

SBM BANK (MAURITIUS) LTD

Interim unaudited condensed financial statements for the nine months ended 30 September 2017

SBM Bank (Mauritius) Ltd ('the Bank') is pleased to present its interim unaudited condensed financial statements for the nine months ended 30 September 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 43,525 million or 32.46%, from MUR 134,091 million as at 31 December 2016 to reach MUR 177,616 million at 30 September 2017, with significant increase in net loans and advances by MUR 25,787 million or 36.24%, higher cash balance of MUR 8,200 million and increase in loans to and placements with banks of MUR 3,678 million. Loans and 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 36,886 million or 34.06% to reach MUR 145,188 million from MUR 108,302 million at 31 December 2016. The increase was mostly from low cost savings and current accounts and from non-interest bearing foreign currency deposits.

During the period under review, net interest income increased by 8.02% or MUR 256 million against the comparative period last year. This was mainly due to increase in interest income on loans and advances by MUR 257 million mostly driven by our Segment B loans and advances and on loans and placements with banks by MUR 69 million. Interest expense however increased by MUR 166 million due to higher level of term deposits. The net interest income was also impacted by repo rate cut of 50bps in September 2017 and 40bps in July 2016 following which both SBM savings rate and prime lending rate were brought down. Interest income was also affected by declining return on advances due to increasing competition in the market characterised by low credit offtake, excess market liquidity and higher level of non-performing loans.

Net interest margin dropped from 3.32% for the nine months ended 30 September 2016 to 2.95% in 2017.

Non-interest income posted a notable increase of 11.73% from MUR 1,549 million for the nine months ended 30 September 2016 to MUR 1,730 million for the nine months ended 30 September 2017, mainly on account of increase in Treasury income.

Non-interest expense increased from MUR 1,792 million for the nine months ended 30 September 2016 to MUR 2,203 million for the nine months ended 30 September 2017, mainly due to higher depreciation charges 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 42.58% for the nine months ended 30 September 2017 compared to 37.85% for the nine months ended 30 September 2016.

Net impairment loss increased by MUR 179 million compared to last year on additional portfolio provisioning required following the increase in our loan book. Impaired advances to gross advances decreased from 6.53% at 31 December 2016 to 4.69% at 30 September 2017. Net impaired advances to net advances decreased from 2.65% as at 31 December 2016 to 1.69% as at 30 September 2017.

The Bank's operating income increased by 9.24% from MUR 4,735 million for the nine months ended 30 September 2016 to reach MUR 5,172 million for the nine months ended 30 September 2017. However, due to higher non-interest expenses and to higher impairment charges, profit before tax has decreased by MUR 151 million. Profit after tax increased to MUR 1,929 million due to lower tax provision on account of higher allowances for capital expenditure.

Capital

The shareholder's equity stood at MUR 17,191 million as at 30 September 2017. The capital adequacy ratio (CAR) and Tier 1 capital to risk weighted assets ratio were 13.19% and 11.51% respectively which is above the minimum regulatory requirement.

Outlook

Although the Mauritian economy is showing signs of pickup, credit growth remains sluggish. Moreover, margins continue to be squeezed due to excess liquidity in the system. In this respect, the Bank will maintain its focus on diversifying its income sources, building on the momentum garnered in the cross-border and private wealth businesses, alongside consolidation of its core business areas. This should help towards mitigating the impact of cost increase linked to the implementation of the new IT systems and investment in human capital.

Regarding Indian operations, the Bank is awaiting the Reserve Bank of India's final approval for implementation of a wholly owned subsidiary structure, which would help expand the network through a new business model.

Raj Dussoye
Chief Executive – Banking

Ishwar Anoopum Gaya
Chairman, Audit Committee

Nayen Koomar Ballah
Chairman

09 November 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 September 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 September 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

09 November 2017

SBM BANK (MAURITIUS) LTD

STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2017

	Unaudited 30 September <u>2017</u> MUR' 000	Unaudited 30 September <u>2016</u> MUR' 000	Audited 31 December <u>2016</u> MUR' 000
ASSETS			
Cash and cash equivalents	17,624,440	10,975,319	9,423,941
Mandatory balances with Central Banks	9,013,623	7,058,724	6,945,570
Loans to and placements with banks	8,324,078	2,621,253	4,645,911
Trading assets	3,906,753	189,977	165,997
Loans and advances to non-bank customers	96,945,136	67,662,966	71,158,114
Investment securities	35,048,394	37,655,132	34,410,974
Equity investments	3,996	4,076	4,058
Property and equipment	2,663,377	2,746,137	2,750,051
Intangible assets	3,511,344	3,810,002	3,769,919
Deferred tax assets	94,930	330,274	215,320
Other assets	479,516	454,252	600,752
Total assets	177,615,587	133,508,112	134,090,607
LIABILITIES			
Deposits from banks	854,752	2,528,650	2,711,364
Deposits from non-bank customers	145,188,423	110,502,838	108,302,387
Other borrowed funds	9,847,275	1,712,972	4,540,509
Trading liabilities	1,445,223	187,865	182,406
Current tax liabilities	137,090	484,018	358,908
Deferred tax liabilities	97,977	-	-
Other liabilities	2,854,127	2,598,823	2,240,596
Total liabilities	160,424,867	118,015,166	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	7,589,682	5,879,228	6,193,747
Other reserves	1,227,932	1,240,612	1,187,584
Total equity	17,190,720	15,492,946	15,754,437
Total equity and liabilities	177,615,587	133,508,112	134,090,607

