

Performance and Achievements

- Operating Environment
- Business Review
- Financial Review
- Information Technology
- Employees
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Madagascar



We have relentlessly faced **CHALLENGING** factors from the internal and external business environment. **YET**, our performance has been **COMMENDABLE** on several fronts, both financial and non-financial. We are gearing up our **CAPACITY** to achieve **SIGNIFICANT** improvements in our performance and value contribution for stakeholders.

**Our stakeholders are
the essence of our being...**



Operating Environment



Global Economy

Global economic growth remained stagnant in 2016 amidst prevailing volatility, uncertainty, complexity and ambiguity (VUCA), amplified by a populist and protectionist wave across the world. The Brexit vote and the US Presidential elections monopolised the limelight and kept many economic actors on their toes.

Towards the end of the year, the Federal Reserve, as anticipated, raised its policy rate by 25 basis points, the first hike since December 2015. This was encouraged by positive economic data for the final months of 2016. Eurozone GDP also gathered pace with an expansion of 1.7% in 2016.

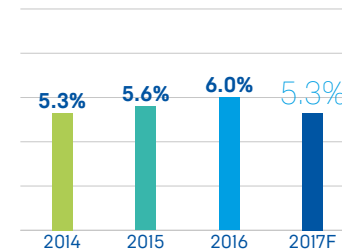
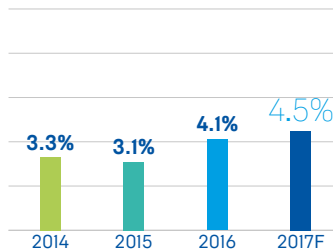
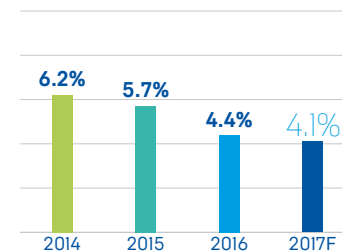
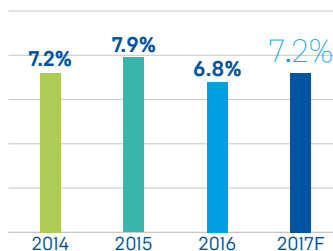
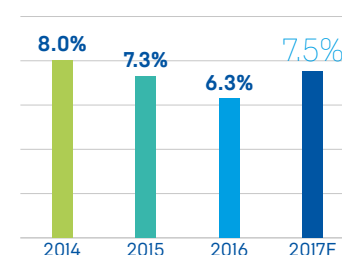
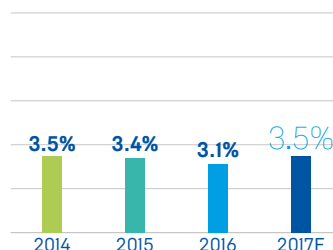
Driven by strong consumer spending, the UK economy grew by 1.8% in 2016. The economy remained resilient contrary to most forecasts made after the Brexit vote.

Sub-Saharan Africa and South East Asia regions continued to register the highest growth rates in the world in 2016 although factors such as weak commodity prices on average and the demonetisation move in India dampened activity levels.

Indeed, although its economy grew by 6.8% in 2016, India's performance was affected by this move which rendered 86% of the cash in circulation invalid. Inflation stood at around 5% while foreign direct investment (FDI) reached approximately USD 46 billion against USD 39 billion in 2015.

The Indian banking sector was subject to rising levels of non-performing loans in the past year.

REAL GDP GROWTH (%)



Source: IMF World Economic Outlook Database, April 2017



This continued rise in non-performing assets has been repeatedly flagged as a significant risk by the Governor of the Reserve Bank of India (RBI).

The dominant state-run sector's gross bad loan ratio jumped to 9.2% in 2016 according to the IMF. This represents a key domestic risk which may eventually cascade into lower private credit growth.

Nevertheless, the economy is expected to pick up in 2017 on the back of revised tax regulations and a move towards a digital society. Domestic demand should remain strong.

Myanmar

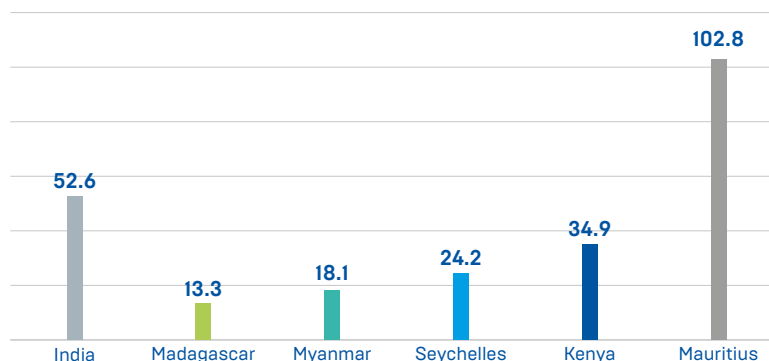
Myanmar was one of the fastest growing countries in the world with an economic growth rate of 6.3% in 2016 and set to record growth of 7.5% in 2017. The country is gaining prominence among investors amid progress made on economic and political reforms.

The banking sector underwent a significant change in 2016 with a new governing law - Financial Institutions Law of Myanmar - passed in January 2016.

In line with the will to expand the banking sector, 4 new banks received operating licences from the Central Bank of Myanmar in March 2016.

The World Bank also provided the country with USD 100 million in December 2016 to improve access to financial services among small and medium sized businesses and families.

DOMESTIC CREDIT TO PRIVATE SECTOR (% of GDP)



Source: World Bank

CREDIT RATINGS

	STANDARD & POOR'S	MOODY'S	FITCH
INDIA	BBB- (Stable)	Baa3 (Positive)	BBB- (Stable)
MADAGASCAR	-	-	-
MYANMAR	-	-	-
SEYCHELLES	-	-	BB- (Stable)
KENYA	B+ (Stable)	B1 (Stable)	B+ (Negative)
MAURITIUS	-	Baa1 (Stable)	-

SELECTED ECONOMIC & FINANCIAL INDICATORS

	EXCHANGE RATE RELATIVE TO USD	DEBT AS A % OF GDP	NON-PERFORMING LOANS TO TOTAL GROSS LOANS
INDIA	INR 67.95	68%	8%
MYANMAR	MMK 1,349.20	34%	-
MADAGASCAR	MGA 3,306.30	42%	-
SEYCHELLES	SCR 13.51	67%	7%
KENYA	KSH 101.88	53%	8%
MAURITIUS	MUR 36.11	63%	8%

Source: Respective Central Banks



Operating Environment (cont'd)

Economic activity is expected to pick up in 2017 and 2018 amidst a boost in investor confidence following the recent general elections, which resulted in a wave of optimism.

The downward revision for 2017 is mainly due to a halt of activities in the construction sector. The latter contributes 20% to Gross Domestic Product.

Madagascar

Nearer to our country, Madagascar registered a 4.1% growth rate in 2016; above the average growth rate of the Sub Saharan Africa region owing to good performance of the agriculture sector. Inflation remained relatively stable at a rate of 7% in 2016.

Meanwhile, financing of infrastructure projects led to a rise in credit provided to the public and private enterprises (USD 1.18 billion in 2015 to USD 1.28 billion in 2016). Policymakers are working on new electronic money, banking and microfinance laws to deepen the financial sector.

The economic forecasts for 2017 might be adversely affected by the passage of the cyclone Enawo which destroyed 30% of the vanilla crops. Deterioration in export earnings might entail deterioration in the current account position.

Seychelles

Boosted by strong tourist arrivals, Seychelles registered economic growth of 4.4% in 2016. The Household Budget Survey, however, revealed that 39% of the population lived below the poverty line.

Tight monetary policy exercised by the Central Bank kept inflation in check while credit to the private sector grew by 10.6% in 2016. Total non-performing loans as a percentage of gross loans reached 7.0%.

The Central Bank also set up a Financial Stability Committee in March 2016 to enhance supervision in the banking sector with the objective of withstanding domestic and external shocks.

The outlook for this economy is positive although growth is expected to decline to 4.1%.

Kenya

An IMF estimate puts Kenya's GDP growth for 2016 at 6.0%, up from 5.6% in 2015. The economy benefitted from an increase in public spending.

Inflation was within its target range although the Central Bank of Kenya loosened monetary policy during the year.

The banking sector in Kenya has had its fair share of turbulence since 2015, with three banks being put under receivership/ administration. Another major event in August 2016 was the capping of interest rates on lending which is likely to affect credit and growth.

The outlook for 2017 is positive although elections to be held in the country might trigger incidents which could in turn affect economic performance. The rationale for a positive outlook is a rebound in the tourism sector and infrastructure spending.

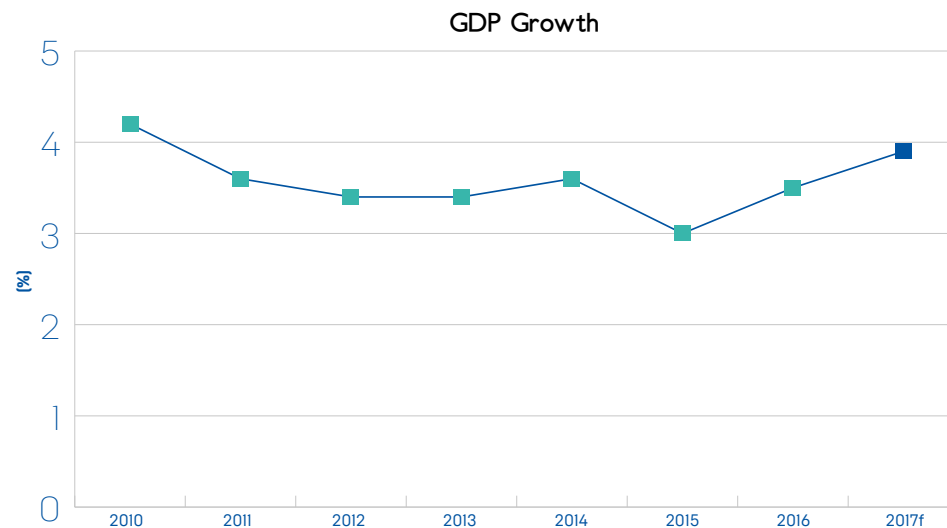


Mauritian GDP growth rate stood at 3.5% in 2016 compared to 3.5% in 2015.

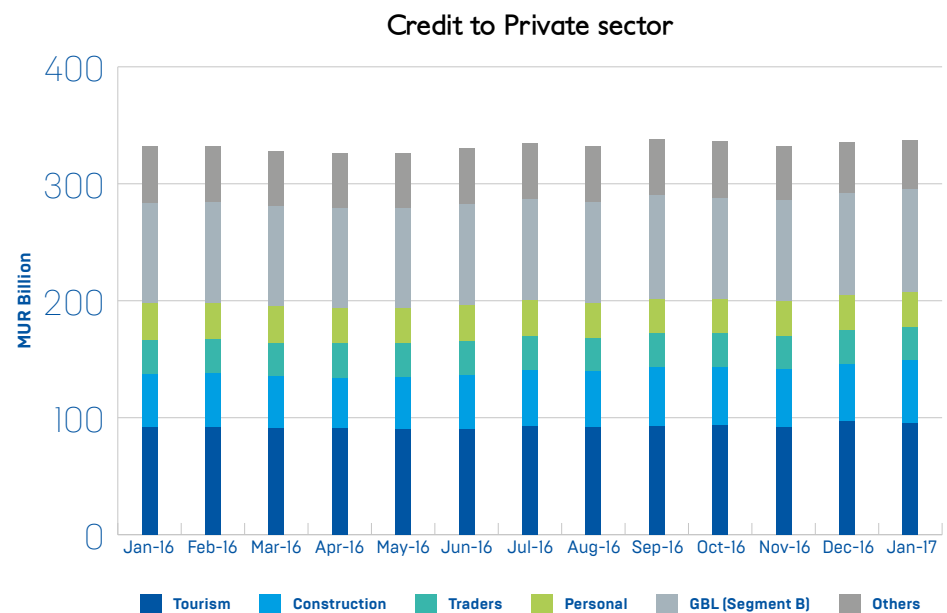
Services sectors were the biggest contributor to growth during the year while the export-oriented manufacturing sector was a major cause for concern. Strong growth in the food and accommodation sector, as evidenced by increases in tourist arrivals and tourism earnings of 10.8% and 11.3% respectively, was offset by a poor performance of export oriented industries. In the construction sector, even if the sector would be posting a zero growth rate in 2016, a rebound, especially as from the third quarter of 2016, was noted.

The National Budget 2016-17 presented in July 2016 contained several amendments concerning the financial services sector. The Bank of Mauritius Guideline and Banking Act were reviewed while a deposit insurance scheme was proposed. In addition, some guidelines were revised during the year to ensure better supervision.

MAURITIAN ECONOMY IN CHARTS



Source: Statistics Mauritius



Source: Bank of Mauritius



Operating Environment (cont'd)

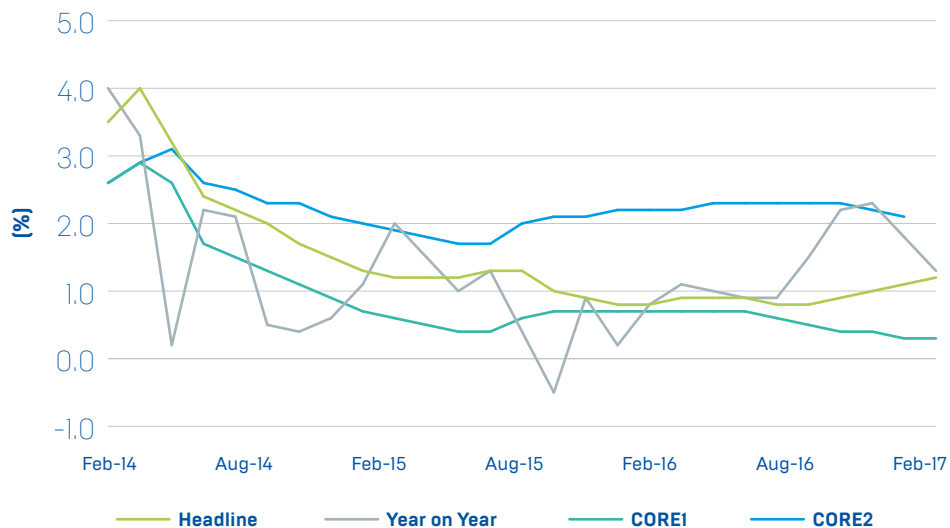
In a bid to support investment activity in the country and raise the growth potential of the economy, the repo rate was reduced to 4.0% from 4.4% in July 2016. Investment was estimated to pick up by 5.7% in 2016 compared to a contraction of 5.4% in 2015. However, investment by the private sector in particular has been disappointing. As a result, credit growth evolution continued to be weak within a low interest rate environment and persistent excess liquidity.

Inflation rate declined from 1.3% as at December 2015 to 1.0% as at December 2016, in line with weaker commodity prices on international markets during 2016.

The recovery is expected to continue in 2017, but would be dependent on some key assumptions namely sustained upturn in the construction sector, continued momentum in tourist arrivals, resilience in the business and financial services sector, slowdown in the decline in manufacturing exports and close to normal weather conditions.

