Audited Abridged Consolidated Financial Results for the year ended 31st December 2023

The Directors have pleasure in announcing the Group (Standard Chartered Bank Botswana and its subsidiaries) audited abridged Financial Results for the year ended 31 December 2023 together with comparative figures for 2022.

Statements of profit or loss and other comprehensive income for the year ended 31 December 2023

	Group		Company	
	2023 P '000	2022 P '000	2023 P '000	2022 P '000
Interest income	1,138,110	919,289	1,138,110	919,289
Interest expense	(332,316)	(336,140)	(332,316)	(336,140)
Net interest income	**805,794**	**583,149**	**805,794**	**583,149**
Fees and commission income	256,903	270,953	230,908	247,137
Fees and commission expense	(32,256)	(34,766)	(32,256)	(34,766)
Net fee and commission income	**224,647**	**236,187**	**198,652**	**212,371**
Net trading income	10,848	81,727	10,848	81,727
Other operating income	-	1,878	-	1,422
Operating income	**1,041,289**	**902,941**	**1,015,294**	**878,669**
Staff costs	(254,404)	(234,510)	(254,404)	(234,507)
Premises costs	(909)	(912)	(909)	(912)
General administrative expenses	(371,007)	(330,792)	(357,887)	(319,657)
Depreciation and amortization	(37,584)	(40,662)	(37,584)	(40,662)
Operating expenses	**(663,904)**	**(606,876)**	**(650,784)**	**(595,738)**
Operating profit before impairment losses and taxation	**377,385**	**296,065**	**364,510**	**282,931**
Credit impairment	25,329	(42,987)	25,329	(42,987)
Profit before taxation	**402,714**	**253,078**	**389,839**	**239,944**
Taxation	(95,344)	(51,252)	(92,481)	(50,419)
Profit for the year	**307,370**	**201,826**	**297,358**	**189,525**
Basic and diluted earnings per ordinary share (Thebe per share)	93.65	57.98	-	-
Other comprehensive income				
Items that may be reclassified subsequently to income statement:	**11,814**	**(5,021)**	**11,814**	**(5,021)**
Change in fair value of financial instruments at fair value through other comprehensive income	11,814	(5,021)	11,814	(5,021)
Net losses taken to equity	15,313	(6,359)	15,313	(6,359)
Taxation relating to components of other comprehensive income	(3,499)	1,338	(3,499)	1,338
Other comprehensive income for the period, net of taxation	**11,814**	**(5,021)**	**11,814**	**(5,021)**
Total comprehensive income for the period	**319,184**	**196,805**	**309,174**	**184,504**

Statements of financial position as at 31 December 2023

	Group		Company	
	2023 P '000	2022 P '000	2023 P '000	2022 P '000
Assets				
Cash and balances at central banks	854,469	491,618	851,591	488,740
Derivative financial instruments	16,144	770	16,144	770
Loans and advances to banks	6,906	45,078	6,906	45,078
Loans and advances to customers	8,559,800	7,775,324	8,559,800	7,775,324
Investment securities	4,274,968	2,444,488	4,274,968	2,444,488
Other assets	171,805	40,175	171,744	16,206
Due from related parties	3,632,041	5,266,269	3,558,096	5,266,269
Current tax assets	7,651	-	7,035	-
Prepayments and accrued income	269,393	166,408	269,393	166,408
Investments in subsidiary undertakings	-	-	30	30
Goodwill and intangible assets	63,366	63,150	63,366	63,150
Property, plant and equipment	81,223	101,599	81,223	101,599
Deferred tax assets	18,525	30,126	16,231	27,977
Total assets	**17,956,291**	**16,425,005**	**17,876,527**	**16,396,039**
Liabilities				
Deposits by banks	330,885	860,239	330,885	860,239
Customer deposits	13,081,354	13,024,890	13,081,354	13,024,890
Derivative financial instruments	23,163	469	23,163	469
Debt securities in issue	323,566	323,566	323,566	323,566
Other liabilities	1,447,427	139,986	1,434,976	169,775
Due to related parties	994,597	377,750	994,597	377,750
Current tax liabilities	-	20,634	-	18,749
Accruals and deferred income	122,614	129,366	122,575	129,366
Subordinated liabilities and other borrowed funds	389,000	389,000	389,000	389,000
Provisions for liabilities and charges	1,059	2,445	1,059	2,445
Total liabilities	**16,713,665**	**15,268,345**	**16,701,175**	**15,296,249**
Equity				
Stated capital	179,273	179,273	179,273	179,273
Retained earnings and other reserves	635,140	549,174	567,866	492,304
Total parent company shareholders' equity	**814,413**	**728,447**	**747,139**	**671,577**
Capital contribution	428,213	428,213	428,213	428,213
Total equity excluding non-controlling interests	**1,242,626**	**1,156,660**	**1,175,352**	**1,099,790**
Total equity	**1,242,626**	**1,156,660**	**1,175,352**	**1,099,790**
Total equity and liabilities	**17,956,291**	**16,425,005**	**17,876,527**	**16,396,039**