Approved by the Board of Directors and authorised for issue on 09 November 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 NINE MONTHS ENDED 30 SEPTEMBER 2017

	Unaudited Quarter ended 30 September 2017 MUR' 000	Unaudited Quarter ended 30 September 2016 MUR' 000	Unaudited Nine months ended 30 September 2017 MUR' 000	Unaudited Nine months ended 30 September 2016 MUR' 000	Audited Year ended 31 December 2016 MUR' 000
Interest income	1,724,223	1,483,048	4,891,053	4,469,182	5,937,265
Interest expense	(518,991)	(422,170)	(1,449,089)	(1,282,895)	(1,683,162)
Net interest income	1,205,232	1,060,878	3,441,964	3,186,287	4,254,103
Fee and commission income	222,630	252,610	685,661	781,653	996,119
Fee and commission expense	(5,084)	(4,726)	(15,610)	(16,932)	(23,367)
Net fee and commission income	217,546	247,884	670,051	764,721	972,752
Net trading income	251,088	150,067	711,849	388,282	472,695
Other operating income	105,133	136,264	348,547	395,726	446,925
Non-interest income	573,767	534,215	1,730,447	1,548,729	1,892,372
Operating income	1,778,999	1,595,093	5,172,411	4,735,016	6,146,475
Personnel expenses	(357,156)	(317,121)	(1,065,508)	(924,214)	(1,323,372)
Depreciation and amortisation	(172,938)	(112,675)	(476,572)	(193,034)	(345,840)
Other expenses	(257,014)	(327,725)	(660,443)	(675,164)	(898,960)
Non-interest expense	(787,108)	(757,521)	(2,202,523)	(1,792,412)	(2,568,172)
Profit before net impairment loss on financial assets	991,891	837,572	2,969,888	2,942,604	3,578,303
Net impairment loss	(219,525)	(250,803)	(636,795)	(458,260)	(716,742)
Profit before income tax	772,366	586,769	2,333,093	2,484,344	2,861,561
Income tax expense	(118,372)	(192,093)	(404,537)	(575,071)	(652,949)
Profit for the quarter / period / year	653,994	394,676	1,928,556	1,909,273	2,208,612

SBM BANK (MAURITIUS) LTD

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

	Unaudited Quarter ended 30 September 2017 MUR' 000	Unaudited Quarter ended 30 September 2016 MUR' 000	Unaudited Nine months ended 30 September 2017 MUR' 000	Unaudited Nine months ended 30 September 2016 MUR' 000	Audited Year ended 31 December 2016 MUR' 000
Profit for the quarter / period / year	653,994	394,676	1,928,556	1,909,273	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
Reassessment of useful life of fixed assets	-	1,529	-	1,529	-
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
	-	1,529	-	1,529	(21,928)
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of foreign operations	(60,279)	26,673	(41,806)	(61,875)	(76,609)
Movement in fair value of available-for-sale investments	(46,799)	81,267	163,831	207,598	233,005
Fair value re-cycled on disposal of available-for-sale investments	37,743	(70,619)	(47,798)	(162,372)	(187,436)
	(69,335)	37,321	74,227	(16,649)	(31,040)
Other comprehensive (loss) / income	(69,335)	38,850	74,227	(15,120)	(52,968)
Total comprehensive income for the quarter / period / year	584,659	433,526	2,002,783	1,894,153	2,155,644

SBM BANK (MAURITIUS) LTD
STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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	-	-	-	1,909,273	-	-	-	1,909,273
Other comprehensive income / (loss) for the period	-	-	-	-	45,226	1,529	(61,875)	(15,120)
Total comprehensive income / (loss) for the period	-	-	-	1,909,273	45,226	1,529	(61,875)	1,894,153
Transfer to retained earnings	-	-	-	29,564	-	(29,564)	-	-
At 30 September 2016	310,000	8,063,106	530,390	5,879,228	(25,758)	1,256,887	(520,907)	15,492,946
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 / (loss) for the year	-	-	-	1,599	45,569	(23,527)	(76,609)	(52,968)
Total comprehensive income / (loss) 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 period	-	-	-	1,928,556	-	-	-	1,928,556
Other comprehensive income / (loss) for the period	-	-	-	-	116,033	-	(41,806)	74,227
Total comprehensive income / (loss) for the period	-	-	-	1,928,556	116,033	-	(41,806)	2,002,783
Transfer to retained earnings	-	-	-	33,864	-	(33,864)	-	-
Dividend	-	-	-	(566,500)	-	-	-	(566,500)
At 30 September 2017	310,000	8,063,106	530,390	7,589,667	90,618	1,184,386	(577,447)	17,190,720

SBM BANK (MAURITIUS) LTD

ABRIDGED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

	Unaudited Nine months ended 30 September 2017	Unaudited Nine months ended 30 September 2016	Audited Year ended 31 December 2016
	MUR' 000	MUR' 000	MUR' 000
Net cash from / (used in) operating activities	3,597,439	4,145,345	(265,084)
Net cash from / (used in) financing activities	4,740,266	(419,525)	2,408,011
Net cash used in investing activities	(137,206)	(1,728,987)	(1,726,361)
Net change in cash and cash equivalents	8,200,499	1,996,833	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	17,624,440	10,975,319	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 nine months ended 30 September 2017.