

ABRIDGED UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2024



▲ **45%**
Profit before Direct Taxes(Pm)
P420
2023: P290 million

▲ **9.8%**
Loans and Advances (Pb)
P20.8
2023: P18.9 billion

▲ **9.1%**
Deposits (Pb)
P22.0
2023: P20.2 billion

▲ **0.78%**
Capital Adequacy Ratio (%)
20.83%
2023: 20.05%

▲ **5.0%**
Return on Equity (%)
27.2%
2022: 22.2%

▼ **(0.5%)**
Credit Loss Ratio (%)
0.25%
2023: 0.7%

▼ **4.2%**
Cost-to-Income Ratio (%)
49.3%
2023: 53.5%

Overview - Economic Landscape

The global economy continues to be marred by Euro-Asia conflicts and has seen continued disruption in global supply chains, presenting instability and contraction in gross domestic product (GDP) forecasts across the markets. The sanctions imposed by the G7 countries on Russia for its invasion of Ukraine have created tighter financial conditions and other adverse factors. According to the July 2024 World Economic Outlook, global growth is projected at 3.2% and 3.3% for 2024 and 2025 respectively.

Locally, GDP for the first quarter of 2024 decreased by 5.4% compared to positive growth of 5.3% reported same period in 2023, the decrease is mainly driven by a decline in diamond trading and mining activities. The sale of rough diamonds remains strained with the continuation of the sluggish market conditions faced in 2023. Overall, the uncertainty and competition in the diamond industry has resulted in a shrink in trade volumes due to low demand in China and India markets. This poses a risk to the previous forecast by the Ministry of Finance which projected GDP growth to accelerate to 4.2% and 5.4% in 2024 and 2025, respectively. Should the conditions persist, this may necessitate a downward revision of the GDP projection by the ministry. The IMF Article IV revised Botswana's GDP forecast for 2024 from 3.6% in April to 1%, citing sluggish diamond output.

The local economic landscape continues to be characterised by low inflation rates, seeing June 2024 closing at 2.8% from 2.9% recorded in March 2024, lower than the Bank of Botswana 3-6% medium term objective range. Botswana's political landscape remains stable, with general elections expected in the last quarter of 2024.

Strategy

During the first half of the year, we remained steadfast on our purpose-driven 2023-2025 strategy ambitions, maintaining strong connections with our clients' needs. Stanbic Bank Botswana Limited (SBBL) continued its commitment to supporting the local economy through deepening relationships by tailoring client value propositions (CVPs) premised on shared value and sustainable growth. We sustained the momentum of our digitisation journey, investing in robust and scalable technology to meet present operational requirements and the future needs of our clients.

Our people are a fundamental asset to the bank. Progress continues towards cultivating a high-performing (or excellence-driven) culture that can navigate the ever-changing operating landscape. As a responsible entity, the bank established its Citizen Economic Empowerment Program (CEEP) in the past year, which is a lever of the broader Social, Economic and the Environmental, Social and Governance (SEE / ESG) agenda, furthering our dedication towards making a positive impact. The bank always strives to do the 'right business the right way' by following well-established risk management and governance philosophies as well as ethical business conduct, ensuring we safeguard our licence to operate.

Financial Performance

SBBL posted an impressive 45% growth in profit before taxes from P290 million in June 2023 to P420 million in June 2024. The performance emanates from a focus on balance sheet optimisation, stabilisation of system performance in turn restoring client trust and ultimately transactability. Our development programs have borne fruit and our workforce is stronger, more skilled and efficient

than ever. They have the skill-set to address our clients rapidly changing needs.

Over the last year the bank made a deliberate focus to improve the loan book quality, which resulted in a significant improvement in credit impairments with a credit loss ratio of 0.25% (June 2023: 0.7%) as well as driving a re-balance between the portfolios across the segments. A positive outcome of the Pension fund regulations, that saw an increase in market liquidity, has also driven a reduction in cost of liquidity. All these contributed to the improvement in Net Interest Income (NI) growing by 20.5% from the same period last year. These focus areas also influenced a 9.8% and 9.1% growth in our loans and advances and deposits, respectively.