Key Financial Highlights

15% Operating income up 15% to P1b

5% Net fees and commission down 5%

59% Profit before tax up 59% to P403m

52% Profit after tax up 52% to P307m

19.3% Capital Adequacy Ratio (CAR) at 19.3% against the regulatory requirement of 12.5% up 230 basis points

10% Customer loans and advances grew 10%

29% Return on Tangible Equity (RoTE) at 29% up 661 bps

64% Cost to income (CIR) ratio improved from 67% in the prior year

Statement of cash flows for the year ended 31 December 2023

	Group		Company	
	2023 P '000	2022 P '000	2023 P '000	2022 P '000
Cashflow from operating activities				
Profit for the year	307,370	201,826	297,358	189,525
Adjustments for:				
Interest income	(1,138,110)	(919,289)	(1,138,110)	(919,289)
Interest expense	332,316	336,140	332,316	336,140
Taxation	95,344	51,252	92,481	50,419
Depreciation	25,245	28,477	25,245	28,477
Amortisation on intangibles	12,339	12,185	12,339	12,185
Net impairment loss on loans and advances	(23,696)	1,255	(23,696)	1,255
Unrealised foreign exchange losses/(gains)	9,016	(20,034)	9,016	(20,034)
Modification gains	-	(1,878)	-	(1,422)
Profit on sale of assets	-	(1,062)	-	(1,062)
Movements before changes in working capital	**(380,176)**	**(311,128)**	**(393,051)**	**(323,806)**
Change in derivative financial instruments assets	(44,424)	20,305	(44,424)	20,305
Change in investment securities	(464,002)	182,059	(464,002)	182,059
Change in loans and advances to customers	(758,106)	(58,734)	(758,106)	(59,190)
Change in other assets	(131,630)	27,013	(155,538)	52,342
Change in prepayments and accrued income	3,633	(21)	3,633	(21)
Change in deposits from other banks	(529,354)	442,584	(529,354)	442,584
Change in customer deposits	56,464	406,884	56,464	406,884
Change in other liabilities	(11,055)	(279,901)	(49,697)	(294,760)
Change in derivative financial instruments liabilities	22,694	(4,142)	22,694	(4,142)
Change in due to related parties	616,847	142,064	616,847	142,064
Change in accruals and deferred income	20,949	(19,740)	20,910	(19,740)
Change in provisions for liabilities and charges	(1,386)	717	(1,386)	716
	(1,599,546)	547,960	(1,675,010)	545,295
Taxation paid	(112,704)	(26,395)	(109,647)	(23,730)
Interest received	1,028,818	901,525	1,028,818	901,525
Interest paid	(308,045)	(236,137)	(308,045)	(236,137)
Net cash flows from operating activities	**(991,477)**	**1,186,953**	**(1,063,884)**	**1,186,953**
Cash flow from investing activities				
Acquisition of property and equipment	(10,203)	(1,766)	(10,203)	(1,766)
Acquisition of intangibles	(12,555)	(26,330)	(12,555)	(26,330)
Proceeds from sale of property equipment	-	3,500	-	3,500
Net cash used in investing activities	**(22,758)**	**(24,596)**	**(22,758)**	**(24,596)**
Cash flow from financing activities				
Interest paid on subordinated liabilities	(26,548)	(23,604)	(26,548)	(23,604)
Interest paid on debt securities	(25,424)	(22,550)	(25,424)	(22,550)
Lease liability capital payments	(17,336)	(18,778)	(17,336)	(18,778)
Lease liability interest payment	(2,236)	(2,232)	(2,236)	(2,232)
Dividends paid	(201,996)	(60,311)	(203,535)	(60,311)
Distribution payment to holders of subordinated capital securities	(30,300)	(30,300)	(30,300)	(30,300)
Net cash used in financing activities	**(303,840)**	**(157,775)**	**(305,379)**	**(157,775)**
(Decrease)/increase in cash and cash equivalents	**(1,318,075)**	**1,004,582**	**(1,392,021)**	**1,004,582**
Cash and cash equivalents at 1 January	**5,802,965**	**4,795,980**	**5,800,088**	**4,793,103**
Net foreign exchange differences	8,526	2,403	8,526	2,403
Cash and cash equivalents as 31 December	**4,493,416**	**5,802,965**	**4,416,593**	**5,800,088**

