



**Stanbic Bank Botswana Limited**  
**UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**ANNOUNCEMENT**

For the half year ended 30 June 2023

▲ 48%  
**Profit Before taxes**  
 (Pm)  
**303**  
 2022: P205 million

▼ 2.6%  
**Loans and advances**  
 (Pb)  
**18.9**  
 2022: P19.4 billion

▲ 3.5%  
**Deposits**  
 (Pb)  
**20.2**  
 2022: P19.5 billion

▲ 3.9%  
**CAR**  
 (%)  
**20.05**  
 2022: 16.18%

▲ 5.2%  
**Return on Equity**  
 (%)  
**22.2**  
 2022: 17.0%

▲ (0.2%)  
**Credit loss ratio**  
 (%)  
**0.7**  
 2022: 0.5%

▼ 7.3%  
**Cost-to-Income ratio**  
 (%)  
**53.5**  
 2022: 60.9%

December 2022 marked the end of our previous strategy, Legacy 221. This gave the board and management the opportunity to reflect on the successes and learnings over the 4-year strategy journey. Our new 3-year strategy, **Letsema 2025**, drew valuable lessons from the previous strategy. **Letsema 2025** is a purpose-led strategy anchored on our values and our agreed leadership behaviors. We are confident that we have a compelling purpose 'Botswana is our home, we drive her growth' and the right people to deliver on it through **Letsema 2025**. **Transforming client experience will always be our source of inspiration. We are cognisant that client experience begins with employee experience and that Letsema 2025 is meant to give our employees a sense of purpose. We are committed to creating a positive work environment.**

**Economic Climate**

The Global and local economic landscape have shown consistent recovery following a prolonged contraction at the back of the Covid-19 pandemic and subsequently geopolitical activities in the Russia-Ukraine conflicts as well as instability in East Asia. Botswana continues to enjoy a stable democratic political environment. The banking and financial services sector have remained robust and resilient even at the back of ongoing global shocks. The tourism industry printed a record rebound after a year of struggle, largely induced through the stringent Covid-19 restrictions. Businesses are starting to lend at a higher rate, suggesting that economic activity is revving post the pandemic slump. Banks however continue to be cautious on household credit due to the risks that still linger in that space. Risk of

retrenchments remains a possibility as businesses experience the lagging effects of the pandemic. Local inflation has consistently been on a reducing trend in the first half of 2023 and currently at 4.6% (June 2023), the lowest this year and remaining within the Central Bank's medium term objective range of 3-6% for the second time consecutively.

**Strategy**

To ensure sustainable business growth, we have focused the first half of the year in deepening our relationships with our clients, understanding their pain points and ensuring that their experiences in interacting with the Bank across all the channels and platforms is at par with their expectations. Our key focus has been on carefully monitoring customers' satisfaction and solutions for their needs as dictated by them. This has seen us enhance our Client Value Propositions (CVPs) by offering bespoke products and services informed by data insights through a dedicated personalisation team. To support this, the Bank has made a significant investment on the staff not only in making sure all critical roles are filled, but by also ensuring that it is the right people with the right fit for the desired culture.

**Financial Performance**

The SBBL Group half year profit before tax closed at P303 million, reflecting a 48% growth from 2022. The performance is at the back of the 151bps rate increase in 2022 as well as successful balance sheet optimisation strategies which focused on margin optimisation, non-traditional banking revenues, effective credit control management strategies as well as key investments in technology and people to support system stability, client experience and ultimately sustainable business growth.

**Balance sheet**

Balance sheet optimisation continues to be a key focus area, and following deep understanding of market and internal data insights, as well as client engagements, the balance sheet reconstruction has been driven by clients' needs especially from a product perspective, seeing growth in the Business and Commercial Banking (BCB) and Corporate and Investment Banking (CIB). Following focus by the Bank to support local businesses as well as help build new businesses, we have seen an impressive growth in the Africa China Trade portfolio, which aligns with our purpose to grow Botswana. In other segments we have seen the balance sheet reconstruct as the Personal and Private Banking (PPB) portfolio refocused on rehabilitation of non-performing loans and this has resulted in better yields as well as minimal growth in credit loss ratios at 0.7% slightly higher than prior year at 0.5%.

