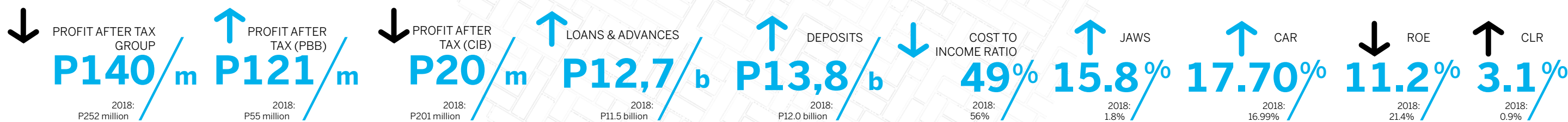


ABRIDGED AUDITED FINANCIAL RESULTS

For the year ended 31 December 2019



Economic climate

Global economy

After slowing sharply in the second half of 2018, global economic activity remained weak in 2019, reflecting a confluence of factors affecting major economies. Rising trade and geopolitical tensions took a toll on the global trading system affecting both business confidence and investment decisions. Trade wars and weakening growth in China negatively impacted global growth. In many parts of the world, the manufacturing sectors were either in recession or close to recession territory.

While financial market sentiments have been undermined by these developments, a shift towards policy accommodation in the United States and many other advanced and emerging market economies has been a counterbalancing force. Most central banks continue to be in a highly accommodative position leaving little room for additional monetary easing.

Local economy

Overall, annual GDP for 2019 is expected to be just above 3.5%. The economic climate has been impacted by falling export revenue as a result of depressed diamond sector performance over most of the year. However, the final diamond sight of the year in December saw a positive turnaround. Nonetheless, the government continues its efforts to diversify the economy, in particular export revenues; sentiments strongly echoed in the recent national budget speech from the Minister of Finance and Economic Development, Honourable Dr Thapelo Matsheka.

Financial performance

Revenue

Total income grew 16% to P1.1 billion. Net interest income (NII) grew 30% to P682 million, whilst Non-Interest Revenue (NIR) grew 0.3% to P460 million. NIR growth was supported by strong loan book development particularly from our Personal and Business Banking (PBB) segment. Net interest margin (NIM) increased marginally to 44.2 bps (2018, 42.1 bps) despite lower interest rates. Stronger growth in higher-margin unsecured lending and effective margin management yielded positive results.

NIR growth was driven by a 10% growth in fees and commission income on the back of strong underlying transactional volumes mainly from the Corporate and Investment Banking (CIB) segment. However, the growth was diluted by margin compression on FX transactions leading to a decline in trading income. Revenue contribution from our digital platforms continues to grow as clients shift their transactional activities to electronic banking. The Bank will continue to roll out new digital solutions and products to drive new revenue streams.

Credit impairment charges

Credit impairment charges increased from P94 million to P389 million predominantly driven by provision in our CIB segment which had performed exceptionally well over the years with minimal impairment. This increased our credit loss ratio (CLR) to 309 bps (2018, 86 bps).

Operating expenses

Our cost optimisation strategy yielded very satisfying results. Total operating costs remained flat at P554 million (2018, P552 million). Staff costs grew 6.6% to P292 million as we continue to improve our employee value proposition. Other operating expenses decreased by 6.1% to P262 million driven by strong focus on procurement efficiencies. Cost optimisation together with focus on our revenue base shifted our Cost-to-Income ratio (CTI) from 56%, 2018 to 49% in 2019 and delivered positive jaws of 15.8%.

Capital and liquidity management

The Group maintained strong capital adequacy ratios. The total capital adequacy ratio closed the year at 17.70% (2018, 16.99%), above both the regulatory requirement and our risk appetite. The Group successfully raised tier II funding of P300 million in the local market replacing existing sub debt at a lower cost.

The Group's liquidity position remains strong and within approved risk appetite and tolerance limits. The prudential liquidity requirement averaged 14.4% in 2019 exceeding the minimum regulatory requirement of 10%. The Group maintained its Net Stable Funding Ratio in excess of the internal requirement.

Outlook

We expect the impact of Covid-19 to bring downward pressures on revenue and export opportunities for the country. Botswana's growth outlook over the medium term is likely to contract as a result of the broad-based impact that the Covid-19 pandemic will have on different sectors of the economy. There are good prospects of recovery in the second half of the year supported by the country's stable institutional frameworks and monetary policy framework.

