

## **SBM BANK (MAURITIUS) LTD**

### **Interim unaudited condensed financial statements for the nine months ended 30 September 2016**

SBM Bank (Mauritius) Ltd ('the Bank') is pleased to present its interim unaudited condensed financial statements for the nine months ended 30 September 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 posted a good performance for the nine months ended 30 September 2016. Profit after tax almost doubled for the nine months ended 30 September 2016 to reach MUR 1,909 million compared to MUR 1,022 million for the nine months ended 30 September 2015 as restated. The lower profit for the nine months ended 30 September 2015 was mainly on account of significant impairment charges amounting to MUR 1,279 million compared to MUR 458 million for the period under review. Profit before impairment charges and tax increased by 8.36% from MUR 2,716 million in 2015 to reach MUR 2,943 million. The higher profits were mainly driven by lower interest expense and higher trading income.

Interest income amounted to MUR 4,469 million for the nine months ended 30 September 2016 led by interest on loans and advances to non-bank customers amounting to MUR 3,473 million compared to MUR 3,696 million for the corresponding period of last year. Interest expense was lower by MUR 268 million or 17.29% compared to the nine months ended 30 September 2015 despite an increase in the volume of deposits as the Bank continued to focus on lower cost deposits. Cost of deposits improved from 2.10% for the nine months ended 30 September 2015 to 1.59% for nine months ended 30 September 2016. Net interest margin dropped from 3.43% to 3.40% over the same periods, mainly in view of the declining credit to deposit ratio and lower yields on the growing investment securities portfolio.

Non-interest income increased by 26.98% from MUR 1,220 million for the nine months ended 30 September 2015 to MUR 1,549 million for the period under review, mainly on account of higher income from e-business and gains from trading on securities.

Non-interest expenses increased from MUR 1,506 million in September 2015 to MUR 1,792 million for the nine months ended 30 September 2016, on account of higher amortisation charges of software following go live of the new IT system on 12 September 2016. Cost to income ratio stood at 37.85% for the nine months ended 30 September 2016.

The Bank's total assets grew by MUR 10,532 million or 8.56%, from MUR 122,976 million as at 31 December 2015 to reach MUR 133,508 million at 30 September 2016, mainly on account of an increase in investment securities by MUR 6,576 million. Net loans and advances witnessed a decrease of MUR 714 million or 1.04% compared to 31 December 2015. Impaired advances increased from MUR 3,622 million at 31 December 2015 to MUR 4,532

million at 30 September 2016 and the net impaired advances to net advances ratio from 1.87% at 31 December 2015 to 2.41% at 30 September 2016. Deposits from bank and non-bank customers increased by MUR 8,655 million or 8.29% compared to 31 December 2015, mostly from low cost savings and current accounts.

### Capital

The capital base of SBM Bank (Mauritius) Ltd stood at MUR 11,630 million as at 30 September 2016 and the shareholder's equity at MUR 15,493 million. The capital adequacy ratio (CAR) was 14.89% as at 30 September 2016 and Tier 1 capital to risk weighted assets ratio stood at 12.93%, both ratios were above the minimum regulatory requirement.

### Outlook

Credit growth is expected to remain subdued pending the implementation of large scale investment projects. Hence, excess liquidity should persist for some time, putting continued pressure on margins. In this context, the Bank will continue to diversify its business operations outside Mauritius while consolidating its Mauritius business, taking advantage of the enhanced technology platform.

**Raj Dussoye**  
Chief Executive - Banking

**Mahmadally Burkutoola**  
Chairman, Audit Committee

**Nayen Koomar Ballah**  
Chairman

10 November 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 September 2016 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 2016, 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 2016

