

SBM HOLDINGS LTD
INTERIM UNAUDITED
CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

SBM HOLDINGS LTD
INTERIM UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

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SBM HOLDINGS LTD
INTERIM UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

2.

1. MANAGEMENT DISCUSSION AND ANALYSIS

The management of SBM Holdings Ltd (the "Group") is pleased to present their Management Discussion and Analysis, in accordance with the Bank of Mauritius Guideline on Public Disclosure of Information for the nine months ended 30 September 2017.

1.1 Financial Review

1.1.1 Group key financial highlights

Key Financial indicators	Nine months ended Unaudited 30 September 2017	Nine months ended Unaudited 30 September 2016	Year ended Audited 31 December 2016
Statement of Profit or Loss			
Net interest income (MUR million)	3,539	3,300	4,383
Operating income (MUR million)	5,494	4,971	6,446
Net impairment loss on financial assets (MUR million)	810	457	717
Profit before impairment and income tax (MUR million)	3,031	3,050	3,705
Profit after tax (MUR million)	1,864	1,995	2,309
Statement of Financial position			
Total assets (MUR million)	193,310	146,193	146,896
Total gross loans and advances to non bank customers (MUR million)	104,423	72,106	75,776
Deposit from non bank customers (MUR million)	148,211	111,490	109,241
Tier 1 capital (MUR million)	19,739	17,925	18,598
Total regulatory capital (MUR million)	24,982	23,273	24,027
Risk weighted assets (MUR million)	121,648	87,474	93,480
Shareholders' equity (MUR million)	25,159	23,338	23,805
Share information (based on nominal of 1 cent each)			
Market Price Per Share (MUR)	7.90	7.00	6.64
Earnings Per share (Cents)	72.18	77.26	89.43
Efficiency Ratio			
Cost to income (%)	44.83	38.63	42.53
Performance Ratios			
Capital adequacy ratio (%)	20.54	26.61	25.70
Tier 1 capital adequacy ratio (%)	16.23	20.49	19.90
Return on average shareholders' equity (%)	10.17	11.71	10.04
Return on average assets (%)	1.46	1.88	1.63
Return on average risk-weighted assets (%)	2.32	3.18	2.60
Asset Quality Ratios			
Gross impaired advances to gross advances (%)	6.04	6.41	6.60
Net impaired advances to net advances (%)	2.57	2.40	2.64
Provision coverage ratio (%)	59.55	64.68	62.14
Liquidity Ratio			
Credit to deposit ratio (%)	70.46	64.67	69.36

1. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

1.1 Financial Review (cont'd)

1.1.2 Revenue

Interest income for the nine months ended 30 September 2017 was MUR 5,188.02 million. The main source of interest income was interest on loans and advances to customers which amounted to MUR 3,930.36 million. Interest expense for the period under review was MUR 1,649.32 million which includes interest on deposits of MUR 1,457.38 million.

Non-interest income increased by 17.07% to reach MUR 1,955.48 million for the nine months period ended 30 September 2017. Net trading income increased by MUR 325.31 million mainly on account of higher exchange income .

The Group has recorded profit before income tax of MUR 2,290.77 million for the nine months ended 30 September 2017, as compared to MUR 2,592.89 million for the corresponding period last year.

1.1.3 Cost Control

Non-interest expenses of the Group for the nine months ended 30 September 2017 was MUR 2,463.23 million.

	Nine months ended 30 September 2017	Nine months ended 30 September 2016	Year ended 31 December 2016
	MUR' 000	MUR' 000	MUR' 000
Personnel expenses	1,161,924	972,995	1,395,895
Depreciation and amortisation	492,230	196,096	350,004
Other expenses	809,077	751,287	995,723
Non-interest expense	<u>2,463,231</u>	<u>1,920,378</u>	<u>2,741,622</u>

Non-interest expenses has increased by 28.27% to reach MUR 2,463.23 million for the nine months period ended 30 September 2017. Personnel costs increased on account of increase in head counts and normal annual increase. Increase in other expenses was due to additional marketing expenses to drive sales and costs of system which went live in september 2016.

1.1.4 Credit Exposure

The Group regularly reviews the diversification of its credit portfolio and factors affecting the economic environment. As far as possible, the Group refrains from having concentrations of risk associated with large exposures, representing credit risk concentration through large advances to single or groups of related clients. While being an important element in the management of risk exposure, the capital strength is a factor that quite often limits the appetite.

The Group's strategy is to achieve a right balance between growth, liquidity and profitability through a well-diversified portfolio spread over different sectors of the economy and is in line with the industry practice. The classification is provided in notes 9.5.1 on page 21.

1.1.5 Credit Quality

The Group's banking segment has, in respect of non-performing loans, a provisioning policy which is in compliance with the requirements of IAS 39. Total allowance for impairment as at 30 September 2017 amounted to MUR 5,194.94 million, representing MUR 3,752.95 million for specific provision and MUR 1,441.98 million for portfolio provision.