Statement of changes in equity for the year ended 31 December 2023

	Stated capital	Revaluation reserve	Statutory credit risk reserve	Treasury share reserve	Fair value reserve	Retained earnings	Parent company shareholders' equity	Capital contribution	Total
Group	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
As at 01 January 2022	179,273	29,397	19,152	(31,566)	(5,831)	429,843	620,268	428,213	1,048,481
Profit for the period	-	-	-	-	-	201,826	201,826	-	201,826
Other comprehensive income	-	-	-	-	(5,021)	-	(5,021)	-	(5,021)
Distributions to holders of subordinated capital securities	-	-	-	-	-	(30,300)	(30,300)	-	(30,300)
Other movements	-	-	-	-	-	1,985	1,985	-	1,985
Dividends to equity holders of ordinary shares	-	-	-	-	-	(60,311)	(60,311)	-	(60,311)
As at 31 December 2022	179,273	29,397	19,152	(31,566)	(10,852)	543,043	728,447	428,213	1,156,660
Profit for the period	-	-	-	-	-	307,370	307,370	-	307,370
Other comprehensive income	-	-	-	-	11,814	-	11,814	-	11,814
Distributions to holders of subordinated capital securities	-	-	-	-	-	(30,300)	(30,300)	-	(30,300)
Dividends to equity holders of ordinary shares	-	-	-	-	-	(201,996)	(201,996)	-	(201,996)
Other movements	-	-	-	-	-	(922)	(922)	-	(922)
As at 31 December 2023	**179,273**	**29,397**	**19,152**	**(31,566)**	**962**	**617,195**	**814,413**	**428,213**	**1,242,626**
Company									
As at 01 January 2022	179,273	29,397	19,152	-	(5,831)	355,693	577,684	428,213	1,005,897
Profit for the period	-	-	-	-	-	189,525	189,525	-	189,525
Other comprehensive income	-	-	-	-	(5,021)	-	(5,021)	-	(5,021)
Distributions to holders of subordinated capital securities	-	-	-	-	-	(30,300)	(30,300)	-	(30,300)
Dividends to equity holders of ordinary shares	-	-	-	-	-	(60,311)	(60,311)	-	(60,311)
As at 31 December 2022	179,273	29,397	19,152	-	(10,852)	454,607	671,577	428,213	1,099,790
Profit for the period	-	-	-	-	-	297,363	297,363	-	297,363
Other comprehensive income	-	-	-	-	11,814	-	11,764	-	11,764
Distributions to holders of subordinated capital securities	-	(50)	-	-	-	(30,300)	(30,300)	-	(30,300)
Dividends to equity holders of ordinary shares	-	-	-	-	-	(203,535)	(203,535)	-	(203,535)
Other movements	-	-	-	-	-	270	270	-	270
As at 31 December 2023	**179,273**	**29,347**	**19,152**	**-**	**962**	**518,405**	**747,139**	**428,213**	**1,175,352**

