

ABRIDGED AUDITED FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

RESULTS

SBM Holdings Ltd ('the Group') is pleased to present its abridged audited separate and consolidated financial statements for the year ended 31 December 2018. The audited financial statements have been prepared in accordance with the International Financial Reporting Standards.

In May 2017, SBM established a presence in Kenya through the acquisition of Ex-Fidelity Commercial Bank Limited, a tier 3 bank, which was renamed SBM Bank (Kenya) Limited (SBMBK). On 18 August 2018, SBMBK expanded in scale on the strength of the take-over of selected assets and liabilities of Chase Bank Limited (in Receivership) (CBLR). The figures presented in the statements of financial position as at 31 December 2018 incorporate the carved-out assets and liabilities of the former CBLR while the statements of profit or loss for the year takes into account the impact of the carved out operations of the former CBLR from 18 August 2018 to 31 December 2018.

SBM is also present in India since 1994 and in December 2018, SBM became the first foreign bank in India to operate as a wholly owned subsidiary. This will allow expansion of the footprint in important business centres and provision of full portfolio of banking products and services.

Operating results

The operating income of the Group for the year ended 31 December 2018 has increased by MUR 2.21 billion from MUR 7.57 billion for the year ended 31 December 2017 to MUR 9.78 billion for the year ended 31 December 2018. The increase was mainly attributable to higher net interest income and other income. However, profit after tax for the year 2018 decreased from MUR 2.57 billion for the year ended 31 December 2017 to MUR 1.25 billion for the year 2018. The decrease in profit was mainly due to an increase in credit loss expense on financial assets by MUR 2.44 billion for the year on account of some segment B customers in SBM Bank (Mauritius) Ltd which was classified as impaired during the year in additions to provisions made on overseas operations and IFRS 9 implementation.

Net interest income grew by MUR 1.08 billion from MUR 4.77 billion for the year ended 31 December 2017 to MUR 5.85 billion for the year ended 31 December 2018. This was driven by growth in average loans and advances to non-bank customers and an increase of MUR 31.60 billion in investment securities during the year. Non-interest income also increased by MUR 1.13 billion for the year, which includes a gain of MUR 0.96 billion on the fair value of all the assets and liabilities taken over from former CBLR.

Non-interest expenses increased from MUR 3.39 billion for the year 2017 to MUR 4.70 billion for the year ended 31 December 2018. This was due to a write off of goodwill of MUR 418 million, an operational loss expense of MUR 93 million following the cyber-attack in India and new expenses related to the CBLR acquisition for all the branch networks, system costs and staff. It is worth highlighting that SBMBK has more than 800 employees now with 52 branches across Kenya.

The cost to income ratio was 48.04% while the earnings per share were 48.25 cents for the year ended 31 December 2018.

The Group's total assets as at 31 December 2018 stood at MUR 226 billion as compared to MUR 194 billion as at 31 December 2017, representing an increase of 17%, which arose mainly from the acquisition of the carved out assets of CBLR and increase in investment securities.

Gross impaired advances net of cash collaterals stood at MUR 14.81 billion with a gross impaired ratio of 13.59% while net impaired advances were MUR 6.27 billion, representing a ratio of 6.36% as at 31 December 2018.

The Group Capital

The capital base and equity of the Group remained strong at MUR 30.06 billion and MUR 24.18 billion as at 31 December 2018 as compared to MUR 25.11 billion and MUR 25.16 billion as at 31 December 2017.

The Group's capital adequacy ratio (CAR), increased to 24.63% as at 31 December 2018 as compared to 19.98% as of 31 December 2017. The Tier 1 capital and common equity Tier 1 capital ratios increased to 16.15% and 16.15% respectively as at 31 December 2018 compared to 15.92% and 15.92% respectively as at 31 December 2017.

Outlook

Mauritius is witnessing a strong pipeline of projects in the construction, hospitality and real estate sectors. However, credit growth may remain moderate going forward, in the face of growing uncertainty characterizing the global economy. Yields on Government paper have firmed up, protecting margins, but are likely to be close to their near-term peak. The focus for the domestic Mauritius business will be to manage costs, improve service and diversify revenue streams, notably through further digitalization of our services, migration of customers to digital channels, increased cross-selling and provision of innovative solutions to customers.

As regards the cross-border business, following issues experienced in 2018 in the aftermath of a rapid expansion phase, a remediation plan has been established, against which considerable progress has been achieved. This provides a basis for resumption of growth in this segment, albeit in a more targeted manner.

In respect of our regional expansion strategy, significant milestones were reached in respect of growing scale in Kenya and achieving wholly-owned subsidiary status in India. This has set the base for consolidating our position as an Indian Ocean Rim bank, gearing up to tap opportunities in the Africa-Asia corridor.

