

SBM Group Analyst Meet



11 April 2017

AGENDA

- **Who we are**
 - Challenges and enablers
 - Strategy
 - Financial highlights
 - Non-financial highlights
 - Share price info
 - Strategic focus for 2017 & forward guidance
 - Q & A

WE'RE A STRONG GROUP...

- Established in 1973, SBM has a strong franchise in Mauritius.
- Listed on the Stock Exchange of Mauritius (SEM) since 30 June 1995. Currently 3rd largest on SEM.
- Engaged in banking, non-banking financial services and non-financial investments.

31 Dec 2016

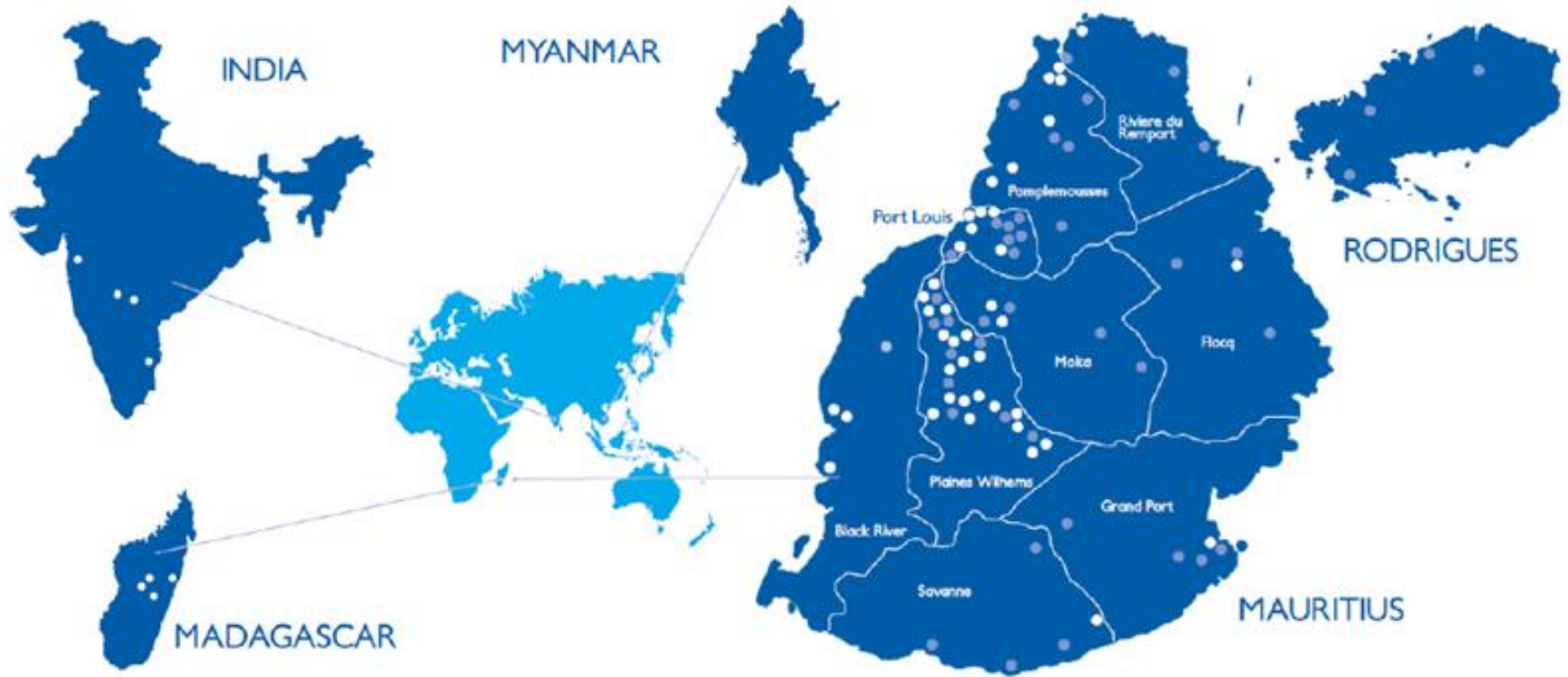
**Market
Capitalisation**
Rs 20 bn

Total Assets
Rs 146.9 bn

**Total Operating
Income**
Rs 6.4 bn

Profit for the Year
Rs 2.3 bn

WITH GROWING OPERATIONAL FOOTPRINT...



Present in Mauritius, Madagascar and India, with a representative office in Myanmar.

SUPPORTED BY DIVERSE STAKEHOLDERS...

Shareholders



18,026 domestic
and international

Customers



525,737

Employees



1,388

AND MULTI-CHANNEL CAPABILITIES

Branches



Mauritius: 43 [incl. counters]
Madagascar: 5
India: 4

ATMs



121

POS



4,055

Contact Centre



40 FTE

Internet Banking



No. of customers:
56,157

SMS Banking



No. of customers:
62,427

E-Commerce



No. users in 2016:
697,914

EARNING US RECOGNITION AT DIFFERENT LEVELS



*Best E-Commerce
Bank East Africa 2015*



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

Moody's rating as at November 2016

Outlook: Stable

Bank Deposits: Baa3/P-3

Baseline Credit Assessment: ba1

Adjusted Baseline Credit Assessment: ba1

Counterparty Risk Assessment: Baa2(cr)/P-2(cr)

Issuer Rating: Baa3



*Best Innovation in Retail
Banking
Mauritius 2016*



*Private Bank of the year
Mauritius 2016*



BEST RETAIL BANKING - MAURITIUS

*Best Retail Banking
Mauritius 2016*

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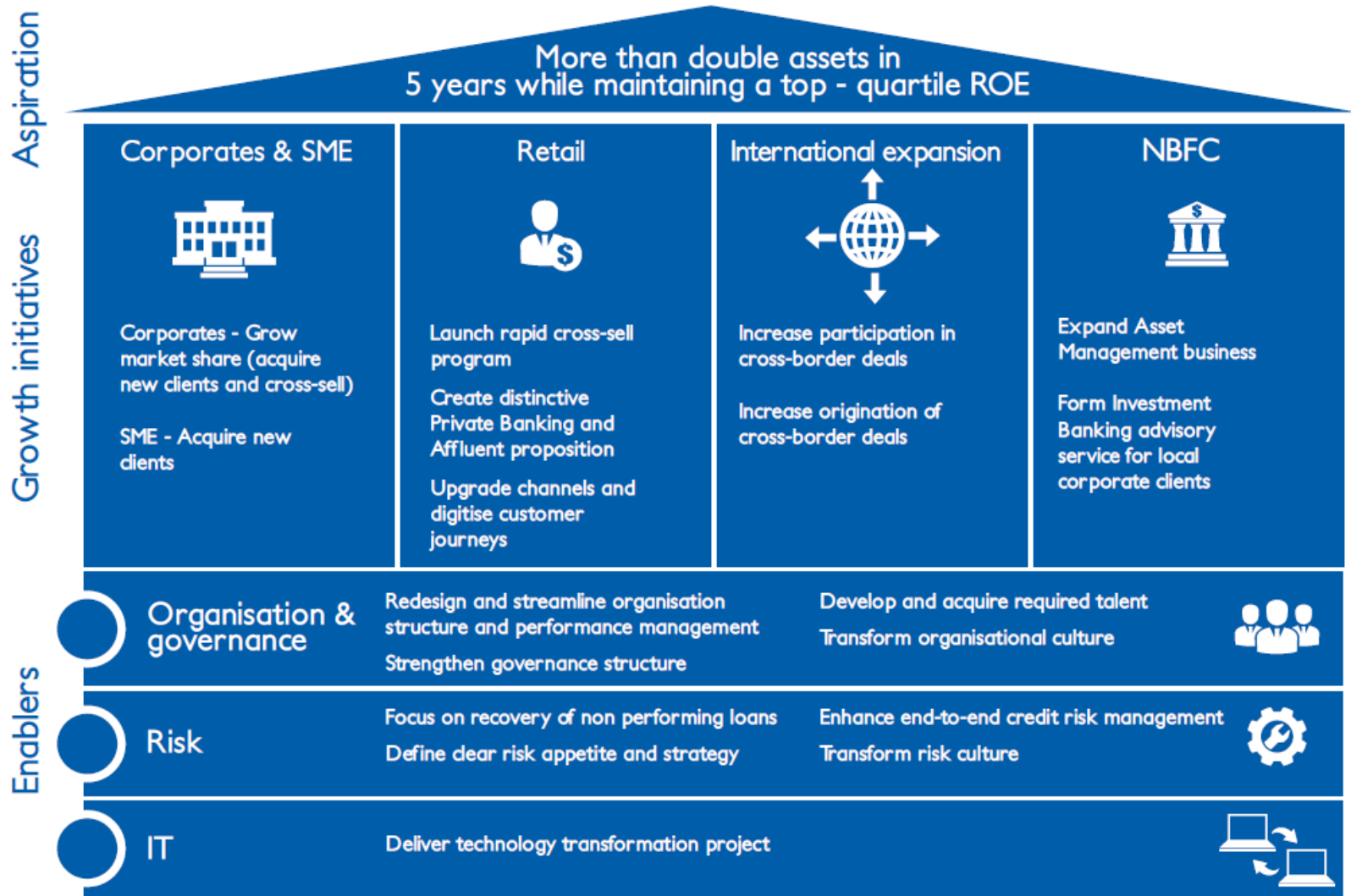
CHALLENGES AND ENABLERS

	ENABLERS	CHALLENGES
EXTERNAL ENVIRONMENT	Expected economic recovery in 2017; Strong economic performance in targeted overseas jurisdictions	Sluggish credit growth and squeezing margins amidst high competition
	Mauritius a jurisdiction of substance – Mauritius as an IFC	Increase in disintermediation
	Strong resilience of our financial services sector against external shocks	Tightening regulatory environment
INTERNAL ENVIRONMENT	Investment in human capital	Revenue focused in one geography
	Innovation and digitalisation – significant upgrade of IT infrastructure	Cost buildup to support growth
	Increased geographical coverage	Pressures on asset quality
	Sustainability practices at workplace and community	

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OUR STRATEGY TO GROW INTO A MORE ROBUST AND RESILIENT GROUP IS FOCUSED ON 17 KEY GROWTH AND ENABLING INITIATIVES



PROGRESS MADE IN 2016



KEY ACHIEVEMENTS IN 2016

▪ Retail Banking

- ✓ New product bundles for customers to opt into (e.g. loan + credit card)
- ✓ Enhanced customer profiling
- ✓ Centralised Contact Centre
- ✓ Partnership with Corporates for Tie Up Property Development Projects
- ✓ Better TAT: +/- 15 days for Home Loan
- ✓ Promotion of SBM Achiever at education fairs

Retail



KEY ACHIEVEMENTS IN 2016

▪ Private Banking

- ✓ Segmentation completed with differentiated logo and brochure
- ✓ Regular staff training
- ✓ New license for Distribution of Financial Product and Investment Advisory activities



KEY ACHIEVEMENTS IN 2016

■ Corporate Banking

- ✓ Market share has improved from 17.1% in Dec-15 to 18.5% in Dec-16
- ✓ Advances growth of 5% compared to -2.8% for Banking sector (excl. GBL)
- ✓ Successful implementation of Corporate Middle Office - Improvement of TAT by +/- 10 days.
- ✓ Fresh Incremental revenue arising from Real Estate/ Project Finance in 2016.
- ✓ Autonomous cluster within the bank

Corporates



KEY ACHIEVEMENTS IN 2016

▪ SME

- ✓ Revamping of SME Model
- ✓ Streamlining of Credit Approval Process
- ✓ Setting up of dedicated SME desk in: Rose Hill, Quatre Bornes & Curepipe



KEY ACHIEVEMENTS IN 2016

■ International Banking

- ✓ Team was strengthened in the 2nd half of 2016 with recruitment of 3 senior team members
- ✓ Increased focus across target geographies with the setting up of dedicated desks, together with closer synergies with other Financial Institutions
- ✓ Substantial growth of 92% in the asset book from MUR 6,476 m in Dec 2015 to MUR 12,412 m in Dec 2016
- ✓ Increasing our footprint in Africa –with acquisition of FCB in Kenya
- ✓ Application for WOS in India for better market access
- ✓ Regular visits to OMCs to enhance engagement with clients and service quality
- ✓ Tie-up with AfrExim to maximise African Exposure

International



KEY ACHIEVEMENTS IN 2016

■ NBFC

- ✓ Launch of new products:
 - * SBM Maharaja Funds
 - * Private Equity Fund
 - * Structured products such as leveraged notes
 - * Masala bonds
- ✓ Increase in AUM by 32.1%
- ✓ Y-O-Y growth in local trading income
- ✓ Capacity building
- ✓ Roadshows locally and in the region



KEY ACHIEVEMENTS IN 2016

■ E-Business

- ✓ Launch of:
 - * Sky-Smiles Credit Card in partnership with Air Mauritius
 - * SBM MasterCard World Rewards Credit Card.
 - * 'MOOV by SBM'



■ IT

- ✓ New IT and IB platforms.

