the six months ended 30 June 2015 amounted to MUR 508.15 million compared to MUR 1,347.66 million for the six months ended 30 June 2014. The decrease in profits of MUR 839.52 million is mainly due to a substantial increase in impairment charges during the period under review. Profit before net impairment and tax expense stood at MUR 1,831.82 million for the period ended 30 June 2015 as compared to MUR 1,876.65 million for the corresponding period last year.

For the period under review, interest income was down by MUR 107.67 million on account of lower advances due to low demand for credit and availability of short term money markets. Interest expense decreased by MUR 63.89 million for the six months ended 30 June 2015 compared to six months ended 30 June 2014. The Bank's net interest margin to average assets dropped from 3.69% for the six months ended 30 June 2014 to 3.33% for the six months ended 30 June 2015. Corrective measures to address the drop in net interest margin have already been taken as from the second quarter.

Non-interest income improved from MUR 768.50 million for the six months ended 30 June 2014 to MUR 801.93 million for the period under review, representing an increase of MUR 33.43 million or 4.35%, mainly on account of dealings on foreign exchange.

Non-interest expenses increased by 3.87% to reach MUR 925.97 million mostly due to higher personnel costs, taking into account the annual increase. Excluding impairment charges, cost to income ratio stood at 33.58% for June 2015 compared to 32.21% for June 2014.

The Bank's total assets grew by over 6% compared to December 2014, from MUR 114.81 billion as at 31 December 2014 to MUR 122.04 billion at 30 June 2015, mainly on account of investment securities in gilt-edged increasing by MUR 5,371.04 million. While loans and advances have witnessed a drop, deposits grew by MUR 7,453.06 million mainly in low cost. Net Impaired advances witnessed a significant increase from MUR 1,447 million at 31 December 2014 to MUR 3,216 million at 30 June 2015, impacting negatively on the net impaired advances to net advances ratio, from 0.95% at 31 December 2014 to 2.11% at 30 June 2015.

Capital

The capital base of SBM Bank (Mauritius) Ltd stood at MUR 13,667 million as at 30 June 2015 with shareholder's equity of MUR 15,549 million. The capital adequacy ratio (CAR) stood at 18.44% as at 30 June 2015 and tier 1 capital to risk weighted assets ratio stood at 16.50%, both ratios above the minimum regulatory limit.

Outlook

The operating environment progressed along a subdued path during the first half of 2015, marked by downward revisions in economic growth prospects, weak credit demand, concerns on credit quality and pressures on margins amidst high liquidity. As a result, the domestic banking sector operated amidst conditions lacking stimulus. Going forward, credit and profitability growth should remain challenging. On a comforting note, some signs of improvement have started to sprout and could impact positively on performance by the last quarter of the year.

Jairaj Sonoo, C.S.K
Chief Executive – Banking
(Indian Ocean Islands)

Mahmadally Burkutoola
Chairman, Audit Committee

Nayen Koomar Ballah
Chairman

06 August 2015

**Review report to the Board of Directors of
SBM Bank (Mauritius) Ltd**

We have reviewed the accompanying interim condensed statement of financial position of SBM Bank (Mauritius) Ltd (the “Bank”) as of June 30, 2015 and the related interim condensed statements of profit or loss and other comprehensive income, changes in equity and abridged cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this interim condensed 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 condensed financial information does not present fairly, in all material respects, the financial position of the Bank as at June 30, 2015, and of its financial performance and its cash flows for the six months period then ended in accordance with IAS 34 Interim Financial Reporting.

ERNST & YOUNG
Ebène, Mauritius

PATRICK NG TSEUNG, A.C.A.
Licensed by FRC

6 August 2015

SBM BANK (MAURITIUS) LTD**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015**

