



▲ 116.4%
Profit after tax
(Pm)

302

2019: P140 million

▼ (0.78%)
CAR
(%)

16.92

2019: 17.70%

▲ 20.3%
Loans and advances
(Pb)

15.3

2019: P12.7 billion

▲ 9.4%
Return on equity
(%)

20.7

2019: 11.2%

▲ 15.2%
Deposits
(Pb)

15.9

2019: 13.8 billion

▲ 2.8%
Credit loss ratio
(%)

0.3

2019: 3.1%

▼
Jaws
(%)

(20.7)

2019: 15.8%

▼ 10%
Cost-to-income ratio
(%)

59.1

2019: 48.6%

The saying, "never waste a crisis" has taken on a literal parallel with the unprecedented and accelerated pace of innovation and digitisation during the COVID-19 pandemic. Under these circumstances, the Bank sought new ways to bring hope to clients and keep dreams alive.

The key differentiation has been the focus on client experience, based on the ethos that "happy capable employees = happy profitable clients". The voice of the client has been amplified and brought to the centre of every strategic intervention in the Bank. Key challenges which clients brought to the attention of the Bank, such as stability of digital channels, telephone access to the Customer Care Centre, queues at the branches and speed of service, are being addressed with additional investment into innovation.

SAMUEL MINTA, CHIEF EXECUTIVE

This abridged financial information has been extracted from the audited financial statements.

Economic Climate

Global economy

2020 has been an unusual year, with the COVID-19 outbreak posing significant and evolving challenges for communities, corporations, governments and regulators across the world. The rapid rise of COVID-19 cases, together with the wide range of measures to slow the spread of the virus, has slowed economic activity. As a result, the International Monetary Fund (IMF) predicted the global economy to contract by more than 4% in 2020 before growing by just above 5% in 2021.

The wide-ranging measures needed to slow the spread of the virus, particularly travel restrictions, hugely impacted both the tourism and the diamond industries which are very important to the economy of Botswana. Travel restrictions directly impacted on countries' ability to hold diamond sight sales for the significant part of 2020.

Local economy

The annual economic growth for Botswana contracted by 7.9% compared to a 3% increase in 2019. We saw a contraction on an annual basis in Q3 2020 across all sectors except for Agriculture, Central Government and Water and Electricity. The two most impacted sectors were the mining sector and the trade sector, however, the mining sector showed a gradual improvement in the last quarter of the year as demand for rough diamonds picked up.

Financial Performance of the Bank

Revenue

Total income dropped 5.1% to P108 billion as a result of restrictive measures put in place in an effort to control the spread of COVID-19 virus. Net interest income (NII) grew 0.6% to P685 million, whilst Non Interest Revenue (NIR) dropped by 13.5% to P398 million.

NII growth reflects the Bank's focus on originating good quality assets as well as a tightly managed funding strategy. Loans and advances to customers grew by 36.4% largely through Personal and Business Banking (PBB) segment which delivers both better margins compared to other solutions of the Bank and low concentration risk. Our Corporate and Investment Banking (CIB) segment has also shown some resilience particularly in Investment Banking and Transactional Products and Services (TPS). This growth has mitigated the cumulative impact of a 125 basis points bank rate cut since October 2019.

NIR took a knock as a result of COVID-19 restrictions ranging from hard lockdowns to restricted cross border activity and international travel. The impact was more pronounced on trading revenue due to reduced FX transactions. On the other hand, fees and commissions proved to be more resilient as they only experienced a 4.4% decline to P207 million, on a net basis, despite several trade restrictions. In its quest to reduce the COVID-19 impact on clients, over and above

certain limited period payment moratoria given the Bank reduced transactional fees by 25% for a period of three months. However, the pandemic accelerated the Bank's digital transformation strategy with respect to launching new digital solutions and future ready platforms.

Credit impairment charges

Credit impairment charges decreased from P389 million to P40 million predominantly driven by recoveries from our CIB segment with a once-off recovery of about P80 million. The 2019 impairment charges included a once-off provision charge of P275 million. PBB impairments edged up on the back of COVID-19 impact and a significant loan book growth. The Bank offered payment holidays and restructures to most impacted clients across all the business segments especially those in tourism and hospitality, transport, manufacturing and mining sectors. Overall, the loan book was resilient, only showing a limited increase in credit risk. Credit loss ratio (CLR) decreased from 3.1% to 0.3%. The normalised CLR which eliminates the once-off recovery for this year and once-off provision for prior is 0.8% (2019: 0.9%).