Consolidated Segmental Reporting

2023	Consumer, Private & Business Banking P '000	Corporate, Commercial & Institutional Banking P '000	Total P '000
Profit or Loss			
Interest Income	775,985	362,125	1,138,110
Interest Expenses	(349,290)	16,974	(332,316)
Net interest revenue calculated using the effective interest method	**426,695**	**379,099**	**805,794**
Net fee and commission income	191,263	33,384	224,647
Net trading income	28,348	(17,500)	10,848
Net operating income	**646,306**	**394,983**	**1,041,289**
Operating expenses	(467,571)	(196,333)	(663,904)
Operating profit before impairment losses and taxation	**178,735**	**198,650**	**377,385**
Credit impairment	4,860	20,469	25,329
Segment profit before taxation	183,595	219,119	402,714
Taxation			(95,344)
Profit for the year			**307,370**
Assets and liabilities			
Investment Securities	-	4,274,968	4,274,968
Loans and advances to customers	7,231,592	1,328,208	8,559,800
Other assets for reportable segments	179,522	4,942,001	5,121,523
Total assets for reportable segments	**7,411,114**	**10,545,177**	**17,956,291**
Deposits from non bank customers	4,236,013	8,845,341	13,081,354
Other liabilities for reportable segments	(153,956)	3,786,267	3,632,311
Total liabilities for reportable segments	**4,082,057**	**12,631,608**	**16,713,665**

2022	Consumer, Private & Business Banking P '000	Corporate, Commercial & Institutional Banking P '000	Total P '000
Profit or Loss			
Interest Income	723,750	195,539	919,289
Interest Expenses	(335,014)	(1,126)	(336,140)
Net interest revenue calculated using the effective interest method	**388,736**	**194,413**	**583,149**
Net fee and commission income	193,446	42,741	236,187
Net trading income and other operating income	29,925	53,680	83,605
Net operating income	**612,107**	**290,834**	**902,941**
Operating expenses	(469,782)	(137,094)	(606,876)
Operating profit before impairment losses and taxation	**142,325**	**153,740**	**296,065**
Credit impairment	(42,554)	(433)	(42,987)
Segment profit before taxation	99,771	153,307	253,078
Taxation			(51,252)
Profit for the year			**201,826**
Statement of financial Position			
Investment Securities	-	2,444,488	2,444,488
Loans and advances to customers	7,239,444	535,880	7,775,324
Other assets for reportable segments	137,155	6,068,038	6,205,193
Total assets for reportable segments	**7,376,599**	**9,048,406**	**16,425,005**
Deposits from non bank customers	3,988,743	9,036,147	13,024,890
Other liabilities for reportable segments	(116,630)	2,360,085	2,243,455
Total liabilities for reportable segments	**3,872,113**	**11,396,232**	**15,268,345**

Economic Environment

Global & Regional Economy

The global economy should be able to achieve a soft landing after the most aggressive monetary tightening cycle in years, although risks still abound. The laggard impact of aggressive central bank tightening is likely to be felt most acutely in developed economies, where we see average growth slowing to around 1% in 2024. In contrast, the growth in Asia is expected to only slow to 4.9% making it the fastest- growing region. While China's growth may remain lacklustre, improving exports and tourism should drive stronger recoveries in some Asian economies; in India, we expect a post-election growth pick-up. Lingering inflation and ongoing geopolitical tensions are risks to the global soft-landing scenario. On the inflation front, while a cyclical easing of price pressures is now taken for granted, it is unclear whether inflation can slow on a sustained basis. While a global soft landing is widely expected by markets, history suggests that current forecasts may be too optimistic. Soft landings have been rare after significant monetary tightening cycles in the past, raising questions about the sustainability of recent market rallies. Concerningly, in an increasingly fragmented world, there are no obvious new drivers of global growth gains.