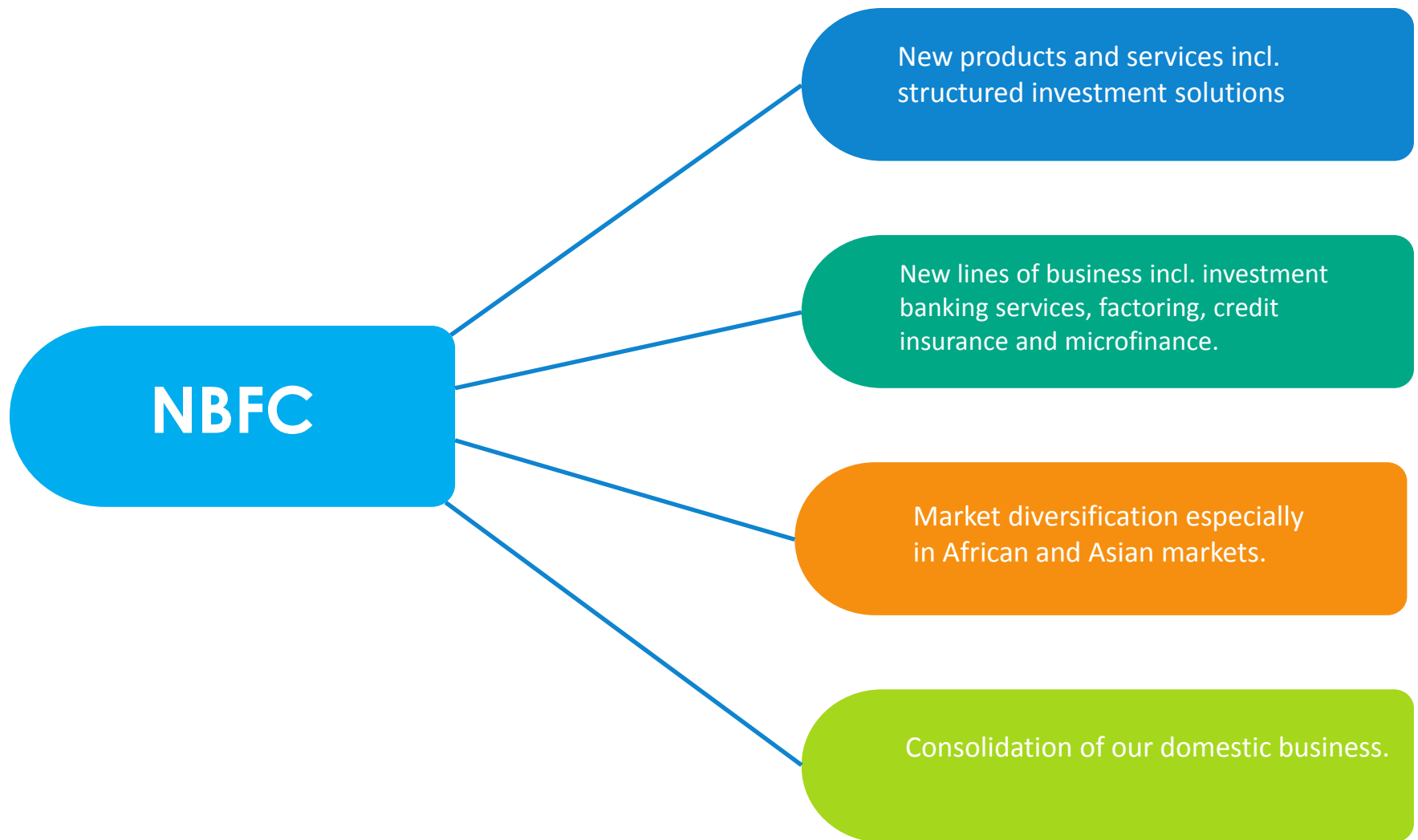


■ Human Capital

- ✓ Our team of professionals has been strengthened, locally and in international offices.
- ✓ Internal restructuring to provide better service to customers



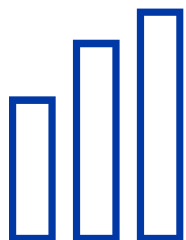
NBFC STRATEGY



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SBM HOLDINGS LTD – CONSOLIDATED KEY FINANCIAL HIGHLIGHTS



TOTAL ASSETS

MUR 146.9 billion
31 Dec 2016

31 Dec 2015
MUR 136.2 billion



DEPOSITS

MUR 109.2 billion
31 Dec 2016

31 Dec 2015
MUR 104.3 billion



LOANS & ADVANCES

MUR 71.6 billion
31 Dec 2016

31 Dec 2015
MUR 68.8 billion



TOTAL LIABILITIES

MUR 123.1 billion
31 Dec 2016

31 Dec 2015
MUR 114.0 billion



SHAREHOLDERS' EQUITY

MUR 23.8 billion
31 Dec 2016

31 Dec 2015
MUR 22.2 billion



SBM HOLDINGS LTD – CONSOLIDATED KEY FINANCIAL HIGHLIGHTS

NET INTEREST INCOME

MUR **4,383 M**
31 Dec 2016

(31 Dec 2015:
MUR 4,253 M)

NON INTEREST INCOME

MUR **2,063 M**
31 Dec 2016

(31 Dec 2015:
MUR 2,003 M)

OPERATING INCOME

MUR **6,446 M**
31 Dec 2016

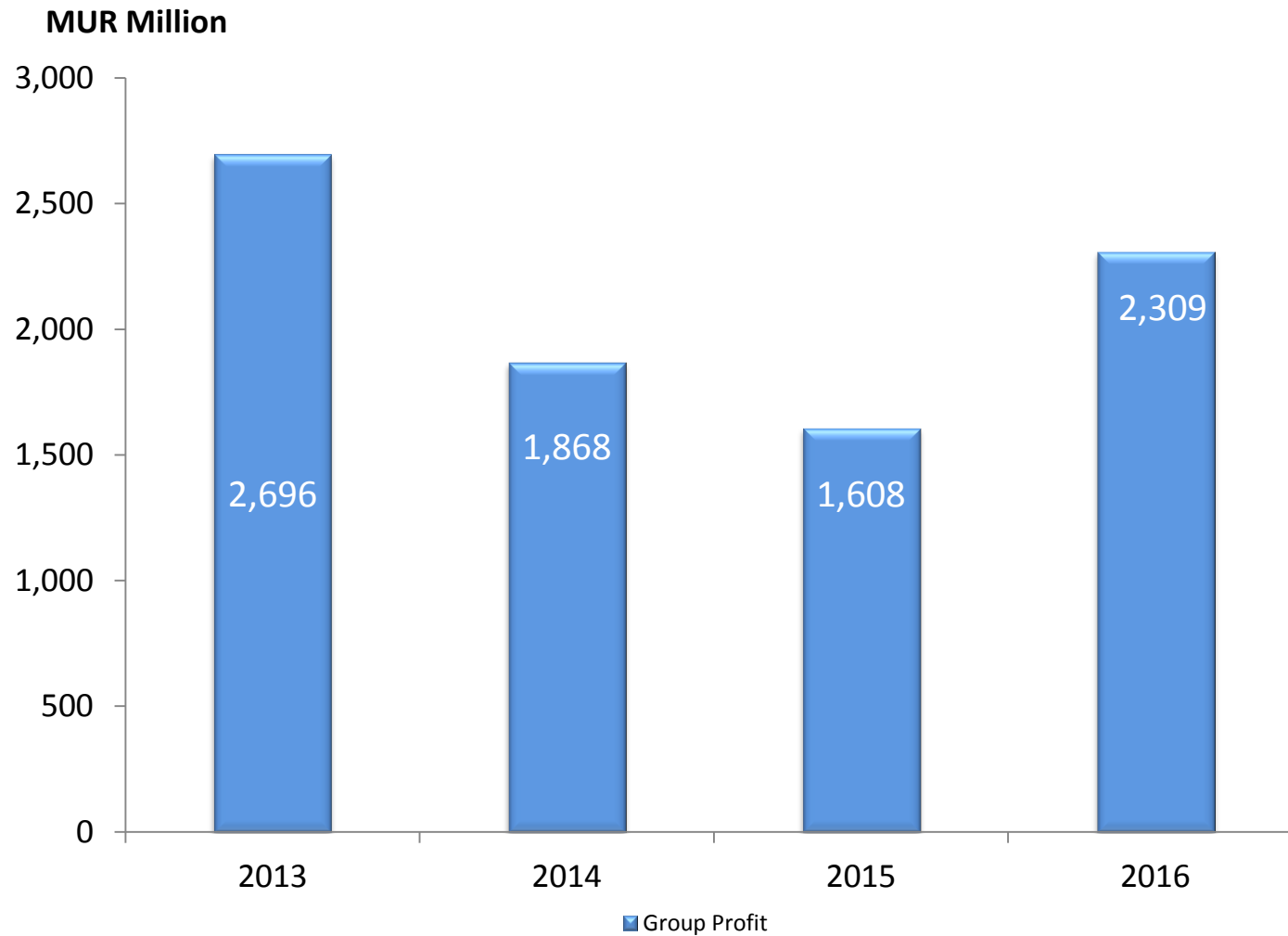
(31 Dec 2015:
MUR 6,255 M)

PROFIT AFTER TAX

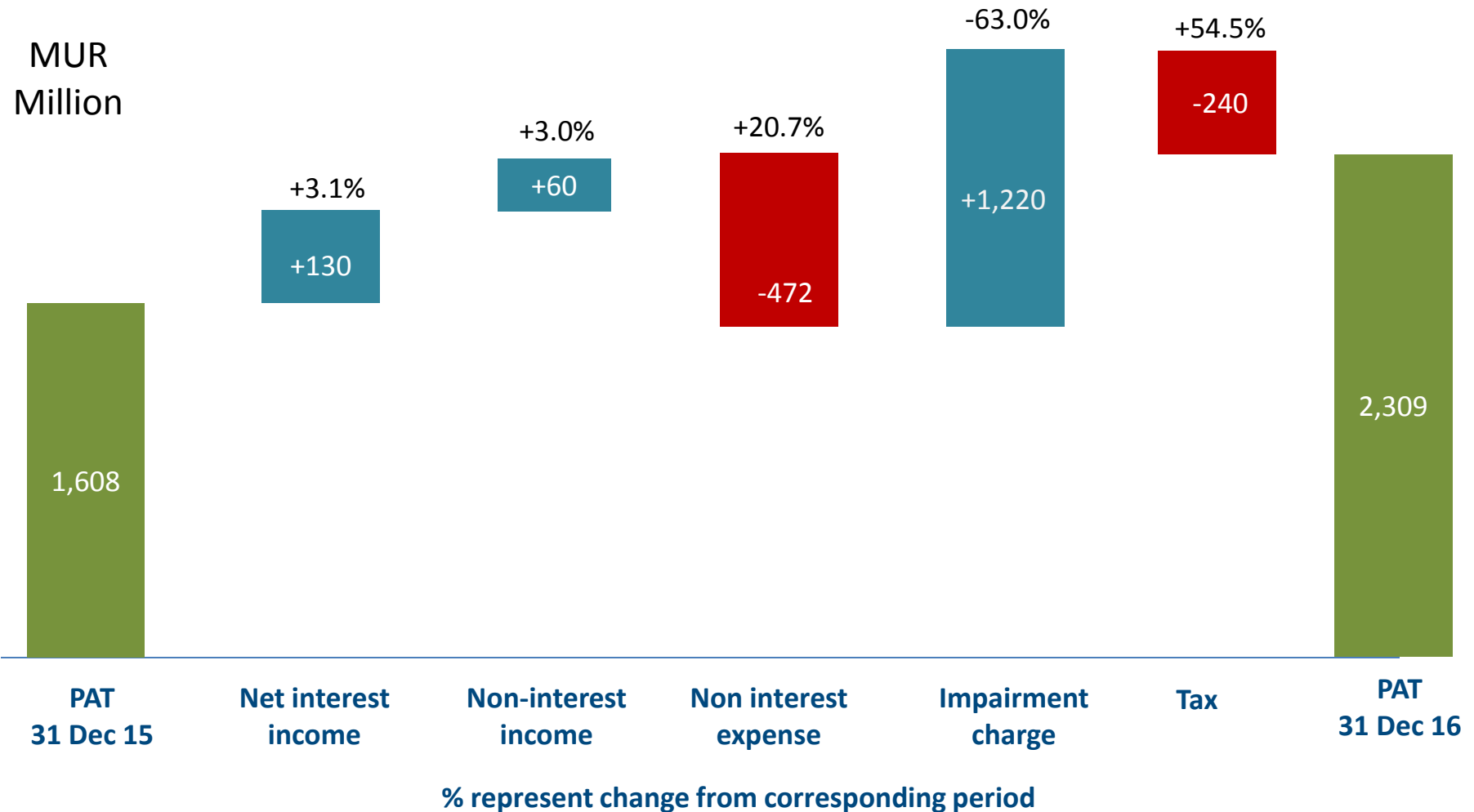
MUR **2,309 M**
31 Dec 2016

(31 Dec 2015:
MUR 1,608 M)

GROUP PROFIT RECOVERS BY 44% ...