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1. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

1.1 Financial Review (cont'd)

1.1.6 Assets and Liabilities

Total assets of the Group stood at MUR 193,309.54 million at 30 September 2017 compared to MUR 146,895.71 million at 31 December 2016, an increase of 31.60%.

Net loans and advances accounted for 51.33% of total assets at 30 September 2017. Investment in securities and equity investments amounted to MUR 45,339.39 million at 30 September 2017. Cash and cash equivalents including mandatory balances with central banks and loans to and placements with banks totalled MUR 35,680.35 million at the reporting date.

Deposits from non-bank customers amounted MUR 148,211.01 million at 30 September 2017 (31 December 2016 : MUR 109,241.19 million).

1.1.7 Capital Structure

The Group has followed the Guidelines of the Bank of Mauritius and has implemented the Standardised Approach to the measurement of credit, market and operational risk.

The Group maintains its capital structure within prudential and supervisory limits and ensures it has adequate capacity for future development and growth.

The tables below show the components of Tier 1 and Tier 2 Capital for the Group and the resulting capital adequacy ratios which stood at 20.54% at 30 September 2017.

	Nine Months Ended 30 September 2017	Nine Months Ended 30 September 2016	Year Ended 31 December 2016
	MUR' 000	MUR' 000	MUR' 000
Capital Base			
Tier 1	19,738,920	17,925,167	18,598,479
Tier 2	5,242,947	5,347,485	5,428,999
	24,981,867	23,272,652	24,027,477
Risk Weighted Assets			
On balance sheet	106,336,876	76,736,948	82,830,114
Off balance sheet	6,875,187	3,991,508	3,489,759
Operational Risk	8,043,134	6,370,034	6,937,888
Market Risk	392,705	375,920	222,108
	121,647,902	87,474,410	93,479,869
Capital Adequacy Ratio	20.54%	26.61%	25.70%
Tier 1 Capital Adequacy Ratio (%)	16.23%	20.49%	19.90%

1. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

1.1 Financial Review (cont'd)

1.1.7.1 Credit Risk

The Group applies the Guidelines issued by the Bank of Mauritius on Standardised approach to Credit Risk for its evaluation of the Capital requirements for Credit Risk. The regulatory credit risk capital requirement is determined by applying the appropriate risk weights provided in the guidelines to the credit based on its rating assigned by External Credit Assessment Institutions, particularly for sovereign, Central banks of other countries as well as other banking institutions, to each credit exposure.

1.2 Risk Management Policies and Controls

The Group has a comprehensive risk management framework to identify, measure, monitor, evaluate and manage the risks assumed in conducting its activities.

The Group has adopted the Basel III recommendations and is compliant with the Bank of Mauritius guidelines.

The Group Risk Management team is responsible for the design and application of risk management framework, and is independent of business units.

The framework is integrated within the Group strategy and business planning processes. The effectiveness of this framework is enhanced by strong risk governance, which includes active participation of the Board of Directors, senior executives and business line management in the risk management process.

1.2.1 Credit Risk Concentration

The Group has complied with the requirements on credit concentration limit and remains within the regulatory limits.

The Group has complied with the Bank of Mauritius guideline on credit concentration limit. Total outstanding credit facilities, net of deposits where there is a right of set off, including guarantees, acceptances, and other similar commitments extended by the Group to any one customer or group of closely-related customers for amounts aggregating more than 15% of its capital base amounted to nil, well within the 800% allowed under the BOM guideline on credit concentration risk.

1.2.2 Related Party Transactions

The Group provides regular banking services to its related parties in the ordinary course of business. These services are on terms similar to those offered to non-related parties.

Outstanding loans to executive officers of SBM totalled MUR 86.31 million as at 30 September 2017.

1. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

1.2 Risk Management Policies and Controls (cont'd)

1.2.2 Related Party Transactions (cont'd)

On and off balance sheet exposures to related parties after set off amounted to MUR 2,033.69 million representing 1.67 % of aggregate on and off balance sheet exposures and 10.30 % of Tier 1 Capital, well within the limit of 60% as per guideline on related party transactions.

There is no related party exposure which is non-performing as at the reporting date.

1.2.3 Market risk

Market risk is the risk of loss resulting from adverse movement in market rates or prices such as interest rates, foreign exchange rates and equity prices. The Group's market risks are monitored by the Market Risk Team and reported to the Market Risk Forum and Board Risk Committee on a regular basis.

1.2.4 Interest rate risk

This is the risk of loss due to changes in the level, slope and curvature of the yield curve, the volatility of interest rate and mortgage prepayment rates.