After experiencing some challenges in 2018 and putting in place significant corrective measures while executing sound strategic investments, SBM is emerging stronger and more resilient in 2019. We remain focused on the careful deployment of our well-defined strategy, supported by strong capital and liquidity levels.

We wish to thank all stakeholders for their continued support

Kee Chong LI KWONG WING, G.O.S.K.
Chairman

Subhas THECKA
Chairman, Audit Committee

01 April 2019

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	The Group			The Company		
	31 December 2018	31 December 2017	31 December 2016	31 December 2018	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ASSETS						
Cash and cash equivalents	15,653,515	16,331,538	9,490,208	32,890	73,223	15,321
Mandatory balances with central banks	9,977,260	8,966,717	7,097,994	-	-	-
Loans to and placements with banks	11,090,361	8,897,399	4,645,911	-	-	-
Derivative financial instruments	764,077	1,356,774	165,998	-	-	-
Loans and advances to non-bank customers	102,108,174	103,128,838	71,624,874	-	-	-
Investment securities	71,594,287	40,000,421	39,430,829	3,105,326	1,461,801	4,305,882
Equity investments	5,752,870	6,137,779	5,732,722	4,227,683	4,292,925	4,261,347
Investment in associate	1,308,157	1,336,902	1,275,880	1,272,977	1,272,977	-
Investment in subsidiaries	-	-	-	28,485,152	24,665,178	21,854,773
Property and equipment	3,153,914	2,854,218	2,809,777	5,780	3,106	4,309
Goodwill and other intangible assets	3,226,412	3,875,613	3,770,271	44	-	-
Deferred tax assets	89,440	95,461	215,260	-	-	-
Other assets	1,655,659	1,039,721	635,984	153,309	70,448	1,501
Total assets	226,374,126	194,021,381	146,895,708	37,283,161	31,839,658	31,716,110
LIABILITIES						
Deposits from banks	716,702	689,265	2,611,669	-	-	-
Deposits from non-bank customers	169,384,480	144,850,676	109,241,194	-	-	-
Other borrowed funds	14,522,085	13,686,203	4,486,008	-	-	-
Derivative financial instruments	799,441	1,334,641	182,413	-	-	-
Current tax liabilities	495,964	124,195	364,670	503	1,005	1,354
Deferred tax liabilities	159,477	170,905	-	-	-	64
Other liabilities	6,706,294	4,299,258	2,339,683	91,777	5,501	5,997
Subordinated debts	9,412,677	3,701,466	3,865,371	9,412,677	3,701,466	3,865,371
Total liabilities	202,197,120	168,856,609	123,091,008	9,504,957	3,707,972	3,872,786
SHAREHOLDERS' EQUITY						
Stated capital	32,500,204	32,500,204	32,500,204	32,500,204	32,500,204	32,500,204
Retained earnings	2,270,280	2,410,007	865,100	965,704	1,242,101	1,020,810
Other reserves	(5,718,447)	(4,870,408)	(4,685,573)	(812,673)	(735,588)	(802,659)
	29,052,037	30,039,803	28,679,731	32,653,235	33,006,717	32,718,355
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	24,177,006	25,164,772	23,804,700	27,778,204	28,131,686	27,843,324
Total equity and liabilities	226,374,126	194,021,381	146,895,708	37,283,161	31,839,658	31,716,110

Approved by the Board of Directors and authorised for issue on 01 April 2019.

