

## **SBM BANK (MAURITIUS) LTD**

### **Interim unaudited condensed financial statements for the six months ended 30 June 2018**

SBM Bank (Mauritius) Ltd ('the Bank') is pleased to present its interim unaudited condensed financial statements for the six months ended 30 June 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 used 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.

#### **Results**

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 expected credit loss was required to be provided for by the previous IAS 39.

The Bank's total assets grew by 6.69%, from MUR 179,684 million as at 31 December 2017 to reach MUR 191,711 million as at 30 June 2018, mainly on account of an increase in investment securities of MUR 10,469 million and a growth in the net loans and advances of MUR 2,839 million or 2.82%.

Deposits from banks and non-bank customers increased by MUR 10,953 million or 7.69% to reach MUR 153,389 million as at 30 June 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.

The Bank's operating income continued to improve during the first half of financial year 2018. With higher average advances during H1 2018 following growth of the loan book during the second half of the financial year 2017, an increase of MUR 589 million was noted in interest income as compared to H1 2017 representing a growth of 18.61%. Furthermore, as a result of the deposit book growing mainly on account of low interest bearing deposits, interest expense increased by only MUR 40 million from MUR 930 million in H1 2017 to MUR 970 million in H1 2018. Net interest income reached MUR 2,786 million (H1 2017: MUR 2,237 million) representing an increase of 24.56%. Non-interest income went slightly up from MUR 1,157 million in H1 2017 to MUR 1,175 million in H1 2018. This was due to higher fee and commission income and higher profits from dealing in foreign currencies offset by lower profits on bond trading as a result of increasing interest rates and fall in bonds prices. Operating income increased from MUR 3,393 million during H1 2017 to reach MUR 3,961 million in H1 2018 representing a growth of 16.74%.

Non-interest expense increased from MUR 1,415 million in H1 2017 to MUR 1,591 million in H1 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 improved to 40.16% for H1 2018 as compared to 41.71% for H1 2017.

Profit before credit loss expense and tax reached MUR 2,371 million for H1 2018, from MUR 1,978 million for H1 2017. However, profit after tax decreased by 42.22%, from MUR 1,275 million for H1 2017 to MUR 736 million for H1 2018 on account of significant impairment charges registered during the period under review. Credit loss expense on financial assets increased by MUR 928 million during H1 2018, from MUR 417 million for H1 2017 to reach MUR 1,345 million for H1 2018, mainly on account of one segment B client.

### Capital

The shareholder's equity stood at MUR 18.89 billion as at 30 June 2018 (31 December 2017: MUR 18.36 billion). Tier 1 capital was MUR 14.36 billion as at 30 June 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 14.88% and 13.24% respectively, as at 30 June 2018. Both ratios were above the minimum regulatory requirement including the Domestic-Systemically Important Banks (D-SIBs). The Bank received a capital contribution of MUR 1.1 billion from its holding company during the period under review and paid dividends amounting to MUR 697.5 million.

### Outlook

The credit environment is expected to remain reasonably positive, but margins would remain under pressure. The Bank will pursue recovery efforts and review its business model to reduce risks in its portfolio. At the same time, it will continue to broaden its revenue base and manage its costs through its cross-selling, digitalisation and channel migration initiatives.

**Raj Dussoye**  
Chief Executive

**Ishwar Anoopum Gaya**  
Chairman, Audit Committee

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

10 August 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 30 June 2018 and the related interim condensed statements of profit or loss and other comprehensive income, changes in equity and abridged cash flows for the six 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 Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information does not present fairly, in all material respects, the financial position of the Bank as at 30 June 2018, and of its financial performance and its cash flows for the six months then ended in accordance with IAS 34 Interim Financial Reporting.

