

SBM Holdings Ltd

SBM Holdings Ltd ('the Group') is pleased to present its interim unaudited condensed financial report for the nine months ended 30 September 2017.

The interim unaudited condensed financial report has been prepared in accordance with the Bank of Mauritius Guidelines on Public Disclosure of Information and IAS 34 - Interim Financial Reporting. The report has also been prepared based on those accounting policies applied in the preparation of the audited financial statements for the year ended 31 December 2016 and the Group and the Company have adopted all new standards and interpretations which are effective as from 01 January 2017.

Operating Results

The Group's operating income increased from MUR 4,971 million for the nine months ended 30 September 2016 to MUR 5,494 million for the corresponding period ended 30 September 2017, mainly on account of increase in treasury income and interest earning assets. However, the Group's profit after tax decreased from MUR 1,995 million to MUR 1,864 million over the same period. This was due to an increase in portfolio provision of MUR 396 million, reflecting an increase in the net advances book by nearly MUR 28 billion, incremental costs of MUR 275 million from the new IT system, higher HR costs of MUR 189 million and impairment of equity investments of MUR 147 million. However, this was mitigated by an increase in operating income of MUR 523 million and lower taxation of MUR 171 million. The cost to income ratio increased from 38.63% for the nine months ended 30 September 2016 to 44.83% for the period under review.

Net interest margin decreased from 3.12% for the period ended 30 September 2016 to 2.77% for period ended 30 September 2017, largely due to lower return on advances from 6.66% to 5.59% resulting from declining return on advances on account of increasing competition and low credit offtake caused by continued excess market liquidity. Non interest income rose from MUR 1,670 million to MUR 1,955 million over the same period mainly on treasury business. Overall, the earnings per share decreased from MUR 0.77 for the period ended 30 September 2016 to MUR 0.72 for the period ended 30 September 2017.

In line with the Group's strategy to build scale, total assets grew substantially by 31.6% from MUR 146.90 billion as at 31 December 2016 to reach MUR 193.31 billion as at 30 September 2017. This increase in total assets is due mainly to an increase of MUR 27.60 billion in net loans and advances to non-bank customers, of which advances to Segment B accounted for MUR 17.41 billion. Deposits from non-bank customers increased by MUR 38.97 billion over the same period.

The Group Capital

The capital base and equity of the Group stood at MUR 24.98 billion and MUR 25.16 billion respectively as at 30 September 2017 as compared to MUR 24.03 billion and MUR 23.80 billion respectively as at 31 December 2016.

The Group's capital adequacy ratio (CAR), Tier 1 capital ratio and common equity Tier 1 capital ratio decreased to 20.54%, 16.23% and 16.23% respectively as at 30 September 2017 from 25.70%, 19.90% and 19.90% respectively as at 31 December 2016, reflecting a more effective use of capital. These ratios, calculated as per Basel III requirements, are well above the minimum regulatory limit of 11.125% for CAR, including provision for Domestically Systemic Important Banks (D-SIBs) and Capital Conservation Buffer.

Outlook

The Group has continued to make progress in respect of its 5-year strategy. The quarter under review was marked by the issue and listing of Afreximbank Depository Receipts, a first of its kind in Africa, with SBM acting as arranger and depository. The Group is also in the process of conducting a due diligence of Chase Bank (Kenya) Limited (In Receivership), with the objective of acquiring carved out assets and liabilities, subject to shareholder, regulatory and other approvals. Should the deal go through, this should enhance SBM Kenya's profile on the market in line with the Group's ambition to become a Tier 1 player in the medium to long term. We are also awaiting the Reserve Bank of India's final approval for implementation of a wholly owned subsidiary in India, which would help expand the network and consolidate the business. Together with the projected increase in cross-border activities, as well as wealth management and investment banking, the overseas expansion initiatives should support diversification of the revenue base and improve returns, in spite of the cost buildup linked to the IT system and investment in human capital.

SBM Holdings Ltd is finalising the appointment of the Group CEO, which should further support and drive the implementation of the diversification strategy.

With the business momentum in the last quarter, the Group is expected to achieve marked improvement in projected results for the financial year.

