

Strategy - Integrated Thinking

- Vision, Mission, Goal and Core Values
- Types of Capital
- Our Stakeholders
- Our Strategic Model of Sustainable Value Creation
- Strategic Focus Areas

“Strategy is about making choices, trade-offs, **it’s about deliberately choosing to be different**” *Michael Porter*

We **BELIEVE** that sustained value creation results from synergies among the various types of capital at our disposal.

We **REMAIN** committed to aligning our interests and objectives to those of our stakeholders. Hence, the “strategic – integrated thinking” model is our navigator to **SUCCESS**.



Vision, Mission, Goal and Core Values



VISION

OUR VISION is to be the **leading** and most **trusted financial services provider** in Mauritius and beyond.



MISSION

OUR MISSION is threefold: first, to build lasting relationships with our customers by offering **distinctive products** and **exceptional service**; second, to be the **employer of choice** for the top talents in the markets we serve; third, **to prudently manage risk and costs**. In so doing, our intent is to achieve **strong and sustained returns** for our shareholders, meet the relevant needs of our stakeholders and support the **development of the community** at large.

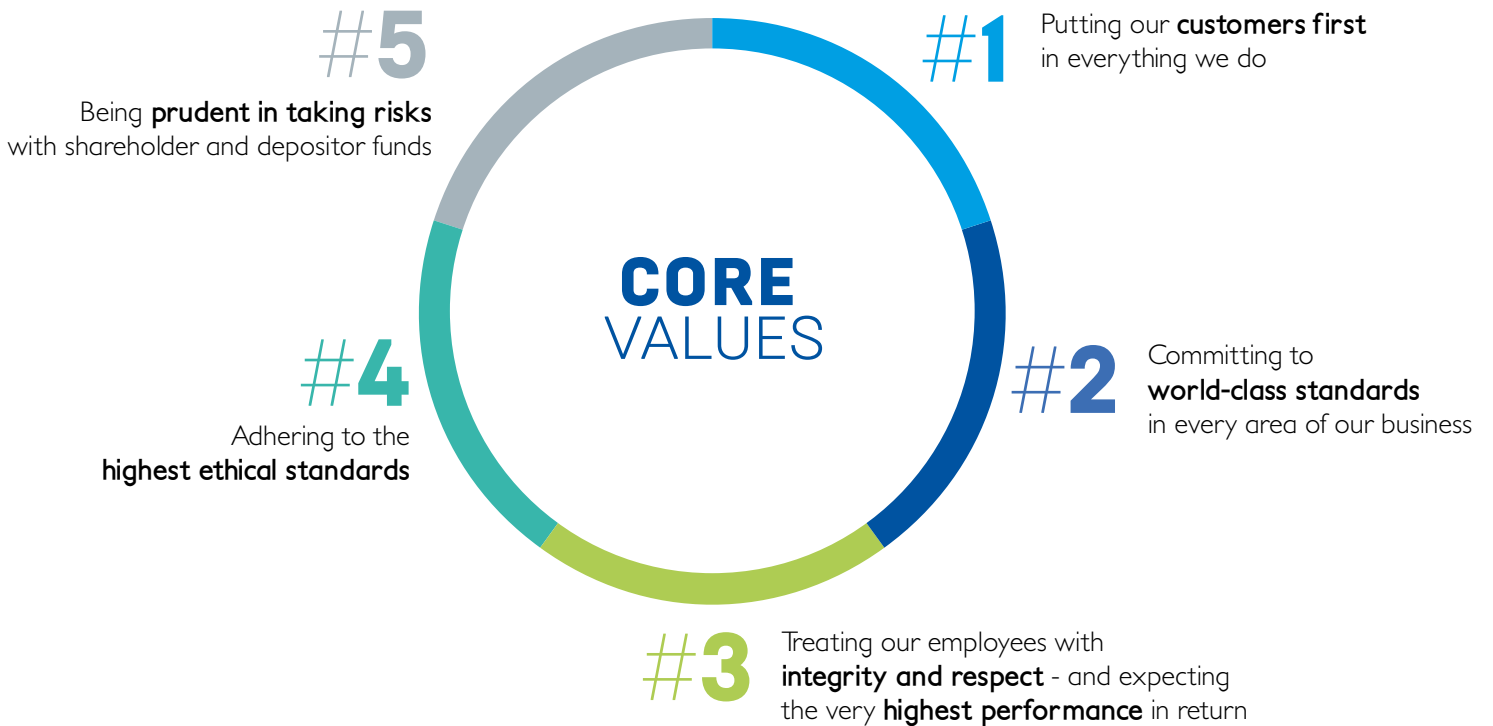


GOAL

OUR GOAL is to **double our revenues between 2015 and 2020**, while maintaining returns above our cost of equity by **gaining market share** in our core domestic banking business, by judiciously building our **international business** and by selectively entering **non-banking financial services**.



SBM Core Values



Types of Capital

Our commercial sustainability depends on our effectiveness in assisting people, businesses and institutions to fulfil their economic potential. We intermediate between providers of capital and employers of capital, providing the former with competitive returns on their funds and investments, and the latter with access to the liquidity and capital they need to realise their objectives. We also facilitate economic transactions by providing a number of payment solutions, most of which are conveniently accessible through automated and electronic channels.

These functions of our core business can in no way be separated from our evolving social and environmental context – whether at local, national, regional or global level. Strong institutions are essential to realise market outcomes that are socially beneficial in both the short and long terms. These institutions include formal regulatory institutions as well as informal social institutions such as civil society structures. Well-functioning businesses and markets require appropriate regulation to continue as constructive organs of society, to restore trust and to participate in the shared interest of maintaining stable and thriving economies and societies in Mauritius and other geographies we serve.

