



INTERIM UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2020

RESULTS

SBM Holdings Ltd (‘the Company’) and its subsidiaries here altogether (‘the Group’) present the Group and Company interim unaudited condensed financial report for the quarter ended 31 March 2020.

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 2019; the Group and the Company having adopted all new standards and interpretations which are effective as from 01 January 2020.

The operating environment

The operating environment is faced with unprecedented disruption and uncertainty in economic activities as a consequence of the COVID-19 pandemic.

Central banks and governments across the world have adopted several accommodative fiscal and monetary measures to support their economies. In Mauritius, the Key Repo Rate has been cut by 150 basis points since the beginning of the year (50 basis points on 10 March 2020 and 100 basis points on 16 April 2020). The cash reserve ratio has also been reduced by 100 basis points since 13 March 2020. Wage support schemes have been launched by the Government of Mauritius while banks have been called upon to grant moratoriums on repayment of credit facilities, among others. Similar measures have been adopted by the central banks and governments of the countries where the Group is present.

With the reduction in repo rate, interest rates have gone down putting pressure on the already squeezed margins. Several sectors of the economy have been or will be impacted; leading to a rise in credit loss expense while at the same time demand for credit has slowed down. The local currency has also seen a depreciating trend.

The prevailing challenging context has impacted the results of the Group in this first quarter of 2020.

Operating results

The Group profit before credit loss stood at MUR 985.0 million for the quarter ending 31 March 2020 as compared to MUR 764.8 million for same period last year, representing an increase of 28.8%. The operating income has also shown positive improvements, going up by 15.5% to reach MUR 2.4 billion even on account of an exchange loss of MUR 209.1 million. SBM Holdings Ltd holds USD 140 million subordinated debts in its books for which an unrealized exchange loss of MUR 363.9 million was recorded, as a result of the depreciation of the Mauritian rupee against the US Dollar in this quarter.

However, profit after tax for the Group for this quarter stood at MUR 180.1 million (March 2019: MUR 600.6 million) which is due to high credit loss expense of MUR 784.8 million driven by a combination of factors namely unfavorable exchange rates movement, existing segment B exposures and the impact of the COVID-19 pandemic. A review of our credit modelling has been made based on certain forward-looking assumptions on our operations despite high levels of uncertainties on the evolution of the operating environment.

Net interest income has reached MUR 1.7 billion for this quarter, a rise of MUR 211.5 million as compared to the same period last year. Interest income has grown by MUR 207.9 million mainly driven by growth in loans and advances and investment securities. As at 31 March 2020, gross loans and advances have reached MUR 129.0 billion (March 2019: MUR 111.8 billion) and investment securities stood at MUR 93.5 billion (March 2019: MUR 77.3 billion).

REPORT ON THE REVIEW OF THE INTERIM UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020 TO THE BOARD OF DIRECTORS OF SBM HOLDINGS LTD

Introduction

We have reviewed the accompanying interim unaudited condensed financial statements which comprise the interim unaudited consolidated and separate statements of financial position of SBM Holdings Ltd (the “Company”) and its subsidiaries (the “Group”) as at 31 March 2020 and the related interim unaudited consolidated and separate statements of profit or loss and other comprehensive income, interim unaudited consolidated and separate statements of changes in equity, interim unaudited consolidated and separate statement of cash flows for the three months then ended and other explanatory notes. Management is responsible for the preparation and presentation of these interim unaudited condensed financial statements in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this interim unaudited condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (“ISRE”) 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

Interest expense has increased by only MUR 96.4 million, supported by lower interest rates and low costs deposits.

Non-interest income has increased by MUR 114.1 million (18.8%), from MUR 605.5 million for the quarter ended 31 March 2019 to MUR 719.6 million for quarter ended 31 March 2020. The increase is mainly driven by gain on sale of securities and net fee and commission income net of unrealized loss on exchange of MUR 363.9 million. Non-interest expenses also rose by MUR 105.3 million (7.9%) for the quarter ended 31 March 2020, as compared to the same period last year. The increase includes special levy imposed on banks, previously accounted for under tax expenses, now reclassified under non-interest expenses as from the second quarter of 2019. The cost to income ratio stood at 59.5% (March 2019: 63.7%).