Local Economy

Growth averaged 2.1% in the first three quarters of 2023, down from 5.5% in the same period in 2023 due to the lesser contribution of the mining sector. The global diamond market went through a rough patch in 2023 characterised by weaker demand and lower prices. As such, economy is estimated to grow by 2.9% in 2023, revised from earlier prediction of 3.9% on a sharper than expected diamond driven growth slowdown. In 2024, the GDP is expected to moderate at 3.9% reflecting higher than expected government spending as well as the base effects. The development spending is estimated at 8% of GDP in 2024, above the 5-year average of 6%. Therefore, the fiscal impulse is expected to spill over into 2025, this along with a likely recovery in the diamond demand, should boost growth. The market customer deposits grew faster than customer loans leading to increased market liquidity the second half of 2023. As a result, the market Advances to Deposits ratio (ADR) declined to 79% in December 2023 from 81% in December 2022. Inflation averaged 5.2% in 2023, falling within the Bank of Botswana's objective range of 3-6% compared to the 12.2% that was reported the previous year. Inflation is forecasted to average 4.2% in 2024 reflecting the higher impact of the government spending. The expansionary fiscal stance outlined in the financial year 2025 budget is likely to boost growth, and monetary policy is already relatively accommodative. Against this backdrop, the Bank of Botswana is expected to keep the policy rate unchanged.

Business Performance

The Bank delivered on its key financial objectives for 2023, achieving 29% Return on Tangible Equity (RoTE), ahead of schedule to reach 25% by 2025. The splendid performance was driven by the deliberate focus on high-returning products thus delivering a magnificent top line growth.

Non-Funded Income (NFI) declined by 26% year-on-year to close at P236m. The year on year drop was largely attributed to lower margins on Foreign Exchange (FX) and subdued transactional volume.

Good cost discipline has enabled the Bank to generate positive income-to-cost jaws of 6% for the year, even with continued underlying investment.

Operating expenses increased by 9% year-on-year, due to staff costs, reflective of the Bank's strategic intent to invest in quality and sustainable human capital.

Cost to Income ratio (CIR) improved from 67% to end the year at 64%. Cost containment is core to enabling the Bank to create positive operating leverage, whilst generating capacity to continue investing into strategic initiatives. Improving efficiencies will continue to be a key focus area.

The Bank maintained a strong liquidity position over the period, with a strategic focus on the optimal deposit mix. Low-cost deposits mobilisation yielded positive results allowing the Bank to end the year with reduced holding of volatile term deposits.

Net Interest Income and Margins

	31 Dec 23 P'000	31 Dec 22 P'000
Net Interest Income	805,794	583,149
Average Interest-earning Assets	12,010,311	10,895,549
Average Interest-bearing Liabilities	12,822,330	11,426,962
Gross Yield (%)	6.3	5.6
Rate Paid (%)	2.6	2.9
Net Yield	3.7	2.7
Net Margin (%)	4.0	3.2

Net Interest Income (NII) increased by 38% to P806m, with average interest earning assets growing by 10%. The growth in NII was also supported by strengthening margins, resulting in net margin improvement to 4.0% from 3.2% in the previous year.

Credit Quality

	31 Dec 23 P'000	31 Dec 22 P'000
Gross loans and Advances to customers	**8,771,762**	**8,010,982**
Of which Stage 1 and 2	8,599,385	7,851,430
Of which Stage 3	172,377	159,552
Expected Credit loss provisions	**211,962**	**235,658**
Of which Stage 1 and 2	94,362	127,992
Of which Stage 3	117,600	107,666
Net loans and Advances to customers	**8,559,800**	**7,775,324**
Of which Stage 1 and 2	8,505,023	7,723,438
Of which Stage 3	54,777	51,886
Collateral	**3,083,477**	**5,879,369**
Stage 1 and stage 2 exposures	3,028,700	5,831,288
Stage 3 exposures	54,777	48,081

Stage 1 and 2 ECL provisions decreased by 26% giving credence to the Bank's strategy of maintaining a clean book. Stage 3 impaired exposures increased by 8% due to specific clients, which the Bank continues to work closely with.