**SBM BANK (MAURITIUS) LTD**

**STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2016**

	Unaudited 30 September <u>2016</u> MUR' 000	Unaudited 30 September <u>2015</u> MUR' 000 (Restated)	Audited 31 December <u>2015</u> MUR' 000
<b>ASSETS</b>			
Cash and cash equivalents	10,975,319	5,388,749	8,978,486
Mandatory balances with Central Banks	7,058,724	6,218,649	6,894,736
Loans to and placements with banks	2,621,253	1,330,236	1,208,945
Trading assets	189,977	237,410	144,117
Loans and advances to non-bank customers	67,662,966	66,397,841	68,377,264
Investment securities	37,655,132	30,613,110	31,079,244
Equity investments	4,076	370	370
Property and equipment	2,746,137	2,781,259	2,779,766
Intangible assets	3,810,002	1,965,474	2,370,391
Deferred tax assets	330,274	278,205	276,767
Other assets	454,252	846,553	865,953
<b>Total assets</b>	<b>133,508,112</b>	<b>116,057,856</b>	<b>122,976,039</b>
<b>LIABILITIES</b>			
Deposits from banks	2,528,650	912,198	798,636
Deposits from non-bank customers	110,502,838	94,088,428	103,577,789
Other borrowed funds	1,712,972	4,811,364	2,132,497
Trading liabilities	187,865	218,500	120,756
Current tax liabilities	484,018	468,565	371,242
Other liabilities	2,598,823	1,863,867	2,376,326
<b>Total liabilities</b>	<b>118,015,166</b>	<b>102,362,922</b>	<b>109,377,246</b>
<b>SHAREHOLDERS' EQUITY</b>			
Stated capital	310,000	310,000	310,000
Capital contribution	8,063,106	8,063,106	8,063,106
Revenue reserve	5,879,228	4,067,166	3,940,391
Other reserves	1,240,612	1,254,662	1,285,296
<b>Total equity</b>	<b>15,492,946</b>	<b>13,694,934</b>	<b>13,598,793</b>
<b>Total equity and liabilities</b>	<b>133,508,112</b>	<b>116,057,856</b>	<b>122,976,039</b>

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

Raj Dussoye  
Chief Executive - Banking

Mahmadally Burkutoola  
Chairman, Audit Committee

Nayen Koomar Ballah  
Chairman

SBM BANK (MAURITIUS) LTD

STATEMENT OF PROFIT OR LOSS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

	Unaudited Quarter ended 30 September <u>2016</u> MUR' 000	Unaudited Quarter ended 30 September <u>2015</u> MUR' 000 (Restated)	Unaudited Nine Months ended 30 September <u>2016</u> MUR' 000	Unaudited Nine Months ended 30 September <u>2015</u> MUR' 000 (Restated)	Audited Year ended 31 December <u>2015</u> MUR' 000
Interest income	1,483,048	1,528,212	4,469,182	4,553,047	6,069,197
Interest expense	(422,170)	(482,186)	(1,282,895)	(1,551,166)	(2,002,186)
<b>Net interest income</b>	<b>1,060,878</b>	<b>1,046,026</b>	<b>3,186,287</b>	<b>3,001,881</b>	<b>4,067,011</b>
Fee and commission income	252,610	241,081	781,653	683,232	971,051
Fee and commission expense	(4,726)	(6,336)	(16,932)	(21,858)	(27,330)
<b>Net fee and commission income</b>	<b>247,884</b>	<b>234,745</b>	<b>764,721</b>	<b>661,374</b>	<b>943,721</b>
Dividend income	-	11	-	14	14
Net trading income	150,067	99,691	388,282	334,950	456,749
Other operating income	136,264	75,279	395,726	223,364	272,640
<b>Non-interest income</b>	<b>534,215</b>	<b>409,726</b>	<b>1,548,729</b>	<b>1,219,702</b>	<b>1,673,124</b>
<b>Operating income</b>	<b>1,595,093</b>	<b>1,455,752</b>	<b>4,735,016</b>	<b>4,221,583</b>	<b>5,740,135</b>
Personnel expenses	(317,121)	(295,761)	(924,214)	(869,219)	(1,184,869)
Depreciation and amortisation	(236,030)	(38,923)	(316,389)	(118,376)	(158,991)
Other expenses	(204,370)	(159,204)	(551,809)	(518,484)	(769,582)
<b>Non-interest expense</b>	<b>(757,521)</b>	<b>(493,888)</b>	<b>(1,792,412)</b>	<b>(1,506,079)</b>	<b>(2,113,442)</b>
<b>Profit before net impairment loss on financial assets</b>	<b>837,572</b>	<b>961,864</b>	<b>2,942,604</b>	<b>2,715,504</b>	<b>3,626,693</b>
Net impairment loss	(250,803)	(231,867)	(458,260)	(1,279,338)	(1,873,364)
<b>Profit before income tax</b>	<b>586,769</b>	<b>729,997</b>	<b>2,484,344</b>	<b>1,436,166</b>	<b>1,753,329</b>
Income tax expense	(192,093)	(176,616)	(575,071)	(414,421)	(408,801)
<b>Profit for the quarter / period / year</b>	<b>394,676</b>	<b>553,381</b>	<b>1,909,273</b>	<b>1,021,745</b>	<b>1,344,528</b>