Operating expenses

Costs for the year were contained within expectations given key investments in technology and human resources. Total operating costs grew by 15.6% to P640 million. Staff costs grew 3.6% to P302 million reflecting continuous commitment in improving the Bank's employee value proposition and its future ready transformation journey. Other operating expenses increased by 29% to P338 million driven by strong focus on business growth and improved customer experience. This was largely through IT services (security, systems stability and support). This led to negative JAWS and an increase in the Bank's cost to income (CTI) to 59.1% from 49% in 2019.

Capital and liquidity management

The Group maintained a strong capital adequacy ratio in 2020. Total capital adequacy ratio closed the year at 16.92% (2019: 17.70%), well above the minimum regulatory requirement of 12.5% (2019: 15.0%) and well within internal risk appetite.

The Group also closed with a strong liquidity position well above the approved risk appetite and tolerance limits. The prudential liquidity requirement averaged 13.9% in 2020 exceeding the minimum regulatory requirements of 10%. Other liquidity matrices such as the internal stress testing and net stable ratios remain in excess of internal requirements.

Outlook

We expect the global economy to grow by around 5% in 2021. However, the growth is most likely to be uneven and contingent on a successful rollout of vaccines and continued accommodative fiscal, monetary and financial conditions in the larger economies of the world. Liquidity pressures are expected to continue into 2021 as many governments go to the market for funding in order to meet the direct and indirect costs of the pandemic.

Despite economic uncertainties brought by the COVID-19 pandemic, Stanbic Bank Botswana will continue to support viable client opportunities, while preserving the integrity of its balance sheet and reported financial metrics. We are confident that the Bank will continue to lead in supporting the diversification and resilience of the economy. The global diamond industry showed signs of strong recovery in the final quarter of 2020. There are reasonable expectations that this will be sustained into 2021.

Chairman
C.A. Granville

Chief Executive
S. Minta

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Group 2020 P000's	2019 P000's
Interest income	941 048	913 911
Interest expense	(255 617)	(232 243)
Net interest income	685 431	681 668
Fee and commission income	262 859	268 829
Fee and commission expense	(55 722)	(52 270)
Net fee and commission income	207 137	216 559
Net trading income	174 491	222 048
Other income	16 419	21 977
Other gains and (losses) on financial instruments	294	(237)
Non-interest income	398 341	460 347
Total income	1 083 772	1 142 015
Credit impairment charges	(39 983)	(389 046)
Net income	1 043 789	752 969
Staff costs	(302 383)	(291 851)
Other operating expenses	(337 587)	(261 660)
Total operating expenses	(639 970)	(553 511)
Profit before indirect tax	403 819	199 458
Indirect tax	(19 462)	(22 590)
Profit before direct tax	384 357	176 868
Direct tax	(81 933)	(37 142)
Profit for the year	302 424	139 726
Total comprehensive income for the year	302 424	139 726

STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Group 2020 P000's	2019 P000's
Cash and balances with the Central Bank	419 866	608 600
Derivative assets	430	29 142
Trading portfolio assets	3 980	37 808
Financial investments	2 562 223	2 550 381
Loans and advances	15 263 715	12 687 741
Loans and advances to banks	3 518 567	4 078 666
Loans and advances to customers	11 745 148	8 609 075
Other assets	117 507	101 568
Current tax asset	49 994	7 005
Intangible assets	166 191	165 004
Property, equipment and right of use assets	174 992	152 264
Deferred tax asset	32 148	64 606
Total assets	18 791 046	16 404 119
Liabilities and equity		
Derivative liabilities	8 040	15 491
Deposits	15 855 480	13 767 170
Deposits from banks	1 077 578	1 484 980
Deposits from customer accounts	14 777 902	12 282 190
Accruals, deferred income and other liabilities	356 103	321 679
Debt securities in issue	958 720	989 500
Liabilities	17 178 343	15 093 840
Equity		
Stated capital	390 177	390 177
Reserves	1 222 526	920 102
Equity - attributable to ordinary shareholders	1 612 703	1 310 279
Total liabilities and equity	18 791 046	16 404 119