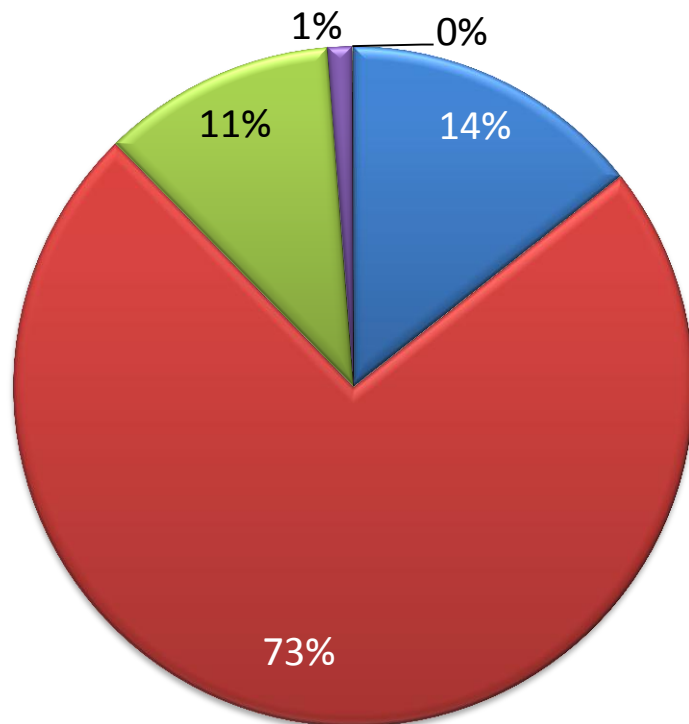


... MAINLY DUE TO SUBSTANTIAL REDUCTION IN IMPAIRMENT CHARGES

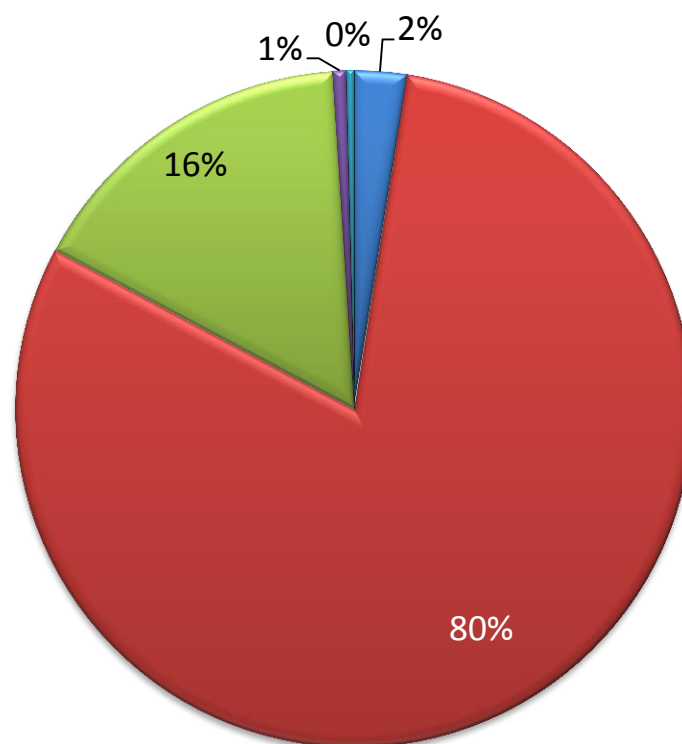


DOMESTIC BANKING REMAINS THE MAINSTAY OF THE GROUP, BUT THE CONTRIBUTION OF CROSS-BORDER IS RISING

Dec 15

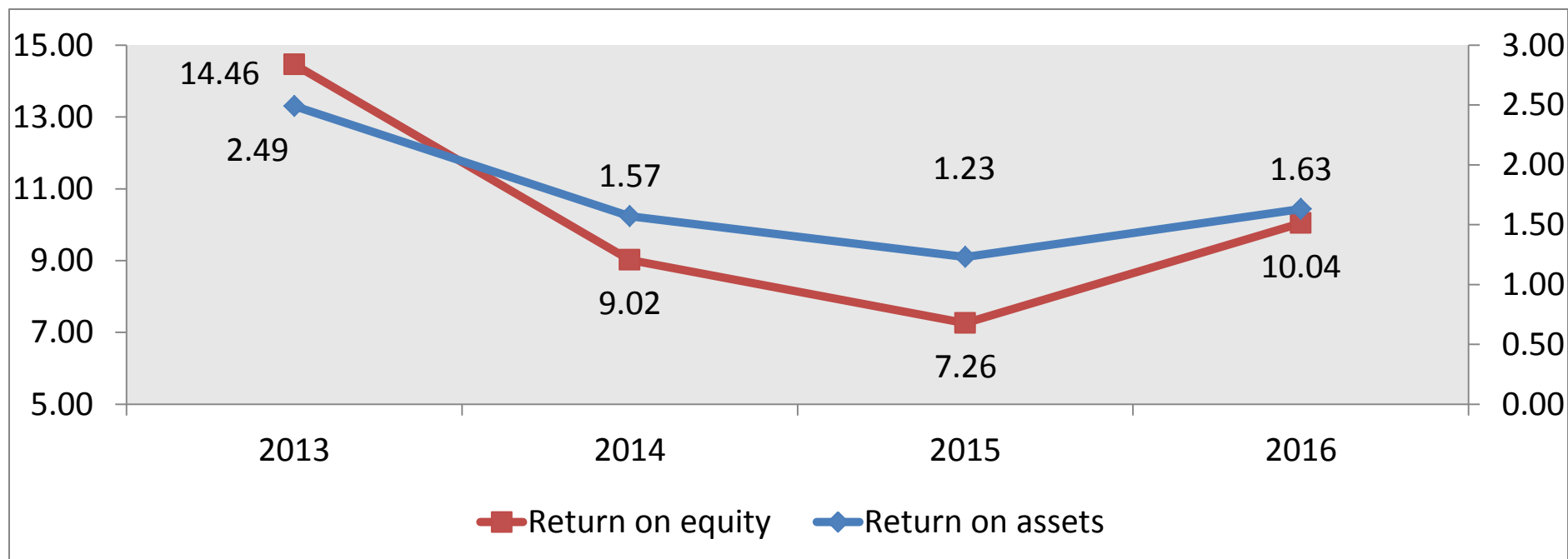


Dec 16

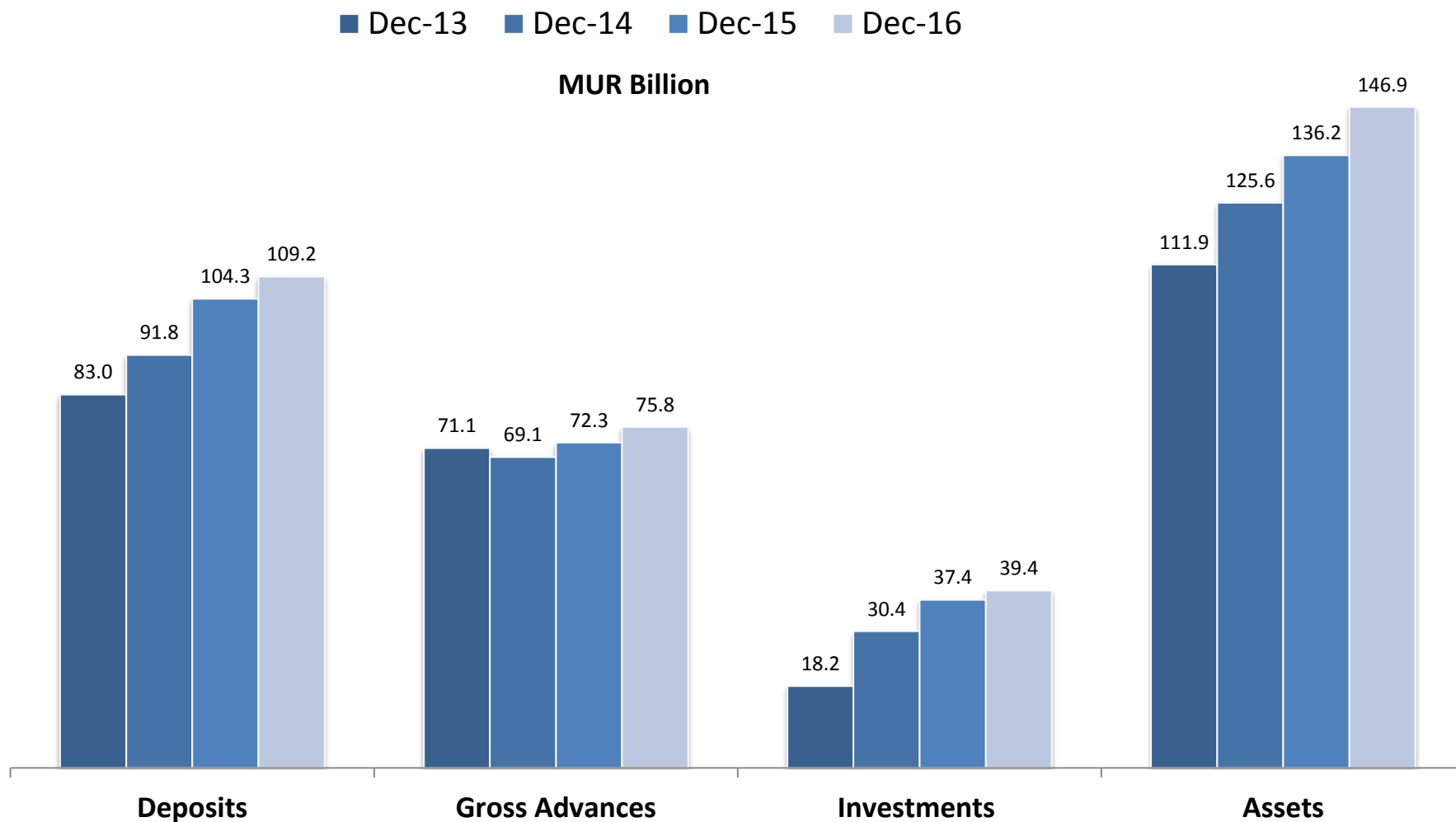


- SBM Holdings Ltd
- SBM (Bank) Holdings Ltd-Segment A
- SBM (Bank) Holdings Ltd-Segment B
- SBM (NBFC) Holdings Ltd
- SBM (NFC) Holdings Ltd

ROE AND ROA HAVE RECOVERED BUT REMAIN BELOW OUR LONG TERM TARGET

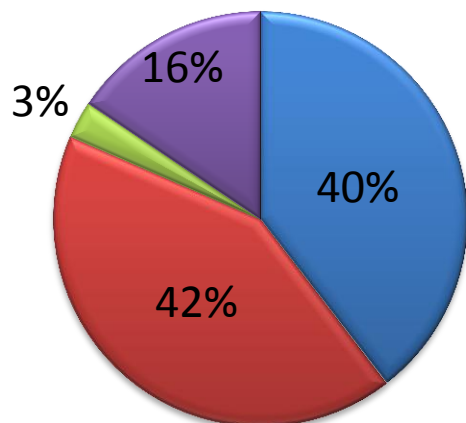


THE BALANCE SHEET HAS CONTINUED TO GROW...

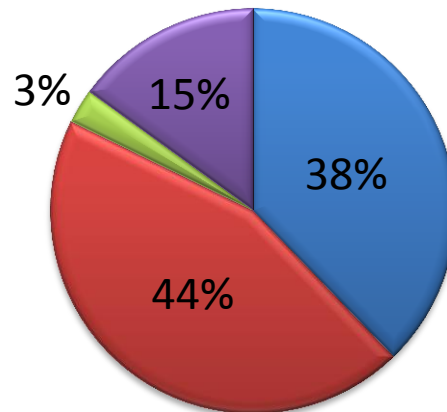


SUPPORTED BY AN INCREASE IN THE SHARE OF INTERNATIONAL ADVANCES

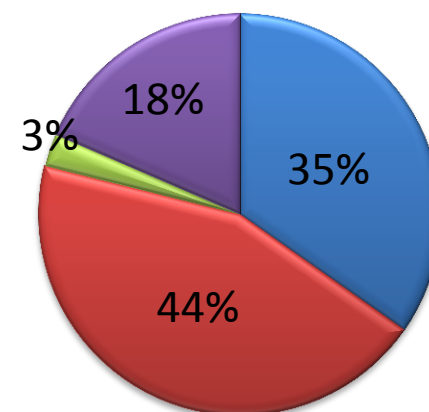
Dec 2014



Dec 2015

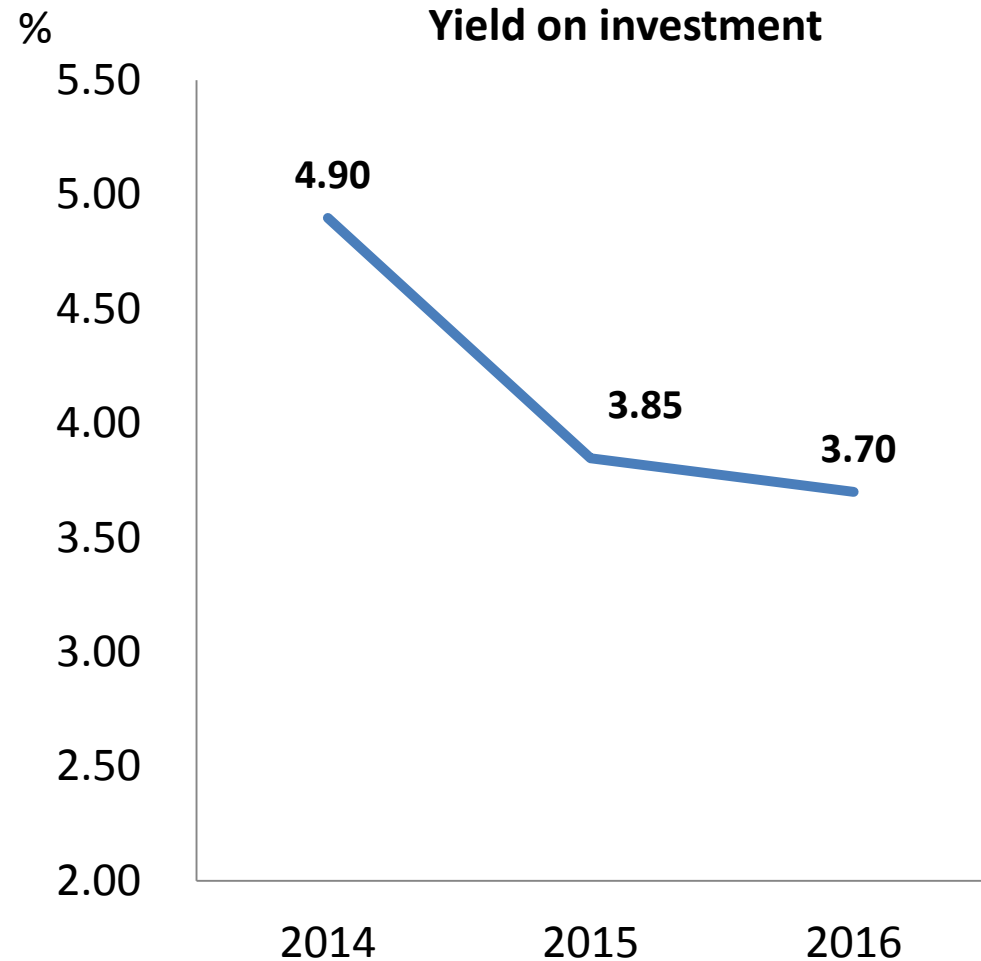
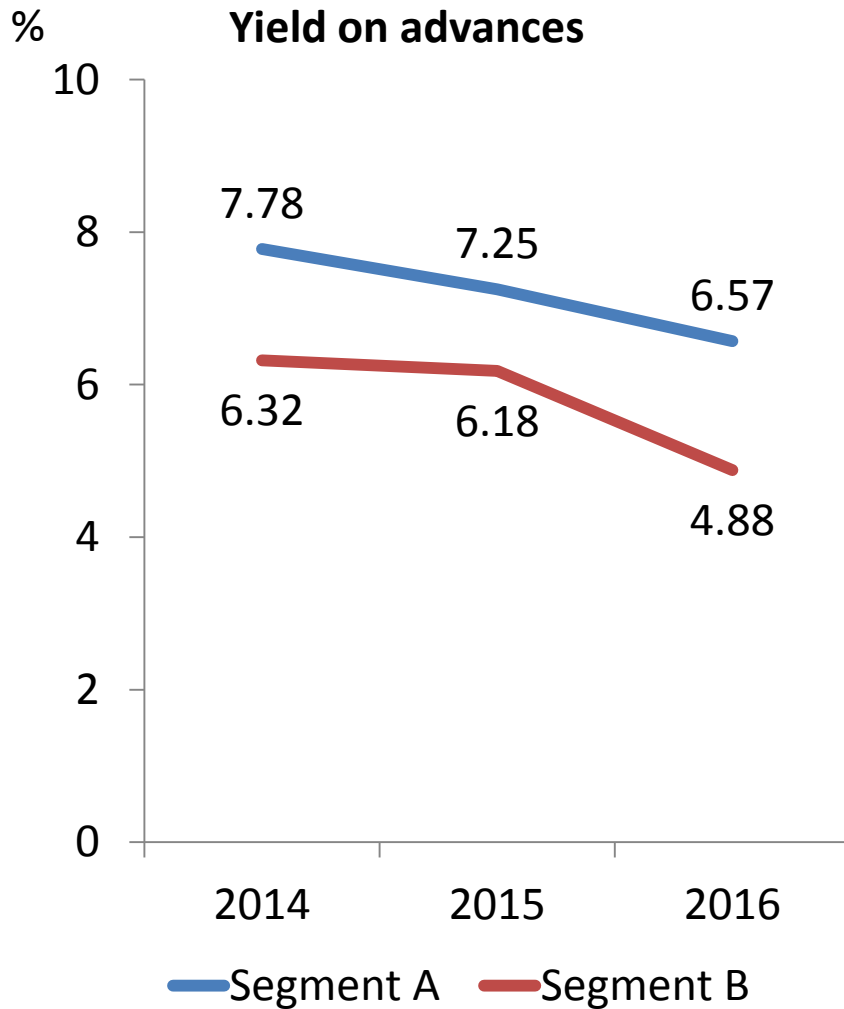