Kee Chong LI KWONG WING, G.O.S.K.
Chairman

Subhas THECKA
Chairman, Audit Committee

13 November 2017

SBM HOLDINGS LTD
INTERIM UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

	The Group			The Company		
	Unaudited 30 September 2017	Unaudited 30 September 2016	Audited 31 December 2016	Unaudited 30 September 2017	Unaudited 30 September 2016	Audited 31 December 2016
	MUR'000	MUR'000	MUR'000	MUR' 000	MUR' 000	MUR' 000
ASSETS						
Cash and cash equivalents	18,163,665	11,100,529	9,490,208	33,355	37,974	15,321
Mandatory balances with Central Banks	9,259,510	7,197,060	7,097,994	-	-	-
Loans to and placements with banks	8,257,173	2,621,460	4,645,911	-	-	-
Trading assets	3,906,756	189,977	165,998	-	-	-
Loans and advances to non-bank customers	99,228,466	68,127,149	71,624,874	-	-	-
Investment securities	38,973,526	42,967,484	39,430,829	2,541,760	4,500,454	4,305,882
Equity investments	6,365,861	6,547,241	5,732,722	4,267,800	5,534,324	4,261,347
Investment in associate	1,342,880	-	1,275,880	1,272,977	-	1,272,977
Investment in subsidiaries	-	-	-	23,230,911	21,848,084	21,854,773
Property and equipment	2,942,968	2,796,051	2,809,777	3,407	4,631	4,309
Intangible assets	3,925,849	3,820,876	3,770,271	-	-	-
Deferred tax assets	307,721	329,990	215,260	-	-	-
Other assets	635,163	494,821	635,984	66,625	1,713	1,501
TOTAL ASSETS	193,309,538	146,192,638	146,895,708	31,416,835	31,927,180	31,716,110
LIABILITIES						
Deposits from banks	759,146	2,499,959	2,611,669	-	-	-
Deposits from non-bank customers	148,211,013	111,489,538	109,241,194	-	-	-
Other borrowed funds	10,714,189	1,713,245	4,486,008	-	-	-
Trading liabilities	1,445,241	187,943	182,413	-	-	-
Current tax liabilities	136,603	493,080	364,670	2,704	5,195	1,354
Deferred tax liabilities	97,977	-	-	64	38	64
Other liabilities	3,050,125	2,653,095	2,339,683	16,602	3,452	5,997
Subordinated debts	3,735,954	3,817,870	3,865,371	3,735,954	3,817,870	3,865,371
Total liabilities	168,150,248	122,854,730	123,091,008	3,755,324	3,826,555	3,872,786
SHAREHOLDERS' EQUITY						
Stated capital	32,500,204	32,500,204	32,500,204	32,500,204	32,500,204	32,500,204
Retained earnings	1,987,996	794,001	865,100	803,293	1,275,265	1,020,810
Other reserves	(4,453,879)	(5,081,266)	(4,685,573)	(766,955)	(799,813)	(802,659)
	30,034,321	28,212,939	28,679,731	32,536,542	32,975,656	32,718,355
Less treasury shares	(4,875,031)	(4,875,031)	(4,875,031)	(4,875,031)	(4,875,031)	(4,875,031)
Total equity	25,159,290	23,337,908	23,804,700	27,661,511	28,100,625	27,843,324
TOTAL EQUITY AND LIABILITIES	193,309,538	146,192,638	146,895,708	31,416,835	31,927,180	31,716,110
Contingent Liabilities	18,417,486	14,743,526	15,015,298			

Approved by the Board of Directors and authorised for issue on 13 November 2017 and signed on its behalf by:

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Kee Chong LI KWONG WING, G.O.S.K.

