

SBM BANK (MAURITIUS) LTD

Interim unaudited condensed financial statements for the quarter ended 31 March 2018

SBM Bank (Mauritius) Ltd ('the Bank') is pleased to present its interim unaudited condensed financial statements for the quarter ended 31 March 2018.

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 2017, except for the adoption of all the new standards and interpretations which are effective as from 01 January 2018.

Operating Results

The Bank continued to improve its performance during the first quarter of financial year 2018. This start of year was marked by the implementation of IFRS 9 Financial Instruments. As at 01 January 2018, the opening retained earnings have been adjusted by an amount of MUR 275 million mainly on account of other financial assets like investment securities, loans and placements with banks and off balance sheet items on which no credit loss calculation was required by the previous IAS 39.

The Bank's total assets grew by 4.64%, from MUR 179,684 million as at 31 December 2017 to reach MUR 188,027 million as at 31 March 2018 explained by an increase in investment securities of MUR 6,003 million and a growth in the gross loans and advances of MUR 1,007 million or 0.97%.

Deposits from banks and non-bank customers increased by MUR 7,884 million or 5.53% to reach MUR 150,319 million as at 31 March 2018 from MUR 142,436 million as at 31 December 2017. This increase was mostly from low cost savings and current accounts in foreign currency.

With higher average advances during Q1 2018 following growth of the loan book during the second half of financial year 2017, an increase of MUR 323 million was noted in interest income as compared to first quarter 2017 representing a growth of 21.89%. Furthermore, as a result of the deposit book growing mainly on account of low interest earning deposits, interest expense increased by only MUR 36 million from MUR 426 million in Q1 2017 to MUR 462 million in Q1 2018. Net interest income reached MUR 1,334 million (Q1 2017: MUR 1,047 million) representing an increase of 27.34%. Non-interest income went slightly down from MUR 626 million in Q1 2017 to MUR 617 million in Q1 2018. This was due to lower profits on bond trading as a result of increasing interest rates and fall in bond prices. Operating income increased from MUR 1,673 million during Q1 2017 to MUR 1,951 million in Q1 2018 representing a growth of 16.64%.

Non-interest expenses increased from MUR 669 million in Q1 2017 to MUR 768 million in Q1 2018. This is due to higher amortisation charges following additional software costs incurred and also higher personnel costs due to salary revision and increase in staff force. Cost to income ratio stood at 39.38% for Q1 2018 (Q1 2017: 40.00%). Impairment charge for Q1 2018 was contained at MUR 221 million

against MUR 295 million for Q1 2017 as a result of impaired accounts having been substantially provided during 2017.

Profit after tax improved from MUR 598 million in Q1 2017 to MUR 840 million in Q1 2018 representing a 40.29% growth.

Capital

The shareholder's equity stood at MUR 18.45 billion as at 31 March 2018 (31 December 2017: MUR 18.36 billion). Tier 1 capital was MUR 13.76 billion as at 31 March 2018 compared to MUR 13.62 billion as at 31 December 2017. The capital adequacy ratio (CAR) and Tier 1 capital to risk weighted assets ratio reached 13.83% and 12.21% respectively, as at 31 March 2018. Both ratios were above the minimum regulatory requirement including the Domestic-Systemically Important Banks (D-SIBs).

Outlook

The credit environment in Mauritius is expected to improve going forward in line with a projected rise in both public sector and private sector investment. Yields on Treasury bills have also started to firm up, supported by efforts by the Bank of Mauritius to absorb excess liquidity. Despite strong competition, the Bank expects to uphold its market share, on the back of its service quality and digitalisation initiatives. This should also promote operational efficiency. The international business should also sustain its momentum while new product and service lines, as well as enhanced cross-selling, should continue to support the diversification of the revenue base.

Raj Dussoye
Chief Executive

Ishwar Anoopum Gaya
Chairman, Audit Committee

Nayen Koomar Ballah
Chairman, G.O.S.K.