The Group actively manages its interest rate exposures with the objective of enhancing net interest income within established risk tolerances. Interest rate risk arising from Group's funding and investment activities is managed in accordance with established procedures which are designed to control the risk to income and economic value of shareholders' equity. The impact of the effect of a specified shift in interest rates on the Group's annual net income and the economic value are periodically assessed.

1.2.5 Equity risk

This is the risk of loss due to changes in the prices, volatility, of individual equity instruments and equity indices.

Market risk is monitored consistently and reported to the senior management on a daily basis and to SBM's Asset and Liability Committee ("ALCO"). Movements of major currencies, trends and forecasts are analysed in ALCO. Furthermore, the matching of SBM's Assets and Liabilities is closely monitored by using gap analysis.

1.2.6 Foreign Exchange risk

Foreign exchange risk is defined as the risk arising from movement in exchange rate from one currency to another. The Group mitigates this risk by exercising stringent control over its foreign currency exposure by setting prudential limits. The overall exposure to foreign exchange is reported by the treasurer to the Asset and Liability Committee ("ALCO").

1. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

1.2 Risk Management Policies and Controls (cont'd)

1.2.7 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations on a timely manner at reasonable prices. Financial obligations include mainly liabilities to depositors, lending and investment commitments.

ALCO provides senior management oversight of liquidity risk and meets on a monthly basis to review Group's liquidity profile or more frequently if required.

1.2.8 Operational risk

Operational risk is the risk of loss, whether direct or indirect, to which the Group is exposed due to external events, human error, or the inadequacy or failure of processes, systems or controls. According to the Basel Committee, it is defined as: "the risk of loss resulting from inadequate or failed internal processes, people, systems or external events." Operational risk, in some form, exists in each of the Group's business and support activities, can result in financial loss, regulatory sanctions and damage to Group reputation.

The Group has developed policies, standards and assessment methodologies to ensure that operational risk is appropriately identified, managed and controlled.

1.2.9 Internal audit

The internal auditor directly reports to the Audit Committee. It performs an independent appraisal of the Group's compliance with internal control systems, accounting practices, information systems, providing assurance regarding the group's corporate governance, control systems and risk management processes. This function operates as per good corporate governance practices.

1.2.10 Compliance

The Group is committed to the highest standards of business integrity, transparency and professionalism in its activities. The purpose of compliance function is to ensure that all business transactions and activities comply with appropriate laws, regulations, policies, guidelines and ethical standards.

The compliance function operates as per good corporate governance practices. This unit is fully operational and attends regularly all the Compliance Committees organised by the Bank of Mauritius. During the period under review, the Group has complied with all regulatory requirement, policies, guideline and ethical standards.

2. STATEMENT OF CORPORATE GOVERNANCE PRACTICES

2.1 The Board of Directors

Company law requires the Board to prepare financial statements for each financial year which indicates fairly the financial position, financial performance, changes in equity and cash flows of the Group and the Company. In preparing those financial statements, the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board confirms that the above requirements in preparing the financial statements have been respected.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Banking Act 2004 and the Companies Act as applicable. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors delegates the day to day running of the Group and Company to various forums and committees. The Board of Directors is made up of the following Members;

	Appointment date	Resignation date
Mr. Kee Chong Li Kwong Wing, G.O.S.K. Chairman	14-Apr-15	-
Mr Azim Fakhruddin Currimjee	28-Jun-16	-
Mr. Medha Gunpath	04-Feb-15	-
Mr. Maxime Hardy	30-Jun-15	-
Mr. Vidianand Lutchmeeparsad	30-Jun-15	-
Mr. Ramprakash Maunthrooa	30-Jun-15	-
Mr. Roodesh Muttylall	30-Jun-15	-
Mr. Subhas Thecka, Chairman Audit Committee	23-Jun-17	-
Mr. Ouma Shankar Ochit	30-Jun-15	23-Jun-17

The committees reporting to the Board are as follows:

- Audit Committee
- Corporate Governance & Conduct Review Committee
- Investment & Credit Committee
- IT Steering Committee Regional Expansion Steering Committee
- Risk Management Committee
- Remuneration Committee
- Steering Committee for East Africa
- Steering Committee on Seychelles
- Strategy Committee

3. STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Group's financial statements have been prepared by management, who is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards, as well as the requirements of the Banking Act 2004 and the guidelines issued by the Bank of Mauritius and the requirements of the Companies Act have been applied and management has exercised its judgment and made best estimates where deemed necessary.

The Group has designed and maintained its accounting systems, related internal controls and supporting procedures, to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorised use or disposal. These supporting procedures include careful selection and training of qualified staff, the implementation of organisation and governance structures providing a well defined division of responsibilities, authorisation levels and accountability for performance, and the communication of the Group's policies, procedures manuals and guidelines of the Bank of Mauritius wherever applicable throughout the Group.

