

BOTSWANA IS OUR HOME, WE DRIVE HER GROWTH

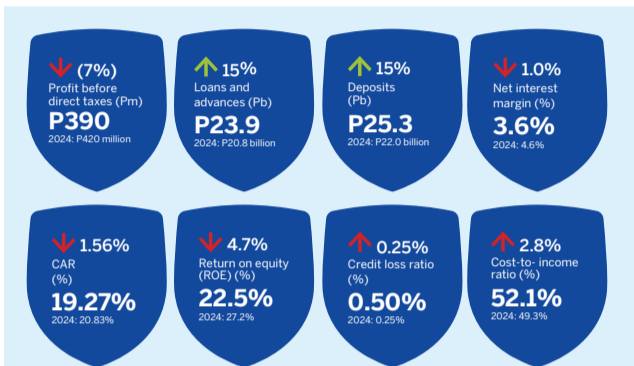


Kwenantle Farmers Solar Expansion Project. Project financed by Stanbic Bank Botswana Limited.

STANBIC BANK BOTSWANA LIMITED

ABRIDGED UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2025



Our strategy is anchored on our compelling purpose, positive habits and beliefs, authentic intentions and the culture at the heart of our organisational success. Our purpose, **Botswana is Our Home, We Drive Her Growth** is where we draw our inspiration from.

Stanbic Bank Botswana Limited Group currently employs **over 600 members of staff** and has a national footprint comprising **13 branches, 79 ATMs, 1 780 Merchants, over 3 155 Point of Sale (POS) machines and 3 Cash Deposit Machines (CDM).**



Economic Landscape

Global Economy

The global economy continues to be marred by geo-political tensions from Russia to Ukraine, from Israel to Palestine, exacerbated by the United States (US) policy reforms, sanctions and tariff adjustments levied across economies, as well as economic upheavals and impact of global warming. These events have continued to affect global supply chains. Resources from some markets are sanctioned, economic weather patterns reduce produce and ease of distribution, and warzones restrict import and export of some of the world's most sought-after resources.

Global economic growth is projected to drop to 3.0% in 2025 and 2026, below the historical (2000-2019) average of 3.7%. The continuous escalation of trade tensions and elevated levels of policy uncertainty are expected to have an adverse impact on global economic activity. The data is likely to bolster the case for the European Central Bank (ECB) to reduce interest rates again this year. The Federal Reserve is also expected to reduce rates in the second half of the year.

Within Sub-Saharan Africa, economies are grappling with the ripple effects of global trade tensions, US policy shifts, and geopolitical risks, which are reshaping their growth trajectories and fiscal stability. African economies are experiencing indirect impacts through commodity price volatility, reduced external demand, and funding pressures. A further escalation in trade wars between developed nations may also result in external funding pressures for African governments looking to either roll over existing external debt or issue new debt for development spending or extension of trade relations/opportunities (mineral and oil industries to be largely impacted). Growth outlooks have been marginally downgraded due to policy uncertainty created by the US tariffs.

Local Economy

Botswana is still viewed as a stable sovereign from a political stance, having gone through a peaceful administrative transition at the October 2024 general elections. Stability has been observed post the transition in the first year of the new administration. Botswana continues to establish new ties and strengthen existing ones to seek opportunities for new frontiers of growth in the advent of the contraction of the natural diamond mining sector, a significant economic lever for our economy.

Botswana's GDP contracted by 0.2% in 2025, following a sharper 2% decline than in the previous year, largely driven by continued weakness in key sectors, with mining (diamonds), a key contributor, showing the most decline. Inflation currently at 1.1% (July 2025) remains lower than the lower bound of the Central Bank target range of 3% to 6%. Despite this trend during the year, Monetary Policy Committee (MPC) left bank rate unchanged at 1.9%. In July 2025 the Ministry of Finance revised the exchange rate policy – from an annual downward rate of crawl adjusted of 1.5% to 2.76% and adjusted Pula trading margins between buy and sell rates. This is aimed at enhancing international price competitiveness domestic industries and safeguarding foreign reserves.

The continued underperformance of the diamond market has seen the Government's coffers consistently reduce which has resulted in a liquidity squeeze in the market. This has been characterised by liquidity challenges in the financial services sector, resulting in a rapid rise in the cost of raising liquidity, to the extent that commercial banks responded by increasing their Prime Lending Rates (PLR).

