

SBM BANK (MAURITIUS) LTD

Interim unaudited condensed financial statements for the quarter ended 31 March 2017

SBM Bank (Mauritius) Ltd ('the Bank') is pleased to present its interim unaudited condensed financial statements for the quarter ended 31 March 2017.

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 2016, except for the adoption of all the new standards and interpretations which are effective as from 01 January 2017.

Operating Results

The Bank's total assets grew by 14.06%, from MUR 134,091 million as at 31 December 2016 to reach MUR 152,949 million at 31 March 2017, on the back of significant increase in net loans and advances of MUR 11,652 million or 16.38% and growth in investment securities of MUR 1,253 million. Advances growth was mostly driven by increase in segment B by MUR 11 billion, as the Bank focused on diversifying its loan portfolio.

Deposits from banks and non-bank customers increased by MUR 14,980 million or 13.49% to reach MUR 125,994 million from MUR 111,014 million at 31 December 2016. The increase was mostly from low cost savings and current accounts.

Net interest income witnessed a slight decrease of 3.77% in Q1 2017 compared to Q1 2016 mostly due to: (i) the Bank decreasing its PLR by 45 bps while interest rates on savings dropped by 40 bps following drop in repo rate in July 2016 by 40bps; (ii) decrease in return on advances due to increasing competition in a market characterised by low demand for credit and excess liquidity; and (iii) increase in non-performing loans. Net interest margin dropped from 3.55% in Q1 2016 to 2.96% in Q1 2017.

Non-interest income posted a notable increase of 30.74% from MUR 478 million for Q1 2016 to MUR 626 million for Q1 2017, mainly on account of increase in Treasury income by 87.05%.

Non-interest expenses increased from MUR 531million in Q1 2016 to MUR 669 million for Q1 2017, mainly due to higher IT cost following the go-live of the new IT system in September 2016. Personnel cost also increased due to revision in salary and increase in staff force. Cost to income ratio stood at 40% for Q1 2017 compared to 33.86% for Q1 2016.

Impairment charges increased by 58.16% on additional provisioning required for the Indian Operations. Impaired advances increased to MUR 5,078 million at 31 March 2017.

The Bank's operating income increased by 6.76% from MUR 1,567 million for Q1 2016 to reach MUR 1,673 million for Q1 2017. However, due to higher impairment charges and higher non-interest expenses profit after tax decreased to MUR 598 million for Q1 2017 as against MUR 673 million for Q1 2016.

Capital

The shareholder's equity stood at MUR 16,254 million as at 31 March 2017. The capital adequacy ratio (CAR) and Tier 1 capital to risk weighted assets ratio were 13.80% and 11.99% respectively, as at 31 March 2017, both ratios were comfortably above the minimum regulatory requirement including the Domestic-Systemically Important Banks (D-SIBs) and capital conservation buffer.

Outlook

Credit growth is likely to be sustained in the course of the year. Nevertheless, in view of deposit growth, excess liquidity should continue to prevail in the market, thereby exerting continued pressure on interest margins. The Bank will continue to maintain its focus on expanding the cross-border business and improving market share domestically whilst enriching its products, services and channels for enhanced performance in 2017. Human capital and other capabilities are also being reinforced on an ongoing basis.

Raj Dussoye
Chief Executive - Banking

Mahmadally Burkutoola
Chairman, Audit Committee

Nayen Koomar Ballah
Chairman

08 May 2017

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 31 March 2017 and the related interim condensed statements of profit or loss and other comprehensive income, changes in equity and abridged cash flows for the 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 31 March 2017, and of its financial performance and its cash flows for the period then ended in accordance with IAS 34 Interim Financial Reporting.

ERNST & YOUNG
Ebène, Mauritius

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

08 May 2017

SBM BANK (MAURITIUS) LTD
STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2017

	Unaudited 31 March <u>2017</u> MUR' 000	Unaudited 31 March <u>2016</u> MUR' 000	Audited 31 December <u>2016</u> MUR' 000
ASSETS			
Cash and cash equivalents	13,586,281	6,900,269	9,423,941
Mandatory balances with Central Banks	7,778,229	6,887,386	6,945,570
Loans to and placements with banks	5,897,755	1,783,600	4,645,911
Trading assets	425,810	238,265	165,997
Loans and advances to non-bank customers	82,810,289	67,082,969	71,158,114
Investment securities	35,344,449	34,329,485	34,410,974
Equity investments	4,162	4,078	4,058
Property and equipment	2,718,063	2,768,186	2,750,051
Intangible assets	3,711,573	2,508,674	3,769,919
Deferred tax assets	203,686	316,126	215,320
Other assets	468,810	794,284	600,752
Total assets	152,949,107	123,613,322	134,090,607
LIABILITIES			
Deposits from banks	1,956,046	2,583,598	2,711,364
Deposits from non-bank customers	124,037,700	100,680,163	108,302,387
Other borrowed funds	7,604,565	3,092,071	4,540,509
Trading liabilities	430,085	216,494	182,406
Current tax liabilities	453,285	591,453	358,908
Other liabilities	2,213,683	2,215,151	2,240,596
Total liabilities	136,695,364	109,378,930	118,336,170
SHAREHOLDERS' EQUITY			
Stated capital	310,000	310,000	310,000
Capital contribution	8,063,106	8,063,106	8,063,106
Revenue reserve	6,602,023	4,622,891	6,193,747
Other reserves	1,278,614	1,238,395	1,187,584
Total equity	16,253,743	14,234,392	15,754,437
Total equity and liabilities	152,949,107	123,613,322	134,090,607

Approved by the Board of Directors and authorised for issue on 08 May 2017.