Kee Chong LI KWONG WING, G.O.S.K.
Chairman

Subhas THECKA
Chairman, Audit Committee

STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2018

	The Group			The Company		
	31 December 2018	31 December 2017	31 December 2016	31 December 2018	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Interest income	8,816,856	7,007,347	6,249,765	77,913	131,045	227,814
Interest expense	(2,971,513)	(2,239,586)	(1,866,491)	(309,019)	(149,011)	(149,307)
Net interest income/(expense)	5,845,343	4,767,761	4,383,274	(231,106)	(17,966)	78,507
Fee and commission income	1,307,329	1,268,893	1,081,945	-	-	-
Fee and commission expense	(30,919)	(29,385)	(29,346)	(199)	(339)	-
Net fee and commission income/(expense)	1,276,410	1,239,508	1,052,599	(199)	(339)	-
Profit/(loss) arising from dealing in foreign currencies	758,677	560,843	536,831	(29,695)	67,735	116,785
Net gain on sale of securities	204,458	464,433	455,500	27,614	12,765	13,036
Dividend income	110,051	21,501	38,864	1,233,068	1,270,535	27,563
Net gain/(loss) from dealing from financial instruments	509,849	516,538	(25,108)	-	-	-
Other operating income	1,073,651	1,221	4,265	-	-	-
Non-interest income	3,933,096	2,804,044	2,062,951	1,230,788	1,350,696	40,716
Operating income	9,778,439	7,571,805	6,446,225	999,682	1,332,730	119,223
Personnel expenses	(2,026,085)	(1,618,992)	(1,395,895)	(104,253)	(18,843)	(3,830)
Depreciation of property and equipment	(205,246)	(166,796)	(158,036)	(1,946)	(1,203)	(1,203)
Amortisation of intangible assets	(621,951)	(503,170)	(191,968)	(6)	-	-
Other expenses	(1,844,271)	(1,099,274)	(995,723)	(253,729)	(61,566)	(48,005)
Non-interest expense	(4,697,553)	(3,388,232)	(2,741,622)	(359,934)	(81,612)	(53,038)
Profit before credit loss expense on financial assets	5,080,886	4,183,573	3,704,603	639,748	1,251,118	66,185
Credit loss expense on financial assets	(3,559,350)	(1,115,280)	(716,899)	(1,646)	-	-
Operating profit	1,521,537	3,068,293	2,987,704	638,102	1,251,118	66,185
Share of profit of associate	100,240	92,005	1,627	-	-	-
Profit before tax	1,621,777	3,160,298	2,989,331	638,102	1,251,118	66,185
Tax (expense)/income	(375,982)	(585,375)	(680,429)	(10,867)	2,895	(16,979)
Profit for the year	1,245,794	2,574,923	2,308,902	627,235	1,254,013	49,206
Earnings per share (Cents)	48.25	99.73	89.43			

STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	The Group			The Company		
	31 December 2018	31 December 2017	31 December 2016	31 December 2018	31 December 2017	31 December 2016
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Profit for the year	1,245,794	2,574,923	2,308,902	627,235	1,254,013	49,206
Other comprehensive income:						
<i>Items that will not be reclassified subsequently to profit or loss net of deferred tax:</i>						
Movement in net property revaluation reserve	-	-	1,530	-	-	-
Reversal in net property revaluation reserve	(17,689)	-	-	-	-	-
Underprovision of deferred tax assets on revaluation of property in prior years	-	-	(24,817)	-	-	-
Share of other comprehensive income of associate	(96,235)	290	1,276	-	-	-
Remeasurement of defined benefit pension plan	(27,802)	(32,876)	1,599	-	-	-
Net loss on equity instruments designated at FVTOCI	(77,085)	-	-	(77,085)	-	-
	(218,811)	(32,586)	(20,412)	(77,085)	-	-
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Exchange differences on translation of foreign operations	(176,373)	(65,347)	(80,866)	-	-	-
Available-for-sale investments						
Movement in fair value of available-for-sale investments	-	144,422	650,541	-	52,013	3,826
Fair value reserve re-cycled on disposal of available-for-sale investments	-	(228,618)	(180,697)	-	15,058	(6,740)
Fair Value Realised on reclassification of available for sale investments to investment in associate	-	-	(2,591)	-	-	(2,591)
Investment securities measured at FVTOCI						
Movement in fair value during the year	(505,354)	-	-	-	-	-
Fair value re-cycled on disposal	1,491	-	-	-	-	-
Loss allowance relating to debt instruments held at FVTOCI	24,686	-	-	-	-	-
	(655,550)	(149,543)	386,387	-	67,071	(5,505)
Total other comprehensive (loss)/income	(874,361)	(182,129)	365,975	(77,085)	67,071	(5,505)
Total comprehensive income for the year	371,432	2,392,794	2,674,877	550,150	1,321,084	43,701

