

SBM HOLDINGS LTD

AUDITED FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

RESULTS

SBM Holdings Ltd (the Group) is pleased to present its abridged audited separate and consolidated financial statements for the year ended 31 December 2017. The audited financial statements have been prepared in accordance with the International Financial Reporting Standards.

On 10 May 2017, SBM Holdings Ltd completed the acquisition of a Kenyan bank, which is now renamed SBM Bank (Kenya) Limited through its subsidiary, SBM Africa Holdings Ltd. The financials of the subsidiary are consolidated with the Group from the date of acquisition.

Operating results

The Board of Directors is pleased to report a Group profit after tax of MUR 2.57 billion for the year ended 31 December 2017 compared to MUR 2.31 billion for the year ended 31 December 2016, representing an increase of 11.52%. The higher profit is mainly driven by notable increases in net interest income and in dealings in financial derivatives, partly offset by increased expenses and impairment of financial assets.

Net interest income went up by MUR 0.38 billion, which is explained by a significant increase of MUR 31.50 billion in net loans and advances, and a contained rise in interest expenses as the growth in deposits arose mainly from low cost savings and current accounts. Non-interest income also went up by MUR 0.74 billion on account of an increase in income from dealings in foreign currencies and exchange income coupled with higher credit-related fees and commissions. The Group suffered high impairment losses from its legacy Indian portfolio. The cost to income ratio for 2017 was 44.75%. Earnings per share increased from 89.43 cents for 2016 to 99.73 cents for 2017.

The Group's total assets rose by MUR 47.13 billion, representing an increase of 32.09% to reach MUR 194.02 billion. This increase is mainly due to net loans and advances rising by 43.98% as well as growth in liquid assets of MUR 14.15 billion. The acquisition in Kenya has also contributed 7.05% of the total assets growth. Deposits from non-bank customers and other borrowed funds went up by MUR 35.61 billion and MUR 9.20 billion respectively. Gross impaired advances stood at MUR 4.79 billion. The net impaired advances to net advances decreased from 2.64% in 2016 to 1.98% in 2017.

SBM Holdings Ltd capital base

The capital base and equity of the Group rose to MUR 25.11 billion and MUR 25.16 billion respectively as at 31 December 2017, from 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 and common equity Tier 1 capital ratios decreased to 19.98%, 15.92% and 15.92% respectively as at 31 December 2017 compared to 25.70%, 19.90% and 19.90% respectively as at 31 December 2016 owing to the growth in risk weighted assets.

Outlook

Within the context of an improving global outlook, the economic prognosis in our main geographies of operations is broadly positive, which should provide support for business growth. In Mauritius, our focus will continue to be on improving service and enhancing efficiency, notably through judicious channel management. In parallel, we will enrich our range of financial solutions in line with customer needs and reinforce risk management particularly in respect of new business growth areas. In 2018, we will continue to make headway in our regional expansion initiatives in India and Kenya. These markets hold significant long term potential and present several areas of synergy with our existing operations and client base, although short term returns will be subdued as we build capability and scale.

The Group is continuing its expansion strategy and we are confident that its performance will continue to improve. We wish to thank all stakeholders for their continued support.

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

Chairman

29 March 2018

Subhas THECKA

Chairman, Audit Committee

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SBM HOLDINGS LTD

We have audited the financial statements of SBM Holdings Ltd (the 'Company') and its subsidiaries (the 'Group') for the year ended 31 December 2017, from which the summarised financial statements were derived, in accordance with International Standards on Auditing. In our report dated 29 March 2018, we expressed an unqualified opinion on the Group and the Company's financial statements from which the summarised financial statements were derived.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the Group and the Company's financial statements from which they were derived.

For a better understanding of the Group and the Company's financial position, financial performance and cash flows for the year and of the scope of our audit, the summarised financial statements should be read in conjunction with the Group and the Company's financial statements from which the summarised financial statements were derived and our audit report thereon.