SBM BANK (MAURITIUS) LTD

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

	Unaudited Quarter ended 30 September <u>2016</u> MUR' 000	Unaudited Quarter ended 30 September <u>2015</u> MUR' 000 (Restated)	Unaudited Nine Months ended 30 September <u>2016</u> MUR' 000	Unaudited Nine Months ended 30 September <u>2015</u> MUR' 000 (Restated)	Audited Year ended 31 December <u>2015</u> MUR' 000
Profit for the quarter / period / year	394,676	553,381	1,909,273	1,021,745	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)
Reassessment of useful life of fixed assets	1,529	-	1,529	-	-
Remeasurement of defined benefit pension plan	-	-	-	-	(10,858)
	1,529	-	1,529	(2,680)	(13,538)
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of foreign operations	26,673	(60,292)	(61,875)	215,663	221,053
Movement in value of available-for-sale investments	10,648	(33,686)	45,226	(108,913)	(72,369)
	37,321	(93,978)	(16,649)	106,750	148,684
Other comprehensive income / (loss)	38,850	(93,978)	(15,120)	104,070	135,146
Total comprehensive income for the quarter / period / year	433,526	459,403	1,894,153	1,125,815	1,479,674

**SBM BANK (MAURITIUS) LTD**  
**STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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	-	-	-	-	1,182,320	-	-	-	1,182,320
Restatement	-	-	-	-	(160,575)	-	-	-	(160,575)
Profit for the period as restated	-	-	-	-	1,021,745	-	-	-	1,021,745
Other comprehensive income for the period	-	-	-	-	-	(108,913)	(2,680)	215,663	104,070
Total comprehensive income for the period	-	-	-	-	1,021,745	(108,913)	(2,680)	215,663	1,125,815
<i>Movement in respect of macro prudential provisioning:</i>									
As previously stated	-	-	-	121,631	-	-	-	-	121,631
Restatement	-	-	-	(121,631)	121,631	-	-	-	-
Transfer to allowance for credit impairment	-	-	-	-	(121,631)	-	-	-	(121,631)
As restated	-	-	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	35,420	-	(35,420)	-	-
Transfer to statutory reserve	-	-	2,245	-	(2,245)	-	-	-	-
Dividend	-	-	-	-	(1,925,100)	-	-	-	(1,925,100)
<b>At 30 September 2015 (as restated)</b>	<b>310,000</b>	<b>8,063,106</b>	<b>530,390</b>	<b>-</b>	<b>4,067,166</b>	<b>(107,528)</b>	<b>1,296,222</b>	<b>(464,422)</b>	<b>13,694,934</b>
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)
<b>At 31 December 2015</b>	<b>310,000</b>	<b>8,063,106</b>	<b>530,390</b>	<b>-</b>	<b>3,940,391</b>	<b>(70,984)</b>	<b>1,284,922</b>	<b>(459,032)</b>	<b>13,598,793</b>
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 quarter	-	-	-	-	1,909,273	-	-	-	1,909,273
Other comprehensive income for the period	-	-	-	-	-	45,226	1,529	(61,875)	(15,120)
Total comprehensive income for the period	-	-	-	-	1,909,273	45,226	1,529	(61,875)	1,894,153
Transfer to retained earnings	-	-	-	-	29,564	-	(29,564)	-	-
<b>At 30 September 2016</b>	<b>310,000</b>	<b>8,063,106</b>	<b>530,390</b>	<b>-</b>	<b>5,879,228</b>	<b>(25,758)</b>	<b>1,256,887</b>	<b>(520,907)</b>	<b>15,492,946</b>

SBM BANK (MAURITIUS) LTD

ABRIDGED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

	Nine months ended 30 September 2016 MUR' 000	Nine months ended 30 September 2015 MUR' 000 (Restated)	Year ended 31 December 2015 MUR' 000
Net cash from / (used in) operating activities	4,145,345	(84,280)	7,547,259
Net cash used in financing activities	(419,525)	(2,226,741)	(5,355,608)
Net cash used in investing activities	(1,728,987)	(347,374)	(1,330,945)
Net change in cash and cash equivalents	1,996,833	(2,658,395)	860,706
Cash and cash equivalents at start of period / year	8,978,486	8,047,144	8,117,780
Cash and cash equivalents at end of period / year	10,975,319	5,388,749	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 nine months ended 30 September 2016.*