Financial Performance

The challenging operating environment driven by macroeconomic uncertainties, reduced market liquidity and heightened business risks necessitated proactive collaborations with clients to continue delivering the necessary solutions to support economic activity, aligned to our mission of growing Botswana and Botswana. Our strategic objectives continue to center around investment in digital solutions, forward-looking capabilities and leveraging the strength of our different business segments' client service model to navigate market headwinds. Consistent with our mission, the Bank remains committed to contributing to Botswana's growth by supporting local SMEs, as well as women- and youth-led enterprises, to enhance their participation and impact in the national economy. The Bank has undertaken to optimise the economic value creation framework by accelerating balance sheet optimisation, through efficiency enhancement, anchored on enhancing client experience. This has seen improved customer promotions scores as well as improved customer interactions with the bank especially on electronic platforms as customers gain confidence in our system availability/stability as well as capabilities. These efficiencies have

seen a general improvement in most performance metrics despite the impact of liquidity pressures, the net impact of which is a net decline in profitability by 7%.

Revenue

Total revenue recorded 3% growth, constrained primarily by a 12% decline in net interest income. While optimisation interventions in the balance sheet as well as book growth across all business segments provided 7% interest income improvement, the liquidity pressures resulted in an increase in cost of funding leading to 53% increase in interest expense. Despite tight market liquidity conditions across sectors, increased business risk, and growing interest rates in the lending book owing to increase in PLR, credit risk management interventions have resulted in a well-managed credit portfolio across the segments. The Bank continues to restructure its balance sheet to ensure we can continue supporting our clients, as seen by a 9% year on year growth in customer loans, while our clients have also been able to grow their deposits by 8%.

Non-Interest Revenue (NIR) continues to prove our client centric strategy, achieving 38% growth. This performance was supported by resilient transactional deposit base from primary accounts and the continued effectiveness of the Bank's seamless digital platforms, which supported consistent client activity. Trading revenue delivered resilient contribution, driven by sustained client acquisition, and higher transactional volumes. Fees and Commissions grew by 15% with fee expenses reducing by 1% following optimisation interventions.

Credit Impairment Charges

Our credit risk controls remain robust, driven by proactive and forward-looking risk management practices. Despite sluggish economic performance and market liquidity constraints, which impacted asset book across sectors, our credit loss ratio is at 0.3%, proving our commitment to support clients even in tough times. The Bank continues to employ forward looking, data driven insights to proactively manage risk as well as regular and empathetic client engagements and education on financial management as part of its financial health promotion.

Operating Expenses

Costs increased by 8%, largely a base effect from prior year staff acquisition exercise following a skills alignment exercise in 2023. Other costs grew marginally as the Bank settles and sweats previous investment specifically, enhancements in IT stability, security, refresh of technology infrastructure, and innovation initiatives. The cost base is expected to continue supporting the Bank's focus on enabling clients to manage their personal and business activities to their own desires, as well as be able to support clients' growth strategies.

Capital Risk

Despite the challenging operating environment, the Bank continues to maintain robust capital risk management, ensuring capital is adequately allocated, evident in the Capital Adequacy Ratio closing the half year at 19.27% and a return on capital of 22.5%.

Outlook for Full Year

The outlook for the second half of 2025 is characterised by continued uncertainties largely from macro and micro economic environments as the economy rebalances the current mining influenced downturn. Despite these challenges, the Bank is committed to client service as well as supporting the government in its strategic growth areas.

Dr TTK Matome
Chairman

C. Modise
Chief Executive

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 30 June 2025

	Group 2025	Group 2024
	P000's	P000's
Interest Income	985 530	917 200
Interest expense	(412 151)	(268 945)
Net interest income	573 379	648 255
Fee and commission income	249 200	217 507
Fee and commission expense	(68 606)	(69 008)
Net fee and commission income	180 594	148 499
Net trading income	161 969	108 031
Other income	22 407	8 645
Net non-interest income	364 970	265 175
Total income	938 349	913 430
Credit impairment charges	(36 951)	(24 368)
Net income	901 398	889 062
Staff costs	(219 266)	(204 475)
Other operating expenses	(269 123)	(245 967)
Total operating expenses	(488 389)	(450 442)
Profit before indirect tax	413 009	438 620
Indirect tax	(23 716)	(18 999)
Profit before direct tax	389 293	419 621
Direct tax	(85 222)	(92 449)
Profit for the year	304 071	327 172
Total comprehensive income for the year	304 071	327 172