ERNST & YOUNG
Ebène, Mauritius

29 March 2018

PATRICK NG TSEUNG, A.C.A.
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STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	The Group			The Company		
	31 December 2017	31 December 2016	31 December 2015	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ASSETS						
Cash and cash equivalents	16,331,538	9,490,208	9,174,135	73,223	15,321	178,060
Mandatory balances with Central Banks	8,966,717	7,097,994	6,919,908	-	-	-
Loans to and placements with banks	8,897,399	4,645,911	1,208,945	-	-	-
Derivative financial instruments	1,356,774	165,998	144,142	-	-	-
Loans and advances to non-bank customers	103,128,838	71,624,874	68,784,195	-	-	-
Investment securities	40,000,421	39,430,829	37,375,824	1,461,801	4,305,882	5,896,350
Equity investments	6,137,779	5,732,722	6,066,176	4,292,925	4,281,347	5,534,324
Investment in associate	1,336,902	1,275,880	-	1,272,977	1,272,977	-
Investment in subsidiaries	-	-	-	24,665,478	21,854,773	20,999,183
Property and equipment	2,854,218	2,809,777	2,827,601	3,106	4,309	5,512
Goodwill and other intangible assets	3,875,613	3,770,271	2,370,629	-	-	-
Deferred tax assets	95,461	215,260	278,756	-	-	-
Other assets	1,039,721	635,984	1,013,780	70,448	1,501	126,773
Total assets	194,021,381	146,895,708	136,162,091	31,839,658	31,746,110	32,740,202
LIABILITIES						
Deposits from banks	689,265	2,611,669	751,719	-	-	-
Deposits from non-bank customers	144,850,676	109,241,194	104,281,103	-	-	-
Other borrowed funds	13,686,203	4,486,008	2,132,497	-	-	-
Derivative financial instruments	1,334,641	182,413	120,781	-	-	-
Current tax liabilities	124,995	364,670	391,954	1,005	1,354	16,389
Deferred tax liabilities	170,905	-	-	-	64	19
Other liabilities	4,299,258	2,339,683	2,433,536	5,501	5,997	3,493
Subordinated debts	3,701,466	3,865,371	3,862,138	3,701,466	3,865,371	3,862,138
Total liabilities	168,856,609	123,091,008	113,973,728	3,707,972	3,872,786	3,882,039
SHAREHOLDERS' EQUITY						
Stated capital	32,500,204	32,500,204	32,500,204	32,500,204	32,500,204	32,500,204
Retained earnings/(accumulated losses)	2,410,007	865,100	(430,006)	1,242,101	1,020,810	2,030,144
Other reserves	(4,870,408)	(4,685,573)	(5,006,804)	(735,588)	(802,659)	(797,154)
	30,039,803	28,679,731	27,063,394	33,006,717	32,718,355	33,733,194
Treasury shares	(4,875,031)	(4,875,031)	(4,875,031)	(4,875,031)	(4,875,031)	(4,875,031)
Total equity attributable to equity holders of the parent	25,164,772	23,804,700	22,188,363	28,131,686	27,843,324	28,858,163
Total equity and liabilities	194,021,381	146,895,708	136,162,091	31,839,658	31,746,110	32,740,202

Approved by the Board of Directors and authorised for issue on 29 March 2018.