However, Stanbic Bank Botswana is retaining an overall positive outlook for 2020 of the domestic economy as we take advantage of the strength of our balance sheet, the quality of our clients' engagements and the positive business momentum created in 2019.

C.A. Granville
Chairman
31 March 2020

S.A. Minta
Chief Executive
31 March 2020

Statements of profit or loss and other comprehensive income

For the year ended 31 December 2019

	Group	
	2019 P000's	2018 P000's
Interest income	913 911	741 548
Interest expense	(232 243)	(216 528)
Net interest income	681 668	525 020
Fee and commission income	268 829	238 484
Fee and commission expense	(52 270)	(40 959)
Net fee and commission income	216 559	197 525
Net trading income	222 048	251 296
Other income	21 977	9 895
Other gains and (losses) on financial instruments	(237)	226
Non-interest income	460 347	458 942
Total income	1 142 015	983 962
Credit impairment charges	(389 046)	(93 549)
Net income before operating expenses	752 969	890 413
Staff costs	(291 851)	(273 561)
Other operating expenses	(261 660)	(278 641)
Total operating expenses	(553 511)	(552 202)
Profit before indirect tax	199 458	338 211
Indirect tax	(22 590)	(17 748)
Profit before direct tax	176 868	320 463
Direct tax	(37 142)	(68 912)
Profit for the year	139 726	251 551
Total comprehensive income for the year	139 726	251 551

Statements of financial position

For the year ended 31 December 2019

	Group	
	2019 P000's	2018 P000's
Assets		
Cash and balances with the Central Bank	608 600	497 252
Derivative assets	29 142	25 425
Trading portfolio assets	37 808	632 794
Financial investments	2 550 381	1 441 949
Loans and advances	12 687 741	11 505 568
Loans and advances to banks	4 078 666	3 336 683
Loans and advances to customers	7 005	-
Other assets	101 568	41 151
Current tax asset	165 004	185 949
Intangible assets	152 264	117 864
Property, equipment and right of use assets	64 606	29 643
Deferred tax asset	-	-
Total assets	16 404 119	14 477 595
Liabilities and equity		
Derivative liabilities	15 491	9 939
Deposits	13 767 170	11 951 786
Deposits from banks	1 484 980	534 368
Deposits from customer accounts	12 282 190	11 417 418
Current tax liability	-	10 753
Accruals, deferred income and other liabilities	321 679	243 112
Debt securities in issue	989 500	1 088 100
Liabilities	15 093 840	13 303 690
Equity		
Stated capital	390 177	390 177
Reserves	920 102	783 728
Equity	1 310 279	1 173 905
Total liabilities and equity	16 404 119	14 477 595

Statements of changes in equity

For the year ended 31 December 2019

Group	Stated capital P000's	Statutory credit reserve P000's	Retained earnings P000's	Total equity P000's
Balance at 1 January 2019	390 177	111 497	672 231	1 173 905
IFRS 16 transition adjustment	-	-	1 193	1 193
Transfer from retained earnings – IFRS 9 day 1 correction	-	-	(4 545)	(4 545)
Restated balance at 1 January 2019	390 177	111 497	673 424	1 175 098
Total comprehensive income for the year	-	-	139 726	139 726
Decrease in statutory credit reserve	-	(807)	807	-
Balance at 31 December 2019	390 177	110 690	809 412	1 310 279

Group	Stated capital P000's	Statutory credit reserve P000's	Available-for-sale reserve P000's	Revaluation reserve P000's	Share based payments reserve P000's	Retained earnings P000's	Total equity P000's
Balance at 1 January 2018	390 177	52 869	3 229	1 057	147	726 782	1 174 261
IFRS 9	-	-	(3 229)	-	-	(88 678)	(91 907)
Adjusted balance at 1 January 2018	390 177	52 869	-	1 057	147	638 104	1 082 354
Total comprehensive income for the year	-	-	-	-	-	251 551	251 551
Increase in statutory credit reserve	-	58 628	-	-	-	(58 628)	-
Dividends paid	-	-	-	-	-	(160 000)	(160 000)
Transfer to retained earnings	-	-	-	(1 057)	-	1 057	-
Share based payment scheme	-	-	-	-	(147)	147	-
Balance at 31 December 2018	390 177	111 497	-	-	-	672 231	1 173 905

Comment from the Chief Executive, Mr. Samuel Minta

"Stanbic Bank considers itself to be more than just a bank, but an entity that cares for the communities within which it operates and is alive to the societal challenges that prevail across our Africa markets and is alive to the societal challenges that prevail across Botswana. We do this through our Social, Environmental and Economic (SEE) strategic initiative, which is not just an event, but rather a standard way of doing business by deliberately assessing the impacts of the investments we support on society and environment."