**ERNST & YOUNG**  
Ebène, Mauritius

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

10 August 2018

**SBM BANK (MAURITIUS) LTD**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018**

	Unaudited 30 June 2018 MUR' 000	Unaudited 30 June 2017 MUR' 000	Audited 31 December 2017 MUR' 000
<b>ASSETS</b>			
Cash and cash equivalents	15,046,792	16,560,709	15,620,778
Mandatory balances with central banks	8,685,346	8,588,891	8,712,062
Loans to and placements with banks	8,729,576	4,472,529	8,895,860
Derivative financial instruments	1,056,875	925,017	1,356,774
Loans and advances to non-bank customers	103,678,125	87,699,457	100,839,231
Investment securities	47,619,971	36,493,810	37,150,731
Equity investments	1,682	4,083	370
Property and equipment	2,585,450	2,685,431	2,631,782
Intangible assets	3,270,964	3,638,414	3,457,061
Deferred tax assets	91,968	97,216	95,461
Other assets	944,486	595,399	923,892
<b>Total assets</b>	<b>191,711,235</b>	<b>161,760,956</b>	<b>179,684,002</b>
<b>LIABILITIES</b>			
Deposits from banks	575,342	1,678,607	739,926
Deposits from non-bank customers	152,813,547	134,869,128	141,695,769
Other borrowed funds	14,613,207	4,714,693	13,116,593
Derivative financial instruments	898,640	759,884	1,334,584
Current tax liabilities	247,293	156,424	105,869
Deferred tax liabilities	184,015	34,153	170,905
Other liabilities	3,492,043	2,732,006	4,163,207
<b>Total liabilities</b>	<b>172,824,087</b>	<b>144,944,895</b>	<b>161,326,853</b>
<b>SHAREHOLDER'S EQUITY</b>			
Stated capital	310,000	310,000	310,000
Capital contribution	10,163,106	8,063,106	9,063,106
Revenue reserve	7,638,222	7,134,385	7,855,520
Other reserves	775,820	1,308,570	1,128,523
<b>Total equity</b>	<b>18,887,148</b>	<b>16,816,061</b>	<b>18,357,149</b>
<b>Total equity and liabilities</b>	<b>191,711,235</b>	<b>161,760,956</b>	<b>179,684,002</b>

Approved by the Board of Directors and authorised for issue on 10 August 2018.

Raj Dussoye  
Chief Executive

Ishwar Anoopum Gaya  
Chairman, Audit Committee

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

SBM BANK (MAURITIUS) LTD

STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS 30 JUNE 2018

	Unaudited Quarter ended 30 June 2018 MUR' 000	Unaudited Quarter ended 30 June 2017 MUR' 000	Unaudited Six months ended 30 June 2018 MUR' 000	Unaudited Six months ended 30 June 2017 MUR' 000	Audited Year ended 31 December 2017 MUR' 000
Interest income	1,960,213	1,693,519	3,756,046	3,166,830	6,649,890
Interest expense	(507,680)	(504,026)	(969,957)	(930,098)	(1,929,686)
<b>Net interest income</b>	<b>1,452,533</b>	<b>1,189,493</b>	<b>2,786,089</b>	<b>2,236,732</b>	<b>4,720,204</b>
Fee and commission income	287,062	230,681	570,760	463,031	1,023,061
Fee and commission expense	(7,521)	(5,802)	(13,378)	(10,526)	(24,621)
<b>Net fee and commission income</b>	<b>279,541</b>	<b>224,879</b>	<b>557,382</b>	<b>452,505</b>	<b>998,440</b>
<b>Other income</b>					
Profit arising from dealing in foreign currencies	184,681	96,306	357,632	255,050	455,673
Net gain from financial instruments	81,163	61,103	226,615	201,090	516,538
Net gain on sale of securities	12,405	148,876	33,619	248,018	451,793
Other operating income	-	14	-	17	79
	<b>278,249</b>	<b>306,299</b>	<b>617,866</b>	<b>704,175</b>	<b>1,424,083</b>
<b>Non-interest income</b>	<b>557,790</b>	<b>531,178</b>	<b>1,175,248</b>	<b>1,156,680</b>	<b>2,422,523</b>
<b>Operating income</b>	<b>2,010,323</b>	<b>1,720,671</b>	<b>3,961,337</b>	<b>3,393,412</b>	<b>7,142,727</b>
Personnel expenses	(414,784)	(369,855)	(799,184)	(708,352)	(1,435,185)
Depreciation and amortisation	(172,566)	(159,535)	(343,950)	(303,634)	(648,027)
Other expenses	(235,051)	(216,965)	(447,666)	(403,429)	(900,380)
<b>Non-interest expense</b>	<b>(822,401)</b>	<b>(746,355)</b>	<b>(1,590,800)</b>	<b>(1,415,415)</b>	<b>(2,983,592)</b>
<b>Profit before credit loss expense</b>	<b>1,187,922</b>	<b>974,316</b>	<b>2,370,537</b>	<b>1,977,997</b>	<b>4,159,135</b>
Credit loss expense on financial assets	(1,123,730)	(122,455)	(1,344,779)	(417,270)	(987,262)
<b>Profit before income tax</b>	<b>64,192</b>	<b>851,861</b>	<b>1,025,758</b>	<b>1,560,727</b>	<b>3,171,873</b>
Income tax expense	(167,416)	(175,787)	(289,341)	(286,165)	(560,580)
<b>(Loss) / profit for the quarter / period / year</b>	<b>(103,224)</b>	<b>676,074</b>	<b>736,417</b>	<b>1,274,562</b>	<b>2,611,293</b>