Funding structure has also been a focus area as the Bank focused its energies on managing liquidity at the back of a compressed market liquidity landscape. The Bank has seen the liquidity position stabilize in the first half of the year compared to the last half of the previous year, evidenced by a healthy loans to deposits ratio at 70.16%. Focus is to optimise the funding structure going forward.

**Revenue**

Net Interest Income (NII) which is our largest revenue contributor over the years recorded 49% growth on year. Though most of the growth is at the back of 151 bps rate increase in 2022, there were some balance sheet efficiencies extracted through balance sheet optimisation; rehabilitation of non-performing portfolios and restructuring of distressed segments, the data insights extracted helped us proactively engage clients and help them

structure their portfolios better to reduce strain on both bank and client. Interest Income grew by 44% though the customer loan book regressed by 1%, a deliberate strategy as the bank refocused growth in new business portfolios as well as the restructuring of distressed portfolios.

Though Non Interest Income (NRI) has declined year on year, we have seen an uplift in fees and commissions at the back of improved transactionality owing to the enhancements and investments made in the technology space to ensure our customers are able to transact anywhere and at any time.

**Credit Impairment charges**

Credit impairment charges increased by P27 million, with similar growth levels to market owing to job losses/retrenchments and slow recovery in some sectors within the economy. Despite a 67% growth, our credit risk control environment remains robust supported by a healthier loan book as evidenced by a Credit loss ratio of 0.7%, a result of effective rehabilitation, restructuring and collections strategies. The Bank took a deliberate stance to focus on credit risk management on the existing book against aggressive loan book growth, this has resulted in a reduction in our NPL ratio from 3.06% in June 2022 to 2.79% in June 2023.

**Operating Expenses**

The growth in costs is reflective of the latent impact of inflationary impacts borrowed from the second half of 2022, as well as an increase in staff costs at the back of the annual salary increments effected this year to recognise growing cost of living throughout 2022. We also picked up inflationary adjustments in the procurement of services where adjustments had to be made for imported inflation. On the other hand, investments in technology

have contributed to the costs growth, a strategic decision to focus on improving client experience, client retention as well as client acquisition. Cost optimisation strategies have also been deployed in managing our cost to serve and once again data insights are at the helm of this achievement together with improved procurement practices. Collectively these contributed to a reduction in our cost to income ratio from 60.9% in 2022 to 53.54% in June 2023.

**Outlook**

2023 signified the start of a new and exciting 3-year 'Letsema2025' strategic journey. The first half of the year has been a success and the outlook for the remainder of 2023 remains positive. The sustained success will come from continuing to be deliberate and intentional around the business we pursue and the outcomes we seek by making sure they are aligned with our strategic goals and purpose to drive Botswana's growth. The political environment is expected to remain stable as we prepare for 2024 general elections, but uncertainties remain in both micro and macro-economic environment. With inflation levels consistently dropping below the Bank of Botswana (BoB) target range, we expect to enter an interest rate cut cycle in the short to medium term. The business resilience demonstrated by our financial performance is further assurance that our strategies are effective. Based on current performance and initiatives in place, we anticipate we will close the year strongly, and above 2022 levels. We remain focused in building a sustainable franchise through transforming client experience.