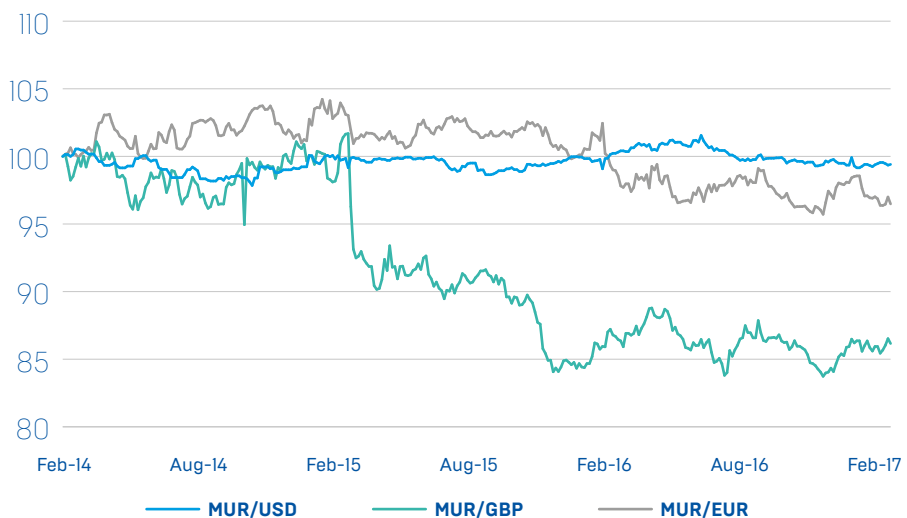
MAURITIAN ECONOMY IN CHARTS (cont'd)

Inflation



Source: Bank of Mauritius

Exchange Rates



Source: Bank of Mauritius



Business Review



SBM Group's domestic and international activities can be classified into three segments, namely: banking, non-banking financial services (NBFC) and non-financial services (NFC).

Banking segment

On the domestic front, the banking segment comprises the following lines of business:

- Corporate and Institutional Banking
- Retail Banking
- Private Wealth
- SME
- International Banking
- Financial Markets
- eBusiness

At international level, SBM Group is present in Madagascar, through Banque SBM Madagascar SA, and in India as branch of SBM Bank (Mauritius) Ltd. The Group also has a representative office in Myanmar.

Non-Banking segment

The NBFC team is based in Mauritius and its activities encompass:

- Asset Management
- Brokerage
- Private Equity
- Investment Advisory
- Registry
- Insurance Agency Services

Non-Financial segment

NFC comprises investments in non-financial companies.

The activities and performance of our key lines of business are discussed hereafter.



Banking - Mauritius Operations

Corporate and Institutional Banking

Overview

The SBM Corporate and Institutional Banking team, staffed by qualified and experienced employees, serves exclusively the major corporate bodies and institutions, spanning a wide section of business enterprise across different sectors of the economy. Our core services have been developed to meet the needs of these businesses.

Strategy, Initiatives and Proposition

During the year, the business environment was characterised by subdued economic activity, excess liquidity, low interest rates, shrinking margins and delays in realisation of major projects. Furthermore, an increase in disintermediation was noted as several corporates raised capital directly from the market rather than through banks.

Despite the challenging context, the SBM Corporate and Institutional Banking team managed to consolidate and improve its position in the market. The team embarked on a major internal restructuring exercise in order to achieve service excellence and reduce turnaround time. Our risk management, control and compliance capabilities were also reinforced through the setting up of a dedicated but independent team, reporting directly to the Head of Compliance of the bank.



Achievements

The various initiatives undertaken during the year led to the consolidation of our market share and an improvement of our capabilities. As such, the bank has now positioned itself as lead arranger rather than participant on major deals.

In our drive to innovate and enhance customer service, we have revamped our product offering from traditional banking products to new and tailor made products suiting client requirements. We are also accompanying our clients in their overseas ventures and hosting more clients' events.

Additionally, with the noted increase in disintermediation on capital market, we have tapped, in partnership with our Group's non-banking arm, the opportunities in the domestic bond market.



ASLAM TAHER,
Head, Corporate & Institutional Banking
SBM Bank (Mauritius) Ltd

« The various initiatives undertaken during the year led to the consolidation of our market share and an improvement of our capabilities. »

Way Forward

In line with the Group's strategy of mapping new frontiers, we shall continue to accompany our clients in their overseas venture while consolidating our local market share. This would involve increasing our product offering and cross-selling across the Group. We shall also strive to continuously improve our quality of service and client proposition.

Retail Banking

Overview

Our Group boasts a wide distribution network and a strong franchise in the domestic retail banking segment. We offer a wide range of products and services meeting the lifestyle needs of our customers at every stage of their life.

Strategy, Initiatives and Proposition

During the year, in line with the Group's strategy, the retail arm of the Group embarked on major initiatives to better serve its clients. This included the setting up of an autonomous Private Wealth team with a dedicated Private Banking arm and Portfolio Management Services Unit. The Head of Retail Banking is now focusing solely on the Privilege and Micro individuals segments implementing initiatives to remove non sales activities from branches, creating room to improve efficiency and customer experience for a leap growth of business and market share. Client offerings were also enhanced through cross-selling initiatives at our branches.

On the operational side, the bank focused mainly on readiness of its people for transitioning to its new IT platform and managing the aftermath of the implementation and the stabilisation phases.



Achievements

Our deposits increased by 13.1% testifying to our position as a safe institution in the eyes of the public. However, we noted a drop of 3% in advances.

Way Forward

Going forward, we aim to increase our market share, namely by enhancing our product offering and service delivery, supported by our new IT capabilities and ongoing training and coaching of our staff.



EDDIRAO BALLOO,
Head, Retail Banking
SBM Bank (Mauritius) Ltd

« Our deposits increased by 13.1% in 2016 testifying to our position as a safe institution in the eyes of the public. »

Banking - Mauritius Operations [cont'd]

Private Wealth

Overview

The Private Wealth team, which was established during the first quarter of 2017, as a full-fledged unit separate from Retail Banking, aims at providing private banking and portfolio management services to both local and international, high and ultra-high net worth clients.

Strategy, Initiatives and Proposition

As part of its diversification initiatives (Refer to page 31), the Group set up a dedicated Private Wealth team during the start of 2017.

This team provides personalised banking services as well as tailor-made investment solutions such as Wealth Management, Financial Planning, Investment Advisory and Discretionary Portfolio Management Services.



Tailor made
solutions



Collaborative
approach



Reliable



SANJAIYE RAWOTEEA,
Head, Private Wealth
SBM Bank (Mauritius) Ltd

Achievements

The team built up capacity with the recruitment of qualified and experienced staff. Since March 2017, the bank is duly licenced for investment advisory and distribution of financial products activities.

Way Forward

The team will aim to grow its client base and assets under management by being increasingly present in the market and by providing customised and adapted products and services based on client profiles and lifestyle requirements.

« The team will aim to grow its client base and assets under management by being increasingly present in the market »

SME Banking

Overview

SBM offers adapted products and services to its SME customers. It has a partnership approach that helps the customers achieve their business goals faster. The bank's objective is to accompany SMEs in their business development aspirations by providing them with timely financing through its dedicated SME Banking team.

Strategy, Initiatives and Proposition

The SME sector is expected to become an important pillar of our economy. We have, therefore during the year, revamped our SME banking model and built our internal capabilities to enhance client propositions with a view to better cater for the growing financing requirements of SMEs.



Partnership
approach



Timely
financing



Streamlined
processes

Achievements

During the year, the team has successfully streamlined its internal processes to reduce turnaround time.

Way Forward

For the years to come, we believe that the SME sector will play a vital role in the economic development of the country. To reinforce our presence on the market, we are investing in human capital and capacity building. Our SME Banking team will increase proximity with its customers by leveraging the bank's network. We aim to operate as a one-stop shop and be actively present on the field to better understand and respond to our clients' needs and aspirations.



RATAN JANKEE,
Head, SME Banking
SBM Bank (Mauritius) Ltd

« The SME team successfully streamlined its internal processes in 2016, resulting in improved turnaround time and better customer experience. »

Banking - Mauritius Operations [cont'd]

International Banking

Overview

SBM offers a wide suite of products and services for its international banking customers, ranging from plain vanilla cross border transactions to more complex structures. We support our customers from end to end, leveraging our dominant local position and growing international presence, for their short term and long term objectives.

Strategy, Initiatives and Proposition

Mauritius has established itself as an International Financial Centre of repute and choice over the past three decades, and SBM continues to play a key role in facilitating investments and transactions for its clients into Africa, Asia and beyond.

Amidst a fast changing global environment, our team continues to strive to offer an optimum service level in collaboration with other teams. We have adopted a strategy in line with our risk and compliance frameworks to increase participation and origination of cross-border deals. We use our wide network of correspondent banks and rely on our geographical presence to provide coverage ranging from Asia to Africa. Dedicated desks for Africa, Middle East and South East Asia have also been set up. This offering is enhanced by our Financial Institutions and Trade Finance teams. In addition, customers benefit from our strategic partnerships with supranational banks and management companies. We practice a 'client at the centre stage' style of doing business.



Leverage on relationships



Dedicated personnel



Simple procedures

Achievements

2016 was significant for our International Banking cluster given the numerous changes at the international and domestic level. We doubled down on our objective of increasing our cross border lending activities. Four additional senior management staff joined the Group and the international banking team was significantly strengthened.

« Our initiatives to increase cross border lending enabled us to nearly double our asset book compared to the previous year. »

Our targeted approach in respect of geographies of interest enabled us to nearly double our asset book compared to the previous year. The setting up of dedicated desks allowed us to cover more geographies while maintaining the same level of service and commitment. In addition, we improved our engagement with locally based offshore management companies as they sought to diversify their activities in view of the revision to the India-Mauritius DTAA and other regulatory changes.

Way Forward

We see significant potential in the Asia-Africa corridor in 2017 as management companies increasingly shift their focus to the continent and trade rises. Our presence in India and East Africa gives us a competitive advantage upon which we would leverage to increase deals emanating from this corridor. The International Banking team would also benefit from our Group's regional expansion strategy. We will continue to build knowledge of identified geographies to better cater to the needs of our customers and enhance our value proposition.



KRIS JHURRY,
Financial Institutions and Sovereigns
SBM Bank (Mauritius) Ltd



IBRAHIM MALLECK,
Middle East and North Africa and
Structured Trade Finance
SBM Bank (Mauritius) Ltd



SHOMIKA LUCHMUN,
India and South East Asia
SBM Bank (Mauritius) Ltd



VIKRAM DABEE,
Africa and Indian Ocean Islands
SBM Bank (Mauritius) Ltd



Banking - Mauritius Operations [cont'd]

Financial Markets

Overview

SBM Financial Markets team provides its services across 3 countries, namely Mauritius, India and Madagascar. This international presence benefits our clients who have cross-border transactions through the timely execution of their deals and follow ups across the jurisdictions. The team's core activities revolve around managing the Group's cash flows in all currencies, managing the Group's FX, interest rate and other financial market exposures. It is also responsible for managing asset/liability mismatches for the Group.

Strategy, Initiatives and Proposition

Revenue growth in 2016 was positively impacted by new initiatives that were successfully implemented during the year.

It should also be mentioned that there was a significant upgrade to the dealing infrastructure through the implementation of Finacle Treasury under the recent implementation of the Group's new IT platform. In the same vein, experienced professionals have been recruited to increase the level of sophistication within the Group and structure new ideas and solutions for clients. A Derivatives Desk has also been set up.



International presence



Up to date infrastructure



Market updates

Achievements

Foreign exchange and trading income rose by 18% during the year. SBM Financial Markets team is a partner of choice for institutional clients like pension funds and insurance companies in Mauritius with regards to their fixed income investments. Some of the major realisations for the year include:

- Structured FX forwards
- Remittances in exotic currencies
- MUR and foreign currency bonds as investment for Private Wealth customers
- Certificate of Deposit Product
- INR Masala Bond Investments
- Cross Currency Swaps for Masala Bond Investments



PV RAO,
Head, Financial Markets
 SBM Bank (Mauritius) Ltd

« Foreign exchange and trading income rose by 18% in 2016 and we launched a variety of products catering to our customers' specific needs. »

Way Forward

SBM Treasury team aims to capitalise on the positive momentum to become the preferred Treasury partner for all its clients in Mauritius while expanding overseas, especially in Africa and the Middle East. The team will also continue to expand its range of products and services.

eBusiness

Overview

SBM provides a comprehensive suite of eBusiness products and services. Leveraging state-of-the-art technology, we provide customers with round the clock banking services that allow them to manage their finances anytime and anywhere.

Strategy, Initiatives and Proposition

2016 set the path for our future growth with SBM eBusiness team becoming an even more important channel of distribution. The team has been working towards enhancing its product offerings and consolidating its market share. Particular emphasis has been laid on improving customer experience and meeting evolving customer needs.

In line with our strategy, we undertook several initiatives to embrace innovation and digitalisation of our business activities.



Wide product offering



Extensive network



Dedicated personnel

Achievements

Although there has been tough competition in the card industry, SBM eBusiness has been able to consolidate its market share as the second biggest card issuer and acquirer of major global payment brands in Mauritius.

2016 witnessed the deployment of several new products including Sky-Smiles, which is the first co-branded credit card in Mauritius, in partnership with Air Mauritius, and the MasterCard World Rewards Credit Card. Various marketing campaigns were undertaken to promote card acquisition, usage and retention. These include the Mothers' Day Promotion, Rio 2016 Olympic Games in collaboration with Visa and lucky draws, with a KIA Sportage EX 2WD 1.6L as star prize, for card users.

On the acquiring side, the bank launched MOOV by SBM which is the mobile point of sale (mPOS) service. This payment solution, a first in Mauritius, allows customer payment transaction to be carried out by a portable mobile device (smartphone/tablet) instead of a usual point of sale terminal. It has also launched an enhanced new self-registration eSecure platform to improve customer experience.



VEEREN MANIKION,
Head, eBusiness
SBM Bank (Mauritius) Ltd

« We launched MOOV by SBM in 2016 hence allowing our customers to carry their transactions through a portable mobile device. »

With respect to eCommerce, SBM has revisited its strategies in an attempt to facilitate onboarding of domestic merchants and its supremacy in providing solutions to the foreign market.

As a result, our eBusiness non-interest income, total revenue as well as card POS spending increased compared to last year therefore enabling us to win the Visa Co-Brand Champion for 2016.

Way Forward

Our focus will be to propose innovative solutions, including mobile solutions to our customers to facilitate transactions anytime, anywhere. We also aim to propose our services in geographies where the Group is present.



Banking - Overseas

India

Overview

SBM Group is present in India since 1994 and operates via a network of 4 branches in Mumbai, Chennai, Hyderabad and Ramachandrapuram. The major customer segments comprise large and mid-corporates with a small retail customer base. SBM India offers a bouquet of products and services ranging from advances, trade finance and treasury products to deposit products like savings, current and term deposits.

Strategy, Initiatives and Proposition

The current structure under which SBM India operates limits the scope in terms of business opportunities. Therefore, to actively participate in the growing banking sector in India, especially in the retail banking segment, we are in the process of implementing a Wholly Owned Subsidiary (WOS) structure. This will allow us to significantly increase our footprint in the Indian market, which will enable us to service our existing customers in a more holistic manner and to optimise our branch network. Furthermore, we will seek to build on the current corporate banking business and effectively cater for the SME segment and trade corridors.