STATEMENT OF FINANCIAL POSITION

At 30 June 2025

	Group 2025	Group 2024
	P000's	P000's
Assets	328 837	163 813
Cash and balances with the Central Bank	66 378	22 571
Derivative assets	-	40 309
Trading portfolio assets	4 491 592	5 040 348
Financial investments	23 908 795	20 839 212
Loans and advances	8 879 308	7 066 972
Loans and advances to banks	15 029 487	13 772 240
Loans and advances to customers	771 519	271 277
Other assets	62 891	51 659
Current tax asset	64 980	90 274
Intangible assets	169 063	142 202
Property, equipment and right of use assets	-	5 090
Deferred tax asset	-	-
Total assets	29 864 055	26 666 755
Liabilities and equity	29 864 055	26 666 755
Derivative liabilities	10 325	23 149
Trading liabilities	3 782	278 235
Deposits	25 314 323	22 066 100
Deposits from banks	3 144 871	1 587 697
Deposits from customer accounts	22 169 452	20 478 403
Accruals, deferred income and other liabilities	640 350	1 103 041
Debt securities in issue	1 016 440	1 016 440
Deferred tax liability	14 179	-
Liabilities	26 999 399	24 486 965
Equity	3 864 656	2 179 790
Stated capital	390 177	390 177
Reserves	2 474 479	1 789 613
Equity - attributable to ordinary shareholders	2 864 656	2 179 790
Total liabilities and equity	29 864 055	26 666 755

STATEMENT OF CHANGES IN EQUITY

For the half year ended 30 June 2025

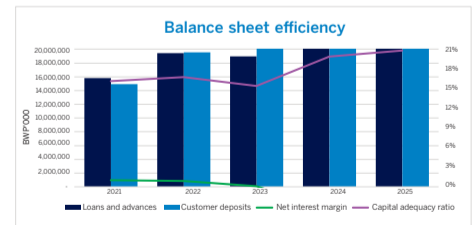
	Stated capital	Statutory credit reserve	Retained earnings	Total equity
	P000's	P000's	P000's	P000's
Group	390 177	154 474	2 015 933	2 560 584
Balance at 1 January 2025	390 177	154 474	2 015 933	2 560 584
Total comprehensive income for the year	-	-	304 071	304 071
Profit for the year	-	-	304 071	304 071
Balance at 30 June 2025	390 177	154 474	2 320 004	2 864 656
Group	390 177	154 474	1 635 139	2 179 789
Balance at 1 July 2024	390 177	154 474	1 635 139	2 179 789
Total comprehensive income for the year	-	-	327 172	327 172
Profit for the year	-	-	327 172	327 172
Balance at 31 December 2024	390 177	154 474	2 015 933	2 560 584
Group	390 177	154 474	1 781 967	2 326 618
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 for the year	-	-	327 172	327 172
Dividends paid	-	-	(474 000)	(474 000)
Balance at 30 June 2024	390 177	154 474	1 635 139	2 179 789

STATEMENT OF CASH FLOWS

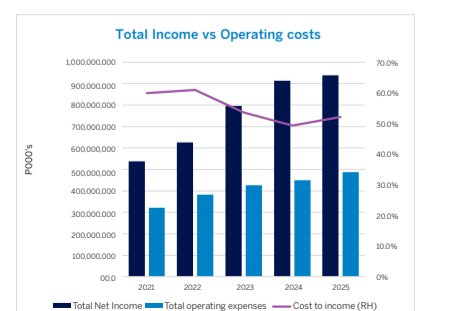
For the half year ended 30 June 2025

	Group 2025	Group 2024
	P000's	Restated P000's
Net cash flows from operating activities	451 956	(224 340)
Cash flows generated from operations	(307 477)	(976 240)
Interest received	985 530	921 500
Interest paid	(396 835)	(334 216)
Indirect tax paid	(23 716)	(18 999)
Direct tax paid	(68 373)	(80 479)
Net cash flows in investing activities	(50 363)	(16 451)
Net cash flows in financing activities	-	50 000
Net movement in cash and cash equivalents	401 593	(190 791)
Cash and cash equivalents at beginning of the year	1 289 035	1 479 827
Cash and cash equivalents at end of the year	1 690 628	1 289 035

Cash and cash equivalents has been restated to reflect demand loans and advances to banks within cash and cash equivalents per IAS 7. The restatement has no impact on the profit after tax or any line in the statement of financial position, however impact the presentation of cash flows.