The bank's focus on investments in technology infrastructure and building a future-fit workforce have started to bear fruit as seen in improved efficiencies in our processes measured through the reduced Cost-to-Income Ratio (CTI) from 53.5% in June 2023 to 49.3%. The efficiencies are also evident in our customer service indices which are comparable to world standards, currently at 8.0 and aligned to our purpose: **Botswana is our home. We drive her growth.**

The bank's profitability is supported by segment strategies, which have seen significant improvement across the three operating segments. Sustainability is entrenched in client conversations, an area that has seen the bank support sustainable projects through both Corporate and Investment Banking (CIB) and Business and Commercial Banking (BCB). The strategy is being cascaded to Personal and Private Banking (PPB) wherein currently the bank is engaged in partnerships with employers, communities and

educational institutions to educate Botswana on the principles and benefits of sustainable finance.

Balance sheet

Balance sheet structure

The balance sheet grew by 11% driven by an overall growth in the loans and advances (including interbank loans) and financial investments at 10% and 33% respectively. Loans and advances to customers grew by 5% largely driven by an 18% growth in CIB and 11% in BCB.

Liquidity and Capital Management

Liquidity pressures eased in the last quarter of 2023 into 2024 leading to reduced interest expense which recorded a 14% decline (year-on-year). The bank also focused on optimising its deposit structure and aligned this with client strategies. The easing of market liquidity also contributed to the improvement in the cost of liquidity. Another marked result of the investments in technology stability is seen in deposit growth, testament to restored trust by our clients. Liquidity and capital management strategies based on strong governance frameworks continue to drive the maintenance of quality capital closing the period with a Capital Adequacy Ratio of 20.83%, to support current and forecasted growth.

The outlook on liquidity remains positive supported by business strategic initiatives aimed at optimising the deposit construct and securing primary accounts across all segments.

Income Statement

Total Operating Income

The net interest income saw a year-on-year growth of 20.5% from P538 million in the prior period, despite two monetary policy rate cuts at 25bps each in December 2023 and June 2024 (50bps cumulative).

This growth is largely driven by loan book optimisation strategies supported by strong credit risk management philosophies.

Growth in transactional volumes, new client partnerships and fee and commission improvements supported the 3% non-interest income revenue growth in the period. The bank continues to reduce the cost to serve through efficiency entrenchment.

Credit Impairments

Credit impairment charges dropped by 63.5% to P24 million in the prior period, despite growth in the loans and advances, notable retrenchments in some sectors as well as heightened economic uncertainties. Credit risk management remains robust seeing the credit loss ratio close at 0.25% compared to 0.7% in June 2023. This was achieved through effective collections and rehabilitation strategies executed through use of data analytics and insights as well as continued system enhancements and driving data quality.

Operating expenses

Total costs reflect an overall growth of 6% from P426 million in 2023 to P450 million, largely from growth in operating expenses at

13%. Our cost growth is aligned to strategic initiatives aimed at growing our people and aligning our processes to a future proof operating model, system stability to enhance transactability as well support our product development journeys while improving client experience. Cost optimisation initiatives are in place to promote operational efficiencies in both the short and long term, as seen in the improved CTI.

Outlook

The outlook for the last half of 2024 remains positive as we forge forward committed towards our purpose and vision to transform client experience through excellent execution that will drive sustainable growth and value. Inflation levels are hovering below the lower bound of the Reserve Bank target range and we expect to continue in an interest rate cut cycle in the short to medium term. The political environment is expected to remain stable as we draw closer to general elections, but uncertainties remain in both the micro and macroeconomic environments. Despite economic uncertainties, locally and internationally, we remain confident that the Bank is well positioned to adapt to the changing needs of its clients, to deliver exceptional client experience and drive Botswana's growth.