Despite the current COVID-19 situation, the total assets of the Group in this quarter have grown by 5.0% from MUR 260.5 billion as at 31 December 2019 to MUR 273.5 billion as at 31 March 2020, driven by increases in loans and advances and cash balances. Gross loans and advances rose by 5.9% from MUR 121.7 billion as at 31 December 2019 to MUR 129.0 billion as at 31 March 2020. Cash and cash equivalents increased significantly by 41.2% from MUR 18.2 billion as at 31 December 2019 to MUR 25.7 billion as at 31 March 2020. Deposits stood at MUR 198.7 billion as at 31 March 2020, down from MUR 199.4 billion as at 31 December 2019. Other borrowed funds rose to MUR 29.0 billion as at 31 March 2020.

Gross impaired advances to gross advances ratio and net impaired advances to net advances ratio stood at 13.4% and 5.4% respectively as at 31 March 2020.

No dividend payment is envisaged for this quarter.

Capital position

The capital base and equity of the Group increased from MUR 30.2 billion and MUR 24.5 billion respectively as at 31 December 2019, to MUR 30.8 billion and MUR 24.8 billion respectively as at 31 March 2020.

The Group's capital adequacy ratio (CAR), Tier 1 capital and common equity Tier 1 capital ratios decreased from 22.1%, 14.6% and 14.6%, respectively, as at 31 December 2019 to 21.4%, 14.1% and 14.1%, respectively, as at 31 March 2020, which are above the minimum regulatory limits of 13.9%, 11.9% and 10.4% respectively.

Outlook

The journey to recovery remains challenging despite a gradual resumption in economic activity, fiscal and monetary stimulus measures taken by the governments and central banks around the world. In this context, the Group has started an exercise to review and strengthen its strategy, risk appetite and governance framework across all its operating entities.

As an important financial partner, SBM Holdings Ltd will support key sectors of our economy and empower our clients to face the upcoming challenges post COVID-19. Our ambition is to continue to be the financial institution that has enabled our customers to prosper and succeed.

We thank all our stakeholders for their continued trust and support.

Sattar HAJEE ABDOULA  
Chairman

Subhas THECKA  
Chairman, Audit Committee

25 June 2020

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 unaudited condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

Other matter

The comparative interim unaudited condensed financial statements of the Group and the Company as of 31 March 2019 and 31 December 2019 and for the three months ended 31 March 2019 and the year ended 31 December 2019 were reviewed and audited respectively by another auditor who issued an unqualified conclusion and opinion respectively.

Deloitte  
Chartered Accountants

Date: 25 June 2020

INTERIM UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS FOR THE QUARTER ENDED 31 MARCH 2020

The Group			The Company		
Unaudited Quarter ended 31 March 2020	Unaudited Quarter ended 31 March 2019	Audited Year ended 31 December 2019	Unaudited Quarter ended 31 March 2020	Unaudited Quarter ended 31 March 2019	Audited Year ended 31 December 2019
MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
25,682,429	11,506,296	18,181,126	148,197	67,709	178,632
Cash and cash equivalents	9,878,692	10,680,287	-	-	-
Mandatory balances with central banks	8,729,143	9,240,131	-	-	-
Loans to and placements with banks	1,047,488	874,269	-	-	-
Derivative financial instruments	101,699,553	109,396,640	-	-	-
Loans and advances to non-bank customers	93,454,955	94,276,665	1,757,235	2,783,284	1,670,478
Investment securities	5,241,652	5,902,019	4,227,683	4,227,683	4,227,683
Equity investments	-	-	29,779,918	28,730,768	29,899,918
Investment in subsidiaries	1,480,040	1,348,565	1,272,977	1,272,977	1,272,977
Investment in associate	4,034,275	4,156,601	3,322	5,243	3,865
Property and equipment	2,658,538	3,129,452	1,089	47	1,157
Goodwill and other intangible assets	447,580	91,795	-	-	-
Deferred tax assets	3,444,703	1,944,796	211,906	170,701	231,515
Other assets	273,455,233	226,756,282	260,475,993	37,402,327	37,486,225
Total assets	877,528	679,607	907,521	-	-
LIABILITIES	198,675,274	167,479,396	199,397,188	-	-
Deposits from banks	29,013,715	17,170,108	15,670,968	-	-
Deposits from non-bank customers	1,584,387	1,015,067	881,176	-	-
Other borrowed funds	652,011	795,315	536,283	-	8,772
Derivative financial instruments	7,572,801	4,886,729	8,824,992	132,129	223,862
Current tax liabilities	10,243,325	9,576,594	9,739,981	10,243,325	9,739,981
Deferred tax liabilities	248,619,041	201,749,781	235,958,109	10,375,454	8,857,321
Other liabilities	Subordinated debts	248,619,041	201,749,781	235,958,109	10,375,454
Total liabilities	248,619,041	201,749,781	235,958,109	10,375,454	8,857,321
SHAREHOLDERS' EQUITY	32,500,204	32,500,204	32,500,204	32,500,204	32,500,204
Stated capital	1,048,222	2,751,220	1,107,260	223,514	646,016
Retained earnings	(3,837,203)	(5,369,892)	(4,214,549)	(821,814)	(821,818)
Other reserves	29,711,223	29,881,532	29,392,915	31,901,904	32,324,215
Less: Treasury shares	(4,875,031)	(4,875,031)	(4,875,031)	(4,875,031)	(4,875,031)
Total equity attributable to equity holders of the parent	24,836,192	25,006,501	24,517,884	27,026,873	27,628,904
Total equity and liabilities	273,455,233	226,756,282	260,475,993	37,402,327	37,486,225
Contingent liabilities	25,154,899	21,047,060	24,629,940	-	-
Approved by the Board of Directors and authorised for issue on 25 June 2020.					
Sattar HAJEE ABDOULA Chairman	Subhas THECKA Chairman, Audit Committee				
7.0	23.3	0.6	7.0	23.3	0.6