Chairman

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Subhas THECKA

Chairman, Audit Committee

SBM HOLDINGS LTD
INTERIM UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

	The Group					The Company				
	Unaudited Quarter ended 30 September 2017	Unaudited Quarter ended 30 September 2016	Unaudited 9 months ended 30 September 2017	Unaudited 9 months ended 30 September 2016	Audited Year ended 31 December 2016	Unaudited Quarter ended 30 September 2017	Unaudited Quarter ended 30 September 2016	Unaudited 9 months ended 30 September 2017	Unaudited 9 months ended 30 September 2016	Audited Year ended 31 December 2016
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Interest income	1,848,509	1,558,264	5,188,017	4,721,671	6,249,765	29,787	54,789	105,731	191,838	227,814
Interest expense	(600,402)	(472,183)	(1,649,318)	(1,421,335)	(1,866,491)	(36,741)	(41,063)	(111,854)	(112,628)	(149,307)
Net interest income	1,248,107	1,086,081	3,538,699	3,300,336	4,383,274	(6,954)	13,726	(6,123)	79,210	78,507
Fee and commission income	332,453	271,538	869,489	842,722	1,081,945	-	-	-	-	-
Fee and commission expense	(6,060)	(6,462)	(18,893)	(19,688)	(29,346)	(89)	(125)	(267)	(125)	-
Net fee and commission income	326,393	265,076	850,596	823,034	1,052,599	(89)	(125)	(267)	(125)	-
Dividend income	2,292	6,076	3,041	6,671	38,864	241,273	-	597,773	-	27,563
Net trading income	278,314	179,564	764,623	439,309	515,050	8,860	13,969	25,653	14,107	3,822
Other operating income	105,058	137,334	337,218	401,401	456,438	2	952	(11,252)	5,553	9,331
Non-interest income	712,057	588,050	1,955,478	1,670,415	2,062,951	250,046	14,796	611,907	19,535	40,716
Operating income	1,960,164	1,674,131	5,494,177	4,970,751	6,446,225	243,092	28,522	605,784	98,745	119,223
Personnel expenses	(399,961)	(336,475)	(1,161,924)	(972,995)	(1,395,895)	(7,640)	(929)	(7,640)	(1,471)	(3,830)
Depreciation and amortisation	(180,632)	(113,792)	(492,230)	(196,096)	(350,004)	(301)	(301)	(902)	(902)	(1,203)
Other expenses	(328,925)	(358,494)	(809,077)	(751,287)	(995,723)	(8,204)	(19,801)	(38,871)	(34,918)	(48,005)
Non-interest expense	(909,518)	(808,761)	(2,463,231)	(1,920,378)	(2,741,622)	(16,145)	(21,031)	(47,413)	(37,291)	(53,038)
Profit before net impairment loss on financial assets	1,050,646	865,370	3,030,946	3,050,373	3,704,603	226,947	7,491	558,371	61,454	66,185
Net impairment loss on financial assets	(381,680)	(250,700)	(810,088)	(457,488)	(716,899)	-	-	-	-	-
Operating profit	668,966	614,670	2,220,858	2,592,885	2,987,704	226,947	7,491	558,371	61,454	66,185
Share of profit of associate	17,420	-	69,911	-	1,627	-	-	-	-	-
Profit before income tax	686,386	614,670	2,290,769	2,592,885	2,989,331	226,947	7,491	558,371	61,454	66,185
Tax expense	(132,724)	(197,791)	(427,198)	(598,082)	(680,429)	(450)	(3,000)	(1,350)	(15,973)	(16,979)
Profit for the period/year attributable to equity holders of the parent	553,662	416,879	1,863,571	1,994,803	2,308,902	226,497	4,491	557,021	45,481	49,206
Earnings per share (Cents)			72.18	77.26	89.43					