**Chairman**  
**Dr T. K. Matome**

**Chief Executive**  
**C. Modise**

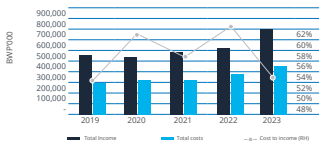


**#UNAYOEVERYWHERE**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
 For the half year ended 30 June 2023

	Group	
	Half year ended 30 June 2023	Half year ended 30 June 2022
	P000's	P000's
Interest income	851 562	592 699
Interest expense	(313 762)	(232 538)
<b>Net interest income</b>	<b>537 800</b>	<b>360 161</b>
Fee and commission income	194 302	180 256
Fee and commission expense	(61 972)	(65 403)
Net fee and commission income	132 330	134 853
Net trading income	113 761	121 145
Other income	11 996	10 804
<b>Non-interest income</b>	<b>258 867</b>	<b>266 802</b>
Total income	796 387	626 963
Credit impairment charges	(66 673)	(29 808)
<b>Net income</b>	<b>729 714</b>	<b>597 155</b>
Staff costs	(209 266)	(167 388)
Other operating expenses	(217 128)	(214 548)
<b>Total operating expenses</b>	<b>(426 394)</b>	<b>(381 936)</b>
Profit before indirect tax	303 320	205 219
Indirect tax	(13 175)	(14 081)
<b>Profit before direct tax</b>	<b>290 145</b>	<b>191 138</b>
Direct tax	(63 377)	(64 188)
<b>Profit for the year</b>	<b>226 768</b>	<b>146 950</b>
<b>Other comprehensive income after taxation for the year</b>	<b>-</b>	<b>(240)</b>
Items that may not be subsequently reclassified to profit or loss	-	(240)
Net change in fair value of equity financial assets measured at FVOCI	-	(240)
<b>Total comprehensive income for the year</b>	<b>226 768</b>	<b>146 710</b>

**TOTAL INCOME VS OPERATING COSTS**

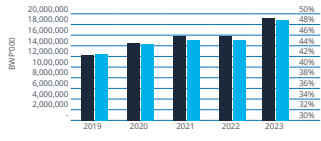


Cost to income ratio has been well managed by ensuring investments are focused to the correct focus areas, the bank has responded well to investments in the technology space where customer pain points were felt.

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
 At 30 June 2023

	Group	
	Half year ended 30 June 2023	Half year ended 30 June 2022
	P000's	P000's
<b>Assets</b>	<b>618 698</b>	<b>567 261</b>
Cash and balances with the Central Bank	11 950	27 517
Derivative assets	19 476	7 079
Trading portfolio assets	3 775 382	2 353 352
Financial investments	18 986 240	19 420 218
Loans and advances to banks	5 891 521	6 184 663
Loans and advances to customers	13 094 719	13 235 555
Other assets	224 243	1 903
Intangible assets	30 745	30 745
Property, equipment and right of use assets	111 182	135 558
Deffered tax asset	151 142	131 657
Other assets	10 997	21 722
<b>Total assets</b>	<b>23 961 172</b>	<b>22 696 992</b>
<b>Liabilities and equity</b>	<b>23 961 172</b>	<b>22 696 992</b>
Derivative liabilities	12 577	16 558
Trading liabilities	30 157	125 276
Deposits from banks	1 558 113	1 742 939
Deposits from customer accounts	18 663 878	17 826 788
Accruals, deferred income and other liabilities	660 548	370 919
Debt securities in issue	766 440	758 720
<b>Liabilities</b>	<b>21 691 714</b>	<b>20 841 200</b>
Equity	390 177	390 177
Statuted capital	1 879 281	1 465 615
<b>Equity - attributable to ordinary shareholders</b>	<b>2 269 458</b>	<b>1 855 792</b>
<b>Total liabilities and equity</b>	<b>23 961 172</b>	<b>22 696 992</b>

**BALANCE SHEET EFFICIENCY**



Balance sheet optimisation remains a key focus area, with bank ensuring we deploy funds in response to client needs and to the right products.

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
 For the half year ended 30 June 2023

Group	Stated capital		Statutory credit reserve	Fair value through OCI reserve	Retained earnings	Total equity
	P000's	P000's				
<b>Balance at 1 January 2023</b>	<b>390 177</b>	<b>154 474</b>	<b>-</b>	<b>1 608 039</b>	<b>2 152 699</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>226 768</b>	<b>226 768</b>	<b>226 768</b>
<b>Profit after tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>226 768</b>
<b>Other comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>110 000</b>	<b>110 000</b>	<b>-</b>
<b>Increase in statutory credit reserve</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>110 000</b>
<b>Dividends paid</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 30 June 2023</b>	<b>390 177</b>	<b>154 474</b>	<b>-</b>	<b>1 724 807</b>	<b>2 269 458</b>	<b>-</b>
<b>Balance at 1 July 2022</b>	<b>390 177</b>	<b>154 474</b>	<b>(240)</b>	<b>1 164 191</b>	<b>1 709 082</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>443 848</b>	<b>443 808</b>	<b>-</b>
<b>Profit after tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>443 848</b>	<b>443 848</b>	<b>-</b>
<b>Net change in fair value of equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(240)</b>
<b>Other comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(240)</b>
<b>Increase in statutory credit reserve</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Dividends paid</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 December 2022</b>	<b>390 177</b>	<b>154 474</b>	<b>-</b>	<b>1 608 039</b>	<b>2 152 699</b>	<b>-</b>
<b>Balance at 1 January 2022</b>	<b>390 177</b>	<b>154 474</b>	<b>(240)</b>	<b>1 164 191</b>	<b>1 709 082</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>146 950</b>	<b>146 950</b>	<b>-</b>
<b>Profit after tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>146 950</b>	<b>146 950</b>	<b>-</b>
<b>Other comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(240)</b>
<b>Increase in statutory credit reserve</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Dividends paid</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 30 June 2022</b>	<b>390 177</b>	<b>154 474</b>	<b>-</b>	<b>1 311 141</b>	<b>1 855 792</b>	<b>-</b>

