

SBM HOLDINGS LTD

INTERIM UNAUDITED CONDENSED FINANCIAL REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2018

RESULTS

SBM Holdings Ltd (the "Group") is pleased to present its interim unaudited condensed financial report for the three months ended 31 March 2018.

The interim unaudited condensed financial report has been prepared in accordance with the Bank of Mauritius Guidelines on Public Disclosure of Information and IAS 34 - Interim Financial Reporting. The report has also been prepared based on those accounting policies applied in the preparation of the audited financial statements for the year ended 31 December 2017 and the Group and the Company have adopted all new standards and interpretations which are effective as from 01 January 2018.

Operating results

The Board of Directors is pleased to report a Group profit after tax of MUR 747 million for the 3 months period ended 31 March 2018 as compared to MUR 581 million for the same period of last year, representing an increase of 28.43%. Net interest income has increased over the quarter contributing to the increase in profit which was partly offset by increased expenses.

Net interest income has gone up by MUR 262 million, which is explained by a significant increase of MUR 20.57 billion in net loans and advances from MUR 83.34 billion as at 31 March 2017 to MUR 103.91 billion as at 31 March 2018 whereas interest expense has gone up by only MUR 89 million due to increases in low cost deposits. Non-interest income has increased marginally on account of fees and commissions directly related to the credit portfolio as well as increased income from dealings in foreign currencies and exchange income. Operating expenses have also increased from MUR 721 million for the three months ended 31 March 2017 to MUR 896 million for the three months ended 31 March 2018 due to annual salary review and higher headcounts as well as Kenya costs of operations and project related costs. The cost to income ratio stood at 45.07% while the earnings per share were 28.92 cents for the period ended 31 March 2018.

The Group's total assets as at 31 March 2018 were MUR 202 billion as compared to MUR 194 billion as at 31 December 2017, showing an increase of 4%. The increase of MUR 8 billion in total assets is mainly explained by an increase in investment securities of MUR 6 billion. Deposits from non-bank customers went up by MUR 8 billion mainly in low cost foreign currency deposits. Gross impaired advances stood at MUR 5.31 billion as at 31 March 2018. The net impaired advances to net advances were 2.43% whereas gross impaired advances to gross advances stood at 5.09%.

The Group Capital

The capital base and equity of the Group decreased from MUR 25.11 billion and MUR 25.16 billion respectively as at 31 December 2017, to MUR 24.75 billion and MUR 25.10 billion respectively as at 31 March 2018, due to the adoption of IFRS 9 effective from 01 January 2018.

The Group's capital adequacy ratio (CAR), Tier 1 capital and common equity Tier 1 capital ratios decreased to 19.67%, 15.85% and 15.85% respectively as at 31 March 2018 compared to 19.98%, 15.92% and 15.92% respectively as at 31 December 2017, which are well above the minimum regulatory limits.

Outlook

The credit environment in Mauritius is showing signs of improvement, which should provide support for consolidation of our domestic operations. At the same time, Segment B (Mauritius cross-border) business is expected to provide the impetus for growth in 2018. Regional expansion initiatives are on track, with satisfactory progress in both Kenya and India. The contribution of the regional operations is expected to increase over the medium term as we build scale. To support the growth initiatives, the Group will issue Tier II bonds for the aggregate nominal amounts of MUR 2 billion with an option to retain a maximum amount of MUR 3.5 billion and USD 50 million with an option to retain a maximum amount of USD 100 million respectively. The Group will continue to diversify its range of financial solutions in line with customer needs, and to capitalise on its strong network and growing geographical presence to maximize cross-sell opportunities. In parallel, digitalization initiatives are ongoing, with the objective of providing a seamless service to our customers.

We wish to thank all stakeholders for their continued support.

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

Chairman

Subhas THECKA

Chairman, Audit Committee

11 May 2018

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 31 March 2018 and the related interim condensed statements of profit or loss and other comprehensive income, changes in equity and abridged cash flows for the quarter 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 Group and the Company as at 31 March 2018, and of their financial performance and their cash flows for the quarter then ended in accordance with IAS 34 Interim Financial Reporting.

ERNST & YOUNG

Ebène, Mauritius

PATRICK NG TSEUNG, A.C.A.