The Group's Board of Directors, acting in part through the Audit Committee, which comprise mostly independent directors who are not officers or employees of the Group, oversees management's responsibility for financial reporting, internal controls, assessment and control of major risk areas and assessment of significant and related party transactions.

The Group's Internal Auditor, who has full and free access to the Audit Committee, conducts a well designed program of internal audits in coordination with the Group's external auditor. In addition, the Group's compliance function maintains policies, procedures and programs directed at ensuring compliance with regulatory requirements.

Pursuant to the provisions of the Banking Act 2004, the Bank of Mauritius makes such examination and inquiry into the operations and affairs of the Group as it deems necessary.

The Group's External Auditor, Messrs Ernst & Young, have full and free access to the Board of Directors and its committees to discuss the audit and matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

Approved by the Board on 13 November 2017 and signed on its behalf by:



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



Subhas THECKA
Chairman, Audit Committee

**REVIEW REPORT TO THE BOARD OF DIRECTORS OF
SBM HOLDINGS LTD**

We have reviewed the accompanying interim condensed statements of financial position of SBM Holdings Ltd (the "Company") and its subsidiaries (the "Group") 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 nine months 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 Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of the 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 Company and the Group as at 30 September 2017, and of their financial performance and their cash flows for the nine months then ended in accordance with IAS 34 Interim Financial Reporting.



ERNST & YOUNG
Ebène, Mauritius




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

Date: 13 November 2017

5. STATEMENT OF FINANCIAL POSITION

Notes	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:


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


Subhas THECKA
Chairman, Audit Committee

The notes on pages 17 to 30 form an integral part of these interim unaudited condensed financial statement

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

12.

6. INTERIM UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS

Notes	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
	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
	(600,402)	(472,183)	(1,649,318)	(1,421,335)	(1,866,491)	(36,741)	(41,063)	(111,854)	(112,628)	(149,307)
	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
	332,453	271,538	869,489	842,722	1,081,945	-	-	-	-	-
	(6,060)	(6,462)	(18,893)	(19,688)	(29,346)	(89)	(125)	(267)	(125)	-
	326,393	265,076	850,596	823,034	1,052,599	(89)	(125)	(267)	(125)	-
	2,292	6,076	3,041	6,671	38,864	241,273	-	597,773	-	27,563
	278,314	179,564	764,623	439,309	515,050	8,860	13,969	25,653	14,107	3,822
	105,058	137,334	337,218	401,401	456,438	2	952	(11,252)	5,553	9,331
	712,057	588,050	1,955,478	1,670,415	2,062,951	250,046	14,796	611,907	19,535	40,716
	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
	(399,961)	(336,475)	(1,161,924)	(972,995)	(1,395,895)	(7,640)	(929)	(7,640)	(1,471)	(3,830)
	(180,632)	(113,792)	(492,230)	(196,096)	(350,004)	(301)	(301)	(902)	(902)	(1,203)
	(328,925)	(358,494)	(809,077)	(751,287)	(995,723)	(8,204)	(19,801)	(38,871)	(34,918)	(48,005)
	(909,518)	(808,761)	(2,463,231)	(1,920,378)	(2,741,622)	(16,145)	(21,031)	(47,413)	(37,291)	(53,038)
	1,050,646	865,370	3,030,946	3,050,373	3,704,603	226,947	7,491	558,371	61,454	66,185
	(381,680)	(250,700)	(810,088)	(457,488)	(716,899)	-	-	-	-	-
	668,966	614,670	2,220,858	2,592,885	2,987,704	226,947	7,491	558,371	61,454	66,185
	17,420	-	69,911	-	1,627	-	-	-	-	-
	686,386	614,670	2,290,769	2,592,885	2,989,331	226,947	7,491	558,371	61,454	66,185
	(132,724)	(197,791)	(427,198)	(598,082)	(680,429)	(450)	(3,000)	(1,350)	(15,973)	(16,979)
	553,662	416,879	1,863,571	1,994,803	2,308,902	226,497	4,491	557,021	45,481	49,206
			72.18	77.26	89.43					

The notes on pages 17 to 30 form an integral part of these interim unaudited condensed financial statement

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

13.

6.1 STATEMENTS OF OTHER COMPREHENSIVE INCOME

	The Group					The Company				
	Unaudited Quarter ended 30 September 2017 MUR' 000	Unaudited Quarter ended 30 September 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	Unaudited Quarter ended 30 September 2017 MUR' 000	Unaudited Quarter ended 30 September 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
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 parent	554,496	467,192	2,071,357	1,949,905	2,674,877	230,527	6,762	592,725	42,822	43,701

The notes on pages 17 to 30 form an integral part of these interim unaudited condensed financial statement

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

14.