Wide product offering



Collaborative approach



Dedicated personnel

Achievements

Financial performance was adversely impacted by an increase in impairment and a drop in advances. The considerable increase of 70% in impairment resulted in net losses of MUR 184 million for the year compared to a profit of MUR 16 million last year. During the year, profit before impairment amounted to MUR 138 million compared to MUR 179 million last year. A positive note for the year was an 8% decrease in non-interest expense.

Despite the below par performance, new customers were onboarded while SBM India was able to build up its brand through social and personal networking.

Way Forward

We are currently involved in the process of converting from branch to WOS set up in India and will kick start the implementation of our new IT platform. With the WOS structure, our aim will be to:



SIBY SEBASTIAN,
CE, SBM India Operations



We are currently in the process of implementing a Wholly Owned Subsidiary (WOS) structure which will allow us to significantly increase our footprint in the Indian market and serve our existing customers in a more holistic manner. »

- build a strong corporate and SME book with presence in key regions
- tap into trade finance opportunities by leveraging the SBM Group network
- build retail presence.



Madagascar

Overview

SBM has been present in Madagascar since 1998 through its subsidiary, Banque SBM Madagascar (BSBMM). The bank has 4 branches in Madagascar, namely 3 in the Antananarivo region and 1 in Toamasina. BSBMM mainly caters for the trading and business requirements of the domestic market. It also offers a wide range of corporate and commercial banking products and services, including credit, deposit, trade finance and treasury services. Internet banking facilities are also available.

Strategy, Initiatives and Proposition

The objective of BSBMM is to be the Corporate Bank of choice in Madagascar. Hence, the bank targets to increase its share of business with the top 100 corporates and SMEs in the country. This would help expand and diversify both the asset and liability bases, thereby reducing sector and customer concentration and increasing the resilience of the balance sheet. To this end, BSBMM plans to further increase the branch network to enhance proximity with customers. Besides, a major aspect of the strategy is to tap into the synergistic potential with other operations of the Group, including banking operations in Mauritius and India, notably in the areas of trade finance and wealth management, as well as in non-banking financial services. To support the strategy, initiatives are being taken to enhance human capital, namely through recruitment and retention of skilled employees.



Dedicated
personnel



Tailor made
proposition



Reliable

Achievements

Advances grew by 11.4% year on year to MUR 565 million as at December 2016 while deposits increased by 13.0% to MUR 1,040 million. While operating income declined, profit after tax nearly doubled to MUR 15 million, mainly due to a marked decrease in the charge for impairment.



GILBERT LAGAILLARDE,
Directeur Général
Banque SBM Madagascar SA

« The bank targets to increase its share of business with the top 100 corporates and SMEs in Madagascar. »

Way Forward

In line with the geographical expansion strategy, the number of branches increased from 2 to 4 in recent years. A fifth branch is expected to be operational in 2017. BSBMM aims to be one of the key banks in the economic landscape of Madagascar by having additional branches in the different regions of the country so as to be closer to our clients, hence in a better position to satisfy their needs.

Non Banking Operations

Non Banking Financial Services

Overview

SBM's non-banking financial cluster consists of asset management, brokerage, private equity, investment advisory, registry and insurance agency services. It hence complements the services provided by the banking cluster, offering customers the opportunity to have access to a comprehensive spectrum of financial services.

Strategy, Initiatives and Proposition

The different lines of activities within SBM Non Banking continued to face competition on the market as some major international players are now operating in Mauritius. In this context, it became necessary to consolidate and build capabilities to deliver our services. Hence, new and innovative products and services were launched, while efforts were geared up to expand the customer base, particularly cross-border. Moreover, SBM Non Banking continues to benefit from Group synergy through cross-selling of its products and services.



Wide spectrum



Innovative products



Dedicated team

Achievements

In line with the strategy, SBM Non Banking launched its Private Equity fund services to provide a PE fund of funds solution, accompanied by a focus on co-investments into sub-Saharan Africa. Moreover, SBM Africa Equity Fund and SBM Africa Value Fund were successfully launched, alongside other structured products. Besides, roadshows were conducted both locally and regionally. Research capabilities were also enhanced and a business acquisition unit was set up to help acquire more new clients and improve customer service. The Non Banking team was strengthened with new recruitments to support the above initiatives. Against this background, assets under management increased by 32.1% to reach MUR 6.9 billion as at December 2016 while brokerage net income almost tripled to MUR 19.9 million. This drove an overall profit growth of 29.6% for SBM Non Banking to MUR 25.0 million.

Way Forward

With the appointment of a dedicated Chief Executive for SBM Non Banking, this unit is expected to further grow in 2017. Additional products and services would be proposed to customers, including structured



LAKSHMANA LUTCHMENARRAIDOO,
CE
SBM (NBFC) Holdings Ltd

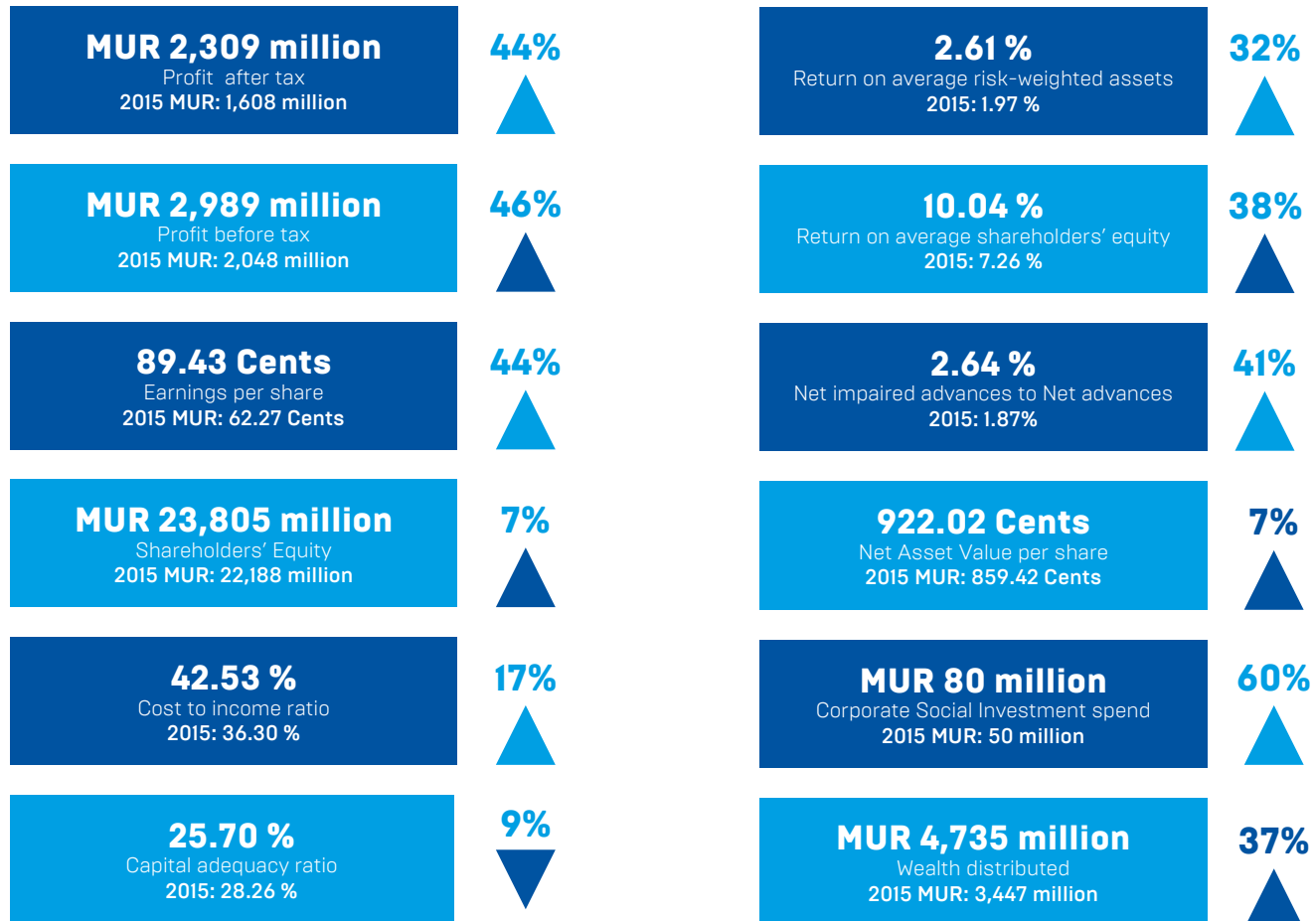


Several initiatives launched during the past year have led to an increase of 32.1% in assets under management while brokerage net income almost tripled to MUR 19.9 Mn 

investment solutions, while new lines of business are planned during the year, including investment banking services, factoring, credit insurance and microfinance. This will further complement the product and services range offered by the Group. In line with the Group strategy, market diversification will continue, particularly in respect of the African and Asian markets, while consolidating the domestic business. These initiatives will be supported by other operations of the Group in the various geographies where we operate.

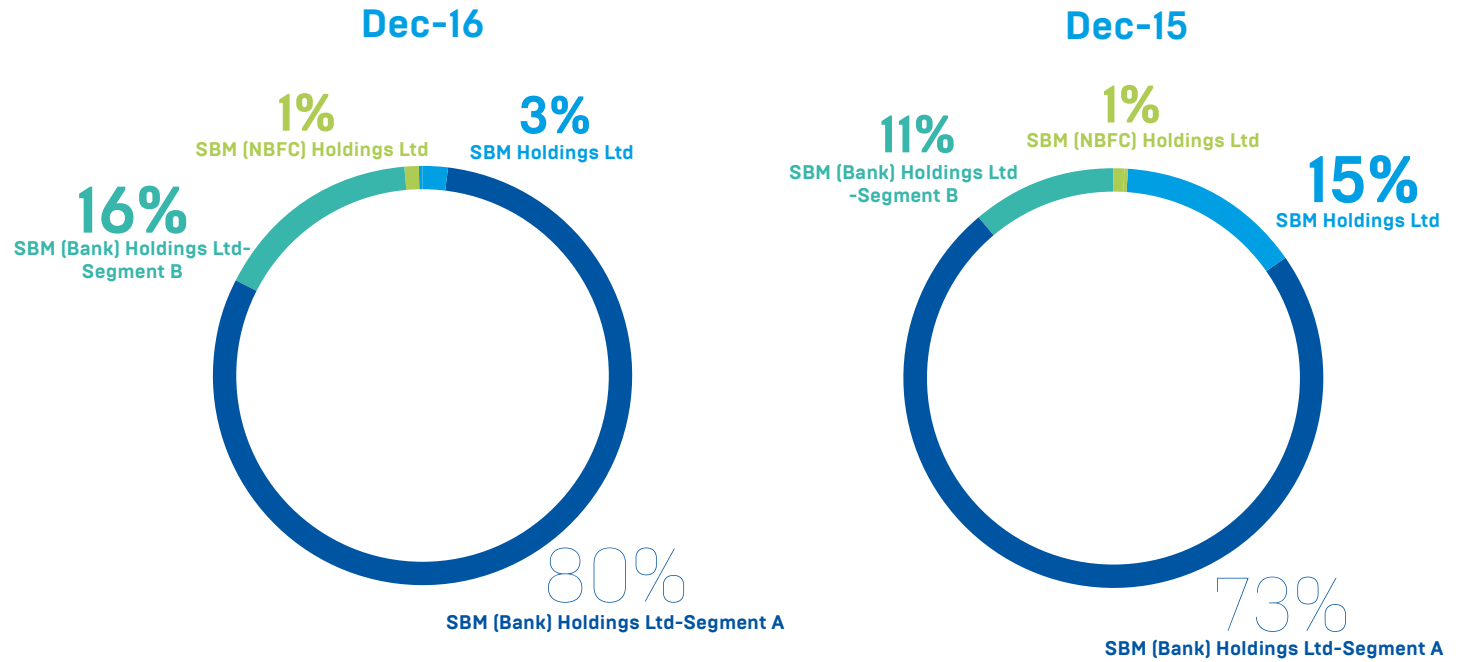


Financial Review



Financial Review (cont'd)

Distribution by entity



Summary of Group Results

GROUP FINANCIAL RESULTS AND RATIOS

	Change	2016	2015
Net interest income (MUR million)	3%	4,383	4,252
Non-interest income (MUR million)	3%	2,063	2,003
Net impairment loss on financial assets (MUR million)	(63)%	717	1,937
Operating profit	46%	2,988	2,048
Profit after tax (MUR million)	44%	2,309	1,608
Net Interest Margin	(15)bps	3.10	3.25
Earnings per share (Cents)	44%	89.43	62.27
Dividend per share (Cents)	0%	40.00	40.00
Net assets value per share (Cents)	7%	922.02	859.42
Tier 1 to risk weighted assets ratio (%)	(185)bps	19.90	21.75
Capital Adequacy Ratio	(256)bps	25.70	28.26

SBM Group's reported profit after tax for the year ended 31 December 2016 amounted to MUR 2,309 million, up from MUR 1,608 million in 2015. The domestic banking operations continue to be the main driver of profitability, in 2016. The growth in profit is all the more commendable given a challenging operating environment characterised by weak demand for credit, persistent excess liquidity and fierce competition. Besides, the Group incurred higher system cost with the go-live of the core banking system and various other applications in May and September 2016. The cost of credit was above the long term average.

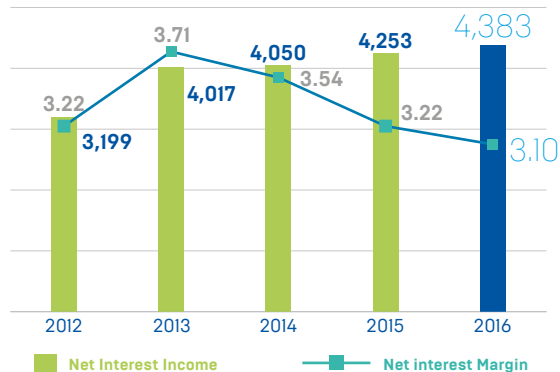
In line with the rise in profit, earnings per share increased from 62.27 cents in 2015 to 89.43 cents in 2016. The Group's net interest margin decreased from 3.25% in 2015 to 3.10% in 2016. The Group will continue to maintain initiatives to support the net interest margin. Net loans and advances to non-bank customers were MUR 71,625 million in 2016, compared to MUR 68,784 million one year earlier, representing a 4.13% rise, mainly attributable to a growth in our global business loan portfolio of MUR 2,418 million from MUR 520 million to MUR 2,938 million. Net impairment loss on financial assets stood at MUR 717 million in 2016 compared to MUR 1,937 million for 2015, a decrease of MUR 1,220 million or 63.00%.



Financial Review (cont'd)

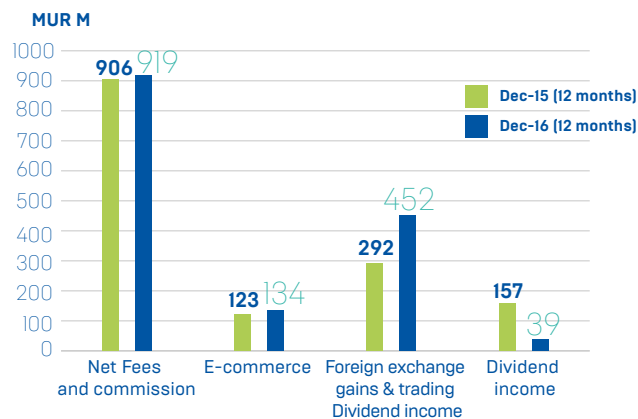
Income Growth

SBM Group's operating income for the 12 months to December 2016 stood at MUR 6,446 million as compared to MUR 6,255 million in the previous year. The main drivers of revenue were net interest income and non-interest income. Net interest income increased by MUR 131 million or 3.08% while non-interest income rose by MUR 60 million or 3.02%.