**CONDENSED STATEMENT OF CASH FLOWS**  
 For the half year ended 30 June 2023

	Group	
	Half year ended 30 June 2023	Half year ended 30 June 2022
	P000's	P000's
<b>Net cash flows from operating activities</b>	<b>113 542</b>	<b>307 259</b>
Cash flows generated from operations	(854 683)	(7 334)
Interest received	851 562	592 699
Interest paid	(313 762)	(232 538)
Interest tax paid	(13 175)	(14 081)
Direct tax paid	(56 400)	(31 487)
<b>Net cash flows in investing activities</b>	<b>44 277</b>	<b>28 515</b>
<b>Net cash flows in financing activities</b>	<b>(84 000)</b>	<b>(200 000)</b>
<b>Net movement in cash and cash equivalents</b>	<b>73 819</b>	<b>135 774</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>544 879</b>	<b>431 487</b>
<b>Cash and cash equivalents at end of the year</b>	<b>618 698</b>	<b>567 261</b>



**SEGMENT REPORTING**

For the half year ended 30 June 2023

2023	Corporate and Investment Banking				Corporate Functions	Total
	P000's	Commercial Banking P000's	Business Banking P000's	Personal and Private Banking P000's		
Net interest income	204 081	197 837	147 269	(11 487)	537 800	
Non-interest income	100 447	70 332	93 312	(9 505)	258 586	
Net fee and commission income	(15 369)	70 268	83 790	(5 459)	133 230	
Net trading income	113 761	-	-	-	113 761	
Other income	2 995	65	9 522	(46)	11 996	
<b>Total income</b>	<b>343 763</b>	<b>268 270</b>	<b>240 581</b>	<b>(56 227)</b>	<b>796 387</b>	
Credit impairment charges	(8 892)	(25 253)	(37 528)	-	(66 673)	
<b>Income after credit impairment charges</b>	<b>339 871</b>	<b>243 017</b>	<b>203 053</b>	<b>(56 227)</b>	<b>729 714</b>	
Total operating expenses	(132 362)	(145 081)	(163 520)	(19 569)	(426 394)	
Staff costs	(83 531)	(86 944)	(82 441)	(76 351)	(299 266)	
Other operating expenses	(78 831)	(68 137)	(81 079)	(93 929)	(217 128)	
<b>Net income before indirect tax</b>	<b>166 274</b>	<b>97 936</b>	<b>34 533</b>	<b>(2 577)</b>	<b>303 320</b>	
Indirect tax	(1 971)	(1 693)	(2 804)	(6 787)	(13 175)	
<b>Profit / (loss) before direct tax</b>	<b>164 303</b>	<b>96 243</b>	<b>31 729</b>	<b>(4 130)</b>	<b>290 145</b>	
Direct tax	(36 588)	(29 976)	(6 035)	222	(63 377)	
<b>Profit / (loss) after tax</b>	<b>127 715</b>	<b>75 267</b>	<b>25 694</b>	<b>(3 908)</b>	<b>226 768</b>	
<b>Operating information</b>	<b>Corporate and Investment Banking P000's</b>	<b>Commercial Banking P000's</b>	<b>Business Banking P000's</b>	<b>Personal and Private Banking P000's</b>	<b>Corporate Functions P000's</b>	<b>Total P000's</b>
Total assets	13 379 537	1 731 519	8 611 385	238 731	23 961 172	
Total liabilities	13 463 615	5 524 866	2 349 514	(46 283)	21 691 714	
<b>Other information</b>	<b>1 563</b>	<b>1 694</b> </				