Statements of cash flows

For the year ended 31 December 2019

	Group	
	2019 P000's	2018 P000's
Net cash flows from operating activities	238 103	65 325
Cash flows generated from operations	349 027	148 103
Indirect tax paid	(22 590)	(17 748)
Direct tax paid	(88 334)	(65 030)
Net cash flows in investing activities	(28 155)	(39 798)
Net cash flows in financing activities	(98 600)	(160 000)
Net movement in cash and cash equivalents	111 348	(134 473)
Cash and cash equivalents at beginning of the year	497 252	631 725
Cash and cash equivalents at end of the year	608 600	497 252

When we say "Botswana is our home and we drive her growth" we mean it. We have our ears to the ground, our eyes open, and our hearts beating to the tune of a nation we are proud to call home.

#AgangBoswa



Segment reporting

For the year ended 31 December 2019

2019 Group	Corporate & Investment Banking	Personal & Business Banking	Corporate functions	Total
	P000's	P000's	P000's	P000's
Net interest income	278 069	413 425	(9 826)	681 668
Non-interest income	223 727	236 823	(203)	460 347
Net fee and commission income	(4 866)	221 515	(90)	216 559
Net trading income	222 048	-	-	222 048
Other income	6 545	15 308	(113)	21 740
Total income	501 796	650 248	(10 029)	1 142 015
Credit impairment charges	(301 943)	(87 103)	-	(389 046)
Income after credit impairment charges	199 853	563 145	(10 029)	752 969
Total operating expenses	(172 958)	(398 834)	18 281	(553 511)
Staff costs	(42 006)	(108 361)	(141 484)	(291 851)
Other operating expenses	(130 952)	(290 473)	159 765	(261 660)
Net income before indirect tax	26 895	164 311	8 252	199 458
Indirect tax	(3 195)	(9 531)	(9 864)	(22 590)
Profit / (loss) before direct tax	23 700	154 780	(1 612)	176 868
Direct tax	(3 624)	(33 860)	342	(37 142)
Profit / (loss) after tax	20 076	120 920	(1 270)	139 726
Operating information				
Total assets	9 177 807	6 919 879	306 433	16 404 119
Total liabilities	8 588 235	6 139 525	366 080	15 093 840
Other information				
Depreciation and amortisation	327	22 358	35 822	58 507

Segment reporting

For the year ended 31 December 2018

2018 Group	Corporate & Investment Banking	Personal & Business Banking	Corporate functions	Total
	P000's	P000's	P000's	P000's
Net interest income	169 388	367 430	(11 798)	525 020
Non-interest income	247 298	211 649	(5)	458 942
Net fee and commission income	(4 910)	202 444	(9)	197 525
Net trading income	251 296	-	-	251 296
Other income	912	9 205	4	10 121
Total income	416 686	579 079	(11 803)	983 962
Credit impairment charges	(4 887)	(88 666)	4	(93 549)
Income after credit impairment charges	411 799	490 413	(11 799)	890 413
Total operating expenses	(155 897)	(413 487)	17 182	(552 202)
Staff costs	(37 676)	(106 233)	(129 652)	(273 561)
Other operating expenses	(118 221)	(307 254)	146 834	(278 641)
Net income before indirect tax	255 902	76 926	5 383	338 211
Indirect tax	(1 461)	(6 354)	(9 933)	(17 748)
Profit / (loss) before direct tax	254 441	70 572	(4 550)	320 463
Direct tax	(53 201)	(16 015)	304	(68 912)
Profit / (loss) after tax	201 240	54 557	(4 246)	251 551
Operating information				
Total assets	8 722 475	5 522 801	232 319	14 477 595
Total liabilities	7 932 862	4 892 991	477 837	13 303 690
Other information				
Depreciation and amortisation	273	9 612	33 176	43 061