7. STATEMENT OF CHANGES IN EQUITY

	Stated Capital MUR' 000	Treasury Shares MUR' 000	Statutory Reserve MUR' 000	Revenue Reserve MUR' 000	Net Unrealised Investment Fair Value MUR' 000	Net Property Revaluation Reserve MUR' 000	Net Translation Reserve MUR' 000	Net Other Reserve MUR' 000	Restructure Reserve MUR' 000	Total Equity MUR' 000
The Group										
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 income / (loss) 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 (Note 9.10)	-	-	-	(800,360)	-	-	-	-	-	(800,360)
At 30 September 2016	32,500,204	(4,875,031)	592,187	794,001	(687,655)	196,174	198,368	-	(5,380,340)	23,337,908
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 income / loss for the year	-	-	-	1,599	467,253	(23,287)	(80,866)	1,276	-	365,975
Total comprehensive income / (loss) for the year	-	-	-	2,310,501	467,253	(23,287)	(80,866)	1,276	-	2,674,877
Transfer to retained earnings	-	-	-	43,145	-	(43,145)	-	-	-	-
Dividend (Note 9.10)	-	-	-	(1,058,540)	-	-	-	-	-	(1,058,540)
At 31 December 2016	32,500,204	(4,875,031)	592,187	865,100	(231,667)	157,777	175,194	1,276	(5,380,340)	23,804,700
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	32,500,204	(4,875,031)	628,868	1,987,996	40,621	123,914	134,692	(1,634)	(5,380,340)	25,159,290

The notes on pages 17 to 30 form an integral part of these interim unaudited condensed financial statement

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

15.

7. STATEMENT OF CHANGES IN EQUITY (CONT'D)

	Stated capital	Treasury shares	Retained earnings	Net unrealised investment fair value reserve	Total equity
<u>The Company</u>	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
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 (Note 9.10)	-	-	(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 (Note 9.10)	-	-	(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 (Note 9.10)	-	-	(774,538)	-	(774,538)
At 30 September 2017	32,500,204	(4,875,031)	803,293	(766,955)	27,661,511

The notes on pages 17 to 30 form an integral part of these interim unaudited condensed financial statement

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

16.

8. STATEMENT OF CASH FLOWS

	The Group			The Company		
	Unaudited 9 months ended 30 September 2017	Unaudited 9 months ended 30 September 2016	Audited Year ended 31 December 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
Net cash generated from operating activities	4,837,167	5,433,308	1,980,274	1,951,510	1,553,444	2,115,295
Net cash generated / (used in) financing activities	5,324,222	(1,263,881)	1,298,204	(903,955)	(844,629)	(1,062,293)
Net cash used in 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	8,673,457	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

The notes on pages 17 to 30 form an integral part of these interim unaudited condensed financial statement

9. NOTES TO THE FINANCIAL STATEMENTS

9.1 General information

SBM Holdings Ltd (the "Company") is a public company incorporated on 10 November 2010 and domiciled in Mauritius. The Company is listed on the Stock Exchange of Mauritius since 03 October 2014 pursuant to the Group restructuring approved by the Bank of Mauritius. The address of its registered office is SBM Tower, 1 Queen Elizabeth II Avenue, Port Louis, Mauritius.

The Group operates in the financial services sector, principally commercial banking.

9.2 Accounting policies

These interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016 of the Group.

9.2.1 Basis of preparation

These interim financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2016 of the Group.

9.3 Application of new and revised International Financial Reporting Standards (IFRS)

9.3.1 New standards, interpretations and amendments applied by the Group

In the current period, the Group has applied all the revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 01 January 2017.

The nature and the effect of these changes are disclosed below. Although these amendments were applied for the first time in 2017, they did not have a material impact on the financial statements of the Group.

Where the standards may have an effect on the financial position and performance of the Group, these are being described below:

<u>Standards</u>	Effective date
Amendments to IAS 12 Income Taxes	01-Jan-17
Amendments to IAS 7 Statement of Cash Flows	01-Jan-17

9. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9.3 Application of new and revised International Financial Reporting Standards (IFRS) (cont'd)

9.3.1 New standards, interpretations and amendments applied by the Group (cont'd)

Amendments to IAS 12 Income Taxes

In January 2017, through issuing amendments to IAS 12, the IASB clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes. The amendment did not have a material impact on its financial statements.

Amendments to IAS 7 Statement of Cash Flows

In January 2017, the IASB issued amendments to IAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities will need to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (gains and losses due to foreign currency movements).

9. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9.4 Cash and cash equivalents

	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
Cash in hand	1,150,210	1,168,055	1,706,637	-	-	-
Foreign currency notes and coins	234,096	177,216	320,434	-	-	-
Unrestricted balances with central banks	2,714,521	619,012	12,216	-	-	-
Loans and placements with banks	10,388,959	4,382,811	3,487,058	-	-	-
Balances with banks	3,675,879	4,753,435	3,963,863	33,355	37,974	15,321
	18,163,665	11,100,529	9,490,208	33,355	37,974	15,321

SBM HOLDINGS LTD
INTERIM UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

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9. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9.5 Loans and advances to customers

	The Group			The Company		
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	30 September	30 September	31 December	30 September	30 September	31 December
	2017	2016	2016	2017	2016	2016
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
1. Retail customers	30,962,024	27,231,158	28,099,055	-	-	-
1.1 Credit cards	539,475	526,361	539,910	-	-	-
1.2 Mortgages	19,169,714	17,563,113	17,315,922	-	-	-
1.3 Other retail loans	11,252,835	9,141,684	10,243,223	-	-	-
2. Corporate customers	40,771,934	35,714,993	37,012,499	-	-	-
3. Entities outside Mauritius (including offshore/Global Business Licence Holders)	32,689,444	9,159,509	10,664,000	-	-	-
	104,423,402	72,105,660	75,775,554	-	-	-
<i>Less impairment allowance</i>	(5,194,936)	(3,978,511)	(4,150,680)	-	-	-
	99,228,466	68,127,149	71,624,874	-	-	-

SBM HOLDINGS LTD
INTERIM UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

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9. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9.5.1 Gross Advances by industry sectors

	The Group			The Company		
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	30 September 2017	30 September 2016	31 December 2016	30 September 2017	30 September 2016	31 December 2016
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Agriculture and fishing	5,030,188	4,115,528	4,504,961	-	-	-
Manufacturing	6,221,546	4,603,869	6,115,374	-	-	-
<i>of which EPZ</i>	860,403	840,863	1,102,513	-	-	-
Tourism	10,990,880	12,000,908	9,974,203	-	-	-
Transport	4,208,970	1,166,021	1,272,969	-	-	-
Construction	6,859,477	3,490,277	4,761,694	-	-	-
Financial and business services	13,612,530	6,192,013	6,553,402	-	-	-
Traders	15,171,570	5,246,265	5,737,592	-	-	-
Personal	29,734,980	27,168,109	26,522,774	-	-	-
<i>of which credit cards</i>	552,084	526,361	539,910	-	-	-
Professional	319,901	267,712	297,764	-	-	-
Global Business Licence holders	2,476,284	845,092	2,937,512	-	-	-
Others	9,797,076	7,009,866	7,097,309	-	-	-
	104,423,402	72,105,660	75,775,554	-	-	-

SBM HOLDINGS LTD
INTERIM UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

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9. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9.5.2 Allowance for credit impairment

	The Group		
	Specific allowance for credit impairment	Portfolio allowance for credit impairment	Total
	MUR' 000	MUR' 000	MUR' 000
At 01 January 2016	2,427,061	1,084,828	3,511,889
Exchange differences	(1,148)	(2,512)	(3,660)
Loans written off	(1,748)	-	(1,748)
Allowance for credit impairment for the year	566,114	(94,084)	472,030
At 30 September 2016	2,990,279	988,232	3,978,511
At 01 January 2016	2,427,061	1,084,828	3,511,889
Exchange differences	(4,671)	(3,459)	(8,130)
Loans written off	(4,606)	-	(4,606)
Allowance for credit impairment for the year	688,168	(36,641)	651,527
At 31 December 2016	3,105,952	1,044,728	4,150,680
At 01 January 2017	3,105,952	1,044,728	4,150,680
Addition as part of business combination	605,704	129,757	735,461
Exchange differences	(41,678)	(2,238)	(43,916)
Loans written off	(4,387)	-	(4,387)
Allowance for credit impairment for the year	87,361	269,737	357,098
At 30 September 2017	3,752,952	1,441,984	5,194,936

9. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9.6 Deposits from non-bank customers

	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
Retail	78,975,205	64,448,454	62,638,615	-	-	-
Corporate	60,721,715	41,596,945	42,334,101	-	-	-
Government	8,514,093	5,444,139	4,268,478	-	-	-
	148,211,013	111,489,538	109,241,194	-	-	-

9.7 Contingent liabilities

	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
Acceptances on account of customers	666,970	128,079	138,697	-	-	-
Guarantees on account of customers	5,723,328	5,267,778	4,631,643	-	-	-
Letters of credit and other obligations on account of customers	1,218,938	1,158,450	1,198,163	-	-	-
Undrawn credit facilities	9,518,911	6,343,985	6,787,125	-	-	-
	17,128,147	12,898,292	12,755,628	-	-	-

Memorandum Items

	The Group			The Company		
	Unaudited 30 September 2017	Unaudited 30 September 2016	Audited 31 December 2016	Unaudited 30 September 2016	Unaudited 30 September 2016	Audited 31 December 2016
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Inward bills	203,731	199,326	175,996	-	-	-
Outward bills	1,085,608	1,645,908	2,083,674	-	-	-
	1,289,339	1,845,234	2,259,670	-	-	-
Total	18,417,486	14,743,526	15,015,298	-	-	-

9. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10 Net interest income

	The Group					The Company				
	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	Quarter ended	Quarter ended	Period ended	Period ended	Year ended	Quarter ended	Quarter ended	Period ended	Period ended	Year ended
	30 September 2017	30 September 2016	30 September 2017	30 September 2016	31 December 2016	30 September 2017	30 September 2016	30 September 2017	30 September 2016	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										
Cash and cash equivalents	44,480	13,089	101,479	32,686	53,666	-	-	-	-	-
Loans to and placements with banks	15,488	14,611	42,799	39,843	53,496	-	-	-	-	-
Loans and advances to customers	1,442,424	1,086,548	3,930,361	3,513,169	4,645,051	-	-	-	-	-
Investment securities	357,087	446,800	1,098,713	1,166,174	1,542,723	29,787	54,789	105,731	191,838	227,814
Trading assets	(10,111)	(2,930)	3,314	(30,451)	(46,590)	-	-	-	-	-
Other	(859)	145	11,351	250	1,419	-	-	-	-	-
Total 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										
Deposits from banks	-	-	-	-	-	-	-	-	-	-
Deposits from non-bank customers	(538,579)	(422,159)	(1,457,384)	(1,284,733)	(1,684,227)	-	-	-	-	-
Other borrowed funds	(14,432)	(8,815)	(69,431)	(23,829)	(31,570)	-	-	-	-	-
Subordinated debts	(36,449)	(41,209)	(111,561)	(112,773)	(150,694)	(36,741)	(41,063)	(111,854)	(112,628)	(149,307)
Other	(10,942)	-	(10,942)	-	-	-	-	-	-	-
Total 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 / (expense)	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

9. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10 Taxation

	The Group					The Company				
	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	Quarter ended	Quarter ended	Period ended	Period ended	Year ended	Quarter ended	Quarter ended	Period ended	Period ended	Year ended
	30 September 2017	30 September 2016	30 September 2017	30 September 2016	31 December 2016	30 September 2017	30 September 2016	30 September 2017	30 September 2016	31 December 2016
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Income tax expense	57,934	213,731	177,125	591,693	564,490	-	3,000	-	13,495	14,475
Movement in Deferred tax	63,825	(29,508)	216,972	(57,502)	31,370	-	-	-	19	45
Corporate Social responsibility contribution	9,916	12,450	30,048	60,405	79,692	450	-	1,350	2,459	2,459
Withholding tax	1,049	1,118	3,053	3,487	4,877	-	-	-	-	-
	132,724	197,791	427,198	598,082	680,429	450	3,000	1,350	15,973	16,979

9.1 Dividend

	Group			Company		
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	Period ended	Period ended	Year ended	Period ended	Period ended	Year ended
	30 September 2017	30 September 2017	31 December 2016	30 September 2017	30 September 2016	31 December 2016
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Dividend declared during the period:	774,538	800,360	1,058,540	774,538	800,360	1,058,540
Less dividend paid	(774,538)	(800,360)	(1,058,540)	(774,538)	(800,360)	(1,058,540)
Dividend payable	-	-	-	-	-	-

9. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9.11 SEGMENT INFORMATION

	Banking	Non-bank financial institutions	Group Non financial institutions	Intersegment adjustments	Group Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Revenue from external customers	7,428,712	300,593	(571,266)	1,198,820	8,356,859
Revenue from other segments of the entity	4,348	-	-	(1,198,820)	(1,194,473)
Total gross revenue	<u>7,433,060</u>	<u>300,592</u>	<u>(571,266)</u>	<u>-</u>	<u>7,162,386</u>
Operating income	<u>5,895,614</u>	<u>188,721</u>	<u>623,208</u>	<u>(1,194,473)</u>	<u>5,513,070</u>
Profit after tax	<u>1,901,830</u>	<u>541,568</u>	<u>555,666</u>	<u>(1,135,492)</u>	<u>1,863,571</u>
Segment assets	<u>186,044,283</u>	<u>34,142,774</u>	<u>33,255,882</u>	<u>(60,133,401)</u>	<u>193,309,538</u>

9. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9.12 Financial assets and financial liabilities