Balance Sheet and Liquidity

	31 Dec 23 P'000	31 Dec 22 P'000
Assets		
Loans and advances to banks	6,906	45,078
Loans and advances to customers	8,559,800	7,775,324
Other Assets	9,389,585	8,604,603
Total assets	**17,956,291**	**16,425,005**
Liabilities		
Deposits from other banks	330,885	860,239
Deposits from customers	13,081,354	13,024,890
Other Liabilities	3,301,426	1,383,216
Total liabilities	**16,713,665**	**15,268,345**
Equity	**1,242,626**	**1,156,660**
Advances-to-deposits Ratio (%)	65.4	59.7
Liquid Assets Ratio (%)	21.7	15.7

Total loans and advances to customers increased by 10% to P8.6b, largely driven by facility utilisation within the Corporate, Commercial Institutional Banking (CCIB) segment. Consumer, Private and Business Banking (CPBB) assets remained relatively flat year-on-year, with marginal growth in Personal loans. The Bank's strategic intention to drive short term loans is expected to maintain a resilient asset book.

The strategic funding plan remains robust, despite a marginal growth on customer deposits.

Risk Weighted Assets (RWA)

	31 Dec 23 P'000	31 Dec 22 P'000
By Risk Type		
Credit	6,454.363	7,634,730
Market	21,159	29,456
Operational	762,077	758,749
Total RWAs	**7,237,599**	**8,422,935**

Total RWA went down by P1b (14%) ending at P7.2b largely driven by Credit Risk RWA which closed at P6.4bn from P7.7b culminating from deliberate actions to drive RWA efficiency.

Capital Base and Ratios

	31 Dec 23 P'000	31 Dec 22 P'000
CET1 Capital	**761,941**	**706,531**
Additional Tier 1 Capital (AT1)	400,000	400,000
Tier 1 Capital	**1,161,941**	**1,106,531**
Tier 2 Capital	236,280	328,834
Total Capital	**1,398,221**	**1,435,365**
Capital adequacy ratio (%)	19.3	17.0
Regulatory Threshold (%)	12.5	12.5

Capital ratios remain within regulatory limits with Capital Adequacy Ratio (CAR) ending the year at 19.3%, up 230 basis points from the previous financial year. The bank continuously embarks on initiatives to optimize deployment of capital for maximum return to shareholders.

Segment performance

Consumer, Private and Business Banking

Consumer, Private and Business Banking (CPBB) serves individuals and small businesses. We are a digital-first bank for the affluent and emerging affluent that harnesses technology to offer payments, financing and wealth management solutions to our clients. We leverage our international expertise to provide tailored investment advisory and products that enable our clients to grow and protect their wealth. We also support our small business clients with their business banking needs by providing them access to international market linkages. We are committed to providing end-to-end digital capabilities to our clients that are convenient, affordable, and efficient.

Our 2023 Strategic Priorities

- Deliver double-digit Return on Tangible Equity (RoTE) thereby providing more value to our stakeholders.
- Be the leading bank for the affluent and emerging affluent, differentiated by its international footprint and expertise and using this to provide best in class local and international banking services.
- Focus on our areas of our strength and optimise where needed to ensure maintain and build profitable product and client segments.
- Digitize and automate end-to-end to drive growth and create exceptional client experiences.
- Drive efficiency and continuously improve the way we work for process simplification and operational excellence.

Progress so far

- Income from affluent and business client segments grew by 49% and 25% respectively in 2023 driven by focused product approach and a strong wealth offering.
- We have added local bonds and treasury bills to our retail wealth offering enabling clients to diversify their investment portfolios with more local options.
- Launched Eazy Pula, our agent banking platform and ended the year with 81 agent locations, well placed across all the districts of Botswana.
- We are now processing 95% of transactions through non-branch channels and digital adoption reached 80% up from 75% the previous year.
- We added another layer of security for our clients transacting online by introducing SC Mobile Key; a soft token (PIN) embedded in the Mobile app and first in the market.
- The operating environment has remained well controlled with very good audit outcomes and no material operational losses.

Performance highlights

- Income grew 6% year-on-year with return on tangible equity growing to 20.5%, the highest position since 2015 mainly driven by strong performance of Retail products
- Costs were well managed and flat year-on-year while cost income ratio improved by 400bps.
- Business profits were up 84% with loan impairment well controlled.
- Customer deposits grew by 6% while assets were relatively flat year-on-year.