Our report explains our dependence and impact on the forms of capital that are fundamental to our ability to create value over the long term. We have not structured this report using the capitals but have embedded them within each section to enable us to plot the interrelationships and trade-offs between them in relation to our group and business unit strategies. Through iconography, we have mapped these relationships throughout the report. Hence, wherever the icon(s) depicted against the type(s) of capital, introduced below, are displayed, it highlights a relationship between the subject matter in the report with that capital.

Our strategic model of sustainable value creation, depicted at pages 28-29, maps the relationship between our strategy, our stakeholders, and the different types of capital.



FINANCIAL CAPITAL

Financial capital is the money we obtain from providers of capital that we use to support our business activities and invest in our strategy.

INPUT

- > Equity funding
- > Reserves generated through share capital
- > Reinvested cash flow generated by our operations
- > Debt funding

OUTPUT

- > Strong balance sheet
- > Attractive shareholders' return



NATURAL CAPITAL

Natural capital relates to the natural resources on which we depend to create value and returns for our stakeholders.

INPUT

- > Judicious use of:
 - land
 - water
 - energy

OUTPUT

- > Protection of natural resources to reduce carbon footprint
- > Cleaner environment
- > Energy-efficient building



SOCIAL AND RELATIONSHIP CAPITAL

Social and relationship capital is the cooperative relationships with our customers, capital providers, regulators and other stakeholders.

INPUT

- > Privileged client relationships
- > Engagement with, and support of, community based organisations
- > Partnership with suppliers and media
- > Equality and diversity programme

OUTPUT

- > Trusted organisation
- > Responsible corporate citizen
- > Sustained business growth
- > Stakeholder engagement
- > Inclusive business



MANUFACTURED CAPITAL

Manufactured capital is our tangible and intangible infrastructure that we use to conduct our business activities.

INPUT

- > Equipment and buildings
- > IT infrastructure

OUTPUT

- > Customer accessibility
- > Safe and clean environment for employees
- > Efficient and effective operations



HUMAN CAPITAL

Human capital refers to our people and how we select, manage and develop them.