Dec 2016

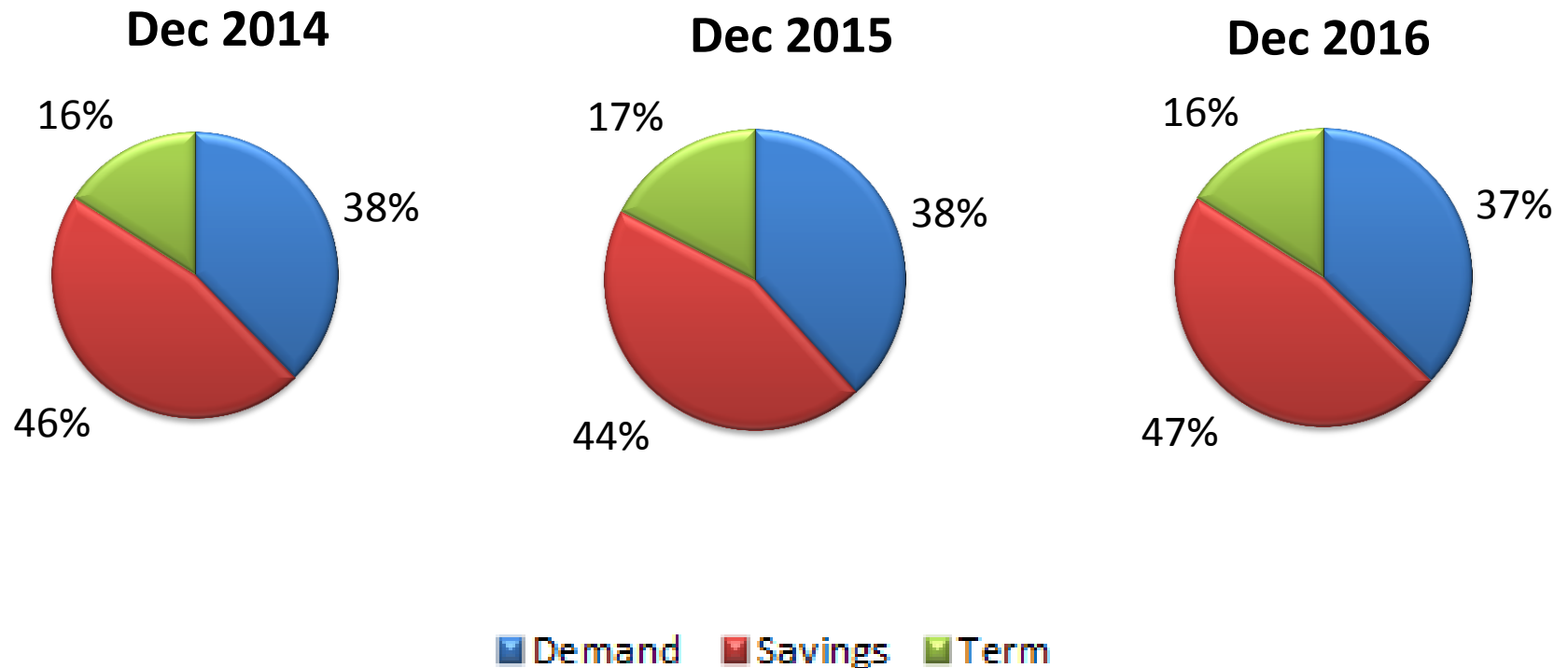


■ Retail ■ Corporate ■ SME ■ International

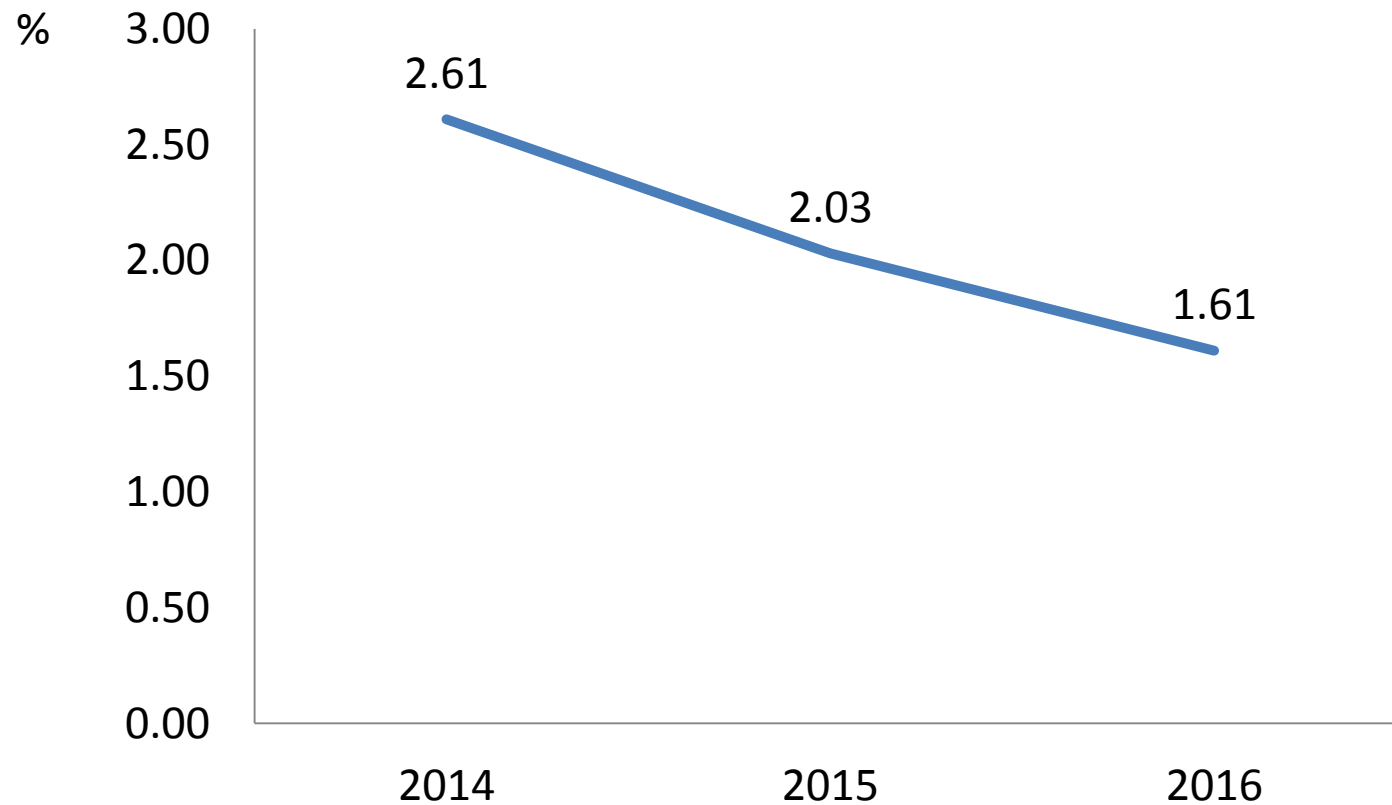
... ALTHOUGH YIELDS ON ASSETS ARE DEPRESSED AMIDST HIGH LIQUIDITY



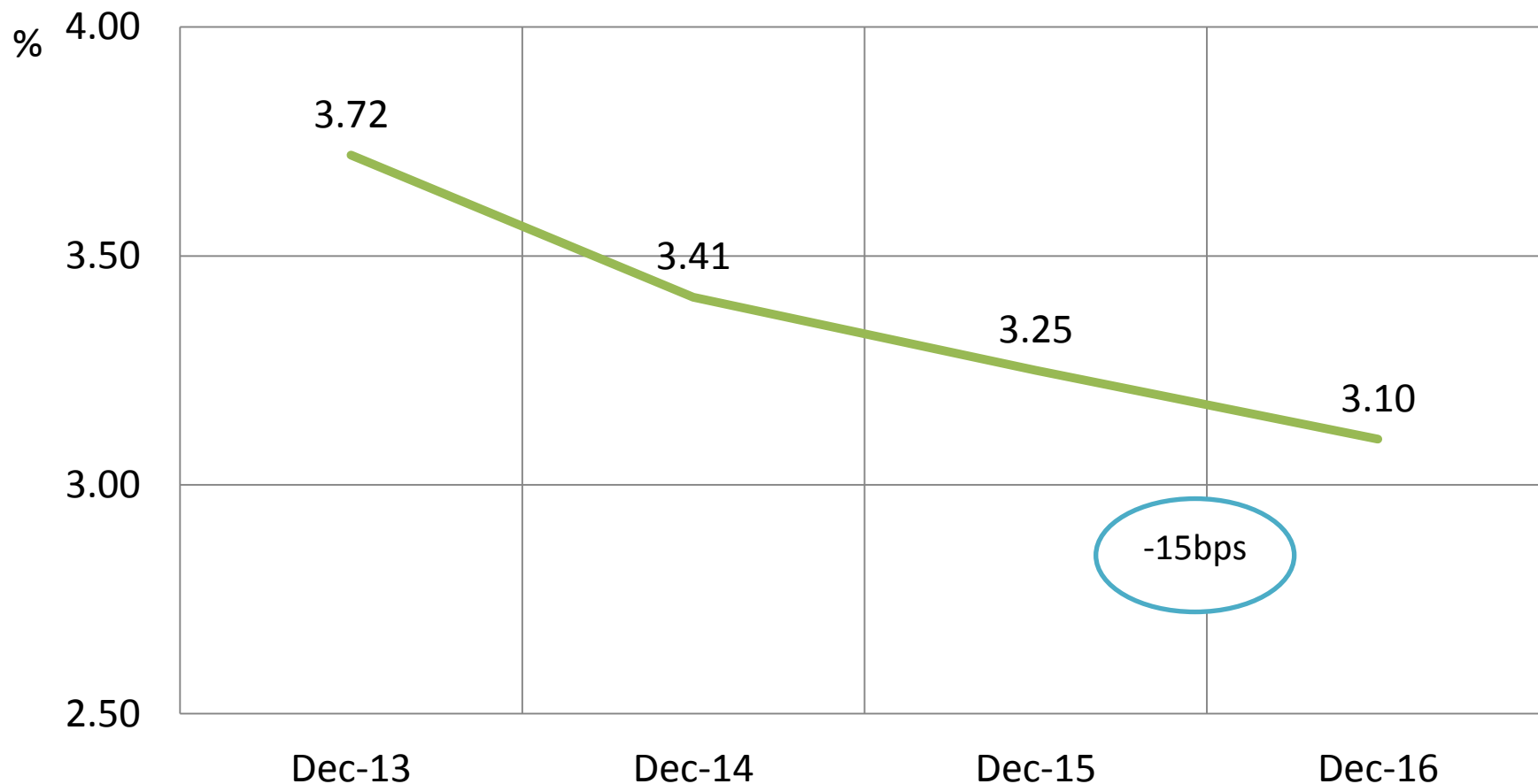
DEPOSIT MIX FOCUSED MAINLY ON LOW-COST CASA