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

Group	Stated capital P000's	Statutory credit reserve P000's	Retained earnings P000's	Total equity P000's
Balance at 1 January 2020	390 177	110 690	809 412	1 310 279
Total comprehensive income for the year	-	-	302 424	302 424
Profit after tax	-	-	302 424	302 424
Increase in statutory credit reserve	-	28 580	(28 580)	-
Balance at 31 December 2020	390 177	139 270	1 083 256	1 612 703
Group	Stated capital P000's	Statutory credit reserve P000's	Retained earnings P000's	Total equity P000's
Adjusted balance at 1 January 2019	390 177	111 497	668 879	1 170 553
Total comprehensive income for the year	-	-	139 726	139 726
Profit after tax	-	-	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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Group 2020 P000's	2019 P000's
Net cash flows from operating activities	(85 320)	238 103
Cash flows generated from operations	24 331	349 027
Indirect tax paid	(19 462)	(22 590)
Direct tax paid	(90 189)	(88 334)
Net cash flows in investing activities	(72 634)	(28 155)
Net cash flows in financing activities	(30 780)	(98 600)
Net movement in cash and cash equivalents	(188 734)	111 348
Cash and cash equivalents at beginning of the year	608 600	497 252
Cash and cash equivalents at end of the year	419 866	608 600