Chairman
Dr T. TK. Matome


Chief Executive
C. Modise

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half year ended 30 June 2024

	Group	
	2024 P000's	2023 P000's
Interest income	917 200	851 562
Interest expense	(268 945)	(313 762)
Net interest income	648 255	537 800
Fee and commission income	217 507	194 302
Fee and commission expense	(69 008)	(61 072)
Net fee and commission income	148 499	133 230
Net trading income	106 031	113 761
Other income	8 645	11 596
Net Non-interest income	265 175	258 587
Total net income	913 430	796 387
Credit impairment charges	(24 368)	(66 673)
Net income before operating expenses	889 062	729 714
Staff costs	(204 475)	(209 266)
Other operating expenses	(245 967)	(217 128)
Total operating expenses	(450 442)	(426 394)
Profit before indirect tax	438 620	303 320
Indirect tax	(18 999)	(13 175)
Profit before direct tax	419 621	290 145
Direct tax	(92 449)	(63 377)
Profit for the period	327 172	226 768
Total comprehensive income for the period	327 172	226 768

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
At 30 June 2024

	Group	
	2024 P000's	2023 P000's
Assets		
Cash and balances with the Central Bank	163 813	618 698
Derivative assets	22 571	11 950
Trading portfolio assets	40 309	19 476
Financial investments	5 040 348	3 778 382
Loans and advances	20 839 212	18 986 240
Loans and advances to banks	7 066 972	5 891 521
Loans and advances to customers	13 772 240	13 094 719
Other assets	271 277	224 242
Current tax asset	51 639	48 963
Intangible assets	90 274	111 182
Property, equipment and right of use assets	142 202	151 142
Deferred tax asset	5 090	10 997
Total assets	26 666 755	23 961 172
Liabilities and equity		
Derivative liabilities	23 149	12 577
Trading liabilities	278 235	30 157
Deposits	22 066 100	20 221 991
Deposits from banks	1 587 697	1 558 113
Deposits from customer accounts	20 478 403	18 663 878
Accruals, deferred income and other liabilities	1 103 041	660 549
Debt securities in issue	1 016 440	766 440
Liabilities	24 486 965	21 691 714
Equity		
Stated capital	390 177	390 177
Reserves	1 789 613	1 879 281
Equity - attributable to ordinary shareholders	2 179 790	2 269 458
Total liabilities and equity	26 666 755	23 961 172

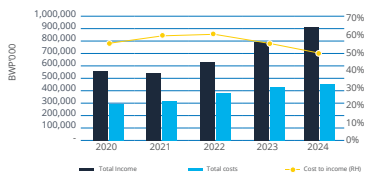
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the half year ended 30 June 2024

Group	2024 P000's	Statutory credit reserve P000's	Fair value through OCI reserve P000's	Retained earnings P000's	Total equity P000's
Balance at 1 January 2024	390 177	154 474	-	1 781 967	2 326 618
Total comprehensive income for the year	-	-	-	327 172	327 172
Profit after tax	-	-	-	327 172	327 172
Dividends paid	-	-	-	(474 000)	(474 000)
Balance at 30 June 2024	390 177	154 474	-	1 635 139	2 179 790
Balance at 1 July 2023	390 177	154 474	-	1 724 807	2 269 458
Total comprehensive income for the year	-	-	-	257 160	257 160
Profit after tax	-	-	-	257 160	257 160
Dividends paid	-	-	-	(200 000)	(200 000)
Balance at 31 December 2023	390 177	154 474	-	1 781 967	2 326 618
Balance at 1 January 2023	390 177	154 474	-	1 608 039	2 152 690
Total comprehensive income for the period	-	-	-	226 768	226 768
Profit after tax	-	-	-	226 768	226 768
Dividends paid	-	-	-	(110 000)	(110 000)
Balance at 30 June 2023	390 177	154 474	-	1 724 807	2 269 458

