

ABRIDGED AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

RESULTS

SBM Holdings Ltd (the Company) and its subsidiaries here altogether (the Group) present the Group and Company abridged audited financial statements for the year ended 31 December 2019. The audited financial statements have been prepared in accordance with the International Financial Reporting Standards.

On 18 August 2018, SBM Bank (Kenya) Limited ("SBMBK") expanded in scale through the take-over of selected assets and liabilities of Chase Bank (Kenya) Limited (In Receivership) ("CBLR"). The figures presented in the statements of financial position as at 31 December 2019 incorporate the carved-out assets and liabilities of CBLR and the statements of profit or loss for the financial year 2019 take into account the full year income and expenses of the carved out operations, while for 2018, they cover only the period from 18 August 2018 to 31 December 2018.

Operating results

The total assets of the Group have increased from MUR 226 billion as at 31 December 2018 to MUR 260 billion as at 31 December 2019. The increase of MUR 34 billion or 15.1% is mainly attributable to a growth in investment securities from MUR 72 billion as at 31 December 2018 to MUR 94 billion as at 31 December 2019. Gross loans and advances have also increased by 8.3% to reach MUR 122 billion as at 31 December 2019 while net loans have witnessed an increase of 7.1%. Deposits from non-bank customers have significantly increased from MUR 169 billion as at 31 December 2018 to MUR 199 billion as at 31 December 2019.

The above growth in business volumes demonstrates the strong fundamentals of the Group which contributed to an increase of 11% in net interest income for the financial year 2019. Interest income has gone up by MUR 1.8 billion driven primarily by increase of MUR 23 billion in investment securities. This was partly offset by an increase of MUR 1.2 billion in interest expenses on account of growth in deposit base along with increase in borrowed funds. Net fees and commissions for the Group have also improved by MUR 297 million which is mainly on account of retail and corporate fees. Overall, the Group booked MUR 3.0 billion of non-interest income for the financial year 2019 as compared to MUR 3.9 billion for 2018. A one-off bargain purchase gain of MUR 958 million, net of deferred tax, was made in 2018 on the acquisition of CBLR. As such, the Group ended up with an Operating Income of MUR 9.4 billion for 2019.

Non-interest expense went up by MUR 1.3 billion on account of add-on cost of operations with the full impact of the CBLR acquisition, set-up of a wholly own subsidiary in India, building of human capabilities across the Group along with introduction of IFRS 16 during the year. Special levy amounting to MUR 171 million has also been reclassified from income tax expense to non-interest expense following amendment to the Finance Act in 2019. Cost to income ratio stood at 63.8% for the financial year 2019 as compared to 48.0% in 2018.

The Group therefore reported a profit before credit loss expense and tax of MUR 3.4 billion for the financial year 2019. However, the Group results have been hit by exceptionally high credit loss expense again this year. The large credit loss expense of MUR 3.0 billion relates mostly to some previously identified segment B customers at the level of SBM Bank (Mauritius) Ltd partly offset by significant recoveries made by SBM Bank (Kenya) Limited on its impaired accounts.

The Group, as such, ended up with a net profit after tax of MUR 15 million for the financial year 2019, which explains the substantial fall in earnings per share for financial year 2019.

APPROVAL OF FINANCIAL STATEMENTS

The audited financial statements have been approved by the Board and abridged for purposes of this report. Ernst & Young has expressed an unmodified audit opinion on the annual financial statements. The signed auditors' report is available for viewing on SBM Group's website (www.sbmgroup.mu). The audited financial statements are available for inspection at the Company's registered address. This abridged report is extracted from audited information and the auditors report is on the financial statements as a whole but not on the abridged financial information. The auditors' report does not necessarily cover all of the information contained in this announcement. Stakeholders are therefore advised that in order to obtain a full understanding of the nature of the auditors' work they should view the report together with the accompanying financial information.