Notwithstanding an increase of 9.18% in average interest earning assets, interest income witnessed a decrease of 2.71%, from MUR 6,424 million for the 12-month period ended December 2015 to MUR 6,250 million in 2016 due to a number of factors including a decrease of 40 bps in the prime lending rate for Mauritius Operations in July 2016, lower return on advances and investments, adverse shift in assets mix and increasing impaired advances. The liability mix improved as average lower cost demand and savings deposits increased by 11.07% and non-retail CASA were not remunerated resulting into a decrease in interest expense by 14.09% despite an increase in average deposits.

Breakdown of Non Interest Income



Non-interest income amounted to MUR 2,063 million for the 12 months ended 31 December 2016 as compared to MUR 2,003 million in 2015. The main driver was gain on trading of securities which increased by MUR 168 million. Income from eCommerce business witnessed an increase as a result of higher volume of transactions with focus on lower risk merchant acquisition; although competition is getting stiffer and margins are further narrowing. With the objective of diversifying its revenue stream and positioning itself for sustained growth in both the domestic and overseas markets, the banking segment introduced new treasury products, namely INR Masala Bond Investments; Cross Currency Swaps for Masala Bond Investments; Structured FX forwards; Remittances in Exotic Currencies; Certificate of Deposits; and MUR and foreign currency bonds, particularly targeting Private Wealth customers.

Fees from the Bancassurance business are continuously improving as we tie up with more insurers and provide additional training and incentives to our employees to cross-sell insurance products. On the financial markets side, both Mauritius and India booked significant gain on trading in securities. For the year under review, SBM Group received dividends from its equity investments of MUR 39 million as compared to MUR 157 million for the previous year ended December 2015 which represents a decrease of 75.29%. Excluding dividend income, non-interest income would have grown by 9.69%.

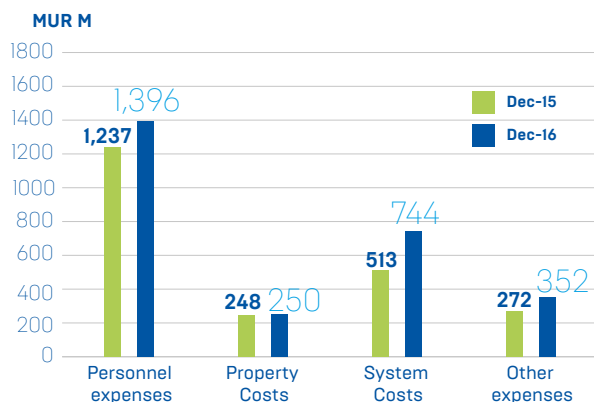


Non-Interest Expenses

Non-interest expenses amounted to MUR 2,742 million for the 12 months ended December 2016 as compared to MUR 2,270 million for the year ended December 2015, representing an increase of 20.75%. Personnel costs increased by MUR 159 million on account of the increase in salaries and pensions as well as a higher headcount, as we focus on building our human capital. Following successful negotiation of the collective agreement, arrears on salaries and benefits of MUR 70 million for previous years were paid in November 2016 to employees on contract of indeterminate duration. Moreover, post the successful go live of the core system, all eligible employees were granted one month salary as bonus.

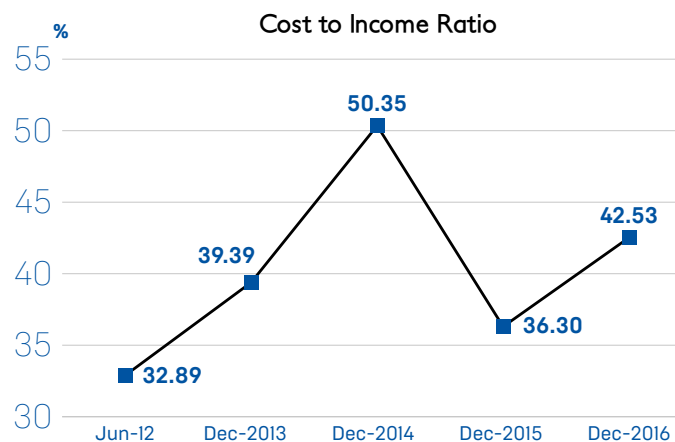
System costs increased by MUR 231 million mainly due to depreciation and amortisation of hardware and software of the new core system and other applications, which went live in September 2016. The full impact of the amortisation and maintenance costs of the new systems will be borne in financial year 2017.

Breakdown of Non-Interest Expense



Cost to Income

Against this background, the cost to income ratio increased from 36.30% for the 12 months ended December 2015 to 42.53% for the year ended December 2016.



Net Impairment Loss on Financial Assets

Net impairment loss on advances and other financial assets for the 12 months ended December 2016 amounted to MUR 717 million as compared to MUR 1,937 million for the 12-month period ended December 2015. The Group shall continue with recovery actions to realise collaterals and maximise recovery.

Mauritius operations accounted for 88.04% of the specific provision out of which 36.66% related to few segment B exposures. Specific provision in the books of our overseas Indian branches comprised 11.96% of the total specific provision.

In 2015, specific provision was mainly due to a large conglomerate in the financial services sector which went into administration.

Assets Growth

SBM Group has been able to grow its total assets from MUR 136 billion as at December 2015 to MUR 147 billion as at 31 December 2016, with an increase in investment securities by 5.50% or MUR 2,055 million, a hike in net loans and advances by 4.13% or MUR 2,840 million, and a major rise in placements by 284.29 % or MUR 3,437 million.



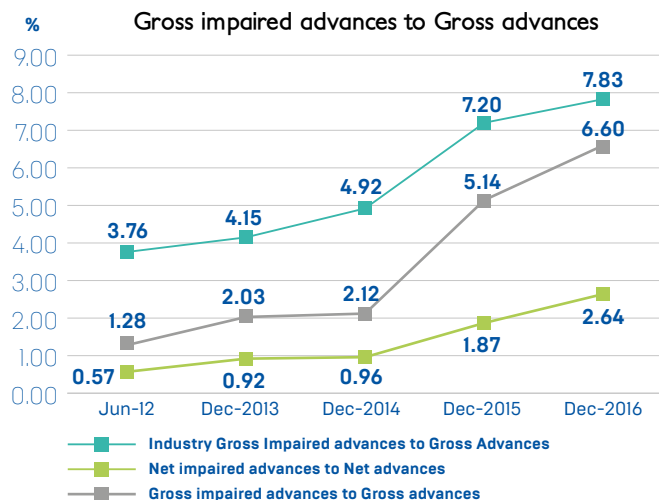
Financial Review (cont'd)

Loans and Advances

SBM Group's gross advances increased by 4.81% to reach MUR 75.8 billion as at December 2016 (December 2015: MUR 72.3 billion). The increase was largely contributed by growth in our international banking/segment B. Our domestic advances market share increased from 21.22% as at 31 December 2015 to 21.85% as at 31 December 2016 whilst overall domestic credit market decreased by MUR 2.93 billion or 1.03% over the same period. Advances at our overseas operations dropped by MUR 650 million from 3.97 billion to MUR 3.32 billion at 31 December 2016. Advances denominated in FCY as a percentage of total advances represented 31.14% at 31 December 2016 compared to 27.05% at 31 December 2015. A breakdown of the credit portfolio by economic sector and level of provisions held has been disclosed in Note 8 to the Financial Statements.

Impaired Advances and Allowance for Credit Impairment

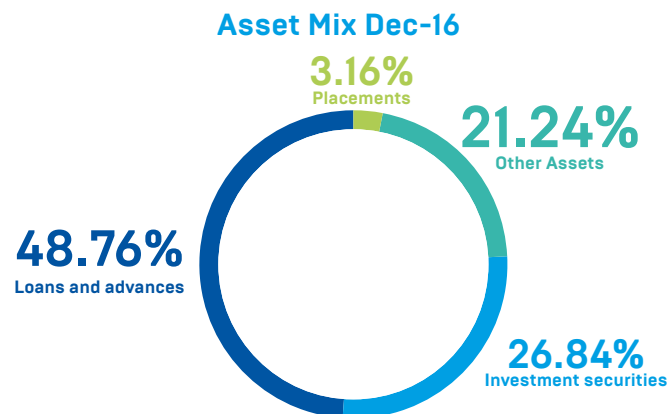
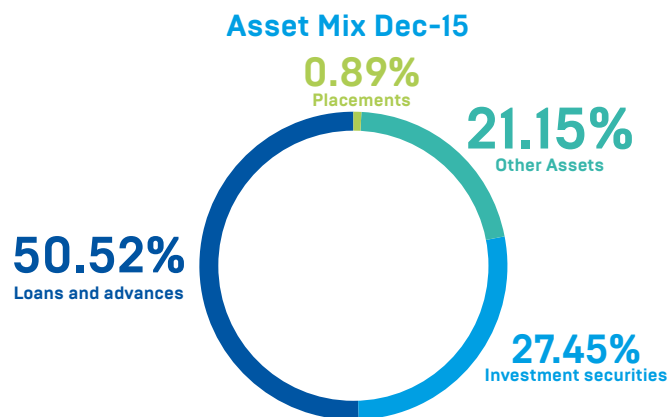
Gross impaired advances increased from MUR 3.71 billion at December 2015 to MUR 5.00 billion at December 2016 as a result of deteriorating book in India operations. The Group maintained adequate provisions as per the guidelines of the respective central banks and International Financial Reporting Standards. Specific allowance for credit impairment stood at MUR 3.11 billion, representing a provision coverage ratio of 62.14% (December 2015: 65.37%). The Group's gross impaired advances to gross advances ratio increased from 5.14% in December 2015 to 6.60% in December 2016 and the net impaired advances to net advances ratio increased from 1.87% to 2.63%. Despite the increase in the impairment level, overall asset quality still compares favourably with the industry.



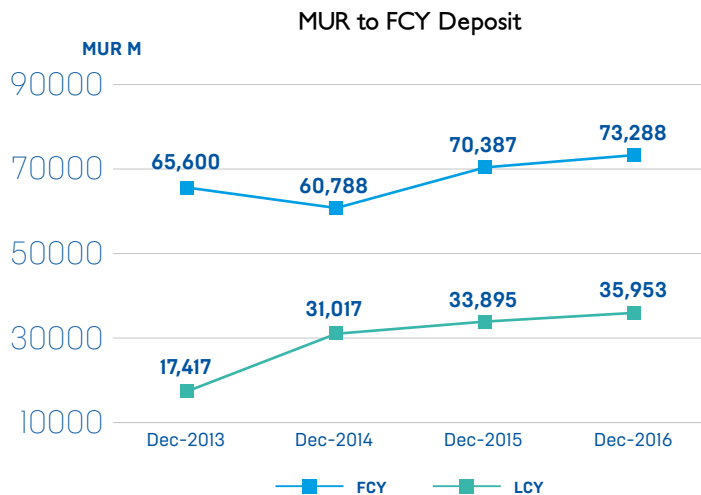
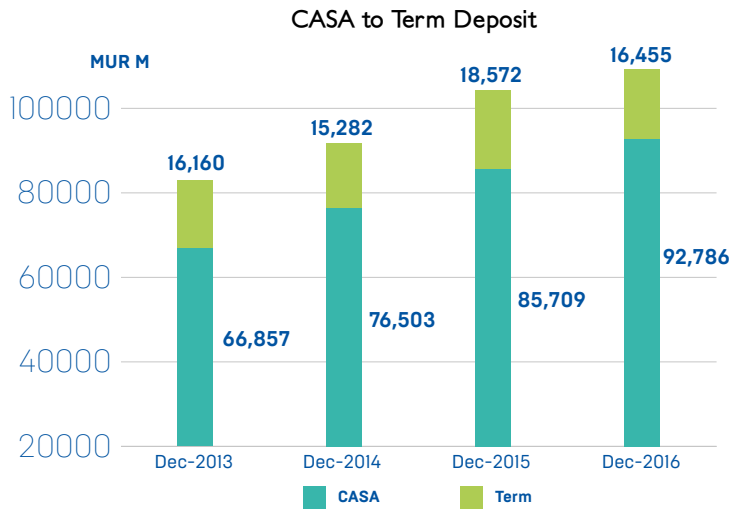
Investment Securities and Equity Investments

Investment securities, which comprise fixed interest Treasury Bills, Treasury Notes, Government Bonds and Foreign Bank Bonds grew by 5.50%, from MUR 37.4 billion as at December 2015 to MUR 39.4 billion as at December 2016. The increase is mainly from higher investment in Government securities by 14.64% (MUR 3.91 billion) as growth in CASA deposits could not be optimally deployed in advances due to low credit demand and excess liquidity.

Foreign currency denominated bonds decreased from MUR 14.7 billion at 31 December 2015 to MUR 13.5 billion, as funds were deployed in foreign currency loans and advances. It was also a deliberate strategy to scale down the fixed interest US dollar bonds of longer maturity as we took the view that interest rate is likely to increase in the near term.

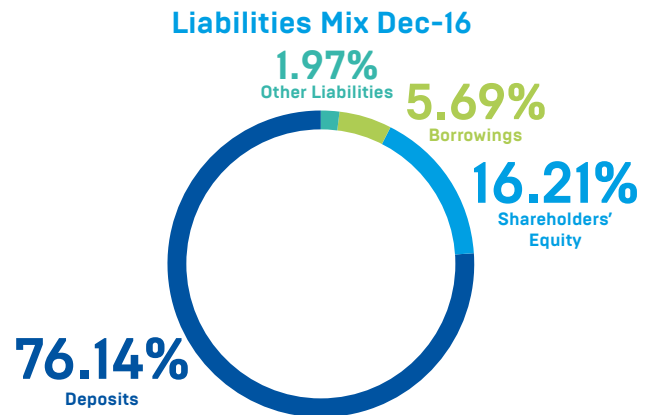
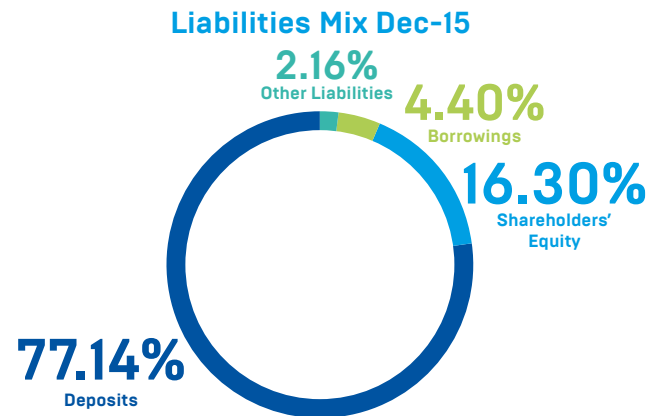


Deposits



SBM Group's non-bank deposits increased by 4.76% to reach MUR 109.2 billion as at December 2016 (December 2015: MUR 104.3 billion) with current demand and savings deposits (CASA) growing by MUR 4.96 billion (4.76%) compared to December 2015 and accounting for 84.94% of total deposits as at December 2016 compared to 82.19% at December 2015. Out of the MUR 4.96 billion increase in

total deposits in 2016, foreign currency (FCY) deposits accounted for MUR 2.06 billion thereby increasing the share of FCY to total deposits from 32.50% at 31 December 2015 to 32.91% at 31 December 2016. Term deposits decreased from MUR 18.6 billion to MUR 16.5 billion over the same period with growth in FCY term deposits offset by a decrease in MUR term deposits. The domestic market share of CASA deposits represented 24.18% whereas the market share for segment A deposits amounted to 20.14% as at 31 December 2016.



