

SBM BANK (MAURITIUS) LTD

Unaudited interim condensed financial statements For the nine months ended 30 September 2015

SBM Bank (Mauritius) Ltd ('the Bank') is pleased to present its unaudited interim condensed financial statements for the nine months ended 30 September 2015.

The unaudited interim condensed financial statements have been prepared in accordance with the Bank of Mauritius Guideline on Public Disclosure of Information and IAS 34 - Interim Financial Reporting. The interim financial statements have been prepared based on the accounting policies as those adopted in the audited financial statements for the year ended 31 December 2014, except for all the new standards and interpretations that are effective as from 01 January 2015 that have been adopted.

Operating Results

The Bank's profit after tax for the nine months ended 30 September 2015 amounted to MUR 1,182 million compared to MUR 2,282 million for the nine months ended 30 September 2014. The decrease in profits of MUR 1,100 million is mainly due to a substantial increase in impairment charges during the period under review to stand at MUR 1,199 million as compared to MUR 217 million for the corresponding period last year. Profit before net impairment and tax expense stood at MUR 2,792 million for the period ended 30 September 2015 as compared to MUR 3,020 million for the corresponding period last year.

For the period under review, interest income was down by MUR 178 million while interest expense decreased by MUR 186 million compared to the nine months ended 30 September 2014. The Bank's net interest margin to average assets dropped from 3.67 percent to 3.45 percent over the same periods.

Excluding dividend income of MUR 62 million and exceptional gain on sale of equity investments of MUR 377 million for the period ended 30 September 2014, non-interest income increased from MUR 977 million for the nine months ended 30 September 2014 to MUR 1,208 million for the period under review, representing an increase of MUR 231 million or 23.66 percent, driven mainly on account of dealings on foreign exchange.

Non-interest expenses increased by 2 percent to reach MUR 1,418 million due to normal increase in personnel, property and general expenses. Cost to income ratio increased to 47.10 percent. However, excluding impairment charges, cost to income ratio stood at 33.68 percent for September 2015 compared to 31.53 percent for September 2014.

The Bank's total assets grew by 2.60 percent, from MUR 114,809 million as at 31 December 2014 to MUR 117,797 million at 30 September 2015, mainly on account of an increase in investment in gilt-edged securities by MUR 5,001 million. Whilst net loans and advances have witnessed a drop, deposits grew by MUR 3,546 million mainly in low cost. Net Impaired advances witnessed a significant increase from MUR 1,447 million at 31 December 2014 to MUR 3,193 million at 30 September 2015, impacting negatively on the net impaired advances to net advances ratio, from 0.95 percent at 31 December 2014 to 1.95 percent at 30 September 2015.

Capital

The capital base of SBM Bank (Mauritius) Ltd stood at MUR 14,252 million as at 30 September 2015 with shareholder's equity of MUR 16,129 million. The capital adequacy ratio (CAR) stood at 18.67 percent as at 30 September 2015 and Tier 1 capital to risk weighted assets ratio stood at 16.57 percent, both ratios above the minimum regulatory limit.

Dividend

An interim dividend of 1.45 cents per share has been declared for the financial year ending 31 December 2015, to be paid in November 2015.

Outlook

The economic outlook for Mauritius remains clouded by uncertainty on the international front while the banking sector continues to face headwinds, namely in terms of excess liquidity and asset quality concerns. Hence, in addition to consolidating its domestic base, the Bank will continue to pursue diversification opportunities, notably in terms of cross-border financing, supported by an uplift in capabilities to support growth plans.