INTERIM UNAUDITED CONDENSED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2020

	Unaudited Quarter ended 31 March 2020	The Group Unaudited Quarter ended 31 March 2019	Audited Year ended 31 December 2019	Unaudited Quarter ended 31 March 2020	The Company Unaudited Quarter ended 31 March 2019	Audited Year ended 31 December 2019
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Profit/(loss) for the quarter/year attributable to equity holders of the parent	180,128	600,612	15,035	(602,035)	(190,598)	763,477
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)	-	-	-
Impact of change in deferred tax rate on revaluation of property	-	-	118,392	-	-	-
Remeasurement of defined benefit pension plan	-	-	(203,865)	-	-	-
Deferred tax on remeasurement of defined benefit pension plan	-	-	14,271	-	-	-
Impact of change in deferred tax rate on defined benefit pension plan	-	-	(7,923)	-	-	-
Share of associate-remeasurement of defined benefit pension plan	-	45,277	(31,105)	-	-	-
Share of other comprehensive (loss)/income of associate	(13,252)	15,124	76,112	-	-	-
Net gain/(loss) on equity instruments designated at FVTOCI	-	133,061	45,277	-	-	-
	(13,252)	193,462	256,357	-	-	-
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of foreign operations	212,671	213,261	327,378	-	-	-
Exchange differences resulting from share of associate	9,885	1,739	25,496	-	-	-
Investment securities measured at FVTOCI	(346,108)	(20,715)	395,221	4	(9,332)	(9,145)
Movement in fair value during the quarter/year	290,333	(9,332)	231,379	-	-	-
Fair value re-cycled on disposal	(15,349)	(20,442)	(6,356)	-	-	-
Movement in credit loss expense relating to debt instruments held at FVTOCI	151,432	164,511	973,118	4	(9,332)	(9,145)
	138,180	357,973	1,229,475	4	(9,332)	(9,145)
	318,308	958,585	1,244,510	(602,031)	(199,930)	754,332
Total other comprehensive income/(loss)						
Total comprehensive income/(loss) attributable to equity holders of the parent						