CONDENSED STATEMENT OF CASH FLOWS
For the half year ended 30 June 2024

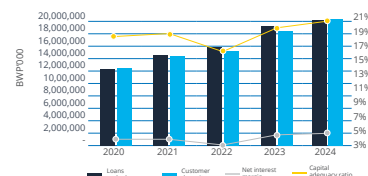
	2024 P000's		2023 P000's	
	2024 P000's	2023 P000's	2023 P000's	2022 P000's
Net cash flows (utilised)/ generated operating activities	(488 434)	113 542		
Cash flows (utilised)/ generated from operations	(976 240)	(354 683)		
Interest received	921 500	851 562		
Interest paid	(334 216)	(313 762)		
Indirect tax paid	(18 999)	(13 175)		
Direct tax paid	(80 479)	(56 400)		
Net cash flows (used in)/ from investing activities	(16 451)	44 277		
Net cash flows from/ (used in) financing activities	50 000	(84 000)		
Net movement in cash and cash equivalents	(454 885)	73 819		
Cash and cash equivalents at beginning of the period	618 698	544 879		
Cash and cash equivalents at end of the period	163 813	618 698		

TOTAL INCOME VS OPERATING COSTS



The bank's cost optimisation strategies as well as driving efficiencies, coupled with stabilisation of system availability have contributed to an improvement in both cost growth and NIR growth, which have considerably reduced our CTI to 49.3% (June 23: 53.5%)

BALANCE SHEET EFFICIENCY



The focus to restructure and optimise the balance sheet has resulted in growth in loans and advances by 10% as well as growth in deposits by 9%. The bank ensures optimal use of its capital, backed by a healthy capital adequacy ratio of 20.83%.

SEGMENT REPORTING
For the half year ended 30 June 2024

2024 Group	Corporate and Investment Banking P000's		Business and Commercial Banking P000's		Personal and Private Banking P000's		Corporate Functions P000's		Total P000's
	2024 P000's	2023 P000's	2024 P000's	2023 P000's	2024 P000's	2023 P000's	2024 P000's	2023 P000's	
Net interest income	236 248	167 020	253 164	(8 177)	253 164	(8 177)			648 255
Net Non-interest income	134 385	76 687	91 440	(27 337)	91 440	(27 337)			265 175
Net fee and commission income	22 870	76 622	87 000	(37 993)	87 000	(37 993)			148 499
Net trading income	110 864	-	-	(2 833)	-	(2 833)			108 031
Other income	651	65	4 440	3 489	4 440	3 489			8 645
Total net income	370 633	243 707	344 604	(45 514)	344 604	(45 514)			913 430
Credit impairment charges	(336)	(4 145)	(19 351)	(536)	(19 351)	(536)			(24 368)
Net income before operating expenses	370 297	239 562	325 253	(46 050)	325 253	(46 050)			889 062
Total operating expenses	(173 847)	(154 570)	(165 293)	(43 268)	(165 293)	(43 268)			(450 442)
Staff costs	(31 845)	(25 197)	(58 428)	(89 005)	(58 428)	(89 005)			(204 475)
Other operating expenses	(142 002)	(129 373)	(106 865)	132 273	(106 865)	132 273			(245 967)
Net income before indirect tax	196 450	84 992	159 960	(17 782)	159 960	(17 782)			438 620
Indirect tax	(3 313)	1 943	(11 970)	(5 659)	(11 970)	(5 659)			(18 999)
Profit / (loss) before direct tax	193 137	86 935	147 990	(8 441)	147 990	(8 441)			419 621
Direct tax	(42 527)	(19 023)	(31 791)	892	(31 791)	892			(92 449)
Profit / (loss) after tax	150 610	67 912	116 199	(7 549)	116 199	(7 549)			327 172

Operating information	Corporate and Investment Banking P000's		Business and Commercial Banking P000's		Personal and Private Banking P000's		Corporate Functions P000's		Total P000's
	2024 P000's	2023 P000's	2024 P000's	2023 P000's	2024 P000's	2023 P000's	2024 P000's	2023 P000's	
Total assets	15 996 717	1 922 958	8 488 756	258 234	258 234	258 234			