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

Mahmadally Burkutoola
Chairman, Audit Committee

Nayen Koomar Ballah
Chairman

10 November 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 30 September 2015 and the related interim condensed statements of profit or loss and other comprehensive income, changes in equity and abridged cash flows for the nine 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 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 30 September 2015, and of its financial performance and its cash flows for the nine 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

10 November 2015

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

	Unaudited 30 September 2015 MUR' 000	Unaudited 30 September 2014 MUR' 000	Audited 31 December 2014 MUR' 000
ASSETS			
Cash and cash equivalents	4,985,365	4,865,972	7,643,760
Mandatory balances with Central Banks	6,218,649	5,986,826	6,333,742
Loans to and placements with banks	1,330,236	1,653,660	702,133
Trading assets	152,220	197,023	205,138
Loans and advances to non-bank customers	67,097,947	66,183,381	67,577,748
Investment securities	30,613,110	26,894,112	25,611,877
Equity investments	370	370	370
Investment in subsidiaries	-	125	-
Property and equipment	2,781,259	2,724,032	2,714,936
Intangible assets	1,238,873	1,000,868	1,067,723
Deferred tax assets	195,823	125,666	162,190
Other assets	3,182,776	2,622,358	2,789,003
Total assets	117,796,628	112,254,393	114,808,620
LIABILITIES			
Deposits from banks	912,198	759,299	620,334
Deposits from non-bank customers	94,088,428	83,393,013	90,542,433
Other borrowed funds	4,811,364	5,580,153	5,113,005
Trading liabilities	133,310	209,912	146,548
Current tax liabilities	468,565	358,149	87,721
Deferred tax liabilities	-	91,041	77,329
Other liabilities	1,253,537	1,795,159	1,453,314
Subordinated debts	-	3,557,950	-
Total liabilities	101,667,402	95,744,676	98,040,684
SHAREHOLDERS' EQUITY			
Stated capital	310,000	303,740	310,000
Capital contribution	8,063,106	-	8,063,106
Revenue reserve	5,654,586	16,599,776	6,485,822
Other reserves	2,101,534	1,939,487	1,909,008
	16,129,226	18,843,003	16,767,936
Less treasury shares	-	(2,333,286)	-
Total equity	16,129,226	16,509,717	16,767,936
Total equity and liabilities	117,796,628	112,254,394	114,808,620
Contingent liabilities	14,823,978	13,242,004	13,840,386

Approved by the Board of Directors and authorised for issue on 10 November 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 NINE MONTHS ENDED 30 SEPTEMBER 2015**

	Unaudited Quarter ended 30 September 2015 MUR' 000	Unaudited Quarter ended 30 September 2014 MUR' 000	Unaudited 9 months ended 30 September 2015 MUR' 000	Unaudited 9 months ended 30 September 2014 MUR' 000	Audited Year ended 31 December 2014 MUR' 000
Interest income	1,528,212	1,598,840	4,553,047	4,731,342	6,273,081
Interest expense	(482,186)	(603,883)	(1,551,166)	(1,736,753)	(2,312,269)
Net interest income	1,046,026	994,957	3,001,881	2,994,589	3,960,812
Fee and commission income	237,060	208,747	671,169	624,031	869,531
Fee and commission expense	(6,336)	(6,749)	(21,858)	(19,720)	(27,462)
Net fee and commission income	230,724	201,998	649,311	604,311	842,069
Dividend income	11	458	14	61,899	61,903
Net trading income	99,691	80,008	334,950	215,414	357,009
Other operating income	75,279	364,491	223,364	533,828	633,359
Non-interest income	405,705	646,955	1,207,639	1,415,452	1,894,340
Operating income	1,451,731	1,641,912	4,209,520	4,410,041	5,855,152
Personnel expenses	(295,761)	(285,781)	(869,219)	(794,780)	(1,065,309)
Depreciation and amortisation	(38,923)	(38,309)	(118,376)	(126,202)	(163,978)
Other expenses	(157,369)	(174,715)	(430,428)	(469,301)	(638,826)
Non-interest expense	(492,053)	(498,805)	(1,418,023)	(1,390,283)	(1,868,113)
Profit before net impairment loss on financial assets	959,678	1,143,107	2,791,497	3,019,758	3,987,039
Net impairment loss	(107,887)	(9,741)	(1,198,947)	(217,046)	(432,008)
Profit before income tax	851,791	1,133,366	1,592,550	2,802,712	3,555,031
Income tax expense	(177,617)	(198,750)	(410,230)	(520,434)	(672,538)
Profit for the period / year	674,174	934,616	1,182,320	2,282,278	2,882,493

