

SBM BANK (MAURITIUS) LTD

Interim unaudited condensed financial statements for the six months ended 30 June 2016

SBM Bank (Mauritius) Ltd ('the Bank') is pleased to present its interim unaudited condensed financial statements for the six months ended 30 June 2016.

The interim unaudited 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 adopted in the audited financial statements for the year ended 31 December 2015, except for the adoption of all the new standards and interpretations which are effective as from 01 January 2016.

Operating Results

The Bank achieved a remarkable performance for the six months ended 30 June 2016. The Bank's profit after tax increased by more than threefold for the six months ended 30 June 2016 to reach MUR 1,515 million compared to MUR 468 million for the six months ended 30 June 2015 as restated. Lower profits were reaped for the six months ended 30 June 2015 on account of significant impairment charges recognised during that period amounting to MUR 1,047 million compared to MUR 207 million for the current six months ended 30 June 2016. Profit before net impairment charges and tax expense increased by 20.04% to reach MUR 2,105 million for the six months ended 30 June 2016 compared to MUR 1,754 million for the six months ended 30 June 2015. The higher profits were mainly due to higher net interest income and non-interest income.

Interest income amounted to MUR 2,986 million for the six months ended 30 June 2016. Interest on loans and advances to non-bank customers amounted to MUR 2,351 million for the period under review compared to MUR 2,467 million for the corresponding period of last year. Investment securities represented a higher mix of total assets despite earning lower yields given weak demand for credit still prevailing coupled with excess liquidity in the market. Interest expense was lower by MUR 208 million or 19.48% compared to the six months ended 30 June 2015 despite an increase in the volume of deposits as the Bank continued to focus on lower cost CASA deposits. Cost of deposits improved from 2.20% for the six months ended 30 June 2015 to 1.65% for six months ended 30 June 2016 and net interest margin improved from 3.37% to 3.41% over the same periods.

Non-interest income increased by 25.25% from MUR 810 million for the six months ended 30 June 2015 to MUR 1,015 million for the period under review, driven mainly on account of higher income from e-commerce business and gains from dealings on securities.

Non-interest expenses increased marginally from MUR 1,012 million in June 2015 to MUR 1,035 million for the six months ended 30 June 2016. Cost to income ratio improved to 32.96% for the six months ended 30 June 2016 from 36.60% for the six months ended 30 June 2015.

The Bank's total assets grew by MUR 4,504 million or 3.66%, from MUR 122,976 million as at 31 December 2015 to reach MUR 127,480 million at 30 June 2016, mainly on account of an increase in investment and equity securities by MUR 3,755 million. Net loans and advances witnessed a decrease of MUR 2,654 million or

3.88% compared to 31 December 2015. Impaired advances increased from MUR 3,622 million at 31 December 2015 to MUR 3,966 million at 30 June 2016 which negatively impacted on the net impaired advances to net advances ratio that deteriorated from 1.87% at 31 December 2015 to 2.02% at 30 June 2016. Overall deposits from bank and non-bank customers increased by MUR 2,068 million or 1.98% compared to 31 December 2015.

Capital

The capital base of SBM Bank (Mauritius) Ltd stood at MUR 12,210 million as at 30 June 2016 and the shareholder's equity at MUR 15,059 million. The capital adequacy ratio (CAR) was 16.20% as at 30 June 2016 and Tier 1 capital to risk weighted assets ratio stood at 14.19%, both ratios were above the minimum regulatory requirement.

Outlook

Economic growth in Mauritius has remained subdued in the face of sustained weakness in investment activity. Credit growth has been trending down and interest rates remain low on the back of persisting excess liquidity. Faced with negative spill over effects emanating from a recent deterioration in asset quality, the Bank has been exercising continued vigilance. In a bid to increase the Bank's bottom-line, the Bank has embarked on a number of key initiatives essentially aimed at (i) consolidating its Retail, SME and Corporate banking businesses, (ii) modernising its channels of service delivery and products/services, and (iii) building capabilities across functions.

2016 results are on course to compare favourably to those of 2015, as evidenced by the half-year results. The recent reduction of the repo rate by the Central Bank and the measures enunciated in the national budget are expected to support economic growth, and in turn, improve the Bank's growth prospects.