Group	30 September 2017		31 December 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	MUR'000	MUR'000	MUR'000	MUR'000
Financial assets				
Cash and cash equivalent	18,163,665	18,163,665	9,490,208	9,490,208
Mandatory balances with Central banks	9,259,510	9,259,510	7,097,994	7,097,994
Loans to and placements with banks	8,257,173	8,257,173	4,645,911	4,645,911
Trading assets	3,906,756	3,906,756	165,998	165,998
Loans and advances to non-bank customers	99,228,466	100,216,493	71,624,874	72,072,262
Investment securities	38,973,526	41,478,856	39,430,829	39,344,593
Equity investments	6,365,861	6,365,861	5,732,722	5,732,722
Other assets	407,952	407,952	403,538	403,538
	184,562,909	188,056,266	138,592,074	138,953,226
Financial liabilities				
Deposits from banks	759,146	759,146	2,611,669	2,611,669
Deposits from non-bank customers	148,211,013	148,192,367	109,241,194	109,246,841
Other borrowed funds	10,714,189	10,714,189	4,486,008	4,486,008
Trading liabilities	1,445,241	1,445,241	182,413	182,413
Other liabilities	2,881,798	2,881,798	2,233,164	2,233,164
Subordinated debts	3,735,954	3,735,954	3,865,371	3,865,371
	167,747,341	167,728,695	122,619,819	122,625,466

9. NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9.12 Financial assets and financial liabilities (cont'd)

<u>Company</u>	30 September 2017		31 December 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	MUR'000	MUR'000	MUR'000	MUR'000
Financial assets				
Cash and cash equivalents	33,355	33,355	15,321	15,321
Investment securities	2,541,760	3,866,217	4,305,882	4,365,967
Equity investments	4,267,800	4,267,800	4,261,347	4,261,347
Other assets	16,627	16,627	1,501	1,501
	6,859,542	8,183,999	8,584,051	8,644,136
Financial liabilities				
Other liabilities	16,627	16,627	5,997	5,997
Subordinated debts	3,735,953	3,735,953	3,865,371	3,865,371
	3,752,580	3,752,580	3,871,368	3,871,368

9.13 BUSINESS COMBINATIONS

On 10 May 2017, SBM (Bank) Holdings Ltd acquired 99.99% of the share capital and preference share capital of Fidelity Commercial Bank Ltd for a consideration of KES 100 (MUR 35).

As a result of the acquisition, SBM (Bank) Holdings Ltd is expected to expand its banking business on the African market. The goodwill amounting to MUR 340.71 million arising from the acquisition is attributable to acquired customer base and a control premium. The goodwill of MUR 348.31 million as at 30 September 2017 is a provisional amount and will change once the fair values of the identifiable assets and liabilities acquired are determined. The valuation had not been completed at the date of the interim condensed financial statements were approved for issue by the Board of Directors.

The following tables summarise the consideration paid, the fair value of the assets acquired, liabilities assumed and the Non-Controlling interest at the acquisition date.

Subsidiary acquired during the period

<u>Name of Entity</u>	<u>Principal activity</u>	<u>Date of acquisition</u>	<u>Proportion of voting equity interest acquired (%)</u>	<u>Consideration transferred</u> MUR
Fidelity Commercial Bank Limited	Banking	10-May-17	99.99%	<u>35</u>

Acquisition related costs amounting to MUR 28.05 million, have been excluded from the cost of investment and has been recognised as an expense in profit or loss in the current period, within "other expenses".

Fair value of recognised amounts of identifiable assets acquired and liabilities assumed at the date of acquisition

	SBM Bank (Kenya) Ltd
	MUR'000
Assets:	
Cash and cash equivalents	17,823
Mandatory balances with Central Bank	70,385
Loans and advances to customers	1,518,845
Investment securities	947,589
Property and equipment	235,962
Intangible assets	64,229
Deferred tax asset	217,712
Other assets	22,126
	<u>3,094,671</u>
Liabilities:	
Deposits from banks	5,425
Deposits from non-bank customers	1,272,342
Other borrowed funds (including loan capital)	1,798,632
Current tax liabilities	(16,504)
Other liabilities	375,486
	<u>3,435,381</u>
Fair value of identifiable net assets acquired	(340,710)
Effect of foreign exchange difference	(7,601)
	<u><u>(348,311)</u></u>

9.13 BUSINESS COMBINATIONS (CONTINUED)

Goodwill arising from the business combination is determined as follows:

		Fidelity commercial Bank Limited
Fair value of consideration transferred (as above)	MUR	35
plus Non-controlling interest measured as share of fair value of net identifiable net assets		-
Less Net fair value of the identifiable net assets acquired	MUR '000	(340,710)
Goodwill arising on acquisition		(340,710)
Net cash flow on acquisition of subsidiaries		MUR'000
Consideration paid in cash		-
Less cash and cash equivalent balances acquired		17,823
Net cash outflow		17,823

Impact of acquisitions on the results of the Group

Included in the profit for the year is a loss of MUR 27.99 million attributable to the SBM Bank (Kenya) Ltd during the two months since acquisition.

As a result of the acquisition, the Group is expected to increase its presence in the African market. The goodwill arising from the acquisition is attributable to acquired customer base.