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	The Group			The Company		
	31 December 2019	31 December 2018	31 December 2017	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ASSETS						
Cash and cash equivalents	18,181,126	15,653,515	16,331,538	178,632	32,890	73,223
Mandatory balances with central banks	10,680,287	9,977,260	8,966,717	-	-	-
Loans to and placements with banks	9,240,131	11,090,361	8,897,399	-	-	-
Derivative financial instruments	874,269	764,077	1,356,774	-	-	-
Loans and advances to non-bank customers	109,396,640	102,108,174	103,128,838	-	-	-
Investment securities	94,276,665	71,594,287	40,000,421	1,670,478	3,105,326	1,461,801
Equity investments	6,014,270	5,752,870	6,137,779	4,227,683	4,292,925	4,292,925
Investment in subsidiaries	-	-	-	29,899,918	28,485,152	24,665,178
Investment in associate	1,479,048	1,308,157	1,336,902	1,272,977	1,272,977	1,272,977
Property, equipment and right of use assets	4,088,213	3,153,914	2,854,218	3,865	5,780	3,106
Goodwill and other intangible assets	2,729,474	3,226,412	3,875,613	1,157	44	-
Deferred tax assets	355,992	89,440	95,461	-	-	-
Other assets	3,159,878	1,655,659	1,039,721	231,515	153,309	70,448
Total assets	260,475,993	226,374,126	194,021,381	37,486,225	37,283,161	31,839,658
LIABILITIES						
Deposits from banks	907,521	716,702	689,265	-	-	-
Deposits from non-bank customers	199,397,188	169,384,480	144,850,676	-	-	-
Other borrowed funds	15,670,968	14,522,085	13,686,203	-	-	-
Derivative financial instruments	881,176	799,441	1,334,641	-	-	-
Current tax liabilities	536,283	495,964	124,195	-	503	1,005
Deferred tax liabilities	-	159,477	170,905	-	-	-
Other liabilities	8,824,992	6,706,294	4,299,258	117,340	91,777	5,501
Subordinated debts	9,739,981	9,412,677	3,701,466	9,739,981	9,412,677	3,701,466
Total liabilities	235,958,109	202,197,120	168,856,609	9,857,321	9,504,957	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	1,107,259	2,270,280	2,410,007	825,549	965,704	1,242,101
Other reserves	(4,214,548)	(5,718,447)	(4,870,408)	(821,818)	(812,673)	(735,588)
	29,392,915	29,052,037	30,039,803	32,503,935	32,653,235	33,006,717
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	24,517,884	24,177,006	25,164,772	27,628,904	27,778,204	28,131,686
Total equity and liabilities	260,475,993	226,374,126	194,021,381	37,486,225	37,283,161	31,839,658

Approved by the Board of Directors and authorised for issue on 29 April 2020.

Abdul Sattar Adam Ali Mamode HAJEE ABDLOULA
Chairman

Subhas THECKA
Chairman, Audit Committee

Gross impaired advances net of cash collateral decreased to MUR 14.0 billion as at 31 December 2019 from MUR 14.8 billion as at 31 December 2018. The net impaired advances to net advances ratio has improved from 6.4% as at 31 December 2018 to 4.0% as at 31 December 2019 due to higher provision coverage ratio of 69.1% for this year (2018: 57.6%) along with an increase in the loan books.

The Group has already declared and paid dividend of 30 cents for the year ended 31 December 2019 while for fourth quarter no dividend is envisaged.

The Group Capital

The capital base and equity of the Group increased from MUR 30.1 billion and MUR 24.2 billion respectively as at 31 December 2018, to MUR 30.2 billion and MUR 24.5 billion respectively as at 31 December 2019.

The Group's capital adequacy ratio (CAR), Tier 1 capital and common equity Tier 1 capital ratios decreased from 24.6%, 16.2% and 16.2% as at 31 December 2018 to 22.1%, 14.6% and 14.6% as at 31 December 2019 due to the lower profit made for the year and substantial increase in risk weighted assets in line with growth in business volumes. However, we remain well capitalised and above the minimum regulatory limits of 13.4%, 11.4% and 9.9% respectively.

Outlook

The operating environment in 2019 was mixed, with the first half having been relatively more stable than the second half, which saw the adoption of accommodative monetary policies amidst downward revisions in economic growth forecasts.

2020 unfolded with the outbreak of the COVID-19 and thereafter engulfed the whole world in a global pandemic situation. This has led to weeks of country-wide lockdowns and quasi-halt in economic activities which will have significant economic and financial consequences.

The Group's operations in the different countries of presence will certainly be impacted; although the magnitude cannot be fully assessed at this point in time, given the still-evolutionary stage of the pandemic. The repercussions will mostly be felt in terms of squeezed margins, weakening in asset quality and higher cost to income ratios. Nonetheless, the Group remains comfortably capitalised and has sufficient liquidity coverage.

Looking forward, the Group, faced with the challenges of the COVID-19, will have to re-orient its current strategies to adapt to the needs of all our stakeholders.

We thank you for your continued support.