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

Mahmadally Burkutoola
Chairman, Audit Committee

Nayen Koomar Ballah
Chairman

10 August 2016

**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 June 2016 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 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 June 2016, 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

10 August 2016

SBM BANK (MAURITIUS) LTD
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

	Unaudited 30 June <u>2016</u> MUR' 000	Unaudited 30 June <u>2015</u> MUR' 000 (Restated)	Audited 31 December <u>2015</u> MUR' 000
ASSETS			
Cash and cash equivalents	9,578,270	12,175,935	8,978,486
Mandatory balances with Central Banks	6,824,169	6,456,096	6,894,736
Loans to and placements with banks	3,687,964	570,085	1,208,945
Trading assets	256,283	305,704	144,117
Loans and advances to non-bank customers	65,722,794	65,009,223	68,377,264
Investment securities	34,830,209	30,982,916	31,079,244
Equity investments	4,043	370	370
Property and equipment	2,749,952	2,766,310	2,779,766
Intangible assets	2,796,309	1,803,567	2,370,391
Deferred tax assets	298,995	281,317	276,767
Other assets	730,992	826,622	865,953
Total assets	127,479,980	121,178,145	122,976,039
LIABILITIES			
Deposits from banks	2,641,385	1,508,090	798,636
Deposits from non-bank customers	103,802,711	97,995,489	103,577,789
Other borrowed funds	2,155,193	5,253,130	2,132,497
Trading liabilities	225,763	217,890	120,756
Current tax liabilities	354,048	340,589	371,242
Other liabilities	3,241,460	2,627,426	2,376,326
Total liabilities	112,420,560	107,942,614	109,377,246
SHAREHOLDERS' EQUITY			
Stated capital	310,000	310,000	310,000
Capital contribution	8,063,106	8,063,106	8,063,106
Revenue reserve	5,474,339	3,504,173	3,940,391
Other reserves	1,211,975	1,358,252	1,285,296
Total equity	15,059,420	13,235,531	13,598,793
Total equity and liabilities	127,479,980	121,178,145	122,976,039

Approved by the Board of Directors and authorised for issue on 10 August 2016.

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

Mahmadally Burkutoola
Chairman, Audit Committee

Nayen Koomar Ballah
Chairman

SBM BANK (MAURITIUS) LTD

STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Unaudited Quarter ended 30 June 2016 MUR' 000	Unaudited Quarter ended 30 June 2015 MUR' 000 (Restated)	Unaudited Six Months ended 30 June 2016 MUR' 000	Unaudited Six Months ended 30 June 2015 MUR' 000 (Restated)	Audited Year ended 31 December 2015 MUR' 000
Interest income	1,471,547	1,516,570	2,986,134	3,024,835	6,069,197
Interest expense	(434,481)	(497,830)	(860,725)	(1,068,980)	(2,002,186)
Net interest income	1,037,066	1,018,740	2,125,409	1,955,855	4,067,011
Fee and commission income	257,436	237,791	529,043	442,151	971,051
Fee and commission expense	(6,336)	(7,502)	(12,206)	(15,522)	(27,330)
Net fee and commission income	251,100	230,289	516,837	426,629	943,721
Dividend income	-	-	-	3	14
Net trading income	132,605	110,919	238,215	235,259	456,749
Other operating income	152,360	65,561	259,462	148,085	272,640
Non-interest income	536,065	406,769	1,014,514	809,976	1,673,124
Operating income	1,573,131	1,425,509	3,139,923	2,765,831	5,740,135
Personnel expenses	(310,287)	(294,968)	(607,093)	(573,458)	(1,184,869)
Depreciation and amortisation	(41,238)	(41,793)	(80,359)	(79,453)	(158,991)
Other expenses	(152,776)	(212,790)	(347,439)	(359,280)	(769,582)
Non-interest expense	(504,301)	(549,551)	(1,034,891)	(1,012,191)	(2,113,442)
Profit before net impairment loss on financial assets	1,068,830	875,958	2,105,032	1,753,640	3,626,693
Net impairment loss	(21,052)	(831,773)	(207,457)	(1,047,471)	(1,873,364)
Profit before income tax	1,047,778	44,185	1,897,575	706,169	1,753,329
Income tax expense	(206,005)	(69,391)	(382,978)	(237,805)	(408,801)
Profit / (loss) for the quarter / period / year	841,773	(25,206)	1,514,597	468,364	1,344,528

SBM BANK (MAURITIUS) LTD

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Unaudited Quarter ended 30 June <u>2016</u> MUR' 000	Unaudited Quarter ended 30 June <u>2015</u> MUR' 000 (Restated)	Unaudited Six Months ended 30 June <u>2016</u> MUR' 000	Unaudited Six Months ended 30 June <u>2015</u> MUR' 000 (Restated)	Audited Year ended 31 December <u>2015</u> MUR' 000
Profit / (loss) for the quarter / period / year	841,773	(25,206)	1,514,597	468,364	1,344,528
Other comprehensive income :					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Decrease in revaluation of property	-	-	-	(2,680)	(2,680)
Remeasurement of defined benefit pension plan	-	-	-	-	(10,858)
	-	-	-	(2,680)	(13,538)
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of foreign operations	(27,791)	(161,996)	(88,548)	275,955	221,053
Movement in value of available-for-sale investments	11,046	(129,137)	34,578	(75,227)	(72,369)
	(16,745)	(291,133)	(53,970)	200,728	148,684
Other comprehensive (loss) / income	(16,745)	(291,133)	(53,970)	198,048	135,146
Total comprehensive income / (loss) for the quarter / period / year	825,028	(316,339)	1,460,627	666,412	1,479,674

