

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

### **Interim unaudited condensed financial statements for the six months ended 30 June 2017**

SBM Bank (Mauritius) Ltd ('the Bank') is pleased to present its interim unaudited condensed financial statements for the six months ended 30 June 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 MUR 27,670 million or 20.64%, from MUR 134,091 million as at 31 December 2016 to reach MUR 161,761 million at 30 June 2017, on the back of significant increase in net loans and advances of MUR 16,541 million or 23.25% and growth in investment securities of MUR 2,083 million. Advances growth was mostly driven by increase in segment B, as the Bank focused on diversifying its loan portfolio.

Deposits from non-bank customers increased by MUR 26,567 million or 24.53% to reach MUR 134,869 million from MUR 111,014 million at 31 December 2016. The increase was mostly from low cost savings and current accounts and in non-interest bearing foreign currency deposits.

Net interest income witnessed an increase of 5.24% in the first half of the year 2017 compared to the first half of the comparative period mostly due to: (i) increase in interest income by MUR 181 million on account of an increase in interest earning assets driven mainly by segment B advances; and (ii) a drop in interest rate on savings by 40 bps following drop in repo rate in July 2016 by 40bps; These two factors largely compensated for: (i) a decrease in return on advances following the decrease in PLR by 45 bps and increasing competition in a market characterised by low demand for credit and excess liquidity and (ii) higher level of non-performing loans.

Net interest margin dropped from 3.41% in HY1 2016 to 3.05% in HY1 2017 but remained stronger than the market.

Non-interest income posted a notable increase of 14.01% from MUR 1,015 million for HY1 2016 to MUR 1,157 million for HY1 2017, mainly on account of increase in Treasury income by 41.58%.

Non-interest expenses increased from MUR 1,035 million in HY1 2016 to MUR 1,415 million for HY1 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 41.71% for HY1 2017 compared to 32.96% for HY1 2016.

Impairment charges increased by MUR 210 million, from MUR 207 million for HY1 2016 on additional portfolio provisioning required following the increase in our loan books. Impaired advances to gross advances decreased from 6.53% at 31 December 2016 to 5.61 % at 30 June 2017.

The Bank's operating income increased by 6.76% from MUR 3,140 million for HY1 2016 to reach MUR 3,393 million for HY1 2017. However, due to higher non-interest expenses and to higher impairment charges, profit after tax decreased to MUR 1,275 million for HY1 2017 as against MUR 1,515 million for HY1 2016.

### Capital

The shareholder's equity stood at MUR 16,816 million as at 30 June 2017. The capital adequacy ratio (CAR) and Tier 1 capital to risk weighted assets ratio were 14.02% and 12.24% respectively, as at 30 June 2017. Both ratios were comfortably above the minimum regulatory requirement including the domestic-systemically important banks (D-SIBs) and capital conservation buffer.

### Outlook

Asset growth is likely to be sustained in the course of the second half of the year. Nevertheless, excess liquidity in the domestic market should continue to prevail, 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 progressing on its digitalisation program for new products, services and channels. Risk Management function is being strengthened and human capital capabilities are also being reinforced. As a result, the performance for FY 2017 is expected to be better than FY 2016.

**Raj Dussoye**  
Chief Executive – Banking

**Ishwar Anoopum Gaya**  
Chairman, Audit Committee

**Nayen Koomar Ballah**  
Chairman

07 August 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 30 June 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 30 June 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