INPUT

- > Appropriate skills and talent
- > Training and development
- > Integrity-driven leadership
- > Values

OUTPUT

- > Employer of choice
- > Ethical management
- > Engaged, aligned and loyal workforce



INTELLECTUAL CAPITAL

Intellectual capital is closely related to financial, human and manufactured capital given the nature of our business.

INPUT

- > Knowledge
- > Intellectual property, for instance copyrights, patents, software and licenses
- > Procedures and processes
- > Brand and reputation

OUTPUT

- > Trusted brand
- > Innovation driven organisation
- > Superior and sustainable growth

Our Stakeholders

“To optimise our opportunity to create investors’ value and ensure sustainable growth in the medium and long terms, it is essential that we align our strategy to the expectations of our stakeholders.”

SBM has a broad stakeholder base. Our relationship with our stakeholders directly or indirectly impacts our business activities and reputation. The Group considers it crucial to pursue its growth objectives through constant interaction with all the stakeholders encountered in the course of its business.

The ways in which we engage with our stakeholders, and the frequency with which we do so, vary according to each stakeholder group. Engagement is based on identified issues and areas of concern that may impact our stakeholders. Each stakeholder provides a form of capital that contributes to the success of the organisation and helps in meeting the objectives set.



A workshop was held with top management during the year to identify the list of stakeholders. Based on judgement and considering materiality, the key stakeholders were identified and have been included in this section as part of the reporting process.

Two questions were asked to determine key stakeholders in the process:

- (1) Does this group of stakeholder have a significant influence or impact on SBM operations?
- (2) Are the stakeholders significantly affected by SBM activities?

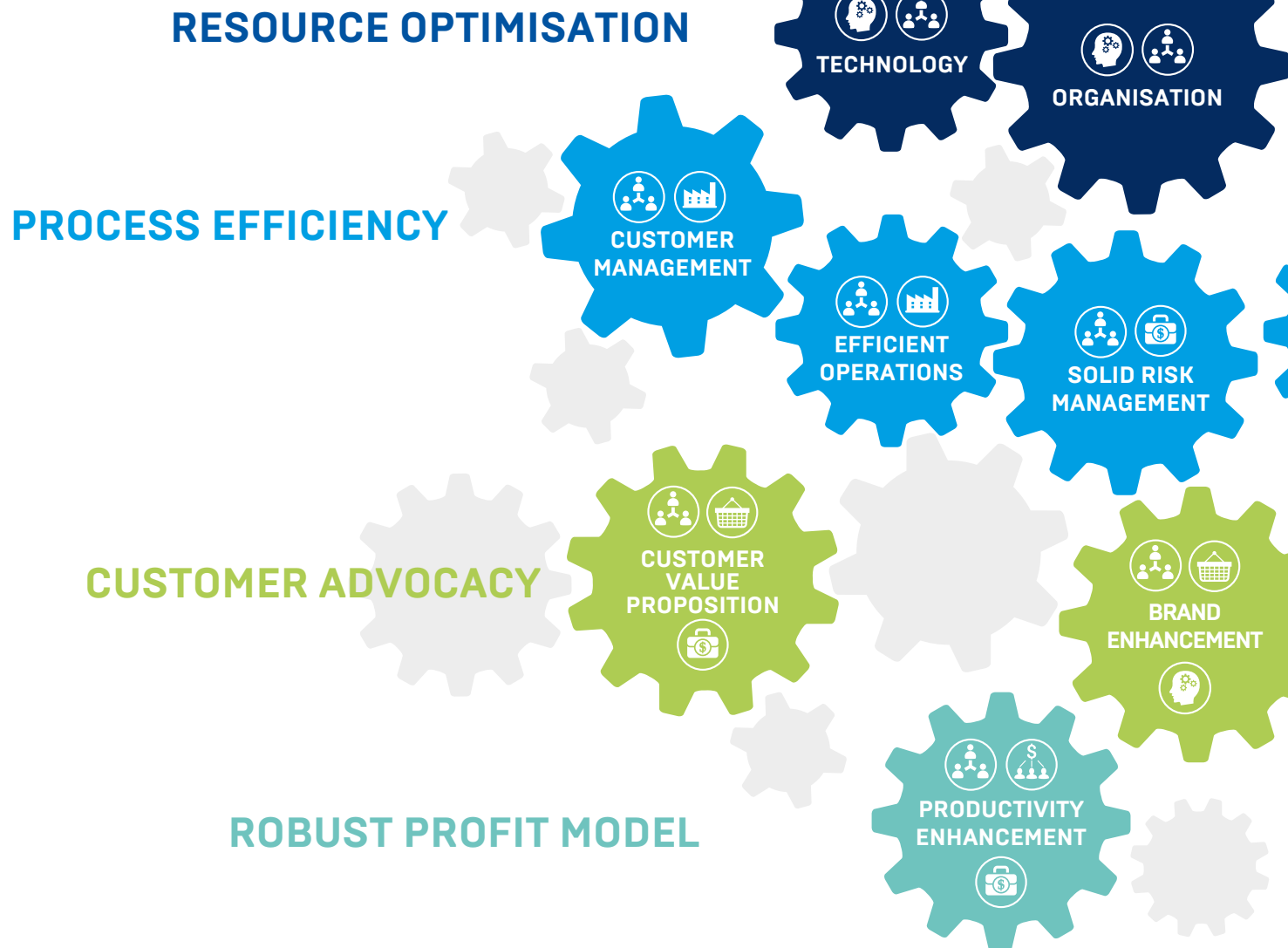
The table on page 27 depicts our stakeholders, their expectations and how we engaged with them.