Financial Review (cont'd)

Borrowings

SBM Group's borrowings, mainly from refinancing sources, stood at MUR 8.35 billion as at December 2016 (December 2015: MUR 5.99 billion) which is due to repayment of borrowings made by the Group linked to refinancing activity.

Shareholders' Equity

SBM Group shareholders' equity increased by 7.28% to reach MUR 23.8 billion as at December 2016 (December 2015: MUR 22.2 billion) with the retention of the current period profit of MUR 2.31 billion, partly offset by dividend payments of MUR 1.06 billion during the year. Return on average shareholders' equity stood at 10.04% for the year under review.



2016 was marked by an active capital raising by local issuers to fund their investment activities and/or restructuring initiatives in a volatile market environment. SEM also experienced higher market activity, by confirming its positioning as an attractive multi-raising platform for capital restructuring of listed companies.

The SEM-ASI ended the year at 1852.57 points growing by 2.31%. The total return index, SEMTRI-ASI gained 0.92 % ending 2016 at 6387.96 points. The SEMDEX registered a slight fall of 0.15% closing the year at 1808.37 points. On the Development & Enterprise Market (DEM), the DEMEX and the DEMTRI finished the year with gains of 2.01% and 5.58% respectively.

SBMH (as a member of SEM-10) broadly mirrored movements in the SEMDEX in 2016. The share price took a dip at the end of March with release of financial year 2015 results - profit after tax of the Group fell to MUR 1.61 billion for the year ended 31 December 2015 as a result of substantial increase in credit impairment charges (MUR 1.94 billion). SBMH then recovered slightly as quarterly results for 2016 financial year showed improvements, and on assurance to both local and foreign investors regarding the implementation of the McKinsey report five-year strategy implementation. The share price stabilised by year-end and traded mostly in a range of MUR 6.50 - MUR 7.00.

Further analysis on the capital structure and capital adequacy ratio is provided at page 135 to 141.



Performance 2016 against objectives - SBM Holdings Ltd

Indicator	Target for 2016	Performance 2016
Net Profit for the year	Growth of around 60%	The Group attained a profit after tax of MUR 2,310 million for 2016, a growth of 44% over 2015 mostly due to a notable increase of 58% in other operating income derived from gain on sale of investment securities, coupled with lower interest expense and normalised credit impairment charge. But growth of 3% in Net Interest income was lower than projected, with relatively slower pickup in loan disbursements and squeezed margins within an increasingly competitive market. In addition, unlike previous years, no dividend was received in 2016 from one of our major equity investment.
Return on Average Assets	At least 2%	Return on average assets (ROA) stood at 1.63 %, an improvement of 39 bps over 2015 with a growth of 8% in average assets.
Return on Average Equity	At least 15%	The Group's return on average equity improved to 10.04% in 2016 compared to 7.35% in 2015 but with the lower than projected revenue/dividend, the Group could not attain the targeted return of 15%.
Cost to Income	Below 42%	The cost to income ratio for 2016 stood at 42.53% more or less in line with the set target.

Objectives 2017 - SBM Holdings Ltd

Indicator	Target for 2017
Return on Average Assets (ROA)	With the implementation of a series of initiatives, the Group is projecting an increase in its ROA which should attain at least 2% in 2017.
Return on Average Equity	Return on average equity is expected to improve in the coming years, with a minimum of 15% for 2017.
Operating Income (Excluding Dividend Income)	The Group is projecting a 2 digit growth rate in net interest income for 2017 with more focus on asset management and loan growth more specifically from Global business. Substantial growth of at least 25% is expected in non-interest income with projected increase in business volumes coupled with targeted increase in income from Treasury products.
Operating Expense	Operating expenses are expected to grow by at least 25% in 2017 with amortisation of the new information technology platform and also as the Group continues its capacity building initiatives.
Cost to Income ratio	A slight improvement in the cost to income ratio is expected for 2017 with targeted growth in Operating Income outpacing growth in operating expenses and CI ratio projected to go further down as the Group reaps the full benefit of its huge investment in system and capacity building.
Net Profit for the year	Growth of at least 25%.



Financial Review (cont'd)

Five year financial summary

SBM GROUP	12 months December	12 months December	12 months December ^b	12 months December ^b	18 months December ^a	12 months June ^b
	2016	2015	2014	2013	2013	2012
Key financial highlights (MUR million)						
Profit before income tax and net impairment loss on financial assets	3,705	3,985	3,108	3,745	5,860	3,398
Profit before income tax	2,989	2,048	2,541	3,276	5,259	3,123
Profit for the period	2,309	1,608	1,868	2,696	4,350	2,526
Total assets	146,896	136,162	125,602	111,861	111,861	98,824
Shareholders' equity	23,805	22,188	22,074	19,343	19,343	17,727
Tier 1 capital	18,598	18,254	20,376	12,633	12,633	11,637
Risk-weighted assets (including market and operational risks)	93,027	83,935	79,366	74,750	74,750	69,994
Average assets ^c	141,529	130,882	118,731	108,127	105,342	96,633
Average shareholders' equity ^c	22,997	22,131	20,708	18,645	18,535	16,205
Average working funds ^c	147,833	135,841	120,378	107,524	104,603	95,272
Average Tier 1 capital ^c	18,426	19,315	16,505	12,871	12,135	11,076
Key financial ratios (%)						
Capital adequacy ratio	25.70	28.26	31.41	20.40	20.40	20.51
Tier 1 capital adequacy ratio	19.90	21.75	25.67	16.90	16.90	16.63
Profit before income tax ^f / average risk-weighted assets	3.37	2.51	3.30	4.39	4.83	4.85
Profit before income tax ^f / average assets	2.11	1.56	2.14	3.03	3.32	3.23
Profit before income tax ^f / average shareholders' equity	13.00	9.25	12.27	17.57	18.86	19.27
Profit before income tax ^f / average Tier 1 capital	16.22	10.60	15.40	25.45	28.81	28.20
Return on average risk-weighted assets ^f	2.60	1.97	2.42	3.61	4.00	3.92
Return on average assets ^f	1.63	1.23	1.57	2.49	2.75	2.61



SBM GROUP

	12 months December	12 months December	12 months December ^b	12 months December ^b	18 months December ^a	12 months June ^b
	2016	2015	2014	2013	2013	2012
Return on average shareholders' equity ^f	10.04	7.26	9.02	14.46	15.60	15.59
Return on average Tier 1 capital ^f	12.53	8.32	11.32	20.94	23.83	22.80
Cost to income	42.53	36.30	50.35	39.39	36.45	32.89
Share information (based on nominal of 10 cent each)^d						
Earnings per share (Cents) ^f	89.43	62.27	72.37	104.41	112.03	97.82
Dividend per share (Cents) ^{e,f,g}	40.00	40.00	45.00	40.00	40.00	35.00
Net asset value per share (Cents)	922.02	859.42	854.97	749.22	749.22	686.63
Share price to book value (times)	0.72	0.83	1.08	1.32	1.15	1.63
Dividend yield (%) ^{e,f}	6.02	5.63	4.41	3.85	3.85	4.27
Earnings yield (%)	13.47	8.77	7.09	10.04	10.77	11.93
Total Yield (Cents) ^e	(6.00)	(270.00)	25.00	40.00	260.00	(105.00)
Cumulative Yield (Cents)	803.50	809.50	1,079.50	1,054.50	1,274.50	1,014.50
Price earnings ratio (times)	7.42	11.40	14.09	9.96	9.28	8.38
Dividend cover (times)	2.24	1.56	1.61	2.61	2.81	2.79
Market capitalisation (MUR M)	20,168	21,566	30,982	31,589	31,589	24,907
Market price per share (Cents)	664.00	710.00	1,020.00	1,040.00	1,040.00	820.00
Highest	730.00	1,000.00	1,069.30	1,297.00	1,297.00	985.00
Lowest	630.00	693.10	980.20	1,078.80	1,078.80	775.00
Average	673.14	878.90	1,026.00	1,232.50	1,232.50	842.80
Value of shares traded (MUR M)	1,167.28	3,157.55	2,288.58	1,873.83	2,439.12	1,120.89
Value of shares traded as a percentage of Market (%)	9.34%	17.55	13.83	17.74	11.66	8.27



Financial Review (cont'd)

SBM GROUP	12 months December	12 months December	12 months December ^b	12 months December ^b	18 months December ^a	12 months June ^b
	2016	2015	2014	2013	2013	2012
Other key data						
Number of employees	1,388	1,250	1,179	1,168	1,168	1,176
Number of employees (Mauritius)	1,269	1,144	1,074	1,066	1,066	1,082
Number of employees (Overseas)	119	106	105	102	102	94
Number of service units	51	47	50	49	49	48
Exchange rate (USD : MUR)	35.90	35.91	31.78	30.00	30.00	30.93
Exchange rate (INR : MUR)	0.529	0.543	0.504	0.485	0.485	0.556
Exchange rate (100 MGA : MUR)	1.082	1.124	1.234	1.350	1.350	1.426

^a Change in financial year end from June to December. Balances are not entirely comparable.

^b Restated.

^c Averages are calculated using period / year-end balances.

^d On 19 October 2016, SBM share of nominal was reverse share split. The share-related information presented for prior periods are restated based on the new number of shares.

^e Including dividend declared after the reporting date but before the financial statements are authorised for issue.

^f Figures for the 18 months to December 2013 have been annualised.

^g Dividend per share for 2016 includes a final dividend of 10 cents payable in 2016.



Segment results – SBM (Bank) Holdings Ltd

(Banking segment)

	12 months December 2016	12 months December 2015	12 months December 2014
Consolidated statement of profit or loss (MUR M)			
Net interest income	4,305	4,136	4,050
Non interest income	1,937	1,749	1,968
Non interest expense	2,641	2,174	3,106
Depreciation and amortisation	348	161	166
Profit before income tax and net impairment loss on financial assets	3,601	3,711	2,913
Profit before income tax	2,883	1,777	2,282
Profit for the period	2,225	1,357	1,614
Consolidated statement of financial position (MUR M)			
Total assets	135,137	124,015	114,763
Gross loans and advances to non-bank customers	75,776	72,296	69,107
Gilt-edged securities	24,316	19,149	18,739
Bank bonds	6,808	9,219	6,155
Other investments	3,655	3,112	1,560
Deposits from non-bank customers	109,333	104,488	91,940
Shareholders' equity	15,905	13,737	14,688
Tier 1 capital	10,701	9,805	12,990
Risk-weighted assets (including market and operational risks)	82,280	75,746	70,897



Financial Review (cont'd)

	12 months December 2016	12 months December 2015	12 months December 2014
Consolidated statement of financial position (average^a MUR M)			
Average assets	129,576	119,389	110,957
Average loans and advances to customers	74,036	70,702	70,116
Average gilt-edged securities	21,732	18,944	16,890
Average bonds	8,014	7,687	3,934
Average deposits from non-bank customers	106,910	98,214	87,534
Average shareholders' equity	14,821	14,212	14,635
Average working funds	135,653	124,237	114,472
Average Tier 1 capital	10,253	11,398	12,318
Average interest earning assets	117,417	105,543	97,244
Average interest bearing liabilities	111,479	102,017	93,137
Cost to income (%)	42.31	36.94	51.61
Performance ratios (%)			
Capital adequacy ratio	14.92	14.96	19.71
Tier 1 Capital adequacy ratio	13.01	12.94	18.32
Profit before income tax ^b / average risk-weighted assets	3.65	2.42	3.22
Profit before income tax ^b / average assets	2.23	1.49	2.06
Profit before income tax ^b / average shareholders equity	19.45	12.50	15.60
Profit before income tax ^b / average Tier 1 capital	28.12	15.59	18.53
Return on average risk-weighted assets ^b	2.82	1.85	2.28
Return on average assets ^b	1.72	1.14	1.45
Return on average shareholders' equity ^b	15.01	9.55	11.03
Return on average Tier 1 capital ^b	21.70	11.90	13.10
Asset quality ratios (%)			
Gross impaired advances to gross advances	6.60	5.14	2.12



	12 months December 2016	12 months December 2015	12 months December 2014
Net impaired advances to net advances	2.64	1.87	0.96

^a Averages are calculated using period / year-end balances.

^b Annualised

Performance against Objectives - Banking Segments

Indicator	Target for 2016	Performance 2016
Net Profit for the year	Growth of around 90%	SBM Bank Group achieved Net Profit of MUR 2.22 billion in 2016, a year-on-year growth of 64% driven by a remarkable increase of 64% in other operating income derived from gain on sale of investment securities, coupled with lower interest expense following a drop in savings rate. Moreover, the Banking Group also booked much lower impairment charge compared to the exceptionally high charge in 2015. But on the net interest income side, with the prevailing market conditions, characterised by a situation of prolonged excess liquidity, drop in repo rate and interest margin, lower demand for credit and increasing level of impairment, the anticipated growth in net interest income could not be attained.
Return on Average Assets (ROA)	At least 1.9%	Return on assets (ROA) stood at 1.72% with a growth of 9% in average assets.
Return on Equity (ROE)	At least 15%	Return on average equity improved to 15.01% in 2016 compared to 9.55% in 2015.
Advances and Deposits	Grow average loan book by at least 12% and average deposits by at least 9%	In view of the difficult economic conditions, average gross advances grew by around 5% only whilst average deposits went up by 9%.
Assets Quality	Drop in net impaired advances to net advances ratio to below 1.5%	Net impaired ratio for December 2016 stood at 2.64%.
Cost to Income Ratio	To be contained below 42%	The cost to income ratio for 2016 stood at 42.31%, slightly above the set target, on account of lower than projected growth in operating income.



Financial Review (cont'd)

Objectives 2017 - Banking Segment

Indicator	Target for 2017
Return on Average Assets (ROA)	ROA will be maintained around 2%.
Return on Average Equity (ROE)	Return on Average equity is expected to improve in the coming years, with a minimum of 17% for FY2017.
Operating Income (Excluding Dividend)	<p>With a more focused approach on balance sheet management, the Banking Group is targeting a 2 digit growth rate in net interest income for 2017 with expected growth in its loan portfolio.</p> <p>Substantial growth of at least 25% is expected in non-interest income with projected increase in business volumes coupled with targeted increase in income from Treasury Products.</p>
Operating Expense	Operating expenses is expected to grow by at least 25% for 2017 with amortization of the full fledged new information technology platform and also as the Banking Group continues its investment in capacity building.
Advances	Considering the Mauritian economy is expected to grow by around 4%, SBM Bank Group is targeting an increase of 10% in its rupee loan portfolio while more focus will be laid on growing the Cross Border/ Segment B portfolio with a double digit growth rate.
Deposits	Target is to grow on low cost deposits and in foreign currency, to fund the targeted growth in loan portfolio. MUR deposits is expected to grow by at least 12% .
Assets Quality	Net impaired ratio is expected to fall below 2% with targeted growth in advances.
Cost to Income Ratio	The cost to income ratio is expected to remain at 42% with continued investment in information technology and human capital.