Our continued focus on balance sheet optimisation drove a 9% increase in loans and advances and an 8% growth in deposits compared to 2024. Capital remains strong, with a capital adequacy ratio of 19.27%. While macroeconomic and liquidity pressures have shifted the deposit mix, we remain agile in managing funding to support growth.



In a year marked by difficult macroeconomic conditions and a tightened liquidity environment, the Bank delivered a resilient performance, growing total income by 3% compared to 2024. Total operating costs increased by 8% year-on-year, resulting in a Cost-to-Income ratio of 52.1% (2024: 49.3%).

SEGMENT REPORTING

For the half year ended 30 June 2025

	Corporate and Investment Banking	Business and Commercial Banking	Personal and Private Banking	Corporate functions	Total
	P000's	P000's	P000's	P000's	P000's
Net interest income	197 194	146 822	219 524	9 839	573 379
Non-interest income	201 239	81 527	128 903	(46 699)	364 970
Net fee and commission income	26 805	80 187	108 093	(34 491)	180 594
Net trading income	174 137	-	-	(12 168)	161 969
Other income	297	1 340	20 810	(40)	22 407
Total income	398 433	228 349	348 427	(36 860)	938 349
Credit impairment charges	338	(159)	(37 130)	-	(36 951)
Income after credit impairment charges	398 095	228 508	311 297	(36 860)	901 398
Total operating expenses	(182 041)	(164 239)	(183 302)	41 192	(488 389)
Staff costs	(23 697)	(23 484)	(69 744)	(102 342)	(219 266)
Other operating expenses	(158 344)	(140 755)	(113 558)	143 534	(269 123)
Net income before indirect tax	216 730	63 951	127 995	4 333	413 009
Indirect tax	(3 579)	(1 906)	(12 012)	(6 219)	(23 716)
Profit / (loss) before direct tax	213 151	62 045	115 983	(1 886)	389 293
Direct tax	(47 213)	(13 696)	(24 728)	415	(85 222)
Profit / (loss) after tax	165 938	48 349	91 255	(1 471)	304 071
Operating information					
Total assets	18 159 874	2 106 099	9 414 586	183 496	29 864 055
Total liabilities	17 150 189	1 735 043	8 491 876	(377 708)	26 999 399

	Corporate and Investment Banking	Business and Commercial Banking	Personal and Private Banking	Corporate functions	Total
	P000's	P000's	P000's	P000's	P000's
Net interest income	236 248	167 020	253 164	(8 177)	648 255
Non-interest income	134 385	76 687	91 440	(37 337)	265 175
Net fee and commission income	22 870	76 622	87 000	(2 833)	148 499
Net trading income	110 864	-	-	-	108 031
Other income	651	65	4 440	-	8 645
Total income	370 633	243 707	344 604	(45 514)	913 430
Credit impairment charges	(336)	(4 145)	(19 351)	(536)	(24 368)
Income after credit impairment charges	370 297	239 562	325 253	(46 050)	889 062
Total operating expenses	(173 847)	(154 570)	(165 293)	43 268	(450 442)
Staff costs	(31 845)	(25 197)	(58 428)	(89 005)	(204 475)
Other operating expenses	(142 002)	(129 373)	(106 865)	132 273	(245 967)
Net income before indirect tax	196 450	84 992	159 960	(2 782)	438 620
Indirect tax	(3 313)	1 943	(11 970)	(6 659)	(18 999)
Profit / (loss) before direct tax	193 137	86 935	147 990	(8 441)	419 621
Direct tax	(42 527)	(19 023)	(31 791)	892	(92 449)
Profit / (loss) after tax	150 610	67 912	116 199	(7 549)	327 172
Operating information					
Total assets	15 996 717	1 923 021	8 604 691	142 327	26 666 755
Total liabilities	15 154 782	1 630 565	7 782 235	(80 616)	24 486 965

1. The Group's performance includes Stanbic Bank Botswana Limited (the bank) and its subsidiaries. The bank makes up a significant portion of the Group's results.
2. The bank's subsidiaries are included in the segment reports, segmented in accordance with internal segmentation rules.