OUR STAKEHOLDERS	WHAT THEY EXPECT?	WHAT WE STRIVE FOR?
 INVESTORS	<ul style="list-style-type: none"> > Attractive and sustainable returns on investment 	<ul style="list-style-type: none"> > Strong leadership and clear strategy > Balanced risk taking > Proper governance and ethics
 CUSTOMERS	<ul style="list-style-type: none"> > Adapted products and services > Convenient channels > Quality service > Secured financial transactions 	<ul style="list-style-type: none"> > Extensive range of products and services > Expert advice > Insights-based innovation > Omnichannel delivery > Seamless processes > Physical and IT security > Customer satisfaction and loyalty
 EMPLOYEES	<ul style="list-style-type: none"> > Opportunities for growth > Fair remuneration and benefits > Stimulating work environment > Work-life balance 	<ul style="list-style-type: none"> > Business growth > Equal opportunities > Training and development > Fair treatment > Conducive work environment > Leisure and health activities
 REGULATORS	<ul style="list-style-type: none"> > Compliance and transparency 	<ul style="list-style-type: none"> > Open and transparent reporting > Full compliance with laws and regulations > Prudent policies
 COMMUNITY	<ul style="list-style-type: none"> > Participate in community development programmes > Environment friendly and sustainable practices 	<ul style="list-style-type: none"> > Socially engaged through community-focused programmes > Social inclusion > Sustainable investments and practices