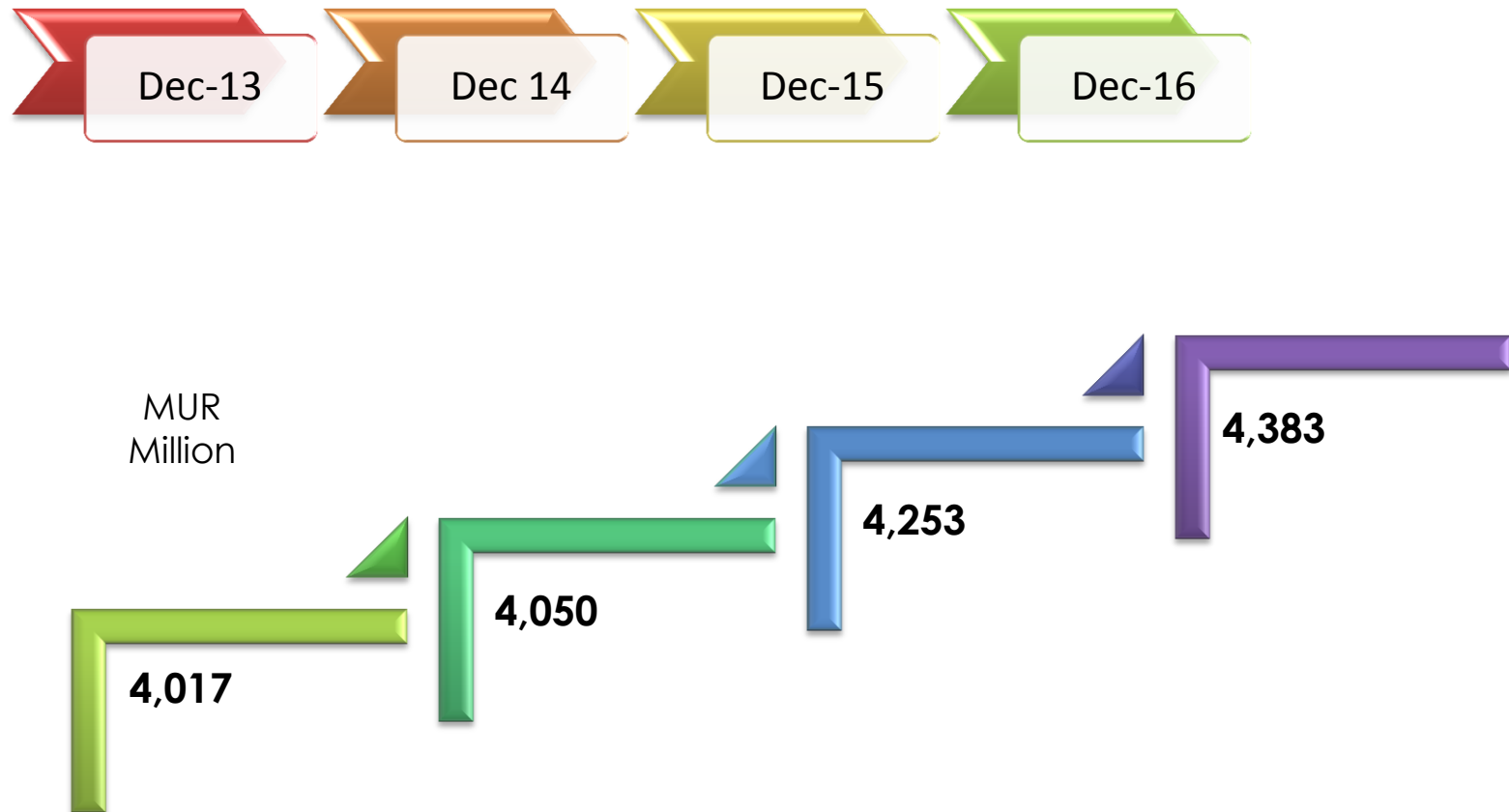
... LEADING TO LOWER COST OF FUNDS



... THUS PARTLY MITIGATING THE IMPACT ON NIM



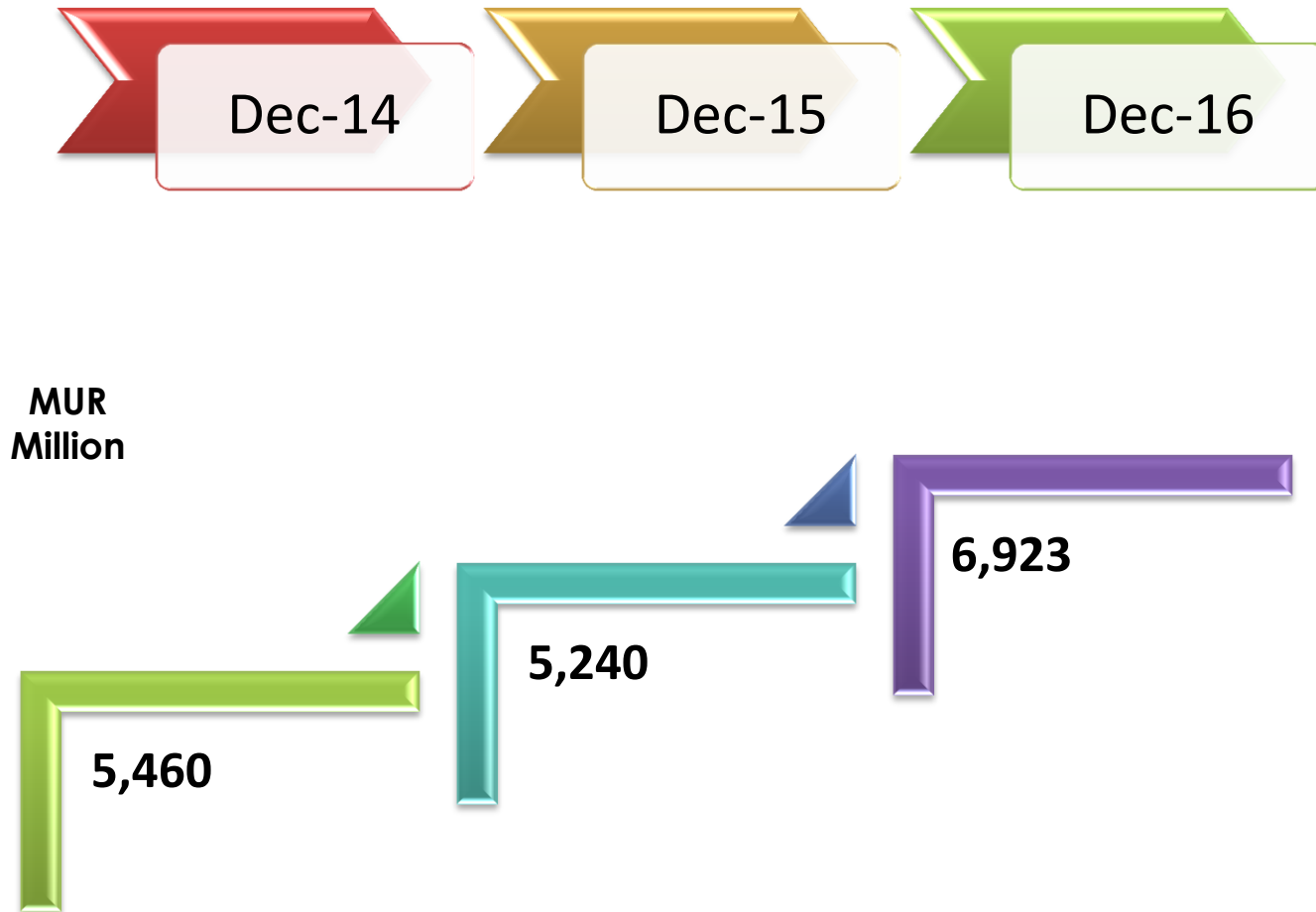
OVERALL, NET INTEREST INCOME GROWTH WAS MODERATE AT 3%



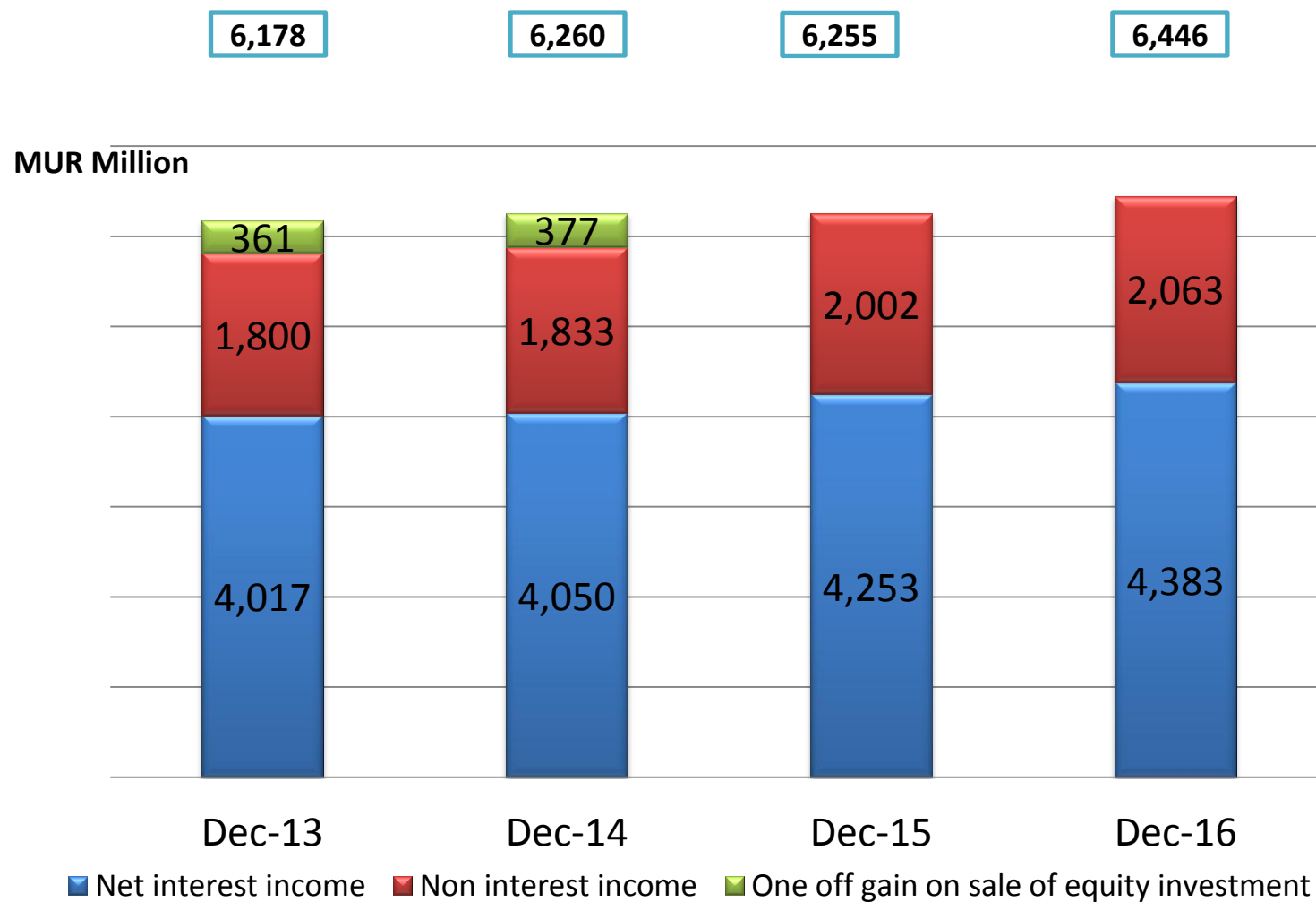
NON-INTEREST INCOME HAS BEEN SUPPORTED BY SOLID FX INCOME BUT HAMPERED BY LOWER DIVIDEND INCOME ON INVESTMENTS

MUR Million	Dec-13	Dec-14	Dec-15		Dec-16
Net Fees & Commission	1,534	915	1,029	+2%	1,053
Dividend Income	823	179	157	-75%	39
Net trading income	571	404	528	+3%	515
Other income (e-business, etc.)	460	712	289	+58%	456
	3,389	2,210	2,003		2,063

