

SBM BANK (MAURITIUS) LTD

Interim unaudited condensed financial statements for the nine months ended 30 September 2018

SBM Bank (Mauritius) Ltd ('the Bank') is pleased to present its interim unaudited condensed financial statements for the nine months ended 30 September 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 6.44%, from MUR 179,684 million as at 31 December 2017 to reach MUR 191,253 million as at 30 September 2018, mainly on account of an increase in investment securities of MUR 11,712 million and a growth in the net loans and advances of MUR 1,407 million or 1.40%.

Deposits from banks and non-bank customers increased by MUR 3,689 million or 2.59% to reach MUR 146,125 million as at 30 September 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. Other borrowed funds increased from MUR 13,117 million as at 31 December 2017 to MUR 16,470 million as at 30 September 2018.

The Bank's operating income continued to improve with higher average advances following growth of the loan book since the second half of financial year 2017. An increase of MUR 797 million was recorded in interest income as compared to the nine months ended 30 September 2017 representing a growth of 16.29%. Furthermore, as a result of the deposit book growing mainly on account of low interest bearing deposits, interest expense increased by only MUR 29 million from MUR 1,449 million for the nine months ended 30 September 2017 to MUR 1,478 million for the current period. Net interest income reached MUR 4,210 million (30 September 2017: MUR 3,442 million) representing an increase of 22.32%. Non-interest income went slightly up from MUR 1,730 million for September 2017 to MUR 1,803 million for September 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 5,172 million for the comparative period to reach MUR 6,013 million for the nine months ended 30 September 2018 representing a growth of 16.24%.

Non-interest expense increased from MUR 2,203 million for the nine months ended 30 September 2017 to MUR 2,518 million for the nine months ended 30 September 2018. This resulted with higher personnel costs due to salary revision and increase in staff force; higher amortisation charges following additional software costs incurred and higher operational loss on account of the recent cyber-attack pertaining to our Indian Branch. Cost to income ratio improved to 41.88% for September 2018 as compared to 42.58% for September 2017.

Profit before credit loss expense and tax reached MUR 3,495 million for the nine months ended 30 September 2018, from MUR 2,970 million for the nine months ended 30 September 2017. However, profit after tax decreased by 26%, from MUR 1,929 million for nine months ended 30 September 2017 to MUR 1,427 million for nine months ended 30 September 2018 on account of significant impairment charges registered during the period under review. Credit loss expense on financial assets increased by MUR 994 million during the period 2018, from MUR 637 million for the nine months to 30 September 2017 to reach MUR 1,631 million for the nine months to 30 September 2018, mainly on account of one segment B client.

Capital

The shareholder's equity stood at MUR 19,597 million as at 30 September 2018 (31 December 2017: MUR 18,357 million). Tier 1 capital was MUR 15,143 million as at 30 September 2018 compared to MUR 13,624 million as at 31 December 2017. The capital adequacy ratio (CAR) and Tier 1 capital to risk weighted assets ratio reached 15.85% and 14.21% respectively, as at 30 September 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 1,100 million 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 benefit from an uptick in economic activities and rising public and private investments. However, margins would continue to remain under pressure. Against this backdrop, the Bank has upped its efforts to manage risks and costs via a number of initiatives including business model review, digitalisation and channel migration.

Venkateswara Rao Parvataneni
Director

Ishwar Anoopum Gaya
Chairman, Audit Committee

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

08 November 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 September 2018 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 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 September 2018, and of its financial performance and its 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

08 November 2018

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

	Unaudited 30 September 2018 MUR' 000	Unaudited 30 September 2017 MUR' 000	Audited 31 December 2017 MUR' 000
ASSETS			
Cash and cash equivalents	13,773,904	17,624,440	15,620,778
Mandatory balances with central banks	8,787,916	9,013,623	8,712,062
Loans to and placements with banks	9,658,949	8,324,078	8,895,860
Derivative financial instruments	1,234,142	3,906,753	1,356,774
Loans and advances to non-bank customers	102,246,667	96,945,136	100,839,231
Investment securities	48,863,037	35,048,394	37,150,731
Equity investments	1,682	3,996	370
Property and equipment	2,575,102	2,663,377	2,631,782
Intangible assets	3,215,218	3,511,344	3,457,061
Deferred tax assets	86,317	94,930	95,461
Other assets	810,144	479,516	923,892
Total assets	191,253,078	177,615,587	179,684,002
LIABILITIES			
Deposits from banks	721,488	854,752	739,926
Deposits from non-bank customers	145,403,406	145,188,423	141,695,769
Other borrowed funds	16,470,416	9,847,275	13,116,593
Derivative financial instruments	970,586	1,445,223	1,334,584
Current tax liabilities	274,944	137,090	105,869
Deferred tax liabilities	216,719	97,977	170,905
Other liabilities	7,598,713	2,854,127	4,163,207
Total liabilities	171,656,272	160,424,867	161,326,853
SHAREHOLDER'S EQUITY			
Stated capital	310,000	310,000	310,000
Capital contribution	10,163,106	8,063,106	9,063,106
Revenue reserve	8,338,314	7,589,667	7,855,520
Other reserves	785,386	1,227,947	1,128,523
Total equity	19,596,806	17,190,720	18,357,149
Total equity and liabilities	191,253,078	177,615,587	179,684,002

Approved by the Board of Directors and authorised for issue on 08 November 2018.