INTERIM UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 MARCH 2020

						Fair value reserve on financial instruments recognised in OCI	Net property revaluation reserve	Net translation reserve	Net other reserve	Restructure reserve	Total equity				Net unrealised investment fair value reserve	Total equity	
	Stated capital	Treasury shares	Statutory reserve	General reserve	Retained earnings	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000		Stated capital	Treasury shares	Retained earnings	MUR' 000	MUR' 000
The Group	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000		The Company	MUR'000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2019	32,500,204	(4,875,031)	597,074	-	2,270,280	(837,132)	63,146	(66,526)	(94,669)	(5,380,340)	24,177,006		At 01 January 2019	32,500,204	(4,875,031)	965,704	(812,673)
Profit for the quarter	-	-	-	-	600,612	-	-	-	-	-	600,612		Loss for the quarter	-	-	(190,598)	-
Credit loss expense relating to debts instruments held at FVTOCI	-	-	-	-	-	(20,442)	-	-	-	-	(20,442)		Other comprehensive loss for the quarter	-	-	-	(9,332)
Share of OCI of associate	-	-	-	-	-	15,124	-	1,739	-	-	16,863		Total comprehensive loss for the quarter	-	-	(190,598)	(9,332)
Other comprehensive income for the quarter	-	-	-	-	-	148,291	-	213,261	-	-	361,552		Dividend	-	-	(129,090)	-
Total comprehensive income for the quarter	-	-	-	-	600,612	142,973	-	215,000	-	-	958,585						
Reclassification of associate to their respective reserve	-	-	-	-	-	(78,351)	-	(16,318)	94,669	-	-						
Transfer to retained earnings	-	-	-	-	9,418	-	(9,418)	-	-	-	-						
Dividend	-	-	-	-	(129,090)	-	-	-	-	-	(129,090)						
At 31 March 2019	32,500,204	(4,875,031)	597,074	-	2,751,220	(772,510)	53,728	132,156	-	(5,380,340)	25,006,501		At 31 March 2019	32,500,204	(4,875,031)	646,016	(822,005)
At 01 January 2019	32,500,204	(4,875,031)	597,074	-	2,270,280	(837,132)	63,146	(66,526)	(94,669)	(5,380,340)	24,177,006		At 01 January 2019	32,500,204	(4,875,031)	965,704	(812,673)
Profit for the year	-	-	-	-	15,035	-	-	-	-	-	15,035		Profit for the year	-	-	763,477	-
Credit loss expense relating to debts instruments held at FVTOCI	-	-	-	-	-	(6,356)	-	-	-	-	(6,356)		Other comprehensive loss for the year	-	-	-	(9,145)
Share of OCI of associate	-	-	-	-	-	76,112	-	25,496	-	-	101,608		Total comprehensive income/(loss) for the year	-	-	763,477	(9,145)
Other comprehensive (loss)/income for the year	-	-	-	-	(228,622)	671,877	363,590	327,378	-	-	1,134,223		Dividend	-	-	(903,632)	-
Total comprehensive income for the year	-	-	-	-	(213,587)	741,633	363,590	352,874	-	-	1,244,510						
Reclassification of associate to their respective reserve	-	-	-	-	-	(76,785)	-	(17,884)	94,669	-	-						
Transfer to statutory reserve	-	-	90,000	-	(90,000)	-	-	-	-	-	-						
Transfer to retained earnings	-	-	-	-	44,199	-	(43,121)	(1,078)	-	-	-						
Dividend	-	-	-	-	(903,632)	-	-	-	-	-	(903,632)						
At 31 December 2019	32,500,204	(4,875,031)	687,074	-	1,107,260	(172,284)	383,615	267,386	-	(5,380,340)	24,517,884		At 31 December 2019	32,500,204	(4,875,031)	825,549	(821,818)
At 01 January 2020	32,500,204	(4,875,031)	687,074	-	1,107,260	(172,284)	383,615	267,386	-	(5,380,340)	24,517,884		At 01 January 2020	32,500,204	(4,875,031)	825,549	(821,818)
Profit for the quarter	-	-	-	-	180,128	-	-	-	-	-	180,128		Loss for the quarter	-	-	(602,035)	-
Credit loss expense relating to debts instruments held at FVTOCI	-	-	-	-	-	(15,349)	-	-	-	-	(15,349)		Other comprehensive income for the quarter	-	-	-	4
Share of OCI of associate	-	-	-	-	-	(13,252)	-	9,885	-	-	(3,367)		Total comprehensive loss for the quarter	-	-	(602,035)	4
Other comprehensive (loss)/income for the quarter	-	-	-	-	-	(55,775)	-	212,671	-	-	156,896						
Total comprehensive income for the quarter	-	-	-	-	180,128	(84,376)	-	222,556	-	-	318,308						
Transfer to retained earnings	-	-	-	-	11,927	-	(11,927)	-	-	-	-						
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-	-						
Transfer to general reserve	-	-	-	251,093	(251,093)	-	-	-	-	-	-						
At 31 March 2020	32,500,204	(4,875,031)	687,074	251,093	1,048,222	(256,660)	371,688	489,942	-	(5,380,340)	24,836,192		At 31 March 2020	32,500,204	(4,875,031)	223,514	(821,814)