... WHILE ASSETS UNDER MANAGEMENT IMPROVED BY 32% SUPPORTED BY THE LAUNCH OF NEW STRUCTURED INVESTMENT PRODUCTS

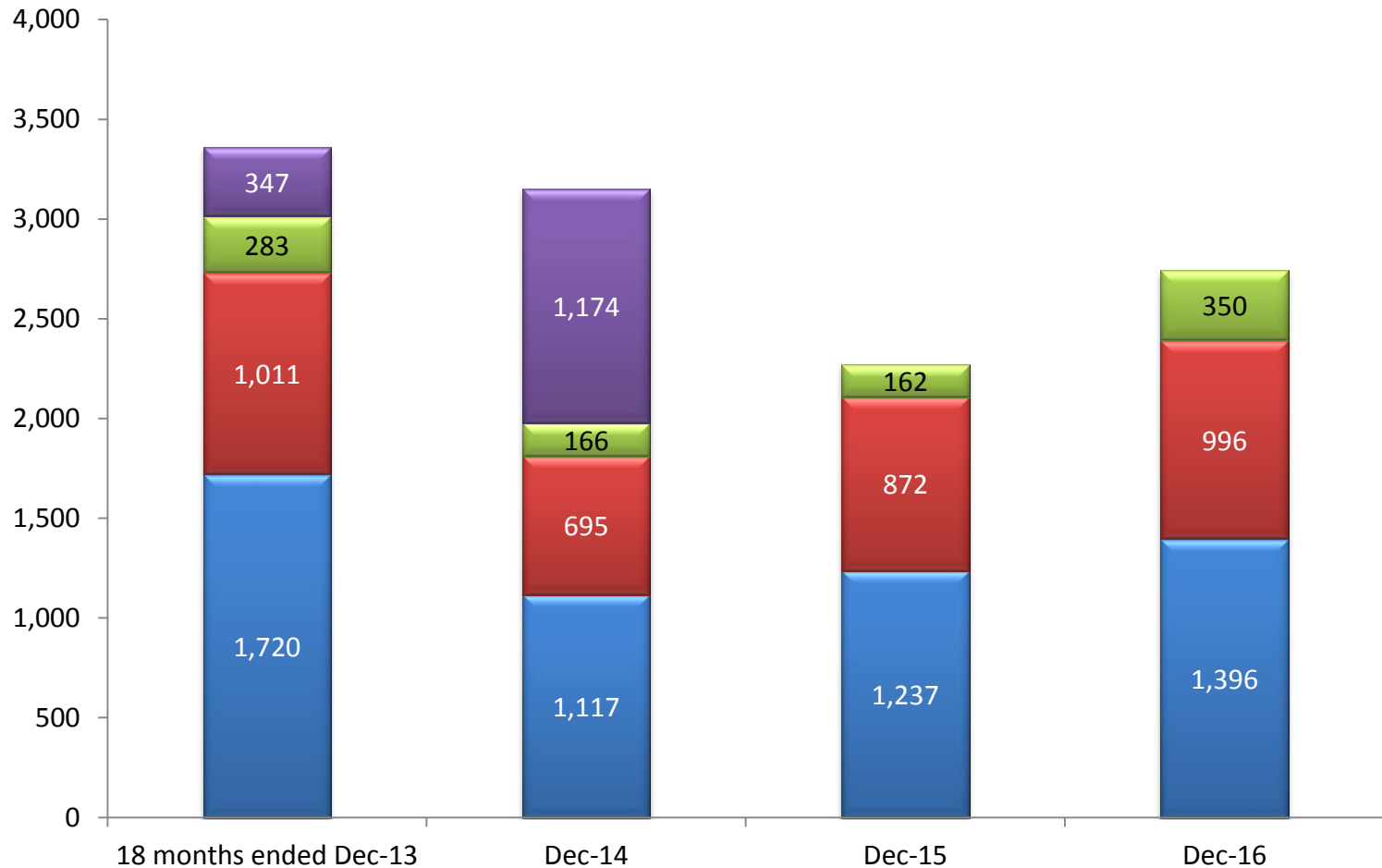


GROSS OPERATING INCOME GREW BY 3%



... WHILE OPERATING EXPENSES INCREASED BY 21% DUE TO INVESTMENT IN SYSTEMS AND HR TO SUPPORT FUTURE GROWTH

MUR million



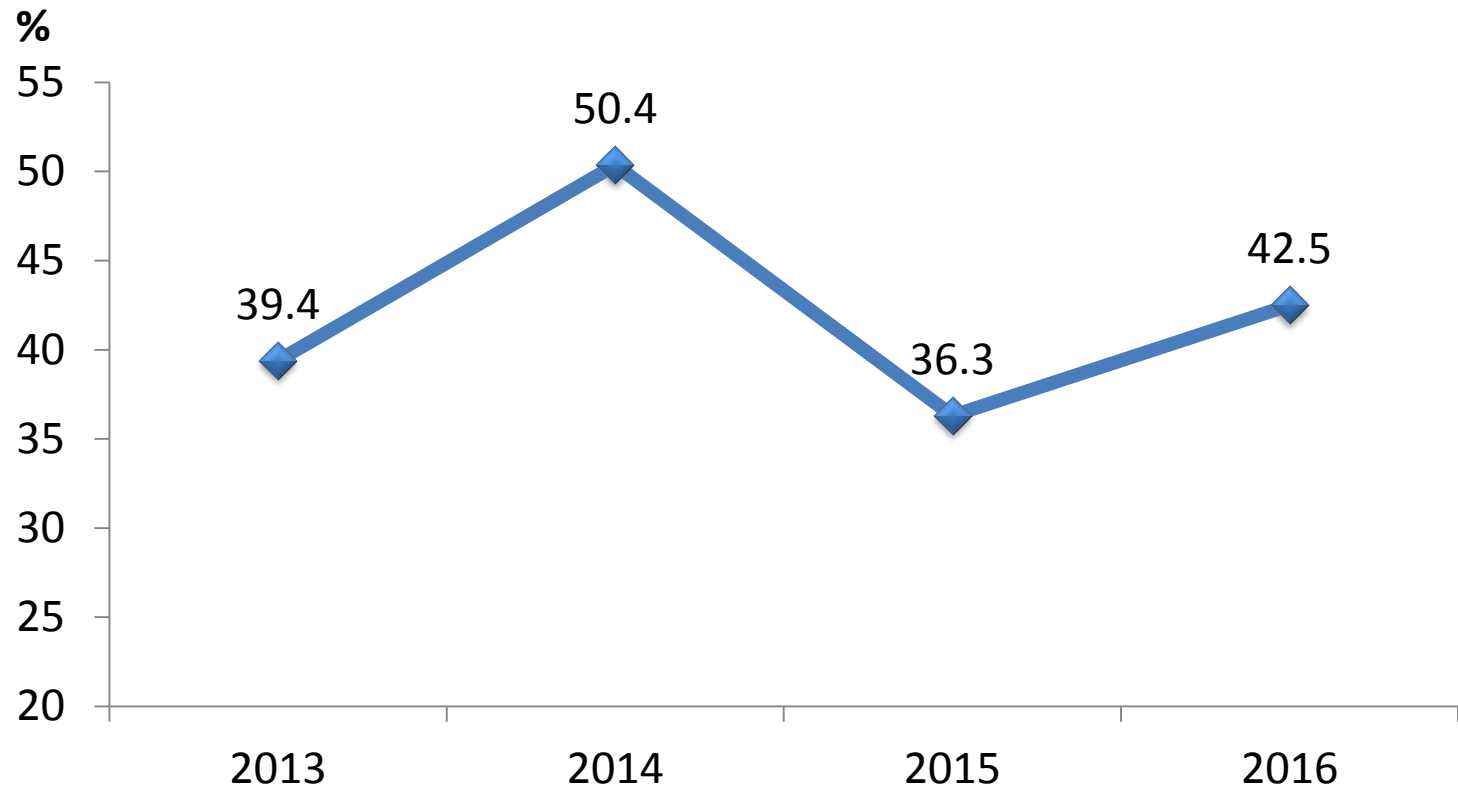
■ Personnel Expenses

■ Other expenses

■ Depreciation and amortisation

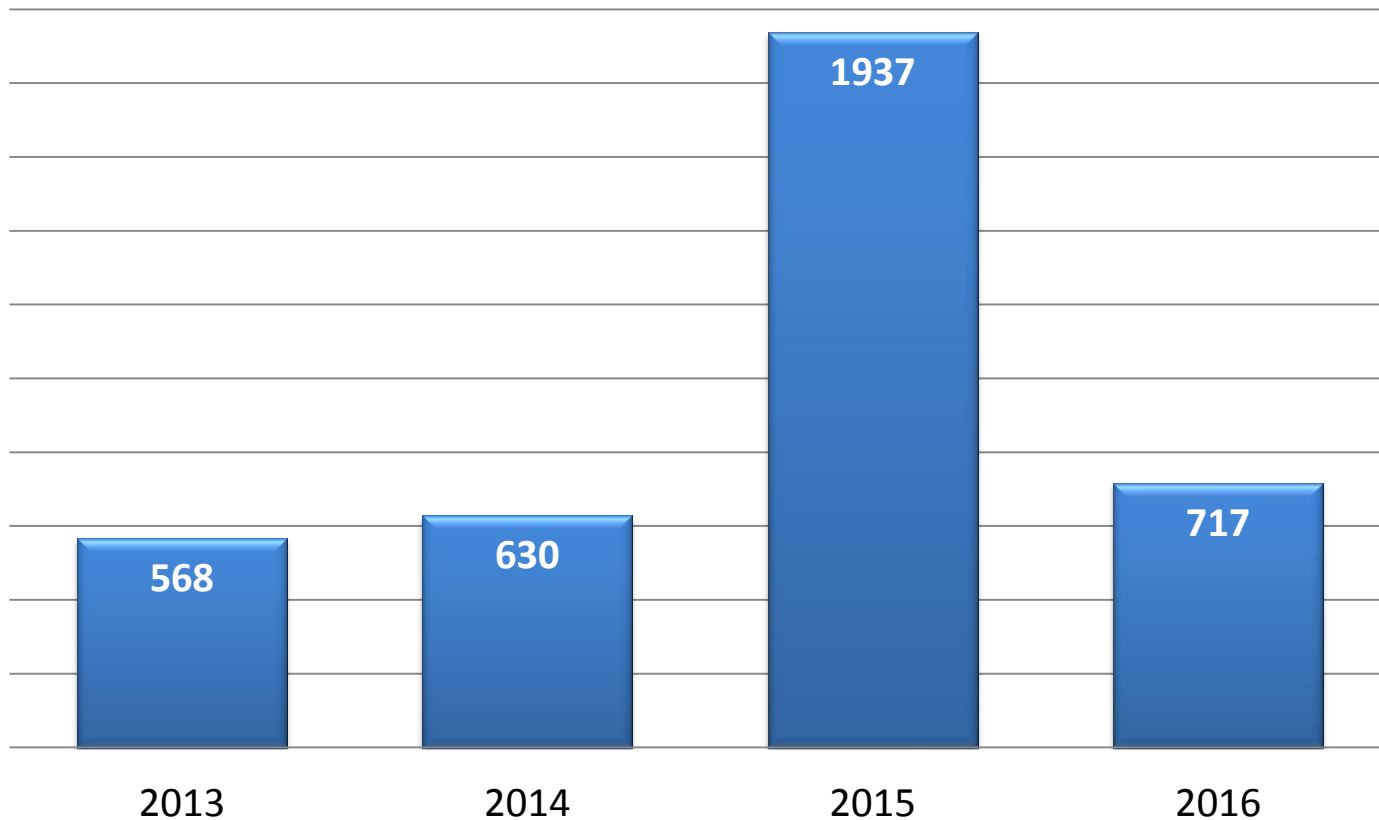
■ Prior year adjustments

... LEADING TO A RISE IN THE COST TO INCOME RATIO

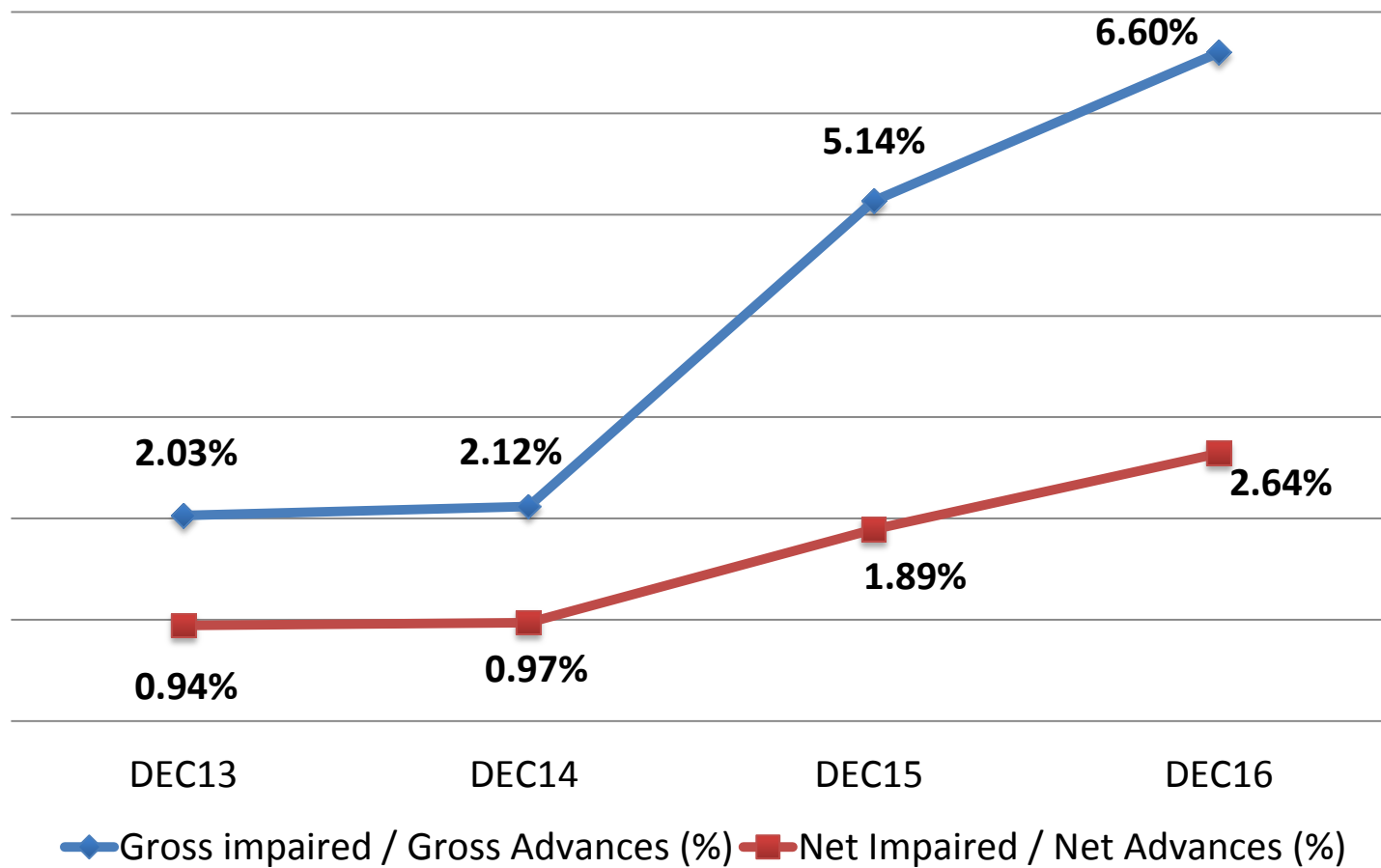


CHARGE FOR CREDIT IMPAIRMENT IMPROVED TO MORE SUSTAINABLE LEVELS FOLLOWING THE ONE-OFF RISE IN 2015

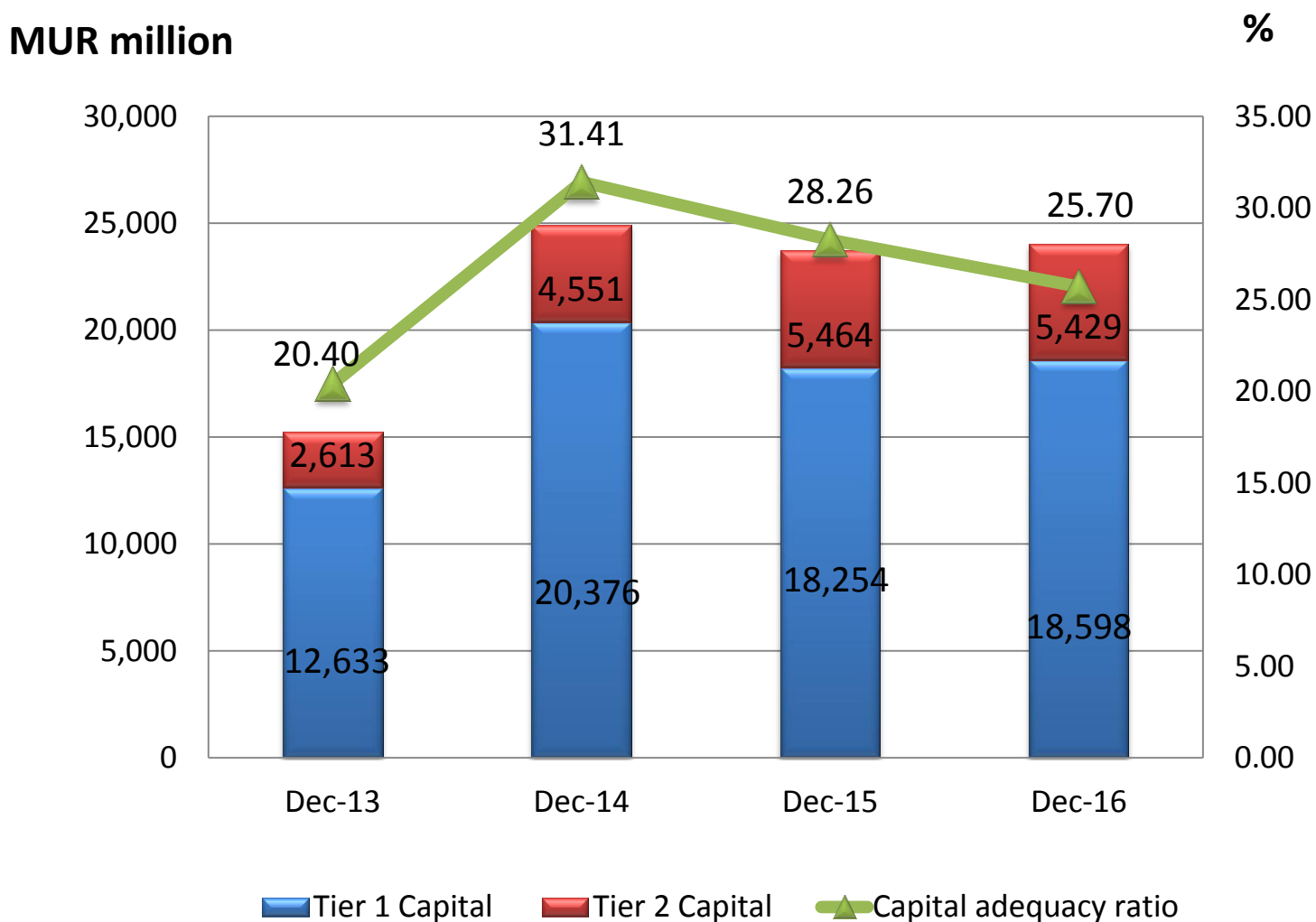
MUR Million



... BUT ASSET QUALITY REMAINS UNDER PRESSURE



THE CAPITAL POSITION REMAINS STRONG, WELL ABOVE REGULATORY REQUIREMENTS (BASEL III)



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WE BELIEVE AND INVEST IN OUR PEOPLE...