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

The Group	Stated capital	Treasury shares	Statutory reserve	(Accumulated losses) /Retained earnings	Net property revaluation reserve	Other reserves	Total equity
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2016	32,500,204	(4,875,031)	592,187	(430,006)	224,209	(5,823,200)	22,188,363
Profit for the year	-	-	-	2,308,902	-	-	2,308,902
Other comprehensive income/(loss) for the year	-	-	-	1,599	(23,287)	387,663	365,975
Total comprehensive income/(loss) for the year	-	-	-	2,310,501	(23,287)	387,663	2,674,877
Transfer to retained earnings	-	-	-	43,145	(43,145)	-	-
Dividend	-	-	-	(1,058,540)	-	-	(1,058,540)
At 31 December 2016	32,500,204	(4,875,031)	592,187	865,100	157,777	(5,435,537)	23,804,700
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	-	(149,253)	2,392,794
Transfer to statutory reserve	-	-	1,779	(1,779)	-	-	-
Transfer to retained earnings	-	-	-	37,361	(37,361)	-	-
Dividend	-	-	-	(1,032,722)	-	-	(1,032,722)
At 31 December 2017	32,500,204	(4,875,031)	593,966	2,410,007	120,416	(5,584,790)	25,164,772
At 01 January 2018	32,500,204	(4,875,031)	593,966	2,410,007	120,416	(5,584,790)	25,164,772
Impact of adopting IFRS 9	-	-	-	(490,560)	-	34,993	(455,567)
Restated opening balance under IFRS 9	32,500,204	(4,875,031)	593,966	1,919,447	120,416	(5,549,797)	24,709,205
Profit for the year	-	-	-	1,245,794	-	-	1,245,794
Loss allowance relating to debts instruments held at FVTOCI	-	-	-	-	-	24,686	24,686
Other comprehensive loss for the year	-	-	-	(27,802)	(17,689)	(853,556)	(899,047)
Total comprehensive income/(loss) for the year	-	-	-	1,217,992	(17,689)	(828,870)	371,432
Transfer to statutory reserve	-	-	3,108	(3,108)	-	-	-
Transfer to retained earnings	-	-	-	39,581	(39,581)	-	-
Revaluation adjustment	-	-	-	-	-	-	-
Dividend	-	-	-	(903,632)	-	-	(903,632)
At 31 December 2018	32,500,204	(4,875,031)	597,074	2,270,280	63,146	(6,378,667)	24,177,006

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

The Company	Stated capital	Treasury shares	Retained earnings	Net unrealised investment fair value reserve	Total equity
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2016	32,500,204	(4,875,031)	2,030,144	(797,154)	28,858,163
Profit for the year	-	-	49,206	-	49,206
Other comprehensive loss for the year	-	-	-	(5,505)	(5,505)
Total comprehensive income/(loss) for the year	-	-	49,206	(5,505)	43,701
Dividend	-	-	(1,058,540)	-	(1,058,540)
At 31 December 2016	32,500,204	(4,875,031)	1,020,810	(802,659)	27,843,324
At 01 January 2017	32,500,204	(4,875,031)	1,020,810	(802,659)	27,843,324
Profit for the year	-	-	1,254,013	-	1,254,013
Other comprehensive income for the year	-	-	-	67,071	67,071
Total comprehensive income for the year	-	-	1,254,013	67,071	1,321,084
Dividend	-	-	(1,032,722)	-	(1,032,722)
At 31 December 2017	32,500,204	(4,875,031)	1,242,101	(735,588)	28,131,686
At 01 January 2018	32,500,204	(4,875,031)	1,242,101	(735,588)	28,131,686
Profit for the year	-	-	627,235	-	627,235
Other comprehensive income for the year	-	-	-	(77,085)	(77,085)
Total comprehensive income for the year	-	-	627,235	(77,085)	550,150
Dividend	-	-	(903,632)	-	(903,632)
At 31 December 2018	32,500,204	(4,875,031)	965,704	(812,673)	27,778,204

ABRIDGED STATEMENTS OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	The Group			The Company		
	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2016
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Net cash from operating activities	(3,844,388)	1,234,721	1,950,483	(984,142)	3,801,568	2,115,295
Net cash from/(used in) financing activities	3,542,808	6,740,105	1,298,204	4,768,453	(1,030,697)	(1,062,293)
Net cash used in investing activities	(181,006)	(821,723)	(2,962,405)	(3,824,644)	(2,712,969)	(1,215,741)
Net change in cash and cash equivalents	(482,586)	7,153,103	286,282	(40,333)	57,902	(162,739)
Net foreign exchange differences	(195,437)	(311,773)	29,791	-	-	-
Cash and cash equivalents at start of year	16,331,538	9,490,208	9,174,135	73,223	15,321	178,060
Cash and cash equivalents at end of year	15,653,515	16,331,538	9,490,208	32,890	73,223	15,321

Copies of the Audited Financial Statements are available to the public free of charge at the registered office of the Company, SBM Tower, 1, Queen Elizabeth II Avenue, Place d'Armes, Port Louis and can be viewed on our website: www.sbmgroup.mu.

The statement of direct and indirect interests of officers of the Company in the capital of the Company and its subsidiaries may also be obtained free of charge upon request at the registered office of the Company.

By order of the Board

D. Ramjug Chumun
Company Secretary

01 April 2019

The Communiqué is issued pursuant to Listing Rule 12.14 and Securities Act 2005.

The Board of Directors of SBM Holdings Ltd accepts full responsibility for the accuracy of the information contained in this Communiqué.

The financial information, including the review report, has been extracted from the audited financial statements for the year ended 31 December 2018.