Venkateswara Rao Parvataneni
 Director

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 NINE MONTHS 30 SEPTEMBER 2018

	Unaudited Quarter ended 30 September <u>2018</u> MUR' 000	Unaudited Quarter ended 30 September <u>2017</u> MUR' 000	Unaudited Nine months ended 30 September <u>2018</u> MUR' 000	Unaudited Nine months ended 30 September <u>2017</u> MUR' 000	Audited Year ended 31 December <u>2017</u> MUR' 000
Interest income	1,931,683	1,724,223	5,687,729	4,891,053	6,649,890
Interest expense	(507,697)	(518,991)	(1,477,654)	(1,449,089)	(1,929,686)
Net interest income	1,423,986	1,205,232	4,210,075	3,441,964	4,720,204
Fee and commission income	215,031	222,630	785,791	685,661	1,023,061
Fee and commission expense	(6,177)	(5,084)	(19,555)	(15,610)	(24,621)
Net fee and commission income	208,854	217,546	766,236	670,051	998,440
Other income					
Profit arising from dealing in foreign currencies	141,585	103,760	499,217	358,810	455,673
Net gain from financial instruments	230,728	132,474	457,343	333,564	516,538
Net gain on sale of securities	46,146	119,926	79,765	367,944	451,793
Other operating income	-	61	-	78	79
	418,459	356,221	1,036,325	1,060,396	1,424,083
Non-interest income	627,313	573,767	1,802,561	1,730,447	2,422,523
Operating income	2,051,299	1,778,999	6,012,636	5,172,411	7,142,727
Personnel expenses	(398,418)	(357,156)	(1,197,602)	(1,065,508)	(1,435,185)
Depreciation and amortisation	(186,471)	(172,938)	(530,421)	(476,572)	(648,027)
Other expenses	(342,390)	(257,014)	(790,056)	(660,443)	(900,380)
Non-interest expense	(927,279)	(787,108)	(2,518,079)	(2,202,523)	(2,983,592)
Profit before credit loss expense	1,124,020	991,891	3,494,557	2,969,888	4,159,135
Credit loss expense on financial assets	(286,189)	(219,525)	(1,630,968)	(636,795)	(987,262)
Profit before income tax	837,831	772,366	1,863,589	2,333,093	3,171,873
Income tax expense	(147,158)	(118,372)	(436,499)	(404,537)	(560,580)
Profit for the quarter / period / year	690,673	653,994	1,427,090	1,928,556	2,611,293

SBM BANK (MAURITIUS) LTD

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

	Unaudited Quarter ended 30 September <u>2018</u> MUR' 000	Unaudited Quarter ended 30 September <u>2017</u> MUR' 000	Unaudited Nine months ended 30 September <u>2018</u> MUR' 000	Unaudited Nine months ended 30 September <u>2017</u> MUR' 000	Audited Year ended 31 December <u>2017</u> MUR' 000
Profit for the quarter / period / year	690,673	653,994	1,427,090	1,928,556	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	(117,698)	(60,279)	(193,985)	(41,806)	(28,403)
Movement in fair value of available-for-sale investments	-	(46,799)	-	163,831	182,180
Fair value re-cycled on disposal of available-for-sale investments	-	37,743	-	(47,798)	(175,477)
Debt instruments at fair value through other comprehensive income:	136,683	-	(120,897)	-	-
Net movement in fair value during the period	205,767	-	(77,823)	-	-
Net loss on derecognition of financial instruments at fair value through other comprehensive income	(69,084)	-	(43,074)	-	-
	18,985	(69,335)	(314,882)	74,227	(21,700)
Other comprehensive income / (loss)	18,985	(69,335)	(314,882)	74,227	(54,581)
Total comprehensive income for the quarter / period / year	709,658	584,659	1,112,208	2,002,783	2,556,712

SBM BANK (MAURITIUS) LTD
STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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	-	-	1,928,556	-	-	-	-	1,928,556
Other comprehensive income for the period	-	-	-	-	116,033	-	(41,806)	74,227
Total comprehensive income for the period	-	-	1,928,556	-	116,033	-	(41,806)	2,002,783
Transfer to retained earnings	-	-	33,864	-	-	(33,864)	-	-
Dividend	-	-	(566,500)	-	-	-	-	(566,500)
At 30 September 2017	310,000	8,063,106	7,589,667	530,390	90,618	1,184,386	(577,447)	17,190,720
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 (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	-	-	1,427,090	-	-	-	-	1,427,090
Other comprehensive loss for the period	-	-	-	-	(120,897)	-	(193,985)	(314,882)
Total comprehensive income / (loss) for the period	-	-	1,427,090	-	(120,897)	-	(193,985)	1,112,208
Capital contribution received during the period	-	1,100,000	-	-	-	-	-	1,100,000
Transfer to retained earnings	-	-	28,255	-	-	(28,255)	-	-
Dividend	-	-	(697,500)	-	-	-	-	(697,500)
At 30 September 2018	310,000	10,163,106	8,338,314	530,390	(139,609)	1,152,634	(758,029)	19,596,806

SBM BANK (MAURITIUS) LTD

ABRIDGED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

	Unaudited Nine months ended 30 September 2018	Unaudited Nine months ended 30 September 2017	Audited Year ended 31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Net cash (used in) / from operating activities	(5,354,622)	3,597,439	(1,891,999)
Net cash from financing activities	3,756,323	4,740,266	8,622,084
Net cash used in investing activities	(248,575)	(137,206)	(221,473)
Net change in cash and cash equivalents	(1,846,874)	8,200,499	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	13,773,904	17,624,440	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 nine months ended 30 September 2018.