Our Strategic Model of Sustainable Value Creation

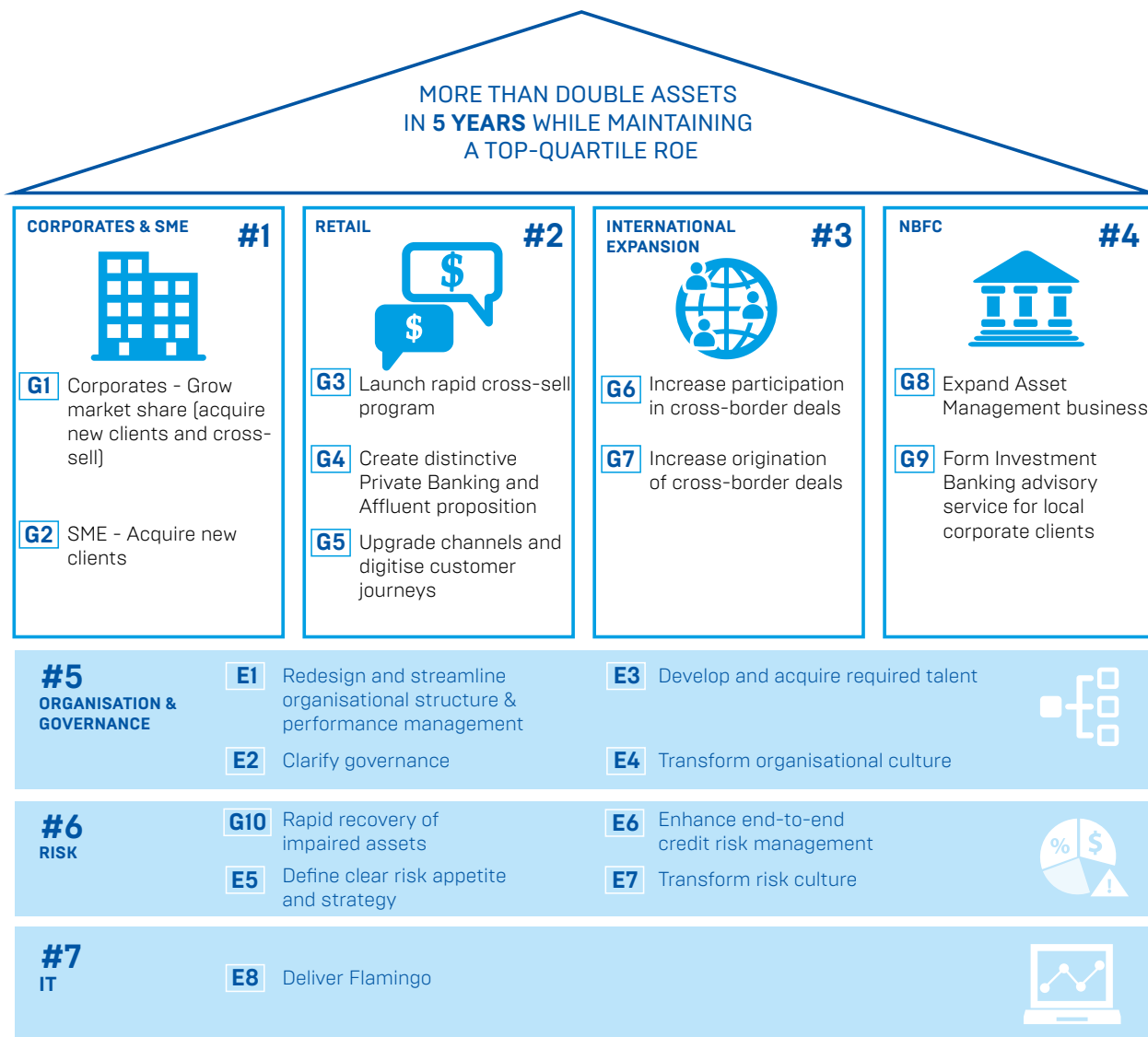
MISSION, VISION, GOALS
AND CORE VALUES





Strategic Focus Areas

In 2016, the Group embarked on a five year growth strategy, with a two-pronged growth aspiration namely: (i) to more than double the size of its assets and (ii) to achieve a top quartile return on equity. The strategy has identified 10 priority growth initiatives (G1-G10) and 8 critical enablers (E1-E8), across five pillars, namely: **consolidation, diversification, internationalisation, modernisation** and **capacity building**. The following section discusses the progress made during 2016 and the key focus areas for 2017.