Licensed by FRC

11 May 2018

INTERIM UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	The Group			The Company		
	Unaudited Quarter ended 31 March 2018	Unaudited Quarter ended 31 March 2017	Audited Year ended 31 December 2017	Unaudited Quarter ended 31 March 2018	Unaudited Quarter ended 31 March 2017	Audited Year ended 31 December 2017
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ASSETS						
Cash and cash equivalents	16,083,245	13,765,989	16,331,538	21,975	205,677	73,223
Monetary balances with Central Banks	8,897,412	7,916,841	8,966,717	-	-	-
Loans to and placements with banks	10,205,076	5,902,458	8,897,399	-	-	-
Derivative financial instruments	1,796,987	425,821	1,356,774	-	-	-
Loans and advances to non-bank customers	103,906,201	83,341,051	103,128,838	14,053,279	4,053,374	146,801
Investment securities	45,949,779	40,039,580	40,000,421	-	-	-
Equity investments	6,026,644	5,696,292	6,137,779	4,292,925	4,261,347	4,292,925
Investment in associate	1,353,116	1,275,880	1,336,902	1,272,977	1,272,977	1,272,977
Investment in subsidiaries	-	-	-	24,665,178	21,854,773	24,665,178
Property and equipment	2,838,802	2,768,970	2,854,218	-	4,009	3,106
Intangible assets	3,876,302	3,721,886	3,875,683	-	-	-
Deferred tax assets	93,961	203,626	95,461	-	-	-
Other assets	1,316,006	508,890	1,039,721	457,737	202,781	70,448
Total assets	202,343,531	165,578,984	194,021,381	32,123,321	31,854,938	31,839,658
LIABILITIES						
Deposits from banks	693,043	1,891,888	689,265	-	-	-
Deposits from non-bank customers	152,912,200	124,848,274	144,850,676	-	-	-
Other borrowed funds	1,449,386	7,550,896	1,686,203	-	-	-
Derivative financial instruments	1,474,076	430,097	1,334,641	-	-	-
Current tax liabilities	213,680	468,864	124,195	1,005	1,804	1,005
Deferred tax liabilities	206,308	170,905	170,905	64	-	-
Other liabilities	4,581,544	2,369,026	4,299,258	263,798	262,412	5,501
Subordinated debts	3,709,126	3,823,669	3,701,466	3,709,126	3,823,669	3,701,466
Total liabilities	177,239,463	141,375,714	168,856,609	3,973,929	4,087,949	3,707,972
SHAREHOLDERS' EQUITY						
Stated capital	32,500,204	32,500,204	32,500,204	32,500,204	32,500,204	32,500,204
Retained earnings	2,594,098	1,199,583	2,410,007	1,282,385	936,783	1,242,101
Other reserves	(5,115,203)	(4,621,486)	(4,870,408)	(758,166)	(794,967)	(735,588)
Total equity attributable to equity holders of the parent	29,979,099	29,078,301	30,039,803	33,024,423	32,642,020	33,006,717
Less 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	25,104,068	24,203,270	25,164,772	28,149,392	27,766,989	28,131,686
Total equity and liabilities	202,343,531	165,578,984	194,021,381	32,123,321	31,854,938	31,839,658
Contingent liabilities	26,400,172	20,107,411	26,856,831	-	-	-

Approved by the Board of Directors and authorised for issue on 11 May 2018.

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

Chairman

Subhas THECKA

Chairman, Audit Committee

INTERIM UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS FOR THE QUARTER ENDED 31 MARCH 2018