	Unaudited 30 June 2015	Unaudited 30 June 2014 (Restated)	Audited 31 December 2014
	MUR' 000	MUR' 000	MUR' 000
ASSETS			
Cash and cash equivalents	10,970,789	5,452,334	7,643,760
Mandatory balances with Central Banks	6,456,096	6,009,757	6,333,742
Loans to and placements with banks	570,085	1,610,401	702,133
Trading assets	270,975	230,627	205,138
Loans and advances to non-bank customers	65,585,350	71,561,545	67,577,748
Investment securities	30,982,916	21,537,363	25,611,877
Equity investments	370	250,548	370
Investment in subsidiaries	-	1,282	-
Property and equipment	2,766,310	2,554,147	2,714,936
Intangible assets	1,234,712	922,225	1,067,723
Deferred tax assets	199,939	152,574	162,190
Other assets	3,003,263	2,365,674	2,789,003
Total assets	122,040,805	112,648,477	114,808,620
LIABILITIES			
Deposits from banks	1,508,090	406,925	620,334
Deposits from non-bank customers	97,995,489	83,263,238	90,542,433
Other borrowed funds	5,253,130	7,121,665	5,113,005
Trading liabilities	183,161	199,969	146,548
Current tax liabilities	340,589	277,619	87,721
Deferred tax liabilities	-	100,948	77,329
Other liabilities	1,211,316	1,366,106	1,453,314
Subordinated debts	-	3,493,012	-
Total liabilities	106,491,775	96,229,482	98,040,684
SHAREHOLDERS' EQUITY			
Stated capital	310,000	303,740	310,000
Capital contribution	8,063,106	-	8,063,106
Revenue reserve	5,089,383	16,478,998	6,485,822
Other reserves	2,086,541	1,969,543	1,909,008
	15,549,030	18,752,281	16,767,936
Less treasury shares	-	(2,333,286)	-
Total equity	15,549,030	16,418,995	16,767,936
Total equity and liabilities	122,040,805	112,648,477	114,808,620
Contingent liabilities	13,923,682	13,623,960	13,840,386

Approved by the Board of Directors and authorised for issue on 06 August 2015.

Jairaj Sonoo, C.S.K.
Chief Executive - Banking
(Indian Ocean Islands)

Mahmadally Burkutoola
Chairman, Audit Committee

Nayen Koomar Ballah
Chairman

SBM BANK (MAURITIUS) LTD

**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

	Unaudited Quarter ended 30 June <u>2015</u> MUR' 000	Unaudited Quarter ended 30 June <u>2014</u> (Restated) MUR' 000	Unaudited 6 months ended 30 June <u>2015</u> MUR' 000	Unaudited 6 months ended 30 June <u>2014</u> (Restated) MUR' 000	Audited Year ended 31 December <u>2014</u> MUR' 000
Interest income	1,516,570	1,592,731	3,024,835	3,132,502	6,273,081
Interest expense	(497,830)	(573,870)	(1,068,980)	(1,132,870)	(2,312,269)
Net interest income	1,018,740	1,018,861	1,955,855	1,999,632	3,960,812
Fee and commission income	233,770	220,859	434,109	415,283	869,531
Fee and commission expense	(7,502)	(6,655)	(15,522)	(12,970)	(27,462)
Net fee and commission income	226,268	214,204	418,587	402,313	842,069
Dividend income	-	544	3	61,441	61,903
Net trading income	110,919	67,537	235,259	135,407	357,009
Other operating income	65,561	118,727	148,085	169,337	633,359
Non-interest income	402,748	401,012	801,934	768,498	1,894,340
Operating income	1,421,488	1,419,873	2,757,789	2,768,130	5,855,152
Personnel expenses	(294,967)	(279,858)	(573,458)	(508,999)	(1,065,309)
Depreciation and amortisation	(41,793)	(41,596)	(79,453)	(87,894)	(163,978)
Other expenses	(179,436)	(144,167)	(273,059)	(294,586)	(638,826)
Non-interest expense	(516,196)	(465,621)	(925,970)	(891,479)	(1,868,113)
Profit before net impairment loss on financial assets	905,292	954,252	1,831,819	1,876,651	3,987,039
Net impairment loss	(847,440)	(2,293)	(1,091,060)	(207,305)	(432,008)
Profit before income tax	57,852	951,959	740,759	1,669,346	3,555,031
Income tax expense	(68,785)	(214,486)	(232,613)	(321,684)	(672,538)
Profit for the period	(10,933)	737,473	508,146	1,347,662	2,882,493

SBM BANK (MAURITIUS) LTD
INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2015 (CONTINUED)

	Unaudited Quarter ended 30 June <u>2015</u> MUR' 000	Unaudited Quarter ended 30 June <u>2014</u> (Restated) MUR' 000	Unaudited 6 months ended 30 June <u>2015</u> MUR' 000	Unaudited 6 months ended 30 June <u>2014</u> (Restated) MUR' 000	Audited Year ended 31 December <u>2014</u> MUR' 000
Profit for the period	(10,933)	737,473	508,146	1,347,662	2,882,493
Other comprehensive income :					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Decrease in revaluation of property	-	-	(2,680)	-	(6,849)
Deferred tax on revaluation surplus of property	-	-	-	-	4,788
Remeasurement of defined benefit pension plan	-	-	-	-	11,855
	-	-	(2,680)	-	9,794
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of foreign operations (Decrease) / increase in value of available-for-sale investments	(161,996)	(11,131)	275,955	88,430	104,194
Fair value realised on disposal of available-for-sale investments	(129,137)	(2,511)	(75,227)	15,266	25,188
	-	(67,503)	-	(119,595)	(369,699)
	(291,133)	(81,145)	200,728	(15,899)	(240,317)
Other comprehensive (loss) / income	(291,133)	(81,145)	198,048	(15,899)	(230,523)
Total comprehensive (loss) / income for the period	(302,066)	656,328	706,194	1,331,763	2,651,970