What we Offer

- Opportunities
- Strong Values
- Clear & Fair Performance Management
- Personal and Professional Growth

Our Employee Experience

- Employee motivation
- Expectation from our employees
- Being an employer of Choice
- Building our talent pipeline

Y.O.Y growth +11%



... AND VALUE THEM



- ❑ Retention policies
- ❑ Talent development with intense focus on internal training
- ❑ Total training spent of MRU 6,227,480 for year 2016
- ❑ Promoting staff wellness – launch of Yoga and Taichi sessions

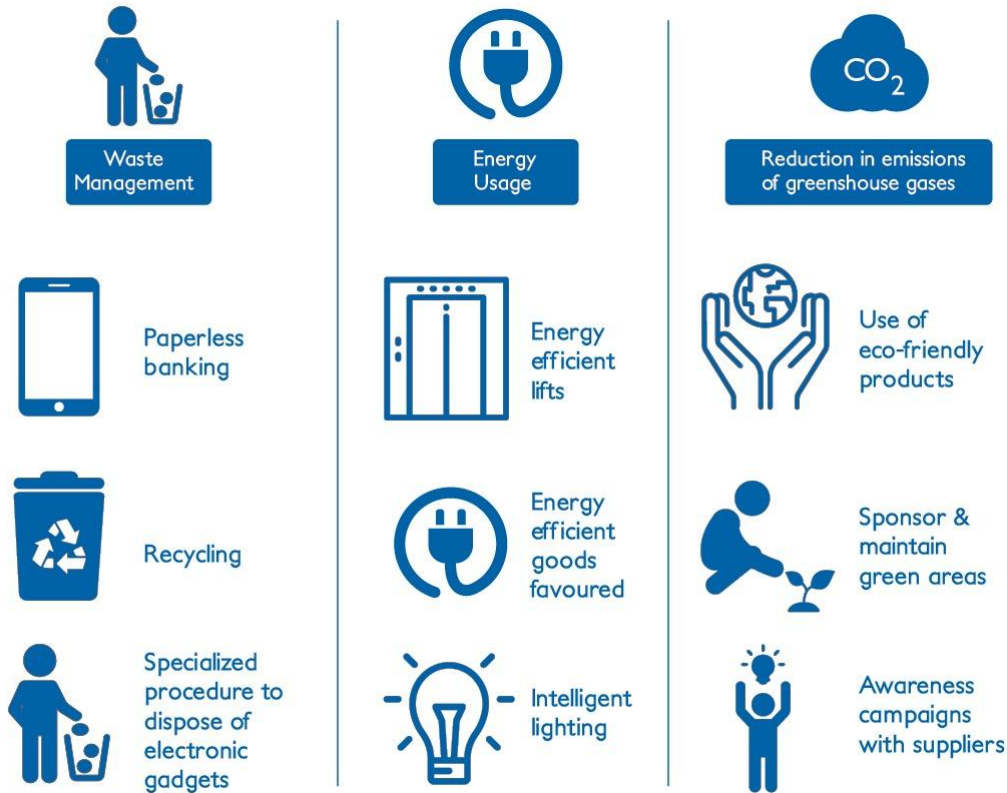
CUSTOMERS REMAIN AT THE CENTRE OF OUR STRATEGY



- Investment in new technology for enhanced customer service experience.
- Launched new and tailor-made product and service offerings based on customer feedback and market insights.
- Regular client communication on cyber threats and on how to prevent them.

WE ARE ALSO FOCUSED ON PROMOTING ENVIRONMENTAL SUSTAINABILITY...

Internal initiatives



External initiatives

Funding green projects e.g. through facility agreement with Agence Française de Développement (AFD) since 2014.



...AND GIVING BACK TO THE COMMUNITY

- Setting up of SBM Foundation in 2016
- SBM Scholarship Scheme for bright and needy students

7th edition: 200
scholarships approved

Over 2,000 scholarships
awarded till now

40 beneficiaries from
Rodrigues Island

- Employee voluntary activities.



WE AIM TO TAKE LEADERSHIP IN TECHNOLOGY INITIATIVES

- Rolled out new integrated solutions including:

Core Banking
Solution

Document
Management System

Anti Money
Laundering

Customer Relationship
Management

- Implemented platform to enable straight through processing for improved efficiency.
- Improved Data Analytics platform to enable customer and bank's operational insights.

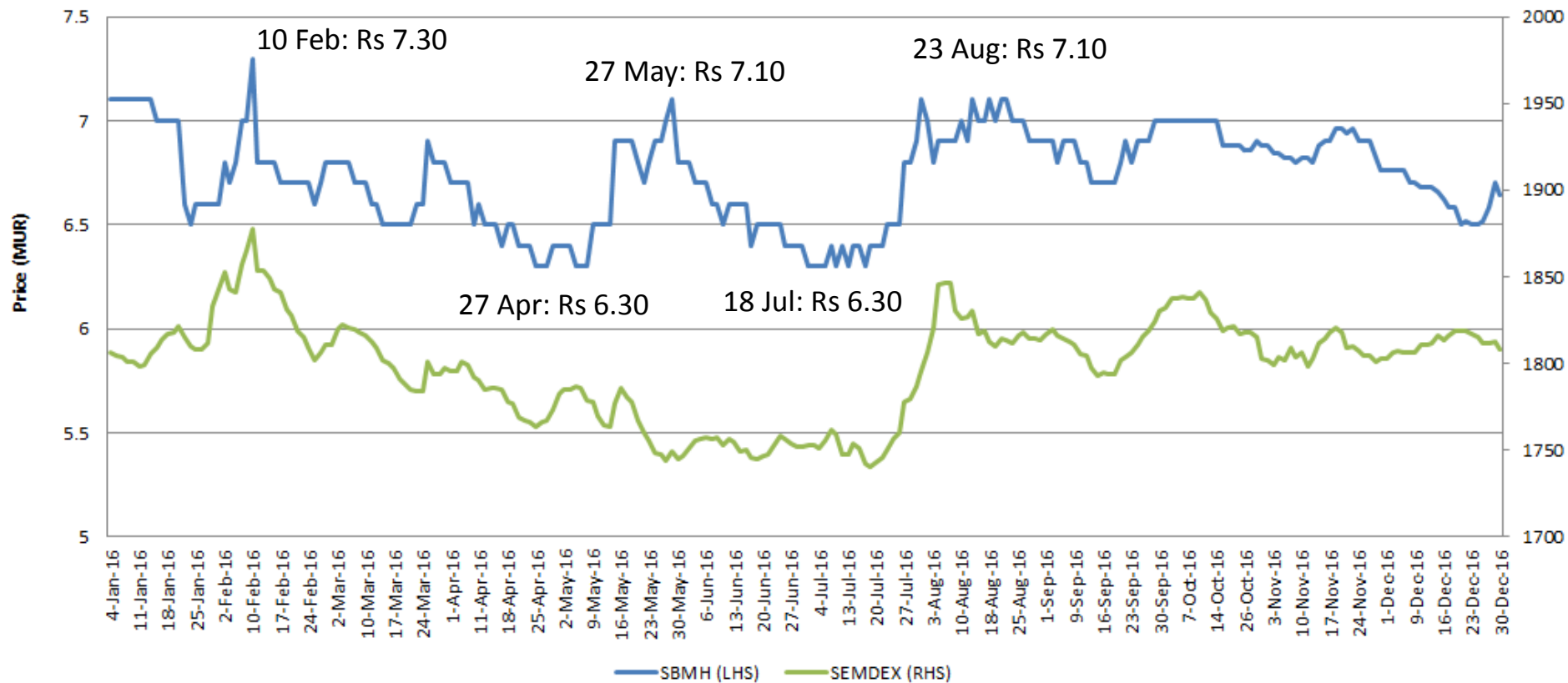


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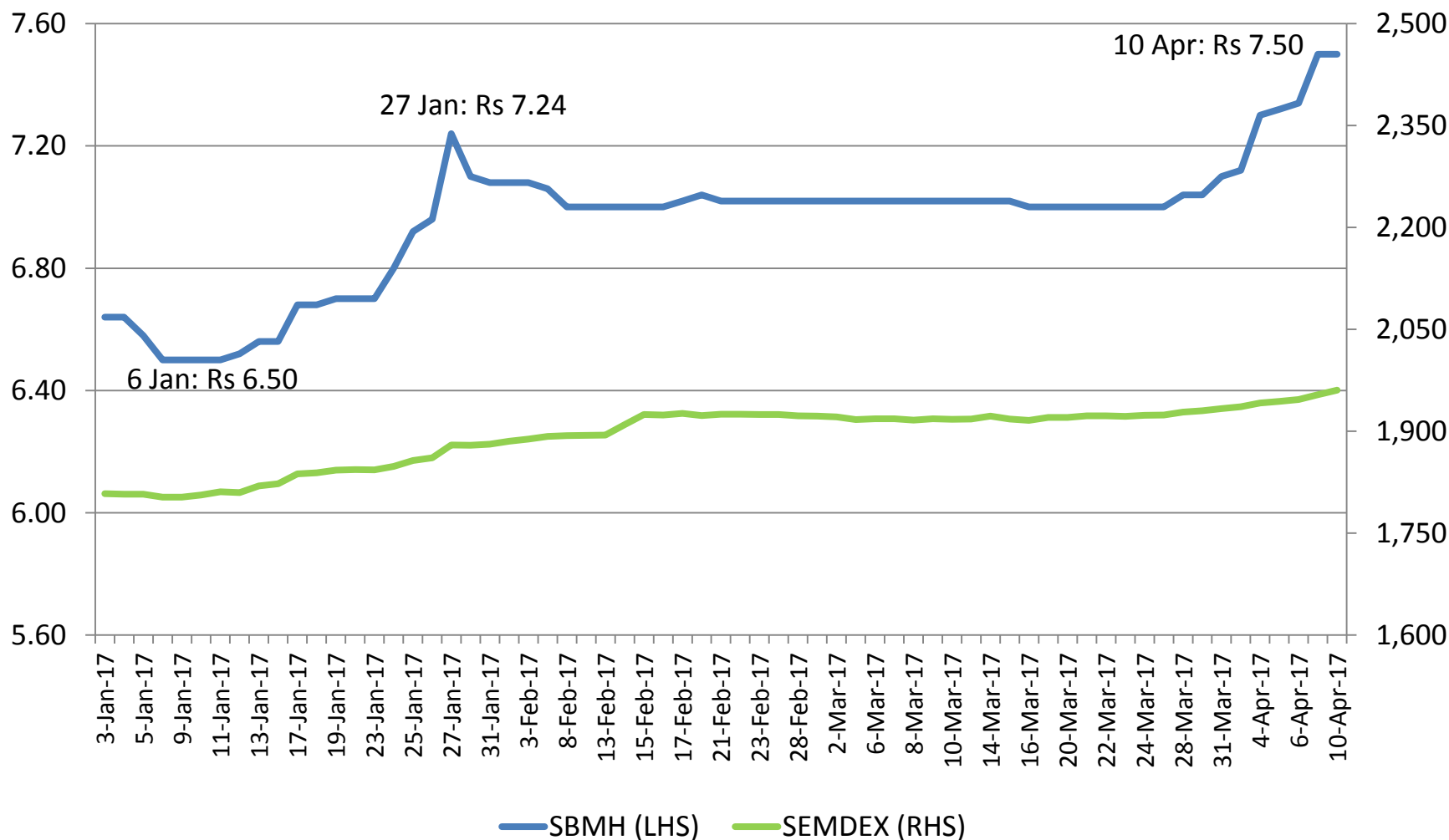
SHARE PRICE

SBMH (Jan 2016 - Dec 2016)