07 May 2018

**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 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 Bank as at 31 March 2018, and of its financial performance and its 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

07 May 2018

SBM BANK (MAURITIUS) LTD
STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2018

	Unaudited 31 March 2018 MUR' 000	Unaudited 31 March 2017 MUR' 000	Audited 31 December 2017 MUR' 000
ASSETS			
Cash and cash equivalents	16,138,632	13,586,281	15,620,778
Mandatory balances with central banks	8,632,261	7,778,229	8,712,062
Loans to and placements with banks	9,371,103	5,897,755	8,895,860
Derivative financial instruments	1,796,950	425,810	1,356,774
Loans and advances to non-bank customers	101,622,395	82,810,289	100,839,231
Investment securities	43,153,447	35,344,449	37,150,731
Equity investments	370	4,162	370
Property and equipment	2,610,985	2,718,063	2,631,782
Intangible assets	3,427,192	3,711,573	3,457,061
Deferred tax assets	93,961	203,686	95,461
Other assets	1,179,835	468,810	923,892
Total assets	188,027,131	152,949,107	179,684,002
LIABILITIES			
Deposits from banks	775,548	1,956,046	739,926
Deposits from non-bank customers	149,543,804	124,037,700	141,695,769
Other borrowed funds	12,848,227	7,604,565	13,116,593
Derivative financial instruments	1,474,136	430,085	1,334,584
Current tax liabilities	192,392	453,285	105,869
Deferred tax liabilities	206,308	-	170,905
Other liabilities	4,533,405	2,213,683	4,163,207
Total liabilities	169,573,820	136,695,364	161,326,853
SHAREHOLDERS' EQUITY			
Stated capital	310,000	310,000	310,000
Capital contribution	9,063,106	8,063,106	9,063,106
Revenue reserve	8,079,228	6,602,023	7,855,520
Other reserves	1,000,977	1,278,614	1,128,523
Total equity	18,453,311	16,253,743	18,357,149
Total equity and liabilities	188,027,131	152,949,107	179,684,002

Approved by the Board of Directors and authorised for issue on 07 May 2018.

Raj Dussoye
Chief Executive

Ishwar Anoopum Gaya
Chairman, Audit Committee

Nayen Koomar Ballah
Chairman, G.O.S.K.

SBM BANK (MAURITIUS) LTD

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

	Unaudited Quarter ended 31 March 2018 MUR' 000	Unaudited Quarter ended 31 March 2017 MUR' 000	Audited Year ended 31 December 2017 MUR' 000
Interest income	1,795,833	1,473,311	6,649,890
Interest expense	(462,277)	(426,072)	(1,929,686)
Net interest income	1,333,556	1,047,239	4,720,204
Fee and commission income	283,698	232,350	1,023,061
Fee and commission expense	(5,857)	(4,724)	(24,621)
Net fee and commission income	277,841	227,626	998,440
Other income			
Profit arising from dealing in foreign currencies	172,951	158,744	455,673
Net gain/(loss) from revaluation of financial instruments at fair value	145,452	139,987	516,538
Net gain on sale of securities	21,214	99,142	451,793
Other operating income	-	3	79
	339,617	397,876	1,424,083
Non-interest income	617,458	625,502	2,422,523
Operating income	1,951,014	1,672,741	7,142,727
Personnel expenses	(384,400)	(338,497)	(1,435,185)
Depreciation and amortisation	(171,384)	(144,099)	(648,027)
Other expenses	(212,615)	(186,464)	(900,380)
Non-interest expense	(768,399)	(669,060)	(2,983,592)
Profit before credit loss expense	1,182,615	1,003,681	4,159,135
Credit loss expense on financial assets	(221,049)	(294,815)	(987,262)
Profit before income tax	961,566	708,866	3,171,873
Income tax expense	(121,925)	(110,378)	(560,580)
Profit for the quarter / year	839,641	598,488	2,611,293