Progress in 2016 and Priorities for 2017

Consolidation (Initiatives G1, G2, G3, G10)

One of the Group's objective is to expand its established businesses, for instance its consumer, corporate and SME banking by enhancing its product offering and acquiring new customers. To this end, during the course of 2016, there has been internal restructuring to provide better service to the customers. This has enabled us to successfully resolve 99.9% of complaints received. Supported by a dedicated team, 48% of these complaints were resolved within 1 to 4 days. **Despite the challenging market condition, Corporate Banking market share has increased by 1.4 percentage points.** The bank also enhanced its card offering last year, with two new cards joining its product suite. They are namely the Sky-Smiles Credit Card, launched in partnership with Air Mauritius, and the SBM MasterCard World Rewards Credit Card for the Group's Private Banking segment. Additionally, SBM launched an innovative payment solution known as 'MOOV by SBM', which is the mobile point of sale (mPOS) service of the bank. A first in Mauritius, it allows customer payment transactions to be executed via mobile device (smartphone/tablet) instead of a usual point of sale terminal, in a paperless environment.

The bank now looks forward to further expand its product portfolio to provide financial solutions that meet evolving customer needs. The bank will henceforth decentralise its SME banking services by leveraging on its branches across the island to better serve this clientele.

Our level of customer service is also one of our key priorities for 2017. We have therefore set up a Complaints Committee whereby the root cause for complaints are duly addressed in an effective manner.

Diversification (Initiatives G4, G8, G9)

The Group has successfully started to grow its non-banking segment through the launch of new products, namely the: SBM Maharaja Funds, Private Equity Fund and structured products such as leveraged notes. This has contributed to an increase of 32% in assets under management. The Group is now working towards building up other lines of business, which are investment banking, microfinance and factoring. At the bank level, a new Private Banking and Wealth Management service has been launched, and the value proposition is being revamped.



SHAILEM SREEKEESOON
Head, Strategy and Research
SBM Bank (Mauritius) Ltd

« We have identified 10 priority growth initiatives and 8 critical enablers, across five pillars, namely: consolidation, diversification, internationalisation, modernisation and capacity building. »

Strategic Focus Areas (cont'd)

Internationalisation (Initiatives G6, G7)

In line with the growth strategy, the International Banking team was strengthened in 2016 with the recruitment of key senior team members. **An increased focus on deal origination across geographies, together with closer synergies with partner financial institutions, brought about a substantial growth of the asset book, with year on year figure almost doubling.** Going forward, the Group will continue to leverage its existing international presence to increase cross-border deals.

To increase its footprint in Africa, the Group has, in 2016, initiated the acquisition of Fidelity Commercial Bank in Kenya. This acquisition was successfully completed on 10 May 2017. The Group is also awaiting a final approval and license from the Reserve Bank of India to convert its branches into a wholly owned subsidiary in India. Additionally, the Group is pursuing its expansion strategy in Seychelles, whilst tapping more into the Madagascar market. Further development is thus expected in the Group's expansion initiatives in 2017.

Modernisation (Initiatives G5, E8)

The Group has, during the course of last year, implemented its new IT platform known as the "Flamingo Project". To this effect, a new Internet Banking platform has been launched with additional functionalities that allow customers to perform more transactions on the interface. In the near future, a number of other digital initiatives will also be launched to optimise the customer journey and experience. For instance, the bank will launch its Mobile Banking application, which will provide another convenient way of doing banking.

Whilst the initial focus was on stabilising the systems, the Group will, in 2017, exploit other capabilities of the platform to improve its value proposition and sales dynamism. For instance, we plan to tap into analytics functionalities for a better understanding of the evolving customer needs and for enhanced cross-selling of our products and services. Stronger insights through customer analytics should also improve decision-making, operational performance, efficiency and productivity, which would provide the Group with a competitive advantage.

Capacity Building (Initiatives (E1-E7)

In line with its growth ambitions, the Group continues to build its human capital, with an increase in its workforce by 11.04% to 1,388, including many positions at senior level. Besides, the risk framework was strengthened to cater for the change in risk profile implied in the strategy. Improvements at the levels of organisational, governance and risk will continue to be a major focus during 2017. See also sections on Employees at pages 80 to 86, Risk Management at pages 94 to 141 and Corporate Governance at pages 151 to 186.