SBM HOLDINGS LTD
INTERIM UNAUDITED CONDENSED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

	The Group					The Company				
	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	Quarter	Quarter	9 months	9 months	Year	Quarter	Quarter	9 months	9 months	Year
	ended	ended	ended	ended	ended	ended	ended	ended	ended	ended
30 September	30 September	30 September	30 September	31 December	30 September	30 September	30 September	30 September	31 December	
2017	2016	2017	2016	2016	2017	2016	2017	2016	2016	
MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Profit for the period/year attributable to equity holders of the parent	553,662	416,879	1,863,571	1,994,803	2,308,902	226,497	4,491	557,021	45,481	49,206
Other comprehensive income :										
<i>Items that will not be reclassified subsequently to profit or loss:</i>										
Movement in revaluation of property	-	1,529	-	1,529	1,530	-	-	-	-	-
Underprovision of deferred tax assets on revaluation of property in prior years	-	-	-	-	(24,817)	-	-	-	-	-
Share of other comprehensive loss of associate	(12,125)	-	(2,910)	-	1,276	-	-	-	-	-
Remeasurement of defined benefit pension plan (net of deferred tax)	-	-	-	-	1,599	-	-	-	-	-
	(12,125)	1,529	(2,910)	1,529	(20,412)	-	-	-	-	-
<i>Items that may be reclassified subsequently to profit or loss:</i>										
Exchange differences on translation of foreign operations	(62,191)	33,839	(40,502)	(57,692)	(80,866)	-	-	-	-	-
Movement in value of available-for-sale investments	(10,391)	(76,692)	251,198	11,265	650,541	4,030	2,271	35,704	(2,659)	3,826
Fair value re-cycled on disposal of available-for-sale investments	85,541	91,637	-	-	(180,697)	-	-	-	-	(6,740)
Fair value realised on reclassification of available-for-sale investments to investment in	-	-	-	-	(2,591)	-	-	-	-	(2,591)
	12,959	48,784	210,696	(46,427)	386,387	4,030	2,271	35,704	(2,659)	(5,505)
Other comprehensive income / (loss)	834	50,313	207,786	(44,898)	365,975	4,030	2,271	35,704	(2,659)	(5,505)
Total comprehensive income attributable to equity holders of the	554,496	467,192	2,071,357	1,949,905	2,674,877	230,527	6,762	592,725	42,822	43,701

SBM HOLDINGS LTD
INTERIM UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

The Group	Stated Capital	Treasury Shares	Statutory Reserve	Revenue Reserve	Net Unrealised Investment Fair Value	Net Property Revaluation Reserve	Net Translation Reserve	Net Other Reserve	Restructure Reserve	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 2016										
- As previously stated	32,500,204	(4,875,031)	592,187	(430,006)	(698,920)	224,209	256,060	-	(5,380,340)	22,188,363
Profit for the period as restated	-	-	-	1,994,803	-	-	-	-	-	1,994,803
Other comprehensive (loss) / income for the period	-	-	-	-	11,265	1,529	(57,692)	-	-	(44,898)
Total comprehensive income / (loss) for the period	-	-	-	1,994,803	11,265	1,529	(57,692)	-	-	1,949,905
Transfer to retained earnings	-	-	-	29,564	-	(29,564)	-	-	-	-
Dividend	-	-	-	(800,360)	-	-	-	-	-	(800,360)
At 30 September 2016	<u>32,500,204</u>	<u>(4,875,031)</u>	<u>592,187</u>	<u>794,001</u>	<u>(687,655)</u>	<u>196,174</u>	<u>198,368</u>	<u>-</u>	<u>(5,380,340)</u>	<u>23,337,908</u>
At 01 January 2016										
- As previously stated	32,500,204	(4,875,031)	592,187	(430,006)	(698,920)	224,209	256,060	-	(5,380,340)	22,188,363
Profit for the period	-	-	-	2,308,902	-	-	-	-	-	2,308,902
Other comprehensive (loss) / income for the year	-	-	-	1,599	467,253	(23,287)	(80,866)	1,276	-	365,975
Total comprehensive income / (loss) for the year	-	-	-	2,310,502	467,253	(23,287)	(80,866)	1,276	-	2,674,877
Transfer to retained earnings	-	-	-	43,145	-	(43,145)	-	-	-	-
Dividend	-	-	-	(1,058,540)	-	-	-	-	-	(1,058,540)
At 31 December 2016	<u>32,500,204</u>	<u>(4,875,031)</u>	<u>592,187</u>	<u>865,100</u>	<u>(231,667)</u>	<u>157,777</u>	<u>175,194</u>	<u>1,276</u>	<u>(5,380,340)</u>	<u>23,804,700</u>
At 01 January 2017	32,500,204	(4,875,031)	592,187	865,100	(231,667)	157,777	175,194	1,276	(5,380,340)	23,804,700
Profit for the period	-	-	-	1,863,571	-	-	-	-	-	1,863,571
Other comprehensive income/ (loss) for the period	-	-	-	-	251,198	-	(40,502)	(2,910)	-	207,786
Total comprehensive income for the period	-	-	-	1,863,571	251,198	-	(40,502)	(2,910)	-	2,071,357
Transfer to retained earnings	-	-	-	33,863	-	(33,863)	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-
Dividend	-	-	-	(774,538)	-	-	-	-	-	(774,538)
Changes in ownership interest										
Acquisition of subsidiary	-	-	36,681	-	21,090	-	-	-	-	57,771
At 30 September 2017	<u>32,500,204</u>	<u>(4,875,031)</u>	<u>628,868</u>	<u>1,987,996</u>	<u>40,621</u>	<u>123,914</u>	<u>134,693</u>	<u>(1,634)</u>	<u>(5,380,340)</u>	<u>25,159,290</u>