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

	Unaudited Quarter ended 30 September <u>2015</u> MUR' 000	Unaudited Quarter ended 30 September <u>2014</u> MUR' 000	Unaudited 9 months ended 30 September <u>2015</u> MUR' 000	Unaudited 9 months ended 30 September <u>2014</u> MUR' 000	Audited Year ended 31 December <u>2014</u> MUR' 000
Profit for the period / year	674,174	934,616	1,182,320	2,282,278	2,882,493
Other comprehensive income :					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Decrease in revaluation of property	-	(6,692)	(2,680)	(6,692)	(6,849)
Deferred tax on revaluation surplus of property	-	4,792	-	4,792	4,788
Remeasurement of defined benefit pension plan	-	18,719	-	18,719	11,855
	-	16,819	(2,680)	16,819	9,794
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of foreign operations	(60,292)	32,943	215,663	121,373	104,194
(Decrease) / increase in value of available-for-sale investments	(33,686)	27,714	(108,913)	42,980	25,188
Fair value realised on disposal of available-for-sale investments	-	(250,104)	-	(369,699)	(369,699)
	(93,978)	(189,447)	106,750	(205,346)	(240,317)
Other comprehensive (loss) / income	(93,978)	(172,628)	104,070	(188,527)	(230,523)
Total comprehensive income for the period / year	580,196	761,988	1,286,390	2,093,751	2,651,970

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

	Stated <u>capital</u>	Capital <u>Contribution</u>	Treasury <u>shares</u>	Statutory <u>reserve</u>	Capital conservation <u>reserve</u>	Retained <u>Earnings</u>	Net unrealised investment fair value <u>reserve</u>	Net property revaluation <u>reserve</u>	Net translation <u>reserve</u>	Total equity
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
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
Profit for the period	-	-	-	-	-	2,282,278	-	-	-	2,282,278
Other comprehensive loss for the period	-	-	-	-	-	18,719	(326,719)	(1,900)	121,373	(188,527)
Transfer to capital conservation reserve	-	-	-	-	171,162	(171,162)	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	29,670	-	(29,670)	-	-
Dividend	-	-	-	-	-	(955,263)	-	-	-	(955,263)
At 30 September 2014	303,740	-	(2,333,286)	521,885	722,307	16,599,776	19,177	1,339,024	(662,906)	16,509,717
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	-	-	-	-	-	1,182,320	-	-	-	1,182,320
Other comprehensive income for the period	-	-	-	-	-	-	(108,913)	(2,680)	215,663	104,070
Transfer to capital conservation reserve	-	-	-	-	121,631	(121,631)	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	35,420	-	(35,420)	-	-
Transfer to statutory reserve	-	-	-	2,245	-	(2,245)	-	-	-	-
Dividend	-	-	-	-	-	(1,925,100)	-	-	-	(1,925,100)
At 30 September 2015	310,000	8,063,106	-	530,390	846,872	5,654,586	(107,528)	1,296,222	(464,422)	16,129,226

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

	Unaudited 9 months ended 30 September 2015	Unaudited 9 months ended 30 September 2014	Audited Year ended 31 December 2014
	MUR' 000	MUR' 000	MUR' 000
Net cash (used in) / from operating activities	(84,280)	(3,464,384)	307,920
Net cash (used in) / from financing activities	(2,226,741)	2,404,225	786,395
Net cash (used in) / from investing activities	(347,374)	(559,120)	64,194
Net change in cash and cash equivalents	(2,658,395)	(1,619,279)	1,158,509
Cash and cash equivalents at start of period / year	7,643,760	6,485,251	6,485,251
Cash and cash equivalents at end of period / year	4,985,365	4,865,972	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 nine months ended 30 September 2015.