07 August 2017

**SBM BANK (MAURITIUS) LTD**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017**

	Unaudited 30 June <u>2017</u> MUR' 000	Unaudited 30 June <u>2016</u> MUR' 000	Audited 31 December <u>2016</u> MUR' 000
<b>ASSETS</b>			
Cash and cash equivalents	16,560,709	9,578,270	9,423,941
Mandatory balances with Central Banks	8,588,891	6,824,169	6,945,570
Loans to and placements with banks	4,472,529	3,687,964	4,645,911
Trading assets	925,017	256,283	165,997
Loans and advances to non-bank customers	87,699,457	65,722,794	71,158,114
Investment securities	36,493,810	34,830,209	34,410,974
Equity investments	4,083	4,043	4,058
Property and equipment	2,685,431	2,749,952	2,750,051
Intangible assets	3,638,414	2,796,309	3,769,919
Deferred tax assets	97,216	298,995	215,320
Other assets	595,399	730,992	600,752
<b>Total assets</b>	<b>161,760,956</b>	<b>127,479,980</b>	<b>134,090,607</b>
<b>LIABILITIES</b>			
Deposits from banks	1,678,607	2,641,385	2,711,364
Deposits from non-bank customers	134,869,128	103,802,711	108,302,387
Other borrowed funds	4,714,693	2,155,193	4,540,509
Trading liabilities	759,884	225,763	182,406
Current tax liabilities	156,424	354,048	358,908
Deferred tax liabilities	34,153	-	-
Other liabilities	2,732,006	3,241,460	2,240,596
<b>Total liabilities</b>	<b>144,944,895</b>	<b>112,420,560</b>	<b>118,336,170</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	7,134,385	5,474,339	6,193,747
Other reserves	1,308,570	1,211,975	1,187,584
<b>Total equity</b>	<b>16,816,061</b>	<b>15,059,420</b>	<b>15,754,437</b>
<b>Total equity and liabilities</b>	<b>161,760,956</b>	<b>127,479,980</b>	<b>134,090,607</b>

Approved by the Board of Directors and authorised for issue on 07 August 2017.

Raj Dussoye  
Chief Executive - Banking

Ishwar Anoopum Gaya  
Chairman, Audit Committee

Nayen Koomar Ballah  
Chairman

SBM BANK (MAURITIUS) LTD

STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Unaudited Quarter ended 30 June <u>2017</u> MUR' 000	Unaudited Quarter ended 30 June <u>2016</u> MUR' 000	Unaudited Six months ended 30 June <u>2017</u> MUR' 000	Unaudited Six months ended 30 June <u>2016</u> MUR' 000	Audited Year ended 31 December <u>2016</u> MUR' 000
Interest income	1,693,519	1,471,547	3,166,830	2,986,134	5,937,265
Interest expense	(504,026)	(434,481)	(930,098)	(860,725)	(1,683,162)
<b>Net interest income</b>	<b>1,189,493</b>	<b>1,037,066</b>	<b>2,236,732</b>	<b>2,125,409</b>	<b>4,254,103</b>
Fee and commission income	230,681	257,436	463,031	529,043	996,119
Fee and commission expense	(5,802)	(6,336)	(10,526)	(12,206)	(23,367)
<b>Net fee and commission income</b>	<b>224,879</b>	<b>251,100</b>	<b>452,505</b>	<b>516,837</b>	<b>972,752</b>
Net trading income	160,236	132,605	460,761	238,215	472,695
Other operating income	146,063	152,360	243,414	259,462	446,925
<b>Non-interest income</b>	<b>531,178</b>	<b>536,065</b>	<b>1,156,680</b>	<b>1,014,514</b>	<b>1,892,372</b>
<b>Operating income</b>	<b>1,720,671</b>	<b>1,573,131</b>	<b>3,393,412</b>	<b>3,139,923</b>	<b>6,146,475</b>
Personnel expenses	(369,855)	(310,287)	(708,352)	(607,093)	(1,323,372)
Depreciation and amortisation	(159,535)	(41,238)	(303,634)	(80,359)	(345,840)
Other expenses	(216,965)	(152,776)	(403,429)	(347,439)	(898,960)
<b>Non-interest expense</b>	<b>(746,355)</b>	<b>(504,301)</b>	<b>(1,415,415)</b>	<b>(1,034,891)</b>	<b>(2,568,172)</b>
<b>Profit before net impairment loss on financial assets</b>	<b>974,316</b>	<b>1,068,830</b>	<b>1,977,997</b>	<b>2,105,032</b>	<b>3,578,303</b>
Net impairment loss	(122,455)	(21,052)	(417,270)	(207,457)	(716,742)
<b>Profit before income tax</b>	<b>851,861</b>	<b>1,047,778</b>	<b>1,560,727</b>	<b>1,897,575</b>	<b>2,861,561</b>
Income tax expense	(175,787)	(206,005)	(286,165)	(382,978)	(652,949)
<b>Profit for the quarter / period / year</b>	<b>676,074</b>	<b>841,773</b>	<b>1,274,562</b>	<b>1,514,597</b>	<b>2,208,612</b>