Abdul Sattar Adam Ali Mamode HAJEE ABDLOULA
Chairman
29 April 2020

Subhas THECKA
Chairman, Audit Committee

STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2019

	The Group			The Company		
	31 December 2019	31 December 2018	31 December 2017	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Interest income	10,644,090	8,816,856	7,007,347	68,079	77,913	131,045
Interest expense	(4,156,726)	(2,971,513)	(2,239,586)	(476,589)	(309,019)	(149,011)
Net interest income/(expense)	6,487,364	5,845,343	4,767,761	(408,510)	(231,106)	(17,966)
Fee and commission income	1,616,807	1,307,329	1,268,893	-	-	-
Fee and commission expense	(43,508)	(30,919)	(29,385)	(150)	(199)	(339)
Net fee and commission income/(expense)	1,573,299	1,276,410	1,239,508	(150)	(199)	(339)
Profit/(loss) arising from dealing in foreign currencies	381,611	758,677	560,843	(289,253)	(29,695)	67,735
Net gain on sale of securities	665,904	204,458	464,433	6,767	27,614	12,765
Dividend income	223,076	110,051	21,501	1,570,456	1,233,068	1,270,535
Net gain from dealing from financial instruments	107,592	509,849	516,538	17,879	-	-
Other operating income	4,493	1,073,651	1,221	-	-	-
Non-interest income	2,955,975	3,933,096	2,804,044	1,305,699	1,230,788	1,350,696
Operating income	9,443,339	9,778,439	7,571,805	897,189	999,682	1,332,730
Personnel expenses	(2,883,912)	(1,951,225)	(1,525,027)	(82,994)	(104,253)	(18,843)
Depreciation of property and equipment and amortisation of right of use assets	(476,839)	(205,245)	(166,796)	(2,142)	(1,946)	(1,203)
Amortisation of intangible assets	(617,833)	(621,951)	(503,170)	(208)	(6)	-
Other expenses	(1,873,960)	(1,919,132)	(1,193,239)	(49,096)	(253,729)	(61,566)
Bank levy	(171,368)	-	-	-	-	-
Non-interest expense	(6,023,912)	(4,697,553)	(3,388,232)	(134,440)	(359,934)	(81,612)
Profit before credit loss expense on financial assets	3,419,427	5,080,886	4,183,573	762,749	639,748	1,251,118
Credit loss (expense)/reversal on financial assets	(2,996,142)	(3,559,350)	(1,115,280)	1,085	(1,646)	-
Operating profit	423,285	1,521,536	3,068,293	763,834	638,102	1,251,118
Share of profit of associate	139,237	100,240	92,005	-	-	-
Profit before tax	562,522	1,621,776	3,160,298	763,834	638,102	1,251,118
Tax (expense)/income	(547,487)	(375,982)	(585,375)	(857)	(10,867)	(2,895)
Profit for the year	15,035	1,245,794	2,574,923	763,477	627,235	1,254,013
Earnings per share (cents)	0.58	48.25	99.73	-	-	-
Diluted (Cents)	0.58	48.25	99.73	-	-	-

STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	The Group			The Company		
	31 December 2019	31 December 2018	31 December 2017	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Profit for the year	15,035	1,245,794	2,574,923	763,477	627,235	1,254,013
Other comprehensive income:						
Items that will not be reclassified subsequently to profit or loss:						
Increase in revaluation of property	255,148	-	-	-	-	-
Deferred tax on revaluation of property	(9,950)	-	-	-	-	-
Reversal in net property revaluation reserve	-	(17,689)	-	-	-	-
Impact of change in deferred tax rate on revaluation of property	118,392	-	-	-	-	-
Remeasurement of defined benefit pension plan	(203,865)	(27,802)	(32,876)	-	-	-
Deferred tax on remeasurement of defined benefit pension plan	14,271	-	-	-	-	-
Impact of changes in deferred tax rate on defined benefit pension plan	(7,923)	-	-	-	-	-
Share of associate-remeasurement of defined benefit pension plan	(31,105)	-	-	-	-	-
Share of other comprehensive income of associate	76,112	(96,235)	290	-	-	-
Net gain/(loss) on equity instruments designated at FVTOCI	45,277	(77,085)	-	-	(77,085)	-
	256,357	(218,811)	(32,586)	-	(77,085)	-
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of foreign operations	327,378	(176,373)	(65,347)	-	-	-
Exchange differences resulting from share of associate	25,496	-	-	-	-	-
Available-for-sale investments						
Movement in fair value of available-for-sale investments	-	-	144,422	-	-	52,013
Fair value reserve re-cycled on disposal of available-for-sale investments	-	-	(228,618)	-	-	15,058
Investment securities measured at FVTOCI						
Movement in fair value during the year	395,221	(505,354)	-	-	-	-
Fair value re-cycled on disposal	231,379	1491	-	(9,145)	-	-
Movement in credit loss expense relating to debt instruments held at FVTOCI	(6,356)	24,686	-	-	-	-
	973,118	(655,550)	(149,543)	(9,145)	-	67,071
	1,229,475	(182,129)	(182,129)	(9,145)	(77,085)	67,071
Total other comprehensive income/(Loss)	1,244,510	371,433	2,392,794	754,332	550,150	1,321,084

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Stated capital	Treasury shares	Statutory reserve	Retained earnings	Net property revaluation reserve	Other reserve	Total equity
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
The Group							
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			