Segment Results - SBM (NBFC) Holdings Ltd

(Non-Banking Financial Segment)

	Year ended 31 Dec 2016 (MUR M)	Year ended 31 Dec 2015 (MUR M)	Year ended 31 Dec 2014 (MUR M)
Income			
Fees and commissions	77.471	58.867	45.841
Dividend income	4.162	5.744	2.931
Interest income	0.024	0.224	2.423
	81.657	64.835	51.195
Expenses	(51.724)	(41.868)	(39.763)
Operating profit	29.933	22.967	11.432
Share of profit of associates	-	-	62.993
Profit before tax	29.933	22.967	74.425
Tax expense	(5.079)	(3.683)	(3.969)
Profit for the year	24.854	19.284	70.456

The non-banking financial cluster comprises activities such as investment management activities, brokerage services, CIS administrators and corporate services. During the period under review, the cluster made a profit after tax of MUR 24.85 million compared MUR 19.28 million a year earlier. The increase of MUR 5.57 million is mainly due to higher fees and commission income of MUR 18.60 million, mitigated by higher expenses of MUR 9.86 million. Total assets increased from MUR 144.66 million to MUR 243.46 million due to increase in fair value of available-for-sale investments, cash at bank and trade and other receivables.

SBM Mauritius Asset Managers Ltd

SBM Mauritius Asset Managers Ltd (SBM MAM) is the investment management arm of the SBM Group. It specialises in providing investment management services to both institutional and individual investors. SBM MAM is regulated by the Financial Services Commission and is licensed to act as Investment Adviser (Unrestricted), CIS Manager and Distributor of Financial Products. Its portfolio of clients includes mutual funds, pension funds, insurance and investment holding companies and retail investors.

The Company made a profit after tax of MUR 6.69 million for the year ended 31 December 2016 as compared to MUR 7.76 million a year earlier. Management and retrocession fees received grew from MUR 25.75 million in 2015 to MUR 27.04 million (5%). Commission income decreased from MUR 6.83 million in the preceding year to MUR 4.33 million for the year ended 31 December 2016. Total assets under management increased from MUR 5,241 million at 31 December 2015 to MUR 6,923 million at 31 December 2016, an increase of 32%. Expenses for the year ended 31 December 2016 amounted to MUR 23.81 million as compared to MUR 23.11 million for the preceding year, an increase of MUR 0.70 million (3%). This is mainly due to higher staff costs, IT expenses and director fees.



Financial Review (cont'd)

SBM MAM's in-house funds' performance against their respective benchmarks are as follows:

Performance of in-house funds v/s benchmarks

Fund Name	Fund Size	2016 (%)	2015 (%)	2014 (%)
SBM Perpetual Fund	MUR 1,485.9M	3.64	4.09	4.42
Benchmark		3.45	4.09	4.33
SBM Universal Fund	MUR 381.4M	2.94	0.18	9.26
Benchmark		3.15	0.05	3.17
SBM Yield Fund	MUR 61.2M	3.31	2.46	3.25
Benchmark		4.49	5.13	5.38
SBM Global Fund	MUR 56.3M	2.19	6.35	9.42
Benchmark		6.01	8.11	6.10
SBM India Fund	USD 2.3M	2.20	(0.67)	56.13
Benchmark		1.29	(5.29)	33.86
SBM Growth Fund*	MUR 54.5M	2.75	-	-
Benchmark		6.46	-	-
SBM Maharaja Growth Fund	USD 3.9M	1.78%	-	-
Benchmark		3.50%	-	-
SBM Maharaja Bond Fund	USD 11.2M	1.13%	-	-
Benchmark		2.33%	-	-
SBM Africa Value Fund	USD 0.87m	(14.74)	-	-
Benchmark		(2.92)	-	-

*SBM Growth Fund & SBM Africa Value Fund (Launched Feb 16)

NOTES:

Figures are as at 31 December. All performance figures above assumed that dividends have been reinvested.

SBM Securities Ltd

SBM Securities Ltd is the broking arm of SBM Group. SBM Securities Ltd provides access to local and global capital markets through its wide network of global partners. Investors can have access to local equity markets, foreign equity markets and a variety of foreign investments including exchange traded funds and foreign bonds.

The Company made a profit after tax of MUR 19.89 million for the year ended 31 December 2016 compared to MUR 7.12 million for the previous year. The Company's turnover for the year amounted to MUR 35.86 million compared to MUR 16.23 million for the previous year. Total income net of direct costs increased by MUR 20.46 million (97%). Expenses increased from MUR 12.91 million for the year ended 31 December 2015 to MUR 16.75 million for the year ended 31 December 2016.

SBM Fund Services Ltd

SBM Fund Services Ltd is licensed by the Financial Services Commission to act as CIS Administrator and also provides corporate services. It acts as registrar and transfer agent for numerous listed companies and mutual funds. It also provides administration services including trade and fees processing, net asset value computation and fund accounting services.

The Company made a profit after tax of MUR 1.25 million for the year ended 31 December 2016 compared to a profit of MUR 1.52 million a year earlier. The Company's income for the year ended 31 December 2016 amounted to MUR 7.32 million compared to MUR 6.51 million for the year ended 31 December 2015. The increase of MUR 0.81 million is mainly driven by increase in registry and administrative fees received from clients. Expenses increased from MUR 4.65 million for year ended 31 December 2015 to MUR 5.83 million for the year ended 31 December 2016 on account of higher staff costs and professional fees.



Review by geographies of operations

MAURITIUS OPERATIONS

	Year ended 31 December 2016 MUR M	Year ended 31 December 2015 MUR M
Net interest income	4,035	3,812
Net fee and commission income	956	917
Net trading income	464	457
Other operating income	429	241
Operating income	5,884	5,427
Non interest expense	(2,444)	(1,979)
Profit before net impairment loss on financial assets	3,440	3,448
Net impairment loss on financial assets	(415)	(1,696)
Profit before tax	3,025	1,752
Tax expense	(632)	(423)
Profit after tax	2,393	1,329
Total assets	129,045	117,702
Gross loans and advances to customers	71,913	68,010
Deposits from non-bank customers	103,115	98,596
Total equity attributable to equity holders of the parent	15,947	13,531

Financial performance

Total assets rose by 9.64% from MUR 117,702 million as at 31 December 2015 to MUR 129,045 million as at 31 December 2016 due to increase in loans and placements with banks of MUR 3,257 million; increase in loans and advances to customers of MUR 3,903 million and increase in investment securities of MUR 3,700 million. Deposits from non-bank customers increased by MUR 4,519 million. Shareholders equity stood at MUR 15,947 million (2015: MUR 13,531 million).

Profit after tax increased by 80% to MUR 2,393 million for the year ended 31 December 2016 as compared to MUR 1,329 million a year earlier. Operating income increased by 8.42% (MUR 457 million); the increase is attributable to gain from disposal of treasury bills and bonds. Net interest income increased by 5.86% (MUR 223 million) while net fee and commission income increased by 4.25% (MUR 39 million). Non-interest expense increased by 23.5% (MUR 465 million) mainly because of amortisation of intangible assets following Go Live of the Flamingo system on 12 September 2016. Net impairment decreased in the year 2016 by MUR 1,281 million due to exceptional provision made in respect of some corporate customers both under Segment A and B in the prior year.



Financial Review (cont'd)

INDIA OPERATIONS

	Year ended 31 December 2016 MUR'M	Year ended 31 December 2015 MUR'M
Net interest income	219	255
Net fee and commission income	17	27
Net trading income	8	-
Other operating income	18	31
Operating income	262	313
Non interest expense	(124)	(134)
Profit before net impairment loss on financial assets	138	179
Net impairment loss on financial assets	(302)	(177)
(Loss)/profit before income tax	(164)	2
Tax (expense)/credit	(21)	14
(Loss)/profit after tax	(185)	16
Total assets	8,154	8,217
Gross loans and advances to customers	3,297	3,779
Deposits from non-bank customers	5,188	4,982
Total equity attributable to equity holders of the parents	2,744	3,003

Total assets decreased by 0.77% from MUR 8,217 million as at 31 December 2015 to MUR 8,154 million as at 31 December 2016 due to decrease in loans and advances to customers of MUR 482 million and decrease in investment securities of MUR 365 million, mitigated by an increase in cash and cash equivalents of MUR 559 million; increase in loans and placements with banks of MUR 324 million. Shareholders equity stood at MUR 2,744 million (2015: MUR 3,003 million).

For the year ended 31 December 2016, there was a loss of MUR 185 million compared to a profit of MUR 16 million for the year ended 31 December 2015. Operating income decreased by 16% (MUR 51 million). Net interest income decreased by 14% (MUR 36 million) while net fee and commission income decreased by 38% to (MUR 10 million). Other operating income decreased by MUR 12 million due to lower profit on disposal of securities. Non interest expense decreased by 8% (MUR 10 million) while net impairment increased by 71% (MUR 125 million).



MADAGASCAR OPERATIONS

	Year ended 31 December 2016 MUR'M	Year ended 31 December 2015 MUR'M
Net interest income	51	68
Net fee and commission income	8	6
Net trading income	36	65
Operating income	95	139
Non interest expense	(73)	(60)
Profit before net impairment loss on financial assets	22	79
Net impairment loss on financial assets	(1)	(61)
Profit before tax	21	18
Tax expense	(6)	10
Profit after tax	15	8
Total assets	1,201	1,085
Gross loans and advances to customers	565	507
Deposits from non-bank customers	1,040	920
Total equity attributable to equity holders of the parents	140	128

Total assets increased by 10.69% from MUR 1,085 million as at 31 December 2015 to MUR 1,201 million as at 31 December 2016 due to increase in loans and advances to customers of MUR 58 million and decrease in investment securities of MUR 36 million. Deposits from non-bank customers increased by MUR 120 million. Shareholders equity stood at MUR 140 million (2015: MUR 128 million).

Profit after tax increased by 87.28% to MUR 15 million for the year ended 31 December 2016 as compared to MUR 8 million a year earlier. Operating income decreased by 31.51% (MUR 44 million). Net interest income decreased by 25.56% (MUR 17 million) while net fee and commission income increased by 38% (MUR 2 million). Non-interest expense increased by 21% (MUR 13 million) while net impairment decreased by 98.11% (MUR 60 million) due to provision made for a local customer in the previous year.



Information Technology



Pillars of IT Strategy

In becoming a sound global bank, one of the imperatives is to ensure a robust and strong technology capability to support the bank. SBM technology is now strategically positioned to deliver to the bank and its customers.



Ability to offer differentiated products from competitors
 Product innovation
 Integrated multi-channel offering
 Market ready rapid deployment options for new countries / segments / product lines



Service excellence and delivery fulfillment
 Customised offerings based on needs and preferences
 Consistent customer experience across channels



Effective adherence to all regulatory and internal compliance norms
 Secured and controlled access to internal network, systems and data



Easy to operationalise
 Process automation and straight through processing
 Lower cost of operations
 Workflow based processes
 Scalable operations

2016 Highlights

Technology investment and innovation to provide enhanced customer service have always been in the forefront of the agenda at SBM. Investing in information technology has helped develop more flexible and affordable products with a faster time to market to ultimately support revenue growth. SBM was the first in Africa and in the Indian Ocean rim countries to introduce EMV-compliant chip cards to support secure card transactions. It was also the first in Mauritius to provide on-line integrated banking services to its customers across its network of branches, including Orange Money and e-Commerce services.

During the third quarter of 2016, SBM has rolled out a new world class technology infrastructure including many new and improved business solutions with the aim to provide more efficient and quality services to customers as well as provide a base platform for further innovative customer offerings. An incubator programme has also been set up to provide support to new IT-based ventures in partnership with leading educational institutions.

- Replaced end of life technology applications
- Rolled out new Core Banking Solution in SBM Bank (Mauritius) Ltd and Banque SBM Madagascar
- Rolled out new integrated solutions for Customer Relationship Management
- Implemented platform to enable straight through processing for improved efficiency
- Implemented a secure and integrated infrastructure
- Implemented reliable, high availability Infrastructure with adequate redundancies
- Improved data analytics platform to enable customer and operational insights
- Transformed IT organisation through strategic partnership to leverage external expertise
- Visibility and accessibility on social media.

IT Spend

During 2016, our technology transformation initiative has been delivered. This initiative over the past few years required a high capital investment, thus increasing the expense ratios. The business benefits of this platform will be reaped now post the go live of the system.

	2016	2015	2014
IT Expense as a % of Group Income	13%	8%	29%
IT Expense as a % of Operating expenses	29%	23%	51%

IT Governance

The IT governance framework in place provides oversight of IT within SBM. It ensures that IT initiatives are aligned to the strategic business strategies and is accountable for delivery to commitments.

The governance model was strengthened in past years with the setting up of an IT Steering Committee, which is chaired by the Chairman of the Group with representation from members of other board committees, including the Risk Management Committee.

Various committees are in place at different levels to ensure adequate oversight of the operational, project implementation, innovation, security and compliance aspects of the IT function. Risks and issues are regularly assessed for timely corrective actions.



Information Technology (cont'd)

A new CIO was appointed in August 2016 to bolster the IT organisation and provide strategic and operational directions.

	Meeting	Frequency	Members
1	IT Steering Committee	Monthly	Group and Bank Board Members, CE and CIO
2	IT Management Forum	Monthly	CE, Business leaders, CIO, Head of Internal Audit, Strategic sourcing partner representatives, and External audit
3	CE Connect	Fortnightly	CE, CIO, IT Leads and Business heads
4	Change Forum	Weekly	CIO, IT leads, Business leads and Strategic sourcing partner representatives

Infrastructure

A secure, highly available and scalable IT infrastructure has set the foundation to deliver a robust and state-of-the-art banking technology ecosystem in alignment with the Group's vision to grow and expand across other geographies.

The systems are deployed on an "infrastructure as a service" model to ease roll-outs of new products and services. With high level of built-in resiliency and redundancy, system availability has been taken to new levels of stability. Automated tools and processes are in place to support 24x7 monitoring of performance, capacity, availability and security. Scalability and a strong backbone infrastructure support the capability for rapid deployment to new geographies.

All applications are being hosted in a centralised infrastructure with Data Centre (DC) and a Disaster Recovery Data Centre (DR). Those Data Centres are of Tier-III standards and comply with industry norms such as ISO 27001. 100 percent DR capability is available for all applications with defined recovery point and time, supported by data synchronisation between primary and Disaster Recovery sites. Failover is automated to the extent possible and is validated by frequent DR drills.

Network connectivity between the Data Centres and the bank's locations has also been implemented through resilient routes to ensure high availability of services.



IT Risk Management

IT operations are exposed to serious risks, including cybersecurity related risks. IT risks are identified, managed and mitigated in a secure and cost effective manner and in compliance with applicable IT laws and regulations.

The Group's information security policy is reviewed yearly by the risk management team and made available to all employees on SBM's portal. All employees and contractors are required to acknowledge the Group's security policy. Security and confidentiality provisions are similarly embedded in contractual agreements with external service providers.

To ensure security and confidentiality of our customer data, transactions are encrypted. Data security was further enhanced in 2016 with the introduction of sophisticated data leakage prevention measures and access controls on our systems at various levels.

Our cards which are chip-enabled offer the highest level of security against compromise and counterfeit. Card transactions are monitored on a real time basis to detect fraudulent activity.