	The Group			The Company		
	Unaudited Quarter ended 31 March 2018	Unaudited Quarter ended 31 March 2017	Audited Year ended 31 December 2017	Unaudited Quarter ended 31 March 2018	Unaudited Quarter ended 31 March 2017	Audited Year ended 31 December 2017
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Interest income	1,887,789	1,537,101	7,007,347	14,493	41,096	131,045
Interest expense	(561,845)	(473,160)	(2,239,586)	(36,329)	(37,642)	(149,011)
Net interest income/(expense)	1,325,944	1,063,941	4,767,761	(21,836)	3,454	(17,966)
Fee and commission income	322,896	258,814	1,268,893	-	-	-
Fee and commission expense	(6,484)	(5,766)	(29,385)	(15)	-	(339)
Net fee and commission income/(expense)	316,412	253,048	1,239,508	(15)	-	(339)
Profit arising from dealing in foreign currencies	176,167	165,580	560,843	-	-	-
Net gain on sale of securities	16,272	87,814	464,433	-	-	12,785
Dividend income	57	3,385	21,501	350,300	201,500	1,270,535
Net gain/(loss) from dealing from financial instruments	152,051	139,988	56,538	(6,006)	(1,044)	67,735
Other operating income	-	3	1,221	1,656	(11,328)	-
Non-interest income	660,959	649,818	2,804,044	345,935	189,128	1,350,696
Operating income	1,986,903	1,713,759	7,571,805	324,099	192,582	1,332,730
Personnel expenses	(457,200)	(358,921)	(1,688,992)	(15,734)	-	(18,843)
Depreciation and amortisation	(179,467)	(145,550)	(669,966)	(396)	(301)	(1,203)
Other expenses	(258,882)	(216,424)	(1,099,274)	(9,505)	(17,679)	(61,566)
Non-interest expense	(895,549)	(720,895)	(3,388,232)	(25,635)	(17,980)	(81,602)
Profit before net impairment loss on financial assets	1,091,354	992,864	4,183,573	298,464	174,602	1,251,118
Net impairment loss on financial assets	(237,546)	(297,047)	(1,115,280)	-	-	-
Operating profit	853,808	695,817	3,068,293	298,464	174,602	1,251,118
Share of profit of associate	18,332	-	92,005	-	-	-
Profit before tax	872,140	695,817	3,160,298	298,464	174,602	1,251,118
Income tax expense	(125,473)	(114,443)	(585,375)	-	(450)	2,895
Profit for the quarter/year attributable to equity holders of the parent	746,667	581,374	2,574,923	298,464	174,152	1,254,013
Earnings per share (Cents)	28.92	22.52	99.73	-	-	-

INTERIM UNAUDITED CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2018

	The Group			The Company		
	Unaudited Quarter ended 31 March 2018	Unaudited Quarter ended 31 March 2017	Audited Year ended 31 December 2017	Unaudited Quarter ended 31 March 2018	Unaudited Quarter ended 31 March 2017	Audited Year ended 31 December 2017
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Profit for the quarter/year attributable to equity holders of the parent	746,667	581,374	2,574,923	298,464	174,152	1,254,013
Other comprehensive income :						
<i>Items that will not be reclassified subsequently to profit or loss:</i>						
Decrease in revaluation of property	(1,027)	-	-	-	-	-
Underprovision of deferred tax assets on revaluation of property in prior years	-	-	-	-	-	-
Deferred tax on disposal of property	-	-	-	-	-	-
Effect of change in deferred tax rate	-	-	-	-	-	-
Share of other comprehensive (loss)/gain of associate	(2,118)	-	290	-	-	-
Remeasurement of defined benefit pension plan (net of deferred tax)	-	-	(32,876)	-	-	-
	(3,145)	-	(32,586)	-	-	-
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Exchange differences on translation of foreign operations	(11,794)	79,575	(65,347)	-	-	-
Movement in fair value of available-for-sale investments	-	(4,200)	144,422	-	7,692	-
Fair value re-cycled on disposal of available-for-sale investments	-	-	(228,618)	-	-	15,058
Fair value realised on reclassification of available-for-sale investments to Investment in associate	-	-	-	-	-	-
Equity instrument at FVOCI-Net movement in fair value	(110,969)	-	-	-	-	-
Debt instruments at fair value through other comprehensive income:	(109,280)	-	-	(22,759)	-	-
Net movement in fair value during the quarter	(117,963)	-	-	(22,579)	-	-
Net gain on derecognition of financial instruments at fair value through other comprehensive income	8,682	-	-	-	-	-
	(232,043)	75,375	(149,543)	(22,579)	7,692	67,071
	(235,188)	75,375	(182,129)	(22,579)	7,692	67,071
	511,479	656,749	2,392,794	275,885	181,844	1,321,084

INTERIM UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 MARCH 2018

The Group	Stated Capital	Treasury Shares	Statutory Reserve	Revenue Reserve	Fair Value Reserve	Net Property Revaluation Reserve	Net Translation Reserve	Net Other Reserve	Restructure Reserve	Total Equity
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 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 quarter	-	-	-	581,374	-	-	-	-	-	581,374
Other comprehensive income for the quarter	-	-	-	-	(4,200)	-	79,575	-	-	75,375
Total comprehensive income for the quarter	-	-	-	581,374	(4,200)	-	79,575	-	-	656,749
Transfer to retained earnings	-	-	-	11,288	-	(11,288)	-	-	-	-
Dividend	-	-	-	(258,179)	-	-	-	-	-	(258,179)
At 31 March 2017	32									