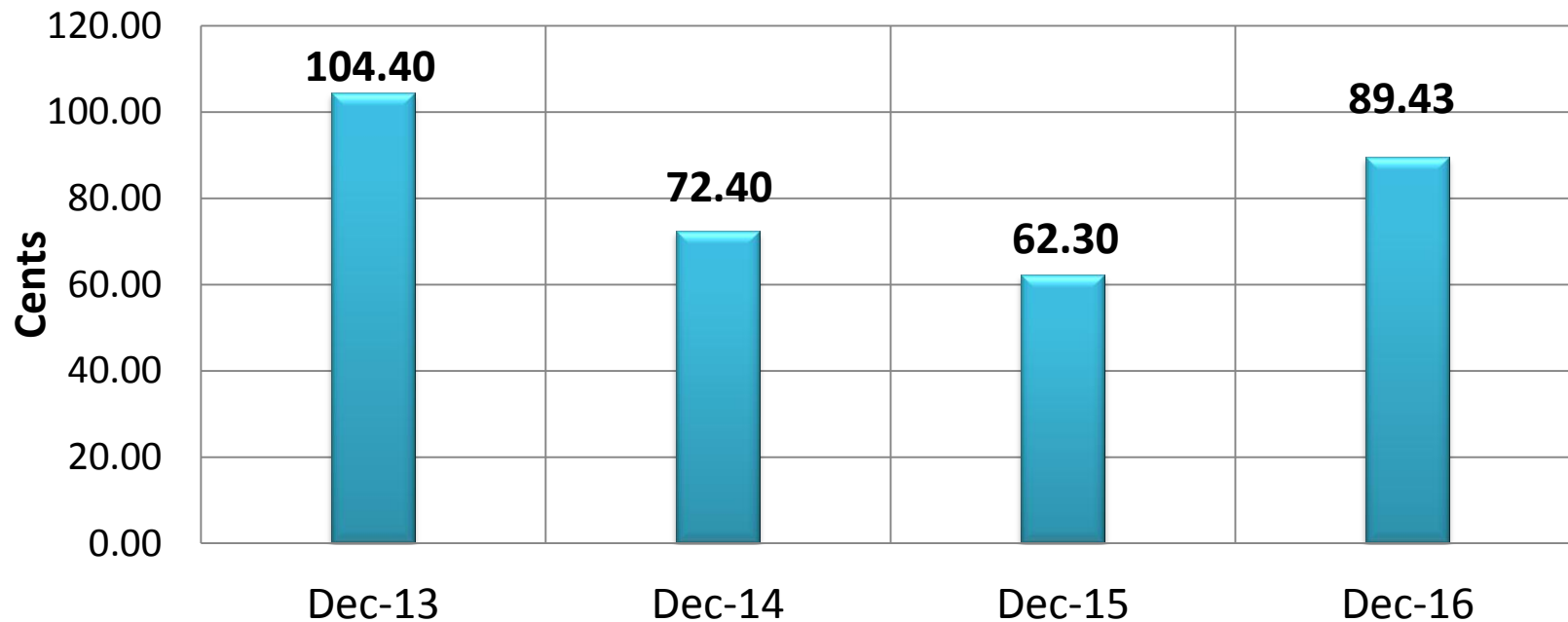


SHARE PRICE

SBHM (Jan 2017 - Apr 2017)

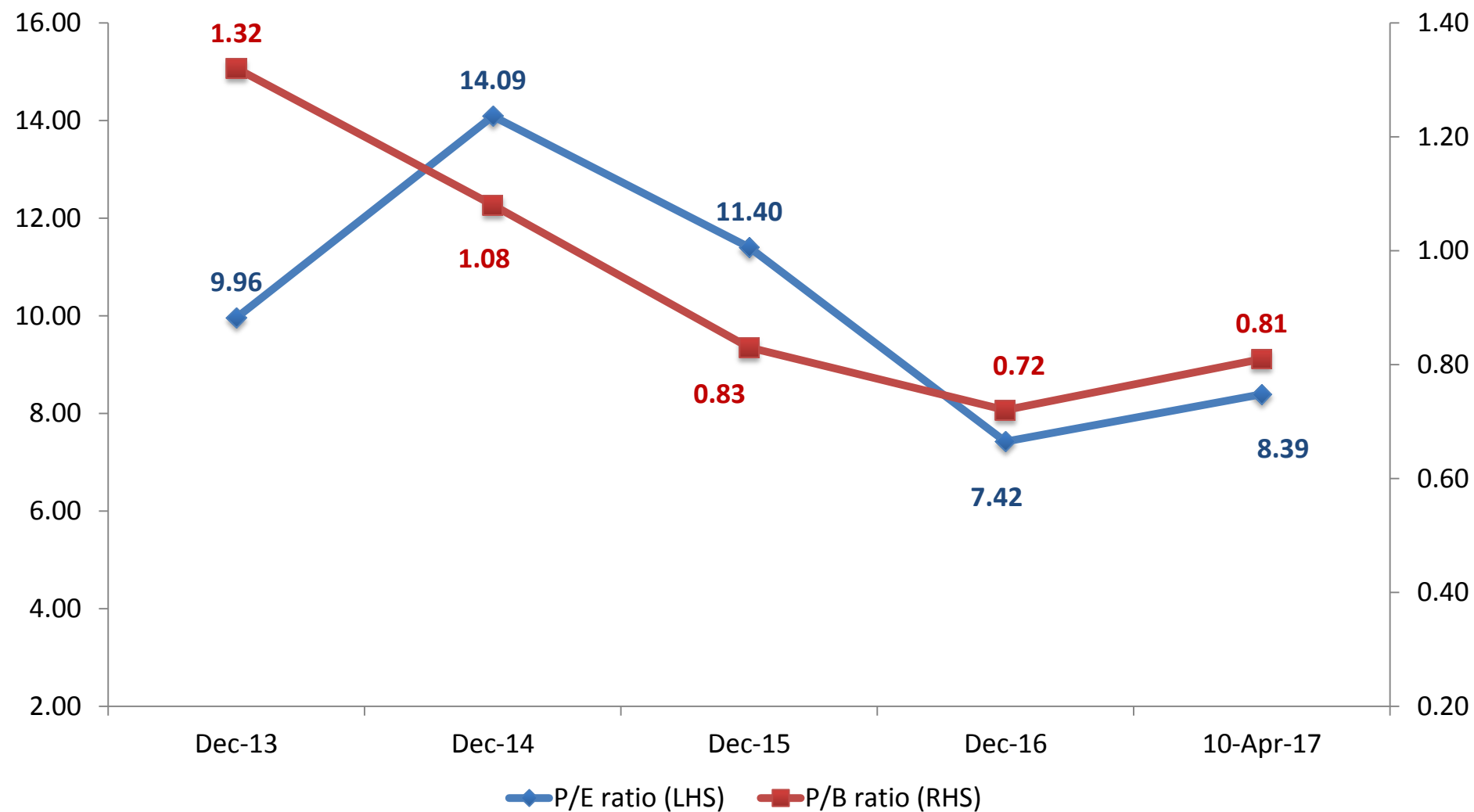


EARNINGS PER SHARE

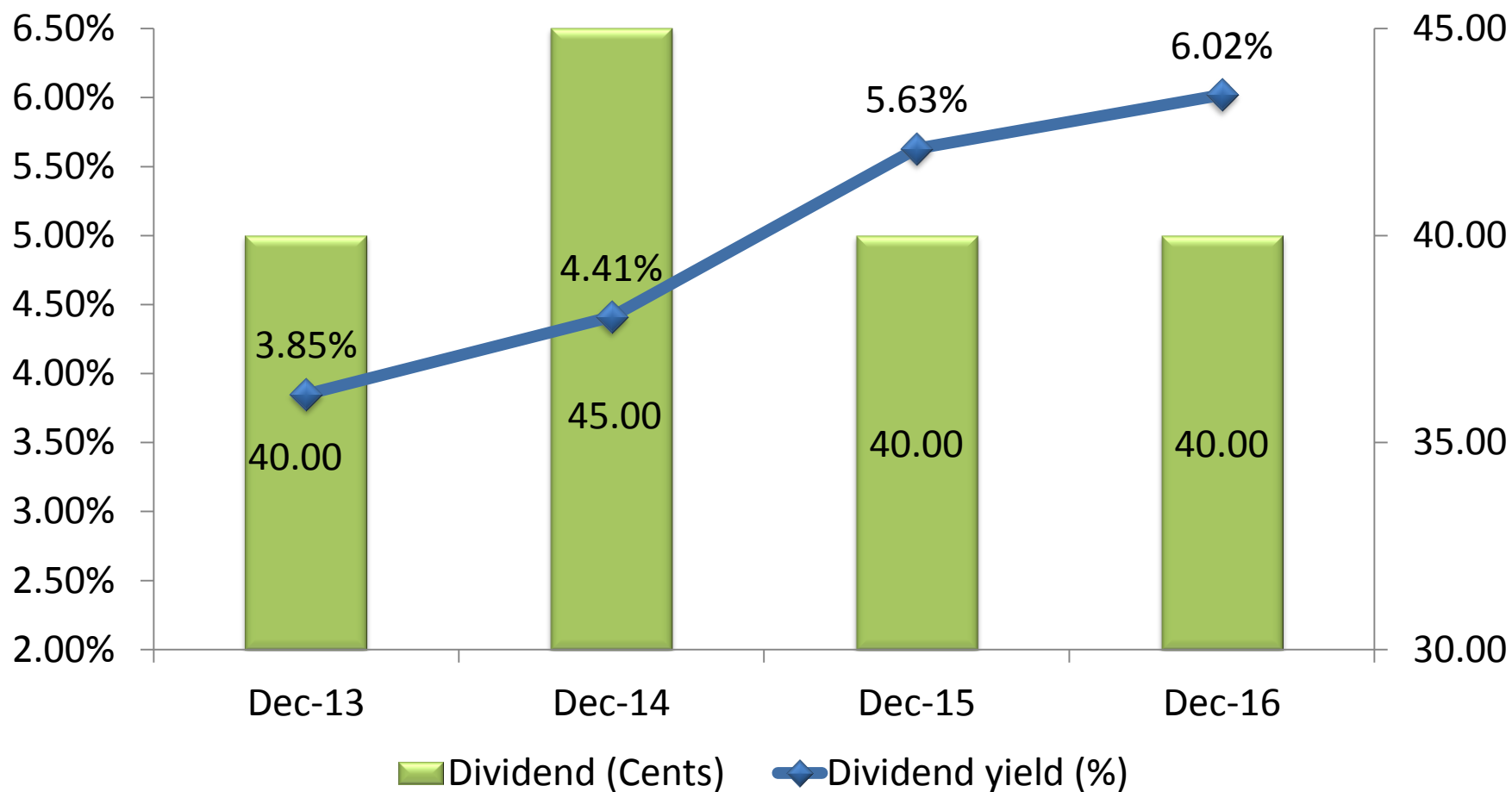


Note: Reverse share split of 10:1 done on 17 October 2016

P/E AND P/B RATIO



DIVIDEND YIELD





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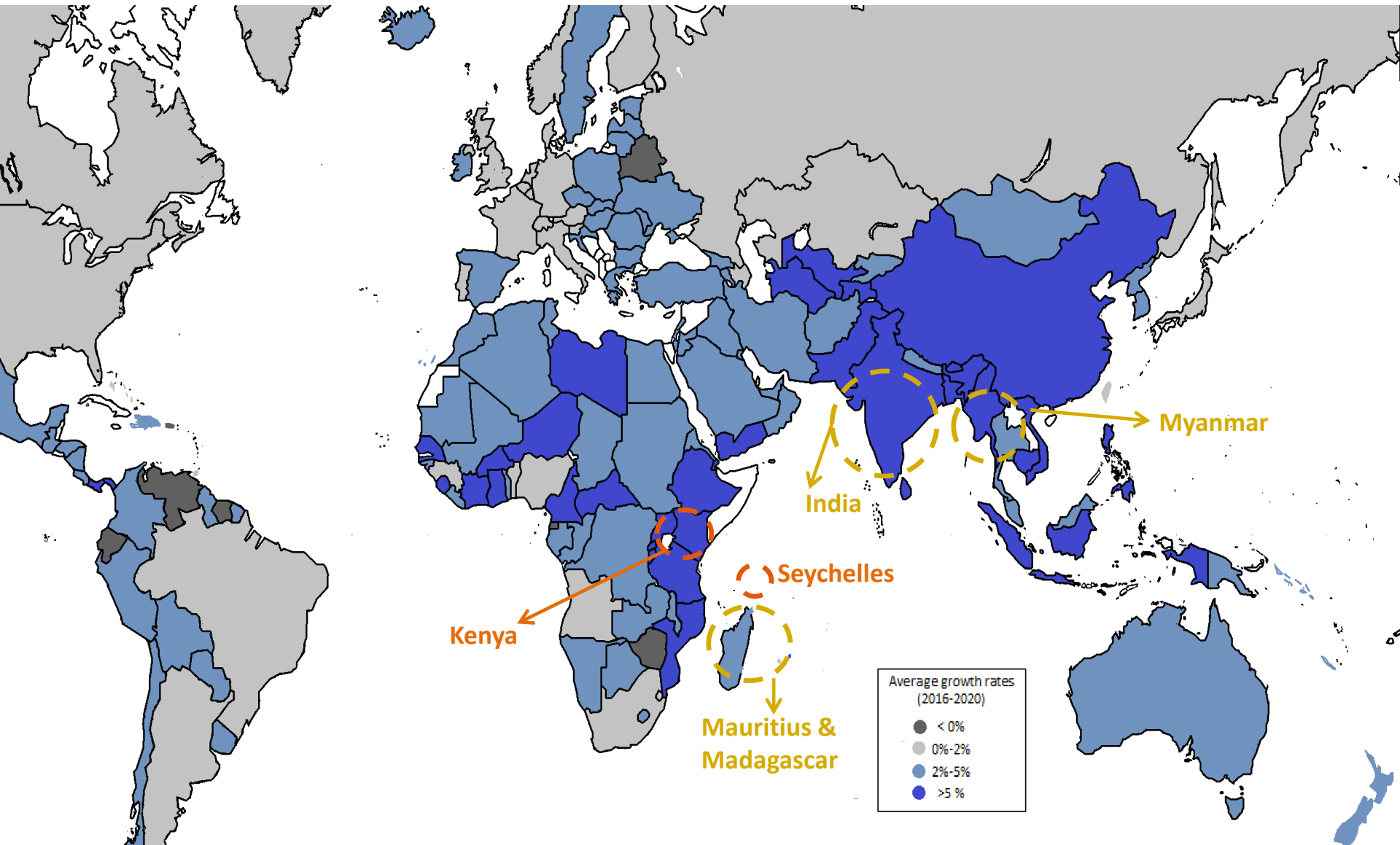
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OUR MAIN AREAS FOR 2017 ARE...

- ☐ Business Growth
- ☐ Service Improvement
- ☐ Geographical Expansion
- ☐ Digitalisation
- ☐ Organisational DNA Change
- ☐ Strengthen Risk Management Process

INTERNATIONAL EXPANSION...

-  Countries where SBM is present
-  Countries where SBM is considering to be present



TARGETS FOR 2017

Indicator	Achievements 2016	Target 2017
Return on Average Assets (ROA)	1.6%	>2%
Return on Average Equity	10.0%	>15%
Operating income growth (excl. dividend income)	5.1%	>25%
Cost to income ratio	42.5%	<42%
Gross advances growth	4.8%	>25%
Deposits growth	4.8%	>25%
Net impairment to net advances	2.6%	<2%
Assets under management growth	32.1%	>25%
Group total assets growth	7.9%	>25%
Group PAT growth	43.6%	25% approx.

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QUESTIONS & ANSWERS



THANK YOU



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