SEGMENT REPORTING

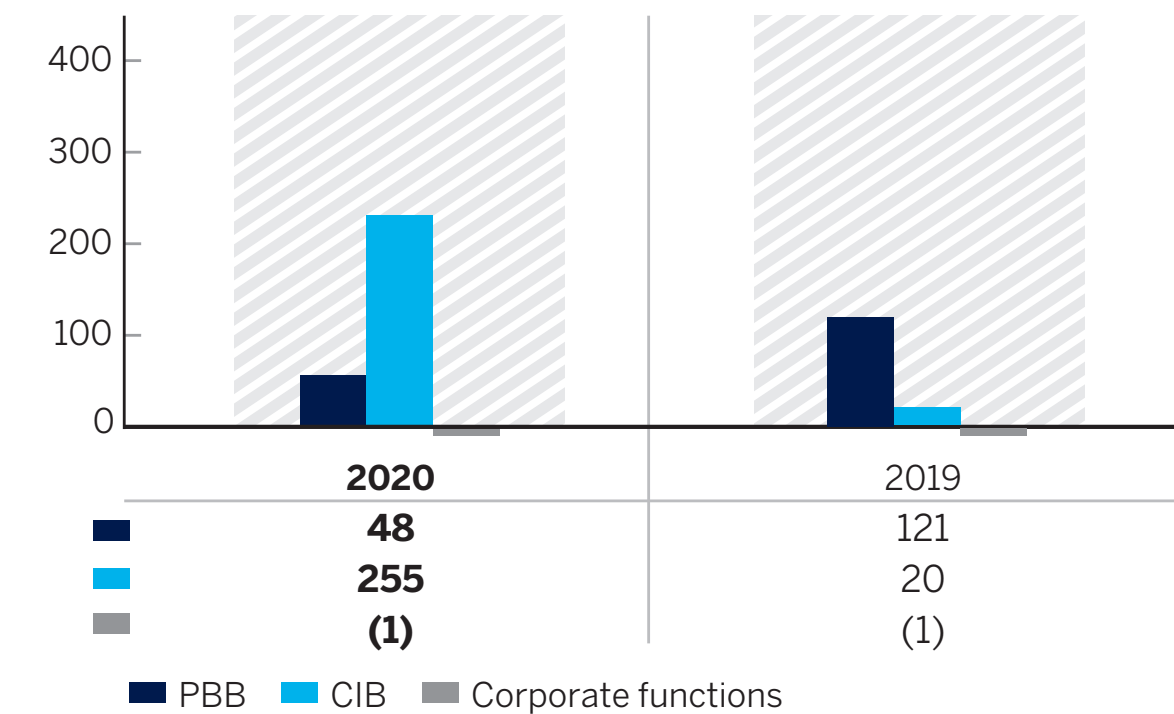
For the year ended 31 December 2020

2020 Group	Corporate & Investment Banking P000's	Personal & Business Banking P000's	Corporate functions P000's	Total P000's
Net interest income	240 479	457 763	(12 811)	685 431
Non-interest income	175 174	223 132	35	398 341
Net fee and commission income	(897)	208 042	(8)	207 137
Net trading income	174 491	-	-	174 491
Other income	1 580	15 090	43	16 713
Total income	415 653	680 895	(12 776)	1 083 772
Credit impairment charges	96 403	(136 386)	-	(39 983)
Income after credit impairment charges	512 056	544 509	(12 776)	1 043 789
Total operating expenses	(182 189)	(478 363)	20 582	(639 970)
Staff costs	(40 576)	(113 106)	(148 701)	(302 383)
Other operating expenses	(141 613)	(365 257)	169 283	(337 587)
Net income before indirect tax	329 867	66 146	7 806	403 819
Indirect tax	(1 574)	(8 364)	(9 524)	(19 462)
Profit / (loss) before direct tax	328 293	57 782	(1 718)	384 357
Direct tax	(72 852)	(9 452)	371	(81 933)
Profit / (loss) after tax	255 441	48 330	(1 347)	302 424
Operating information				
Total assets	9 175 268	9 401 193	214 585	18 791 046
Total liabilities	8 541 283	8 465 591	171 469	17 178 343
Other information				
Depreciation and amortisation	332	24 009	40 913	65 254

2019 Group	Corporate & Investment Banking P000's	Personal & Business Banking P000's	Corporate functions P000's	Total 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

PROFIT AFTER TAX

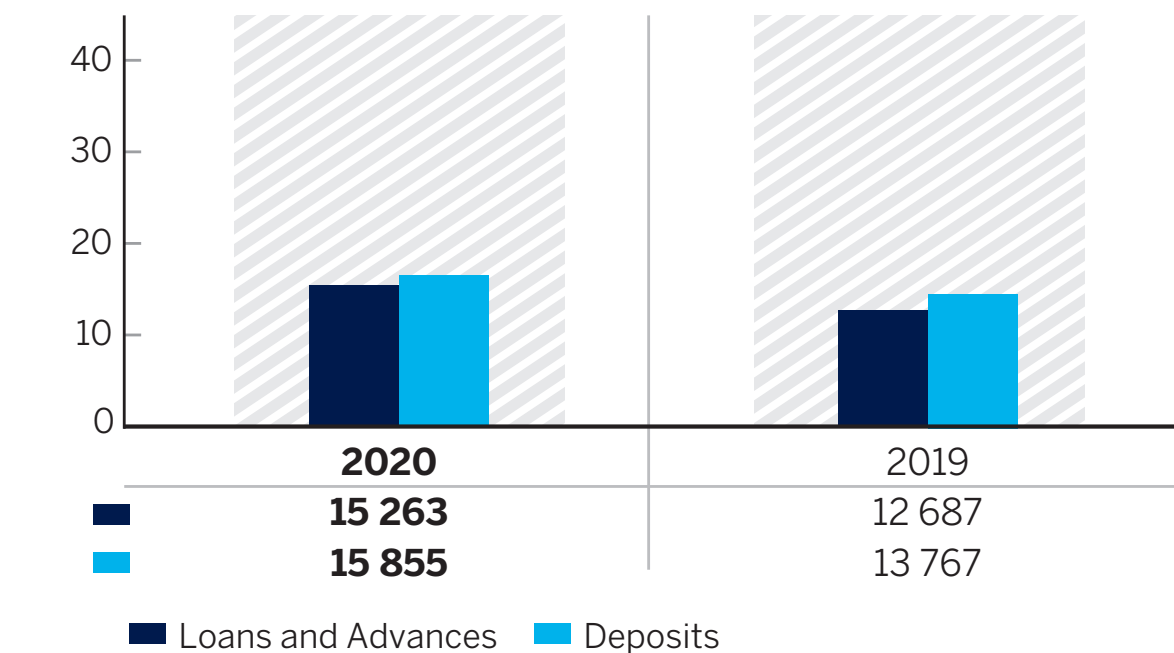
P'million



An accelerated digitisation strategy boosted the Bank's transactional volumes resulting in a marginal year-on-year decline in non-interest income due to COVID-19 restrictions. This was achieved by channelling traffic out of the branches and into the digital platforms hence reducing the impact of movement restrictions. A strong collections strategy also boosted PAT at the back of increased recoveries on previous years' write offs.

BALANCE SHEET

P'billion



Balance sheet resilience has been proven by a 20.3% and 15.2% growth in loans and advances and deposits respectively.