Regular upgrading of our ATMs coupled with close working relationship with the Police Cyber Crime unit has contributed significantly in minimising the threat of card skimming on our ATMs.

Security threats and trends are monitored closely and security events are correlated in real time to identify suspicious security activity. Our systems are tested regularly for vulnerability to security attacks. Independent security audits are performed to assess compliance with our security policies as well as the adequacy of our security measures.



Information Technology (cont'd)

Information Security

With the increasing number and frequency of sophisticated attacks on the banking sector, the need to develop a comprehensive cyber security program outlined with the right levels of governance, risk and compliance standards becomes more important. In order to optimise cyber resilience and enhance incident response preparedness to protect data and mitigate risks associated with money laundering, cybercrime and fraud, SBM has embarked on establishing a stringent framework consisting of people, process, data and technology.

SBM has implemented a multi-layered control mechanism in line with leading standards and practices which includes:

Layers	Controls in Place
Network and Boundary Defence	Multi Layered Firewall, Network based intrusion detection, Web application firewall, Standardised Secure configuration, Security Incident and Event Management, Secure email gateways. Network Access Control (NAC).
Host Defence	Anti-Malware and Spyware, Host Intrusion Prevention system, File Integrity Monitoring tool for critical servers, patch management and host based encryption for moveable devices, MDM container for Mobile devices.
Application Security	Stringent Change management framework, Quarterly Application vulnerability assessment, Privileged access management review; Standardised application configurations, Application logs integrated with SIEM for real time monitoring.
Data Security	Data Leakage Prevention System, Encryption of Data Transmission layers, Encryption of end-points and moveable devices.

In addition to the above technical solutions in place, the bank has a stringent IT governance, risk and compliance management framework in place which includes:

- a) Bi-annual risk assessment of IT ecosystem in accordance with the risk management framework of SBM.
- b) Policies, procedures and standards in line with ISO 27001 and local regulations.

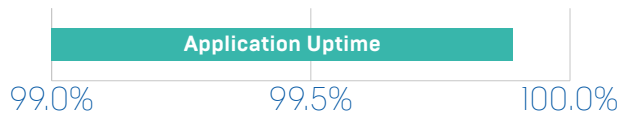
IT Auditing and Compliance

Our IT systems are regularly audited by the Group's internal audit team as well as the external audit team in order to ensure compliance with regulatory guidelines, internal policies and international best practice standards. Observations and recommendations are submitted for immediate remedial actions.

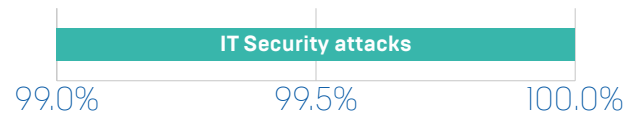


Key Technology Operations Highlights 2016

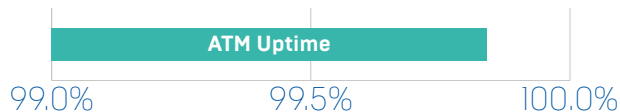
Applications Uptime: 99.9%



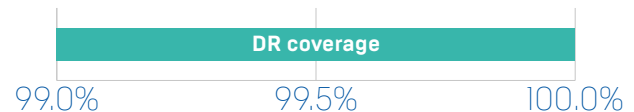
IT Security attacks stopped: 100%



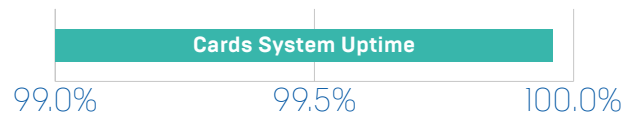
ATM Uptime: 99.85%



Systems covered under disaster recovery: 100%



Cards System Uptime: 99.96%



2017 Outlook

As a result of last year's major transformation implementation, in 2017 the technology focus is on stabilisation of the various solutions as well as leveraging the new platforms for innovative products and other customer offerings, expansion of technology solution to new frontiers, including SBM India and implementation of the data driven bank strategy.

New acquisitions are driven by low-energy consumption and energy efficiency considerations, also resulting in reduced air conditioning load.

Virtualisation and hyper convergence techniques are among other techniques that we use to reduce physical as well as energy footprint.

All new technology initiatives are approved based on the return on technological investment (RoTI) as a key performance indicator (KPI), including.

- Stabilisation of production solutions platforms
- Process efficiency improvement
- Continuous replacement of ageing equipment with up to date devices (e.g intelligent ATMs)
- Leverage the new platforms for further innovations and customer offerings including Digital Banking, Omnichannel, Data Driven Banking

Employees



Strategic HR Capital

Our people are our key assets; they uphold customer experience and are custodians of the brand. As such, our guiding principles, developed as part of our strategy, emphasise the importance of empowering our people and developing future leaders.

Business divisions have been realigned and the Group has invested massively in technology to give our people the necessary tools to excel. The success of our long term strategy depends on our ability to retain, motivate, develop and continue to attract top talents with the skills and experience to help the bank grow its business and address future challenges.

This report provides metrics on our achievement in talent acquisition, development and retention. As part of our strategy, the Human Resources division operates in a partnership model with all business and support functions.

Our Approach

We aim to employ the right fit for the right job and create a conducive environment and culture that will allow our people to develop their skills and capabilities in alignment with the strategic goals of the company.



Financial capital is required to ensure that our remuneration structures are competitive



Increased employee engagement as we meet the needs and expectations of our people



Enhanced IT systems promote employee self-management which are less human capital intensive



We require the support of our people to meet our targets

PERFORMANCE INDICATORS

1,388 [2015: 1,250] employees

To support growth and acquire new talent

TRAINING SPEND

[2015: MUR 7.2 million]
MUR **8.2** Mn



Strategic Focus Areas:

- Employee Engagement
- Our Workforce
- HRMS Implementation
- Talent Acquisition
- Talent Management
- Talent Retention – Human Capital Development
- Health and Safety
- Employee Wellness
- Employee Relations

Risks Associated

- Loss of talent



WOMEN LEADERS [2015: 29%]

33%

Gender empowerment

TRAINING HOURS

9,796

[Excludes system training for Flamingo]

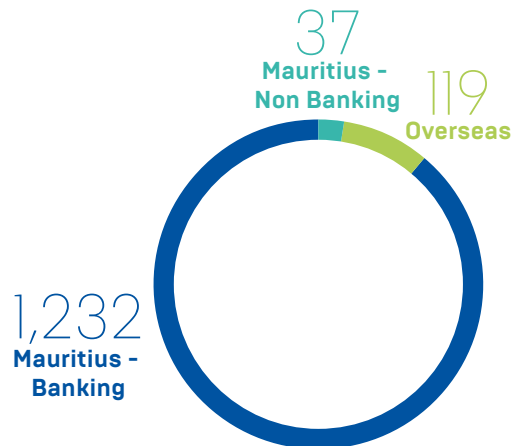
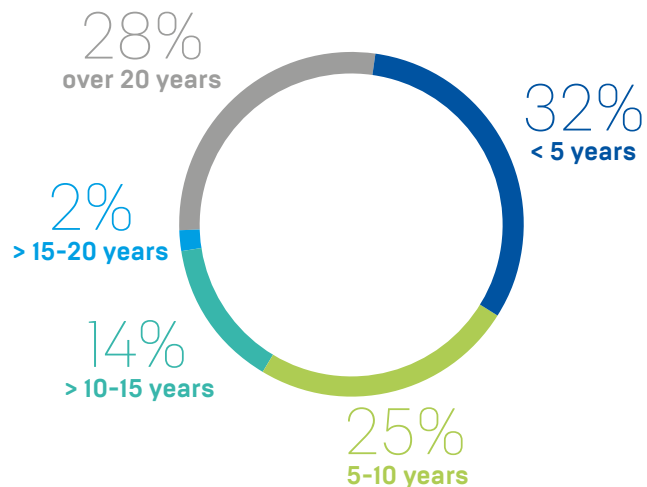
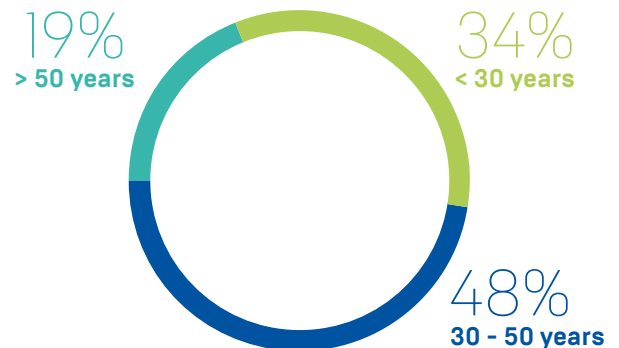
Enhance capabilities



Employees [cont'd]

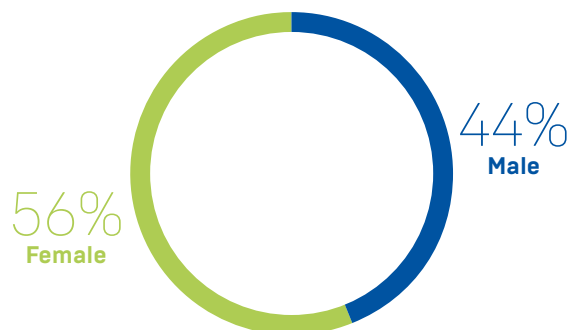
Our workforce

As at 31 December 2016, there were 1,388 employees at SBM Group. Out of these, 1,232 were employed by SBM Bank (Mauritius) Ltd, 119 by Overseas Operations and 37 by the Non-Banking Financial Cluster. There is appropriate diversity in terms of age and experience, which ensures that there is adequate knowledge transfer as well as growth drive.

Our Staff**Years at SBM****Age Profile**

Proactive Focus on Gender Diversity

SBM continues its efforts to encourage gender diversity. We are an equal opportunity employer and strive to improve the representation of women in leadership positions. As at 31 December 2016, women represented 56% of our workforce and 33% of leadership roles.



Disability Management

We provide employment to persons with disabilities, and pay particular attention to providing access facilities for them in both our current and future premises. We aim at providing developed disability guidelines to managers to assist them in managing disabilities in the workplace and eliminating barriers that employees with a disability may face during their journey with the bank.

Oracle HRMS

The IT system has been enhanced to promote employee self-management. The application features self-service work-flows, allowing employees, managers and HR administrators to directly manage many of their tasks across the functional spectrum. The HRMS system eliminated major manual HR-related tasks, ensuring greater consistency and efficiency across the organisation.

Talent Acquisition

As an “Employer of Choice”, the Group provides a balanced approach to talent acquisition. It relies both on leveraging the skills and experience already available within the organisation, and bringing in the necessary capabilities that will help position the bank for its long-term sustainable performance. Strategic divisions were created and/or reinforced, namely Custody, International Banking, Private Wealth and Anti-Fraud.

Year	No. of newly appointed Heads of Divisions
2014	2
2015	8
2016	13

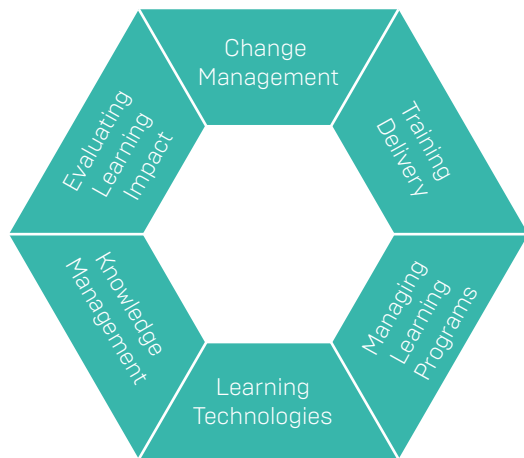
Over the year 2016, 45 new positions were created.

In order to strengthen internal career mobility, encourage greater career development and retention of employees, career opportunities are advertised both internally and externally. We also ensure that a consistent, structured, and merit-based hiring process is in place. The recruitment policy covers all areas from position requirement, approval and interviews to onboarding and integration processes. Referrals are requested to ensure integrity and transparency.

Employees (cont'd)

Talent Management and Development

SBM Group continues to give high importance to training. During the past year, there has been intense focus on internal training following the implementation of the Flamingo Project. A total of twenty five training sessions were run during 2016. Talent development continues to be a core HR priority for the Group. We maintained a broad offering of programs, with overall attendance of 98%. Focus was also on regulatory and compliance topics, with a participation rate of 100% of employees.



Performance Management

Our approach to performance management is to ensure that employees have a common understanding of the Group's strategy and how it links to departmental strategy and individual goals. It also allows managers to have open and honest one-to-one discussions with their team members, mainly to better guide employees towards excellence in performance and assess development needs.

Human Capital Development

Components of Our Human Capital Development Strategy:

Performance Management

All employees participate in the formal performance management process

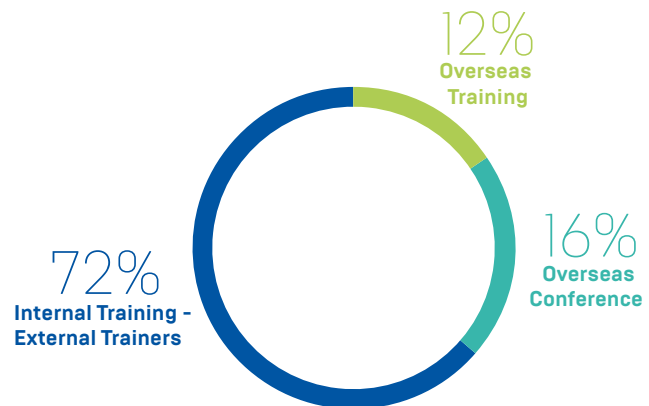
Talent Management and Leadership Development

Defined leadership programmes in partnership with overseas or local institutions

Learning and Development

Effective upskilling and reskilling of employees to manage changing business environment and motivate our employees

Programme Spending for 2016



A total amount of MUR 8.2 million was invested in training and development during 2016. 72% of that amount represented internal training, 16% overseas conferences and 12% overseas training.

No of Training Hours per Category

	In-House – Internal Trainers	Internal Training – External Trainers	Overseas Conference	Overseas Training	Total
No of Hours	6,127	3,026	427	216	9,796
%	62.5	30.9	4.4	2.2	100

We offer a number of training programmes across all levels in the organisation. Mandatory training, which includes compliance topics, are carried out on a continuous basis; 6,127 hours were invested in internal training, 61% of that time was spent on Anti-Money Laundering Training. SBM Group will soon launch its corporate academy to offer education and training in a customised in-house format. With the ongoing digitisation in the banking industry, we are also focused on attracting and developing IT skills and digital capabilities.

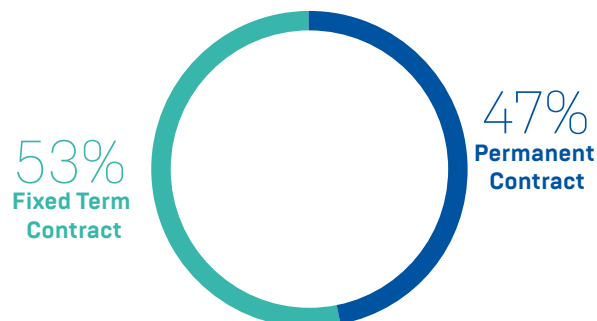
Besides, the Group plans to introduce a new graduate programme that aims to provide on-the-job experience to new graduates to support them in their transition into the work environment.