SBM BANK (MAURITIUS) LTD

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Unaudited Quarter ended 30 June 2018 MUR' 000	Unaudited Quarter ended 30 June 2017 MUR' 000	Unaudited Six months ended 30 June 2018 MUR' 000	Unaudited Six months ended 30 June 2017 MUR' 000	Audited Year ended 31 December 2017 MUR' 000
(Loss) / profit for the quarter / period / year	(103,224)	676,074	736,417	1,274,562	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	(44,862)	(59,033)	(76,287)	18,473	(28,403)
Movement in fair value of available-for-sale investments	-	170,710	-	210,630	182,180
Fair value re-cycled on disposal of available-for-sale investments	-	(70,433)	-	(85,541)	(175,477)
Debt instruments at fair value through other comprehensive income:	(170,877)	-	(257,580)	-	-
Net movement in fair value during the period	(188,205)	-	(283,590)	-	-
Net gain on derecognition of financial instruments at fair value through other comprehensive income	17,328	-	26,010	-	-
	(215,739)	41,244	(333,867)	143,562	(21,700)
Other comprehensive (loss) / income	(215,739)	41,244	(333,867)	143,562	(54,581)
Total comprehensive (loss) / income for the quarter / period / year	(318,963)	717,318	402,550	1,418,124	2,556,712

**SBM BANK (MAURITIUS) LTD**  
**STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 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 period	-	-	1,274,562	-	-	-	-	1,274,562
Other comprehensive income for the period	-	-	-	-	125,089	-	18,473	143,562
Total comprehensive income for the period	-	-	1,274,562	-	125,089	-	18,473	1,418,124
Transfer to retained earnings	-	-	22,576	-	-	(22,576)	-	-
Dividend	-	-	(356,500)	-	-	-	-	(356,500)
<b>At 30 June 2017</b>	<b>310,000</b>	<b>8,063,106</b>	<b>7,134,385</b>	<b>530,390</b>	<b>99,674</b>	<b>1,195,674</b>	<b>(517,168)</b>	<b>16,816,061</b>
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)
<b>At 31 December 2017</b>	<b>310,000</b>	<b>9,063,106</b>	<b>7,855,520</b>	<b>530,390</b>	<b>(18,712)</b>	<b>1,180,889</b>	<b>(564,044)</b>	<b>18,357,149</b>
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 (Note 9.14)	-	-	(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 period	-	-	736,417	-	-	-	-	736,417
Other comprehensive loss for the period	-	-	-	-	(257,580)	-	(76,287)	(333,867)
Total comprehensive income / (loss) for the period	-	-	736,417	-	(257,580)	-	(76,287)	402,550
Capital contribution received during the period	-	1,100,000	-	-	-	-	-	1,100,000
Transfer to retained earnings	-	-	18,836	-	-	(18,836)	-	-
Dividend	-	-	(697,500)	-	-	-	-	(697,500)
<b>At 30 June 2018</b>	<b>310,000</b>	<b>10,163,106</b>	<b>7,638,222</b>	<b>530,390</b>	<b>(276,292)</b>	<b>1,162,053</b>	<b>(640,331)</b>	<b>18,887,148</b>

SBM BANK (MAURITIUS) LTD

ABRIDGED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Unaudited Six months ended 30 June 2018	Unaudited Six months ended 30 June 2017	Audited Year ended 31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Net cash (used in) / from operating activities	(2,701,379)	7,272,580	(1,891,999)
Net cash from / (used in) financing activities	2,246,314	(27,316)	8,622,084
Net cash used in investing activities	(118,921)	(108,496)	(221,473)
Net change in cash and cash equivalents	(573,986)	7,136,768	6,508,612
Net foreign exchange difference	-	-	(311,775)
Cash and cash equivalents at start of period / year	15,620,778	9,423,941	9,423,941
Cash and cash equivalents at end of period / year	15,046,792	16,560,709	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 six months ended 30 June 2018.*