SBM HOLDINGS LTD
INTERIM UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

	Stated capital	Treasury shares	Retained earnings	Net unrealised investment fair value reserve	Total equity
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
The Company					
At 01 January 2016	32,500,204	(4,875,031)	2,030,144	(797,154)	28,858,163
Profit for the period	-	-	45,481	-	45,481
Other comprehensive loss for the period	-	-	-	(2,659)	(2,659)
Total comprehensive income/(loss) for the period	-	-	45,481	(2,659)	42,822
Dividend	-	-	(800,360)	-	(800,360)
At 30 September 2016	32,500,204	(4,875,031)	1,275,265	(799,813)	28,100,625
At 01 January 2016	32,500,204	(4,875,031)	2,030,144	(797,154)	28,858,163
Profit for the year	-	-	49,206	-	49,206
Other comprehensive loss for the year	-	-	-	(5,505)	(5,505)
Total comprehensive income/(loss) for the year	-	-	49,206	(5,505)	43,701
Dividend	-	-	(1,058,540)	-	(1,058,540)
At 31 December 2016	32,500,204	(4,875,031)	1,020,810	(802,659)	27,843,324
At 01 January 2017	32,500,204	(4,875,031)	1,020,810	(802,659)	27,843,324
Profit for the period	-	-	557,021	-	557,021
Other comprehensive income for the period	-	-	-	35,704	35,704
Total comprehensive income for the period	-	-	557,021	35,704	592,725
Dividend	-	-	(774,538)	-	(774,538)
At 30 September 2017	32,500,204	(4,875,031)	803,293	(766,955)	27,661,511

SBM HOLDINGS LTD
INTERIM UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

	The Group			The Company		
	Unaudited 9 months ended 30 September 2017 MUR'000	Unaudited 9 months ended 30 September 2016 MUR'000	Audited Year ended 31 December 2016 MUR'000	Unaudited 9 months ended 30 September 2017 MUR'000	Unaudited 9 months ended 30 September 2016 MUR'000	Audited Year ended 31 December 2016 MUR'000
Net cash generated from / (used in) operating activities	4,837,167	5,433,308	1,980,274	1,951,510	1,553,444	2,115,295
Net cash used in financing activities	5,324,222	(1,263,881)	1,298,204	(903,955)	(844,629)	(1,062,293)
Net cash (used in) / generated from investing activities	(1,487,932)	(2,243,033)	(2,962,405)	(1,029,521)	(848,901)	(1,215,741)
Net change in cash and cash equivalents	8,673,458	1,926,394	316,073	18,034	(140,086)	(162,739)
Cash and cash equivalents at beginning of period/ year	9,490,208	9,174,135	9,174,135	15,321	178,060	178,060
Cash and cash equivalents at end of period/ year	18,163,665	11,100,529	9,490,208	33,355	37,974	15,321

Copies of the interim unaudited condensed financial statement are available to the public free of charge at the registered office of the Company, SBM Tower, 1, Queen Elizabeth II Avenue, Place D'Armes, Port Louis and can be viewed on our website: www.sbmgroup.mu.

The statement of direct and indirect interests of officers of the Company in the capital of the Company and its subsidiaries may also be obtained free of charge upon request at the registered office of the Company.

By order of the Board

D. Ramjug Chumun

Company Secretary

13 November 2017

The Communiqué is issued pursuant to Listing Rule 12.20 and Securities Act 2005.

The Board of Directors of SBM Holdings Ltd accepts full responsibility for the accuracy of the information contained in this Communiqué.

The financial information, including the review report, has been extracted from the interim unaudited condensed financial statements for the nine months ended 30 September 2017.