SBM BANK (MAURITIUS) LTD
STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Stated capital	Capital contribution	Statutory reserve	Capital conservation reserve (Restated)	Retained earnings (Restated)	Available- for-sale reserve	Property revaluation reserve	Foreign currency translation reserve	Total equity
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2015									
- Previously stated	310,000	8,063,106	528,145	725,241	6,485,822	1,385	1,334,322	(680,085)	16,767,936
- Restatement	-	-	-	(725,241)	(1,548,476)	-	-	-	(2,273,717)
- As restated	310,000	8,063,106	528,145	-	4,937,346	1,385	1,334,322	(680,085)	14,494,219
Profit for the period as previously stated	-	-	-	-	508,146	-	-	-	508,146
Restatement	-	-	-	-	(39,782)	-	-	-	(39,782)
Profit for the period as restated	-	-	-	-	468,364	-	-	-	468,364
Other comprehensive income for the period	-	-	-	-	-	(75,227)	(2,680)	275,955	198,048
Total comprehensive income for the period	-	-	-	-	468,364	(75,227)	(2,680)	275,955	666,412
<i>Movement in respect of macro prudential provisioning:</i>									
As previously stated	-	-	-	3,048	-	-	-	-	3,048
Restatement	-	-	-	(3,048)	3,048	-	-	-	-
Transfer to allowance for credit impairment	-	-	-	-	(3,048)	-	-	-	(3,048)
As restated	-	-	-	-	-	-	-	-	-
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 (as restated)	310,000	8,063,106	530,390	-	3,504,173	(73,842)	1,305,834	(404,130)	13,235,531
At 01 January 2015	310,000	8,063,106	528,145	-	4,937,346	1,385	1,334,322	(680,085)	14,494,219
Profit for the year	-	-	-	-	1,344,528	-	-	-	1,344,528
Other comprehensive income for the year	-	-	-	-	(10,858)	(72,369)	(2,680)	221,053	135,146
Total comprehensive income for the year	-	-	-	-	1,333,670	(72,369)	(2,680)	221,053	1,479,674
Transfer to retained earnings	-	-	-	-	46,720	-	(46,720)	-	-
Transfer to statutory reserve	-	-	2,245	-	(2,245)	-	-	-	-
Dividend	-	-	-	-	(2,375,100)	-	-	-	(2,375,100)
At 31 December 2015	310,000	8,063,106	530,390	-	3,940,391	(70,984)	1,284,922	(459,032)	13,598,793
At 01 January 2016	310,000	8,063,106	530,390	-	3,940,391	(70,984)	1,284,922	(459,032)	13,598,793
Profit for the period	-	-	-	-	1,514,597	-	-	-	1,514,597
Other comprehensive income for the period	-	-	-	-	-	34,578	-	(88,548)	(53,970)
Total comprehensive income for the period	-	-	-	-	1,514,597	34,578	-	(88,548)	1,460,627
Transfer to retained earnings	-	-	-	-	19,351	-	(19,351)	-	-
At 30 June 2016	310,000	8,063,106	530,390	-	5,474,339	(36,406)	1,265,571	(547,580)	15,059,420

SBM BANK (MAURITIUS) LTD

ABRIDGED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Unaudited Six months ended 30 June 2016 MUR' 000	Unaudited Six months ended 30 June 2015 MUR' 000 (Restated)	Audited Year ended 31 December 2015 MUR' 000
Net cash from operating activities	1,061,664	5,398,038	7,547,259
Net cash from / (used in) financing activities	22,696	(1,784,975)	(5,355,608)
Net cash used in investing activities	(484,576)	(286,034)	(1,330,945)
Net change in cash and cash equivalents	599,784	3,327,029	860,706
Cash and cash equivalents at start of period / year	8,978,486	8,848,906	8,117,780
Cash and cash equivalents at end of period / year	9,578,270	12,175,935	8,978,486

The financial information, including the review report of interim unaudited condensed financial statements, has been extracted from the interim unaudited condensed financial statements for the six months ended 30 June 2016.