Talent Retention

Review of Our Current Employment Practices

In line with employee feedback received, SBM Group decided to discontinue the practice of offering contract of determinate duration for employees at lower levels. This will promote job security and encourage talent retention.

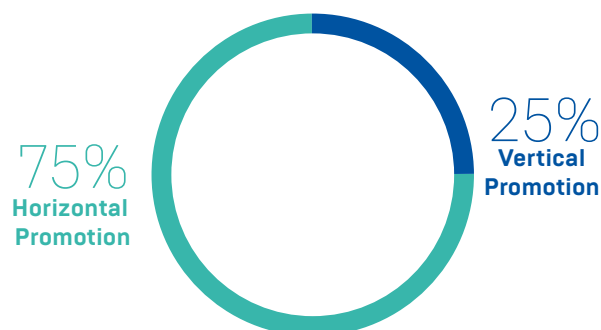
Staff Distribution



53% of the staff force were on contracts of determinate duration and 47% on contract of indeterminate duration.

Staff Promotion

Promotion is based on matching the evolving needs of the Group as well as meeting career aspirations of young and talented employees willing to grow with the organisation. In 2016, promotions were carried out both horizontally (upgrading the position of employee) and vertically (higher grade).



Equity and Remuneration

Our remuneration practices are designed to adequately motivate employees, reward performance and meet stakeholders expectations, while maintaining market competitiveness. Our remuneration practices provides equal opportunities independent of race, gender and disability.

Linking Performance to Compensation

SBM Group has established a close link between employees' compensation and their performance across all levels of the organization. Several factors are taken into consideration, including Group performance, team performance and the employees individual performance. Furthermore, reward structures are regularly reviewed to attract and retain talent.

Benefits for Employees

We provide a wide range of competitive benefits to support the employees' personal and professional development. This is a key factor in attracting, motivating and retaining skilled employees. SBM Group provides core benefits such as retirement benefits.

Employees (cont'd)

Creating a Safe Place to Work

In line with statutory requirements, SBM recognises that, as an employer, it has a moral and legal duty to ensure the safety and health of all its employees and any person legitimately conducting business within its premises. We are therefore fully committed to complying with all the provisions of the Occupational Safety and Health Act 2005 (OSHA 05), Approved Codes of Practice and all other relevant statutory requirements.

Guidelines, risk management plans and procedures have been developed for high risk areas and these are closely monitored. The Health and Safety Committee, comprising both management representatives and employee representatives, participates in the decision-making process; regular feedback is requested and appropriate communication, consultation and training are conducted to create awareness and undertake new initiatives. In addition, travel insurance cover is provided for all employees on business trips.

Employee Wellness

The group is committed to promote good health and wellness of our employees.

Wellness initiatives provided within the organisation include:

- Canteen (subsidised four-course meals)
- Sports, Leisure and wellness facilities at SBM Park for staff and their family members, supported by qualified coaches.
- Yoga and Taichi sessions
- Family Outings
- Staff Children Christmas Party
- Staff End of Year Party
- Staff Health Day
- In-house doctor

Employee's Participation

Employee participation is an important component of our HR strategy. The Group aims to maintain a close relationship with its employees, by promoting two way communications. Employees' survey helps to gauge the level of engagement, commitment and satisfaction. Through surveys, we also gain insights on various operational and strategic matters. In 2016, pre and post implementation surveys were carried out, both in Mauritius and Madagascar, to collect staff feedback on the Flamingo Project.

To promote employee relations and dialogue between management and employees, regular face-to-face sessions are held. Monthly meetings are carried out between management and employees across branches and departments and quarterly meetings held between management and staff union on various HR and business issues. Last year, several Connect Meetings were organised as part of the Flamingo Project. These events were a good opportunity for the management to brief the staff on the progress made for the implementation and allowed the employees to ask questions and share any concern they had.

Furthermore, a suggestion corner is available on the intranet for employees to share anonymous comments.



SBM IN THE COMMUNITY



Our community-based activities reflect our philosophy of implementing sound business practices; innovating to deliver value-added products and services; assisting the communities in which we operate; and helping to shape a better, sustainable society. SBM Group believes that these activities benefit society, environment and enhance corporate value. With a view to centralising the CSR initiatives of our subsidiaries under a common theme for greater impact to the local communities, we have set up the SBM Foundation in 2016.

SBM Foundation



Our Group's social projects focus on providing tools and opportunities to vulnerable groups so that they acquire the required skills to enhance their employability and thus become economically independent. Thus, most of SBM Group's CSR projects focus on providing the relevant tools and opportunities to vulnerable groups so that they are adequately equipped and skilled to enhance their employability and improve their current financial situation.

SBM Scholarship Scheme for Bright and Needy Students

Our priority areas of focus are based on empowerment through education. A unique Scholarship Scheme for bright and needy students was launched through The SBM Education Fund in 2010 which culminated into its recognition at national level when SBM won the award of the 'Overall Winner' of the First Edition of the BDO CSR Awards 2010 as well as the Winner of the 'Education and Sports' category.

The Group has moved a step further with the setting up of a special scheme for the Technical Vocational Education Training (TVET) sector in collaboration with the Mauritius Institute of Training and Development (MITD) and scholarships were awarded to a first batch of students in 2011. As at December 2016, SBM Group had awarded nearly 2,000 scholarships to bright and needy students from Mauritius and Rodrigues who had performed well at Higher School Certificate exams to follow courses at tertiary level or vocational courses at the MITD.



2,000

SCHOLARSHIPS AWARDED TO DATE

« The SBM Scholarship Scheme was recognised at national level when SBM received the 'Overall Winner' and Winner of the "Education and Sports" category awards at the First Edition of BDO CSR Awards 2010. »



BENEFICIARIES

around **7,500**

In line with our Group's strategy of providing skills through education to combat poverty, SBM Group has carried out several other projects through the SBM Foundation by supporting different organisations as described hereafter.

ABAIM

ABAIM adopts a holistic approach to poverty alleviation, aiming at the acquisition of skills through music, arts, culture and sports. SBM has been a partner of ABAIM since 2008. ABAIM is currently running services for around 120 underprivileged children and their parents of Barkly and its vicinity and the blind persons' community. They have also extended the project to some 80 underprivileged children and parents of Le Morne region.

Global Rainbow Foundation (GRF)

SBM Group has financed GRF digital initiatives for People with Disabilities (PWDs), in line with SBM's intention to go digital and to promote innovation, as well as its commitment to contribute to the inclusion of People with Disabilities. These initiatives are:

The Digital Literacy Project

The objective of this programme is to make use of technology to enable visually impaired persons to get better access to education and eventually, to the world of work. Some 100 visually impaired persons are being taken care of through this project, where they will become members of the Bookshare digital library, and will get access to an online 'talking' library of 375,000 books. Bookshare is a Global Literacy initiative of Benetech, a leading Silicon Valley-based non-profit technology company.

The empowerment of Persons with Disabilities through the use of Information and Communications Technology (ICTs) in close cooperation with UNESCO

SBM Group financed the UNESCO International Conference on Digital Empowerment - Access to ICTs for Persons with Disabilities, which was held on 10-11 November 2016 in Mauritius.

The objective of this conference is to provide a platform of knowledge, information and exposure in the field of accessible ICTs – Assistive / Adaptive technologies for PWDs thereby causing digital empowerment for PWD's. In addition to its training and education component, this conference also had a strong role to play in advocating for better services for PWDs.



SBM Foundation (cont'd)

Adolescent Non Formal Education Network (ANFEN)

SBM has provided funding to ANFEN, which is a network of 19 centres which promote informal education for school drop-outs. An inclusive pedagogy is proposed to bridge the gap and enhance the integral development of the adolescents. In parallel, support is provided to the families and the beneficiaries through a psycho-social strategy. SBM is funding a project to enable a better follow up at home with parents with the objective of improving the performance of children in its centres.

The adolescents in the centres have not been able to adapt to the formal academic pedagogy proposed by our educational system. ANFEN looks after around 1,200 out of school adolescents directly, and its number of indirect beneficiaries is approximately 5,000 persons in 23 localities.

Gandhian Basic School

The Gandhian Basic School (GBS), which functions under the aegis of the Mahatma Gandhi Institute (MGI), provides pre-vocational education to around 120 teenagers (having failed the Certificate of Primary Education and residing in the region of Moka). The partnership with GBS started since 2010 with the provision of a daily balanced meal to some 120 needy students attending GBS. The latter has brought about a positive change in the attendance rate of students: from a low 35% before the start of the project to above 80%. SBM also helped GBS with the setting up of a hydroponics project, an extension project to accommodate a multimedia room and library, a fashion and fabrics workshop, a demonstration room and an auto-mechanics workshop.

Teen Hope

SBM has given its support to Teen Hope by providing education facilities to more than 80 out of school teenagers (including a daily breakfast to the students).

The mission of the DLD Teen Hope School Project, which falls under the responsibility of the Noyau Social Cité La Cure, is to support underprivileged children victims of neglect and / or violence and help them in becoming responsible citizens by building their self-confidence.

Similar to GBS, this NGO caters for boys and girls aged between 12 and 16 years old who have not been able to complete the primary cycle, aiming to give them a basic education in literacy, numeracy and life skills.



Terre de Paix

SBM has financed The Early Childhood Services project of Terre de Paix which has been established to provide access to quality care and education to children of the deprived areas of Camp Créole and nearby regions, catering to the needs of some 70 children. Families are also being supported through effective project-based community actions for their empowerment including antenatal care for pregnant women.

In addition to providing enhanced learning and development opportunity to these infants and children from vulnerable groups, this project has enabled their mothers to take up employment – and thus contribute to the economic enhancement of the family.

SOS Poverty

["Les Abeilles" Day Care Centre]

SBM has helped SOS Poverty to provide free quality childcare to enhance the development of infants and toddlers from low-income families and to promote the employability of mothers.

This project is quite similar to the above one whereby toddlers and infants are being provided with quality care and education, and at the same time enabling the mothers to undertake paid employment to improve the economic situation of their respective families.

Association des Amis de Don Bosco (AADB)

AADB is committed to alleviating absolute poverty by providing education and care for underprivileged children with a holistic approach in the same line as the above 2 projects.

SBM has financed AADB by supporting financially the crèche for providing the daily lunch to 75 students at Collège Père Laval and the setting up of a leisure and recreational corner for abandoned and neglected children at their shelters.

Sailing Pour Tous

SBM has funded this association for helping needy children to discover the pleasures of sailing in a secure environment. The NGO targets children of 7 to 14 years old of vulnerable groups to sail freely. There are some 50 beneficiaries.

The idea consists mainly of making sailing – an activity practised mainly by the wealthy – accessible to the poor. The NGO furthermore educates these children about the necessary skills related to their training and increase their awareness about the safety measures.

APRIM (Association des Parents pour la Réhabilitation des Infirmes Moteurs)

Our Group Chairman and some staff members also volunteered their time and energy, together with the Her Excellency Dr. (Mrs.) Nomvuyo N. Nokwe, High Commissioner of South Africa, on the occasion of the Mandela Day in July 2016 by organising a Sports Day for the children of APRIM based on their abilities.

In addition, SBM Foundation funded the provision of the rehabilitation services of an additional occupational therapist and the services of an administrative officer to enhance the services of the beneficiaries of the association, mainly cerebral palsy children.

Internal CSR

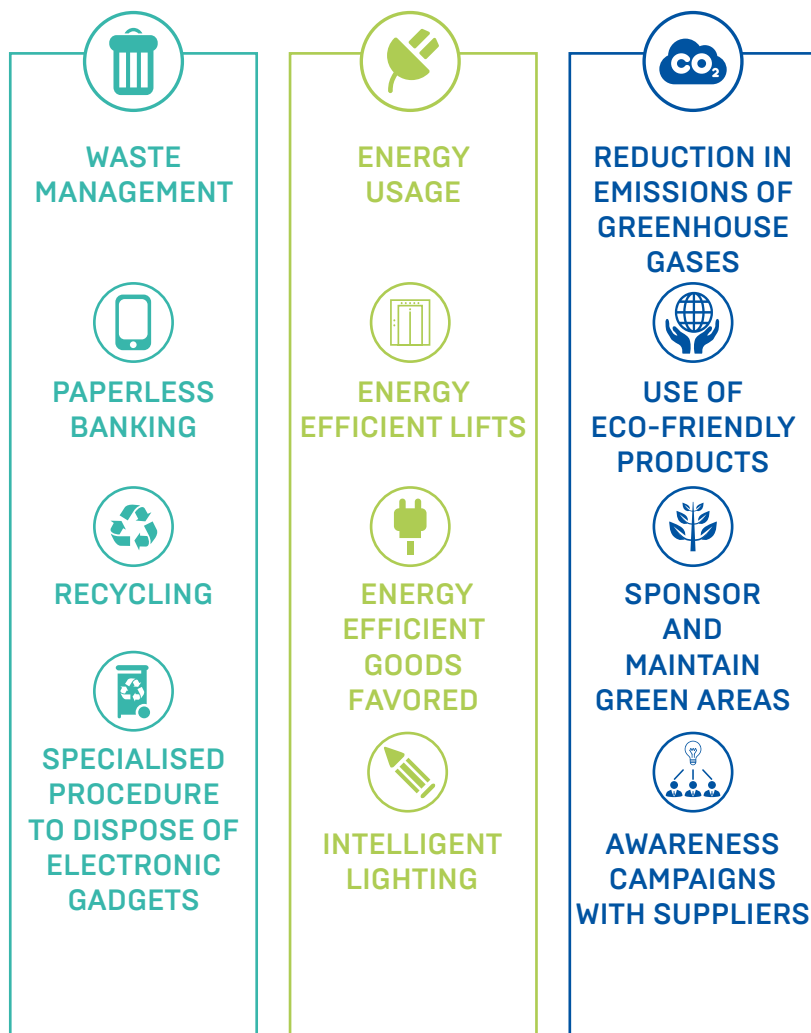
With a view to maintaining proximity with customers, staff members of SBM Group are encouraged to volunteer their time and talent to support the community. Under the SBM 1:2 Matching Scheme, staff members may organise fundraising activities in favour of NGOs/ community organisations of their choice, with the Group topping up the amount by twice the proceeds raised, subject to a ceiling. Following the launch of the scheme, an increasing number of employees are getting involved in community development initiatives. The Group also brings its contribution to the blood bank by regularly organising blood donations activities throughout the island. These initiatives are supported by both employees and customers.

Our Commitment to the Environment



SBM Group remains fully committed to applying sustainability practices at its workplace and in the community at large. This can be seen through various internal and external initiatives adopted by the Group.

Internal Initiatives



External Initiatives

Our Environment Partner for a low carbon and sustainable future

We extend our commitment to protection of the environment in our product offering also. SBM Bank (Mauritius) Ltd has entered into a facility agreement with Agence Française de Développement (AFD) under the SUNREF programme since 2014. Several green projects have been financed under this partnership; both for corporates and well as individuals.



PROJECTS

> **40**

FUNDING

EUR **40** Mln

The financing concern

- > renewable energy investments,
- > energy efficiency investments,
- > environment performance investments, and
- > Eco businesses.



Awards



BEST RETAIL BANKING - MAURITIUS

Best Retail Banking Mauritius 2016



Best E-Commerce Bank East Africa 2015



**Most Innovative Prepaid Card
(SBM Smile Prepaid Cards)
East Africa 2015**



**Best Innovation in
Retail Banking Mauritius 2016**



Private Bank of the year Mauritius 2016