SBM BANK (MAURITIUS) LTD

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Unaudited Quarter ended 30 June 2017 MUR' 000	Unaudited Quarter ended 30 June 2016 MUR' 000	Unaudited Six months ended 30 June 2017 MUR' 000	Unaudited Six months ended 30 June 2016 MUR' 000	Audited Year ended 31 December 2016 MUR' 000
Profit for the quarter / period / year	676,074	841,773	1,274,562	1,514,597	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	(59,033)	(27,791)	18,473	(88,548)	(76,609)
Movement in fair value of available-for-sale investments	170,710	96,989	210,630	126,331	233,005
Fair value re-cycled on disposal of available-for-sale investments	(70,433)	(85,943)	(85,541)	(91,753)	(187,436)
	41,244	(16,745)	143,562	(53,970)	(31,040)
Other comprehensive income / (loss)	41,244	(16,745)	143,562	(53,970)	(52,968)
Total comprehensive income for the quarter / period / year	717,318	825,028	1,418,124	1,460,627	2,155,644

**SBM BANK (MAURITIUS) LTD**  
**STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 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 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)	-	-
<b>At 30 June 2016</b>	<b>310,000</b>	<b>8,063,106</b>	<b>530,390</b>	<b>5,474,339</b>	<b>(36,406)</b>	<b>1,265,571</b>	<b>(547,580)</b>	<b>15,059,420</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 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)	-	-
<b>At 31 December 2016</b>	<b>310,000</b>	<b>8,063,106</b>	<b>530,390</b>	<b>6,193,747</b>	<b>(25,415)</b>	<b>1,218,250</b>	<b>(535,641)</b>	<b>15,754,437</b>
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 period	-	-	-	1,274,562	-	-	-	1,274,562
Other comprehensive income for the period	-	-	-	-	125,089	-	18,473	143,562
Total comprehensive income for the period	-	-	-	1,274,562	125,089	-	18,473	1,418,124
Transfer to retained earnings	-	-	-	22,576	-	(22,576)	-	-
Dividend	-	-	-	(356,500)	-	-	-	(356,500)
<b>At 30 June 2017</b>	<b>310,000</b>	<b>8,063,106</b>	<b>530,390</b>	<b>7,134,385</b>	<b>99,674</b>	<b>1,195,674</b>	<b>(517,168)</b>	<b>16,816,061</b>

SBM BANK (MAURITIUS) LTD

ABRIDGED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Unaudited Six months ended 30 June 2017	Unaudited Six months ended 30 June 2016	Audited Year ended 31 December 2016
	MUR' 000	MUR' 000	MUR' 000
Net cash from / (used in) operating activities	7,272,580	1,061,664	(265,084)
Net cash (used in) / from financing activities	(27,316)	22,696	2,408,011
Net cash used in investing activities	(108,496)	(484,576)	(1,726,361)
Net change in cash and cash equivalents	7,136,768	599,784	416,566
Net foreign exchange difference	-	-	28,889
Cash and cash equivalents at start of period / year	9,423,941	8,978,486	8,978,486
Cash and cash equivalents at end of period / year	16,560,709	9,578,270	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 six months ended 30 June 2017.*