SBM BANK (MAURITIUS) LTD
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Stated capital MUR' 000	Capital Contribution MUR' 000	Treasury shares MUR' 000	Statutory reserve MUR' 000	Capital conservation reserve MUR' 000	Retained Earnings (Restated) MUR' 000	Net unrealised investment fair value reserve MUR' 000	Net property revaluation reserve (Restated) MUR' 000	Net translation reserve MUR' 000	Total equity MUR' 000
At 01 January 2014										
- As previously stated	303,740	-	(2,333,286)	521,885	551,145	15,395,534	345,896	280,153	(784,279)	14,280,788
- Surplus on revaluation of buildings on leasehold land	-	-	-	-	-	-	-	1,002,326	-	1,002,326
- Adjustment of supplementary depreciation	-	-	-	-	-	-	-	88,115	-	88,115
- As restated	303,740	-	(2,333,286)	521,885	551,145	15,395,534	345,896	1,370,594	(784,279)	15,371,229
Profit for the period	-	-	-	-	-	1,347,662	-	-	-	1,347,662
Other comprehensive loss for the period	-	-	-	-	-	-	(104,329)	-	88,430	(15,899)
Transfer to retained earnings	-	-	-	-	-	19,799	-	(19,799)	-	-
Dividend	-	-	-	-	-	(283,997)	-	-	-	(283,997)
At 30 June 2014 (as Restated)	303,740	-	(2,333,286)	521,885	551,145	16,478,998	241,567	1,350,795	(695,849)	16,418,995
At 01 January 2014	303,740	-	(2,333,286)	521,885	551,145	15,395,534	345,896	1,370,594	(784,279)	15,371,229
Increase in stated capital	6,260	-	-	-	-	-	-	-	-	6,260
Transfer of treasury shares upon restructure	-	-	2,333,286	-	-	-	-	-	-	2,333,286
Capital contribution arising on transfer of treasury shares	-	2,541,744	-	-	-	-	-	-	-	2,541,744
Capital contribution received upon restructure	-	5,521,362	-	-	-	-	-	-	-	5,521,362
Profit for the year	-	-	-	-	-	2,882,493	-	-	-	2,882,493
Other comprehensive loss for the year	-	-	-	-	-	11,855	(344,511)	(2,061)	104,194	(230,523)
Transfer to capital conservation reserve	-	-	-	-	174,096	(174,096)	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	34,211	-	(34,211)	-	-
Transfer to statutory reserve	-	-	-	6,260	-	(6,260)	-	-	-	-
Dividend	-	-	-	-	-	(11,657,915)	-	-	-	(11,657,915)
At 31 December 2014	310,000	8,063,106	-	528,145	725,241	6,485,822	1,385	1,334,322	(680,085)	16,767,936
At 01 January 2015	310,000	8,063,106	-	528,145	725,241	6,485,822	1,385	1,334,322	(680,085)	16,767,936
Profit for the period	-	-	-	-	-	508,146	-	-	-	508,146
Other comprehensive income for the period	-	-	-	-	-	-	(75,227)	(2,680)	275,955	198,048
Transfer to capital conservation reserve	-	-	-	-	3,048	(3,048)	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	25,808	-	(25,808)	-	-
Transfer to statutory reserve	-	-	-	2,245	-	(2,245)	-	-	-	-
Dividend	-	-	-	-	-	(1,925,100)	-	-	-	(1,925,100)
At 30 June 2015	310,000	8,063,106	-	530,390	728,289	5,089,383	(73,842)	1,305,834	(404,130)	15,549,030

SBM BANK (MAURITIUS) LTD**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

	Unaudited 6 months ended 30 June <u>2015</u> MUR' 000	Unaudited 6 months ended 30 June <u>2014</u> MUR' 000	Audited Year ended 31 December <u>2014</u> MUR' 000
Net cash from / (used in) operating activities	5,398,038	(4,975,387)	307,920
Net cash (used in) / from financing activities	(1,784,975)	4,216,429	786,395
Net cash (used in) / from investing activities	(286,034)	(273,959)	64,194
Net change in cash and cash equivalents	3,327,029	(1,032,917)	1,158,509
Cash and cash equivalents at start of period	7,643,760	6,485,251	6,485,251
Cash and cash equivalents at end of period	10,970,789	5,452,334	7,643,760

The financial information, including the review report of interim condensed financial statements, has been extracted from the unaudited interim condensed financial statements for the six months ended 30 June 2015.