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 QUARTER ENDED 31 MARCH 2017

	Unaudited Quarter ended 31 March <u>2017</u> MUR' 000	Unaudited Quarter ended 31 March <u>2016</u> MUR' 000	Audited Year ended 31 December <u>2016</u> MUR' 000
Interest income	1,473,311	1,514,587	5,937,265
Interest expense	(426,072)	(426,244)	(1,683,162)
Net interest income	1,047,239	1,088,343	4,254,103
Fee and commission income	232,350	271,607	996,119
Fee and commission expense	(4,724)	(5,870)	(23,367)
Net fee and commission income	227,626	265,737	972,752
Net trading income	300,525	105,610	472,695
Other operating income	97,351	107,102	446,925
Non-interest income	625,502	478,449	1,892,372
Operating income	1,672,741	1,566,792	6,146,475
Personnel expenses	(338,497)	(296,806)	(1,323,372)
Depreciation and amortisation	(144,099)	(39,121)	(345,840)
Other expenses	(186,464)	(194,663)	(898,960)
Non-interest expense	(669,060)	(530,590)	(2,568,172)
Profit before net impairment loss on financial assets	1,003,681	1,036,202	3,578,303
Net impairment loss	(294,815)	(186,405)	(716,742)
Profit before income tax	708,866	849,797	2,861,561
Income tax expense	(110,378)	(176,973)	(652,949)
Profit for the quarter / year	598,488	672,824	2,208,612

SBM BANK (MAURITIUS) LTD

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2017

	Unaudited Quarter ended 31 March <u>2017</u> MUR' 000	Unaudited Quarter ended 31 March <u>2016</u> MUR' 000	Audited Year ended 31 December <u>2016</u> MUR' 000
Profit for the quarter / year	598,488	672,824	2,208,612
Other comprehensive income :			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Increase in revaluation of property	-	-	1,480
Revaluation surplus realised on disposal of property	-	-	(190)
Underprovision of deferred tax assets on revaluation of property in prior years	-	-	(24,817)
Remeasurement of defined benefit pension plan	-	-	1,599
	-	-	(21,928)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations	77,506	(60,757)	(76,609)
Movement in fair value of available-for-sale investments	39,920	29,342	233,005
Fair value re-cycled on disposal of available-for-sale investments	(15,108)	(5,810)	(187,436)
	102,318	(37,225)	(31,040)
Other comprehensive income / (loss)	102,318	(37,225)	(52,968)
Total comprehensive income for the quarter / year	700,806	635,599	2,155,644

SBM BANK (MAURITIUS) LTD
STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 MARCH 2017

	Stated capital	Capital Contribution	Statutory reserve	Retained earnings	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
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	-	-	-	672,824	-	-	-	672,824
Other comprehensive income for the quarter	-	-	-	-	23,532	-	(60,757)	(37,225)
Total comprehensive income for the quarter	-	-	-	672,824	23,532	-	(60,757)	635,599
Transfer to retained earnings	-	-	-	9,676	-	(9,676)	-	-
At 31 March 2016	310,000	8,063,106	530,390	4,622,891	(47,452)	1,275,246	(519,789)	14,234,392
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 year	-	-	-	2,208,612	-	-	-	2,208,612
Other comprehensive income for the year	-	-	-	1,599	45,569	(23,527)	(76,609)	(52,968)
Total comprehensive income for the year	-	-	-	2,210,211	45,569	(23,527)	(76,609)	2,155,644
Transfer to retained earnings	-	-	-	43,145	-	(43,145)	-	-
At 31 December 2016	310,000	8,063,106	530,390	6,193,747	(25,415)	1,218,250	(535,641)	15,754,437
At 01 January 2017	310,000	8,063,106	530,390	6,193,747	(25,415)	1,218,250	(535,641)	15,754,437
Profit for the quarter	-	-	-	598,488	-	-	-	598,488
Other comprehensive income for the quarter	-	-	-	-	24,812	-	77,506	102,318
Total comprehensive income for the quarter	-	-	-	598,488	24,812	-	77,506	700,806
Transfer to retained earnings	-	-	-	11,288	-	(11,288)	-	-
Dividend	-	-	-	(201,500)	-	-	-	(201,500)
At 31 March 2017	310,000	8,063,106	530,390	6,602,023	(603)	1,206,962	(458,135)	16,253,743

SBM BANK (MAURITIUS) LTD

ABRIDGED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 31 MARCH 2017

	Quarter ended 31 March 2017	Quarter ended 31 March 2016	Year ended 31 December 2016
	MUR' 000	MUR' 000	MUR' 000
Net cash from / (used in) operating activities	1,148,396	(2,865,229)	(265,084)
Net cash from financing activities	3,064,056	959,573	2,408,011
Net cash used in investing activities	(50,112)	(172,561)	(1,726,361)
Net change in cash and cash equivalents	4,162,340	(2,078,217)	416,566
Net foreign exchange difference	-	-	28,889
Cash and cash equivalents at start of quarter / year	9,423,941	8,978,486	8,978,486
Cash and cash equivalents at end of quarter / year	13,586,281	6,900,269	9,423,941

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 quarter ended 31 March 2017.