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

Subhas THECKA
Chairman, Audit Committee

STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2017

	The Group			The Company		
	31 December 2017	31 December 2016	31 December 2015	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Interest income	7,007,347	6,249,765	6,424,315	131,045	227,814	249,758
Interest expense	(2,239,586)	(1,866,491)	(2,171,580)	(149,011)	(149,307)	(133,221)
Net interest income/(expense)	4,767,761	4,383,274	4,252,735	(7,966)	78,507	116,537
Fee and commission income	1,268,893	1,081,945	1,058,126	-	-	-
Fee and commission expense	(29,385)	(29,346)	(29,340)	(339)	-	-
Net fee and commission income/(expense)	1,239,508	1,052,599	1,028,786	(339)	-	-
Profit arising from dealing in foreign currencies	560,843	536,831	528,966	-	-	-
Net gain on sale of securities	464,433	455,500	286,808	12,765	13,036	16,224
Dividend income	21,501	38,864	157,273	1,270,535	27,563	2,997,724
Net gain/(loss) from dealing from financial instruments	516,538	(25,108)	(2,057)	67,735	117	3,697
Other operating income	1,221	4,265	2,782	-	-	-
Non-interest income	2,804,044	2,062,991	2,002,558	1,350,696	40,716	2,617,645
Operating income	7,571,805	6,446,225	6,255,293	1,332,730	119,223	2,734,182
Personnel expenses	(1,618,992)	(1,395,895)	(1,237,004)	(18,843)	(3,830)	(1,355)
Depreciation and amortisation	(669,966)	(350,004)	(161,535)	(1,203)	(1,203)	(501)
Other expenses	(1,099,274)	(995,723)	(871,912)	(61,566)	(48,005)	(38,040)
Non-interest expense	(3,388,232)	(2,741,622)	(2,270,451)	(81,612)	(53,038)	(39,896)
Profit before net impairment loss on financial assets	4,183,573	3,704,603	3,984,842	1,251,118	66,185	2,694,286
Net impairment loss on financial assets	(1,115,280)	(716,899)	(1,936,840)	-	-	-
Operating profit	3,068,293	2,987,704	2,048,002	1,251,118	66,185	2,694,286
Share of profit of associate	92,005	1,627	-	-	-	-
Profit before tax	3,160,298	2,989,331	2,048,002	1,251,118	66,185	2,694,286
Tax (expense)/income	(585,375)	(680,429)	(440,448)	2,895	(16,979)	(16,408)
Profit for the year	2,574,923	2,308,902	1,607,554	1,254,013	49,206	2,677,878
Earnings per share (Cents)	99.73	89.43	62.27			

STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	The Group			The Company		
	31 December 2017	31 December 2016	31 December 2015	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Profit for the year	2,574,923	2,308,902	1,607,554	1,254,013	49,206	2,677,878
Other comprehensive income :						
<i>Items that will not be reclassified subsequently to profit or loss net of deferred tax:</i>						
Movement in net property revaluation reserve	-	1,530	(2,680)	-	-	-
Underprovision of deferred tax assets on revaluation of property in prior years	-	(24,817)	-	-	-	-
Share of other comprehensive income of associate	290	1,276	-	-	-	-
Remeasurement of defined benefit pension plan	(32,876)	1,599	(10,877)	-	-	-
	(32,586)	(20,412)	(13,557)	-	-	-
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Exchange differences on translation of foreign operations	(65,347)	(80,866)	202,833	-	-	-
Movement in fair value of available-for-sale investments	144,422	650,541	(575,701)	52,013	3,826	(767,410)
Fair value reserve re-cycled on disposal of available-for-sale investments	(228,618)	(180,697)	(131,166)	15,058	(6,740)	(16,225)
Fair value realised on reclassification of available-for-sale investments to investment in associate	-	(2,591)	-	-	(2,591)	-
	(149,543)	386,387	(524,034)	67,071	(5,505)	(783,635)
Total other comprehensive (loss)/income	(182,129)	365,975	(537,591)	67,071	(5,505)	(783,635)
Total comprehensive income for the year	2,392,794	2,674,877	1,069,963	1,321,084	43,701	1,894,243

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 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 2015	32,500,204	(4,875,031)	307,529	(13,519)	27,919,183
Profit for the year	-	-	2,677,878	-	2,677,878
Other comprehensive loss for the year	-	-	-	(783,635)	(783,635)
Total comprehensive income/(loss) for the year	-	-	2,677,878	(783,635)	1,894,243
Dividend	-	-	(955,263)	-	(955,263)
At 31 December 2015	32,500,204	(4,875,031)	2,030,144	(797,154)	28,858,163
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)	27,843,323
At 01 January 2017	32,500,204	(4,875,031)	1,020,810	(802,659)	27,843,323
Profit for the year	-	-	1,254,013	-	1,254,013
Other comprehensive income for the year	-	-	-	67,071	67,071
Total comprehensive income for the year	-	-	1,254,013	67,071	1,321,084
Dividend	-	-	(1,032,722)	-	(1,032,722)
At 31 December 2017	32,500,204	(4,875,031)	1,242,101	(735,588)	28,131,686