SBM BANK (MAURITIUS) LTD

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

	Unaudited Quarter ended 31 March <u>2018</u> MUR' 000	Unaudited Quarter ended 31 March <u>2017</u> MUR' 000	Audited Year ended 31 December <u>2017</u> MUR' 000
Profit for the quarter / year	839,641	598,488	2,611,293
Other comprehensive income :			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement of defined benefit pension plan	-	-	(32,881)
	-	-	(32,881)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations	(31,425)	77,506	(28,403)
Movement in fair value of available-for-sale investments	-	39,920	182,180
Fair value re-cycled on disposal of available-for-sale investments	-	(15,108)	(175,477)
Debt instruments at fair value through other comprehensive income:	(86,703)	-	-
Net movement in fair value during the quarter	(95,386)	-	-
Net gain on derecognition of financial instruments at fair value through other comprehensive income	8,683	-	-
	(118,128)	102,318	(21,700)
Other comprehensive (loss) / income	(118,128)	102,318	(54,581)
Total comprehensive income for the quarter / year	721,513	700,806	2,556,712

SBM BANK (MAURITIUS) LTD
STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 MARCH 2018

	Stated capital	Capital Contribution	Retained earnings	Statutory reserve	Fair value 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 2017	310,000	8,063,106	6,193,747	530,390	(25,415)	1,218,250	(535,641)	15,754,437
Profit for the quarter	-	-	598,488	-	-	-	-	598,488
Other comprehensive income for the quarter	-	-	-	-	24,812	-	77,506	102,318
Total comprehensive income for the quarter	-	-	598,488	-	24,812	-	77,506	700,806
Transfer to retained earnings	-	-	11,288	-	-	(11,288)	-	-
Dividend	-	-	(201,500)	-	-	-	-	(201,500)
At 31 March 2017	310,000	8,063,106	6,602,023	530,390	(603)	1,206,962	(458,135)	16,253,743
At 01 January 2017	310,000	8,063,106	6,193,747	530,390	(25,415)	1,218,250	(535,641)	15,754,437
Profit for the year	-	-	2,611,293	-	-	-	-	2,611,293
Other comprehensive (loss)/income for the year	-	-	(32,881)	-	6,703	-	(28,403)	(54,581)
Total comprehensive income/(loss) for the year	-	-	2,578,412	-	6,703	-	(28,403)	2,556,712
Capital contribution received during the year	-	1,000,000	-	-	-	-	-	1,000,000
Transfer to retained earnings	-	-	37,361	-	-	(37,361)	-	-
Dividend	-	-	(954,000)	-	-	-	-	(954,000)
At 31 December 2017	310,000	9,063,106	7,855,520	530,390	(18,712)	1,180,889	(564,044)	18,357,149
At 01 January 2018	310,000	9,063,106	7,855,520	530,390	(18,712)	1,180,889	(564,044)	18,357,149
Impact of adopting IFRS 9	-	-	(275,051)	-	-	-	-	(275,051)
Restated opening balance under IFRS 9	310,000	9,063,106	7,580,469	530,390	(18,712)	1,180,889	(564,044)	18,082,098
Profit for the quarter	-	-	839,641	-	-	-	-	839,641
Other comprehensive loss for the quarter	-	-	-	-	(86,703)	-	(31,425)	(118,128)
Total comprehensive income / (loss) for the quarter	-	-	839,641	-	(86,703)	-	(31,425)	721,513
Transfer to retained earnings	-	-	9,418	-	-	(9,418)	-	-
Dividend	-	-	(350,300)	-	-	-	-	(350,300)
At 31 March 2018	310,000	9,063,106	8,079,228	530,390	(105,415)	1,171,471	(595,469)	18,453,311

SBM BANK (MAURITIUS) LTD

ABRIDGED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 31 MARCH 2018

	Unaudited Quarter ended 31 March 2018	Unaudited Quarter ended 31 March 2017	Audited Year ended 31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Net cash from / (used in) operating activities	909,606	1,148,396	(1,891,999)
Net cash (used in) / from financing activities	(268,365)	3,064,056	8,622,084
Net cash used in investing activities	(123,387)	(50,112)	(221,473)
Net change in cash and cash equivalents	517,854	4,162,340	6,508,612
Net foreign exchange difference	-	-	(311,775)
Cash and cash equivalents at start of quarter / year	15,620,778	9,423,941	9,423,941
Cash and cash equivalents at end of quarter / year	16,138,632	13,586,281	15,620,778

The financial information, including the independent auditor's report to the member of SBM Bank (Mauritius) Ltd, has been extracted from the interim unaudited condensed financial statements for the quarter ended 31 March 2018.