Corporate, Commercial & Institutional Banking

Corporate, Commercial and Institutional Banking (CCIB) is focused on the following client segments. These are Banks and Non-bank financial institutions, Government and Government Related Enterprises, Multinational Corporates and Development Organizations. We have positioned ourselves as the Bank for Bankers, the Bank that provides the impetus for various industries, a position only attainable, by being part of a formidable, global group, with an extensive network.

We provide a suite of investment banking services including lending, trade finance, cash management, securities services, financial markets, risk management, debt capital markets, corporate finance and advisory to our local, inbound and outbound clients in Botswana. Our coverage model allows us to offer our clients world class service experience and deliver efficiencies leveraging on our state-of-the-art banking system and network capabilities.

Our Strategic priorities:

- Be the leading digital banking platform by leveraging technology to improve client experience
- Continuous investment in our people' focussing on improving our diversity mix, investing in front-line training, and internal talent development.
- Generate high-quality returns by growing 'capital-lite' income, driving balance sheet velocity and improving funding quality.
- Diversifying our client base for sustainable growth. This would strengthen our top line growth by rebalancing the portfolio into a more targeted profile of clients and reduce income volatility.

Progress Update:

- Client segmentation embedded with ongoing penetration into key target names and industries.
- Straight2Bank NextGen platform launched, providing world class digital banking to our clients. Migration of full client base to digital-only transactions improving service quality and ease of interaction with the Bank.
- Income growth and quality on an upward trajectory across all lines with contribution of capital lite income holding steady despite challenging macroeconomic conditions.
- A strong discipline on costs and asset origination, as well as enhanced controls achieved improved trading results.
- Resilient performance driven by diversified product suite and expanded client solutions.

Performance highlights

- Underlying profit before tax of P219m up 43% from prior year position of P153m.
- Performance is primarily driven by transaction banking leveraging our strong cash management solutions, migration to digital trade financing, differentiated and high yielding derivative solutions and robust securities services offering.
- Good balance sheet quality with credit impairments contained.

Outlook

2023 saw the Bank deliver a strong set of financial results with excellent performance in income and profit before tax. This outstanding performance was driven by the focused execution of our ambitious three-year strategy, which is in its second year and proving to be fit for purpose, in this dynamic operating environment.

In the first half of the year, the global economy experienced a slowdown due to geo-political tensions and the tightening of monetary policy across countries to stem inflationary pressures. The second half of the year saw a drastic decrease in local inflation, from highs of 14.6% (August 2022) to average 5.2% in 2023, this was supported by measures taken by both the monetary and fiscal authorities to stabilise and support economic activity. Despite this economic backdrop our business remained resilient as we continue to uphold our commitment and brand promise to our employees, clients and shareholders to be "Here for Good".

We remain conscious of the external macroeconomic headwinds, both globally and locally; we anticipate measured upward adjustments in the monetary policy and decelerated growth in the economy, reflecting the weakened diamond outlook. We will therefore continue seek to diversify our income streams by enhancing our customer value proposition which will keep us top of mind and deepen our clients' relationships across the broader portfolio. The Bank focused on ecosystem collaboration cross its consumer and corporate segments which resulted in significant wins in 2023, this deliberate strategy will continue into 2024. While we continue to enhance our digital capabilities, we will also drive our affluent proposition and leverage our strength as the go to Bank for mining and sustainable finance advisory services, aligning to the national priorities for 2024/25.

In 2024, we will continue to be guided by our three-year strategy; optimize our distribution model through partnerships; drive our brand visibility; enhance employee experience; deliver client centric services and solutions; as well as to maintain high double-digit Return on Tangible Equity (RoTE). The Bank anticipates a sustainable financial performance in 2024 supported by our colleagues who have diligently served our clients and are relentless in their pursuit to execute the strategy.

The Board and the Management Team would like to thank Shareholders for their support and feedback throughout the years, including 2023. Furthermore, we value the immense commitment, trust and support of our clients.

Declaration of Dividend

A final dividend of 103 thebe per ordinary share has been proposed. Subject to the final regulatory approvals, this dividend will be payable on **21st May 2024** to those shareholders registered at close of business on **9th May 2024** with an ex-dividend date of **7th May 2024**.

By order of the Board

Doreen Khama
Chairperson

Mpho Masupe
Managing Director

Gaborone

27 March 2024

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