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Stated capital	Treasury shares	Statutory reserve	(Accumulated losses) / Retained earnings	Net property revaluation reserve	Other reserves	Total equity
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
The Group							
At 01 January 2015	32,500,204	(4,875,031)	583,457	(1,109,410)	273,609	(5,299,166)	22,073,663
Profit for the year	-	-	-	1,607,554	-	-	1,607,554
Other comprehensive loss for the year	-	-	-	(10,877)	(2,680)	(524,034)	(537,591)
Total comprehensive income/(loss) for the year	-	-	-	1,596,677	(2,680)	(524,034)	1,069,963
Transfer to retained earnings	-	-	-	46,720	(46,720)	-	-
Transfer to statutory reserve	-	-	8,730	(8,730)	-	-	-
Dividend	-	-	-	(955,263)	-	-	(955,263)
At 31 December 2015	32,500,204	(4,875,031)	592,187	(430,006)	224,209	(5,823,200)	22,188,363
At 01 January 2016	32,500,204	(4,875,031)	592,187	(430,006)	224,209	(5,823,200)	22,188,363
Profit for the year	-	-	-	2,308,902	-	-	2,308,902
Other comprehensive income/(loss) for the year	-	-	-	1,599	(23,287)	387,663	365,975
Total comprehensive income/(loss) for the year	-	-	-	2,310,501	(23,287)	387,663	2,674,877
Transfer to retained earnings	-	-	-	43,145	(43,145)	-	-
Dividend	-	-	-	(1,058,540)	-	-	(1,058,540)
At 31 December 2016	32,500,204	(4,875,031)	592,187	865,100	157,777	(5,435,537)	23,804,700
At 01 January 2017	32,500,204	(4,875,031)	592,187	865,100	157,777	(5,435,537)	23,804,700
Profit for the year	-	-	-	2,574,923	-	-	2,574,923
Other comprehensive loss for the year	-	-	-	(32,876)	-	(149,253)	(182,129)
Total comprehensive income/(loss) for the year	-	-	-	2,542,047	-	(149,253)	2,392,794
Transfer to statutory reserve	-	-	1,779	(1,779)	-	-	-
Transfer to retained earnings	-	-	-	37,361	(37,361)	-	-
Dividend	-	-	-	(1,032,722)	-	-	(1,032,722)
At 31 December 2017	32,500,204	(4,875,031)	593,966	2,410,007	120,416	(5,584,790)	25,164,772

ABRIDGED STATEMENTS OF CASH-FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	The Group			The Company		
	31 December 2017	31 December 2016	31 December 2015	31 December 2017	31 December 2016	31 December 2015
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Net cash from operating activities	1,234,721	1,950,483	6,230,508	3,801,568	2,115,295	1,108,974
Net cash from / (used in) financing activities	6,740,105	1,298,204	(3,909,112)	(1,030,697)	(1,062,293)	(928,603)
Net cash used in investing activities	(821,723)	(2,962,405)	(1,341,386)	(2,712,969)	(1,215,741)	(6,013)
Net change in cash and cash equivalents	7,153,103	286,282	980,010	57,902	(162,739)	174,358
Net foreign exchange differences	(311,773)	29,791	-	-	-	-
Cash and cash equivalents at start of year	9,490,208	9,174,135	8,194,125	15,321	178,060	3,702
Cash and cash equivalents at end of year	16,331,538	9,490,208	9,174,135	73,223	15,321	178,060

Copies of the audited 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

29 March 2018

The Communiqué is issued pursuant to Listing Rule 12.14 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 audit report, has been extracted from the audited financial statements for the year ended 31 December 2017.