

June 2022



Risk and Capital Management Report

PILLAR 3 DISCLOSURE
Stanbic Bank Botswana Limited



Stanbic Bank **IT CAN BE™**

Introduction

This report sets out the Stanbic Bank Botswana (SBBL) quarterly capital disclosures in accordance with the Basel II guidelines on the Revised International Convergence of Capital Measurement and Capital Standards for Botswana. The main purpose of this disclosure is to supplement the minimum requirements (Pillar 1) and Supervisory Review Process (Pillar 2) to influence the level of capital and risk assessment processes.

During the quarter ending June 2022, the Bank remained adequately capitalised recording a Capital Adequacy Ratio (CAR) of 16.18%, a decline from 18.00% that was reported in Q1:2022. The decline in capital was due to redemption in capital supply of P200m during the quarter.

The currency used in this report is Botswana Pula and the lowest denomination is in thousands (P'000) unless otherwise stated.

Table 1

	Common Equity Tier I: Instruments and reserves	P'000
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus.	390,177
2	Retained earnings	-
3	Accumulated other comprehensive income (and other reserves)	1,318,665
4	Directly issued capital subject to phase out from CET1 CAPITAL (only applicable to non-joint stock companies)	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1 CAPITAL)	-
6	Common Equity Tier I capital before regulatory adjustments	1,708,842
	Common Equity Tier 1: regulatory adjustments	
7	Prudential valuation adjustments	-
8	Goodwill (net of related tax liability)	-
7	Prudential valuation adjustments	-
8	Goodwill (net of related tax liability)	-
9	Other intangibles other than mortgage-servicing rights (Net of related tax liability)	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
11	Cash-flow hedge reserve	-
12	Shortfall of provisions to expected losses	-
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-
15	Defined-benefit pension fund net assets	-
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-
17	Reciprocal cross-holdings in common equity	-
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
20	Mortgage servicing rights (amount above 10% threshold)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-

22	Amount exceeding the 15% threshold	-
23	of which: significant investments in the common stock of financials	-
24	of which: mortgage servicing rights	-
25	of which: deferred tax assets arising from temporary differences	-
26	National specific regulatory adjustments	-
27	Regulatory adjustments applied to Common Equity Tier I due to insufficient Additional Tier I and Tier II to cover deductions	-
28	Total regulatory adjustments to Common equity Tier I	-
29	Common Equity Tier I capital (CET1 CAPITAL)	1,708,842
	Additional Tier 1 capital (CET 1 CAPITAL)	
30	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus.	-
31	of which: classified as equity under applicable accounting standards	-
32	of which : classified as liabilities under applicable accounting standards	-
33	Directly issued capital subject to phase out from additional Tier 1	-
34	Additional Tier 1 instruments (and CET 1 CAPITAL instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group ATI)	-
35	of which: instruments issued by subsidiaries subject phase out	-
36	Additional Tier 1 capital before regulatory adjustments	-
	Additional Tier 1 capital: regulatory adjustments	
37	Investments in own Additional Tier I instruments	-
38	Reciprocal cross-holding in Additional Tier I instruments	-
39	Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10%)	-
40	significant investment in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
41	National specific regulatory adjustment	-
42	Regulatory adjustment applied to Additional Tier I due it insufficient Tier II to cover deductions	-
43	Total regulatory adjustments to Additional Tier 1	-
44	Additional Tier 1 Capital (ATI)	-
45	Tier 1 (T1=CET 1 CAPITAL + AT1)	1,708,842
	Tier II capital : instruments and provisions	
46	Directly issued qualifying Tier II instruments plus related stock surplus	300,000
47	directly issued capital instruments subject to phase out from Tier II	-
48	Tier II instruments (and CET 1 CAPITAL and AT 1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier II)	-
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Provisions	-
51	Tier II capital before regulatory adjustments	
	Tier II capital: regulatory adjustments	
52	Investments in own Tier II instruments	-
53	Reciprocal cross-holdings in Tier II instruments	-

54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold).	-
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions).	-
56	National specific regulatory adjustments	-
57	Total regulatory adjustments to Tier II capital	-
58	Tier II capital (T2)	610,335
59	Total capital (TC = T1 + T2)	2,319,177
60	Total risk-weighted assets	14,336,598
Capital ratios and buffers		
61	Common Equity Tier I (as a percentage of risk weighted assets)	11.92%
62	Tier I (as a percentage of risk weighted assets)	11.92%
63	Total capital (as a percentage of risk weighted assets)	16.18%
64	Institution specific buffer requirement (minimum CET 1 CAPITAL requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	N/A
65	of which: capital conservation buffer requirement	N/A
66	of which: bank specific countercyclical buffer requirement	N/A
67	of which: G-SIB buffer requirement	N/A
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)		
69	National Common Equity Tier I minimum ratio (if different from Basel III minimum)	4.50%
70	National Tier I minimum ratio (if different from Basel III minimum)	7.50%
71	National total capital minimum ratio (if different from Basel III minimum)	12.5%
Amounts below the threshold for deduction (before risk-weighting)		
72	Non -significant investments in the capital of other financials	N/A
73	significant investments in the common stock financials	N/A
74	Mortgage servicing rights (net of related tax liability)	N/A
75	Deferred tax assets arising from temporary differences (net of related tax liability)	N/A
Applicable caps on the inclusion of provisions in Tier II		
76	Provisions eligible for inclusion in Tier II in respect of exposures subject to standardised approach (prior to application of cap)	N/A
77	Cap on inclusion of provisions in Tier II under standardised approach	N/A
78	Provisions eligible for inclusion in Tier II in respect of exposures subject to internal ratings-based approach (prior to application of cap)	N/A
79	Cap for inclusion of provisions in Tier II under internal ratings-based approach	N/A
Capital Instruments subject to phase -out arrangements (only applicable between 1 Jan 2015 and 1 Jan 2020)		
80	Current cap on CET 1 CAPITAL instruments subject to phase out arrangements	N/A
81	Amount excluded from CET 1 CAPITAL due to cap (excess over cap after redemption and maturities)	N/A
82	Current cap on AT1 instruments subject to phase out arrangements	N/A
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	N/A
84	current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemption and maturities)	-

Table 3

Portfolio	Approach	RWA in P'000
Credit Risk	Simple Approach	13,135,356
Market Risk	Standardised Approach	65,201
Operational Risk	Basic Indicator Approach	1,136,041
Total		14,336,598

Table 4

Credit risk in P'000	Exposure amounts	Specific provisions	Credit Risk mitigation	RWA in P'000
Sovereign or Central bank	2,175,394	-	-	-
Public Sector entities	699,481	-	-	139,896
Exposure to banks	6,158,330	-	-	2,122,624
Corporates	2,577,093	-	-	2,577,093
Retail loans and Mortgages	10,466,889	227,690	10,178	7,257,846
Other assets	1,021,237	-	-	341,478
Off balance sheet exposures	2,271,678	-	-	696,418
Total Credit Risk RWA	25,370,102	227,690	10,178	13,135,356

Table 5

Risk	Capital Charge	Risk Weighted Factor	RWA in P'000
Foreign Exchange Risk	19	6.70	127
Interest Rate Risk	9,712	6.70	65,074
Equity Position Risk	-	6.70	-
Commodity Risk	-	6.70	-
Total Market Risk RWA	9,731		65,201

Table 6

P'000	Gross income	Aggregate gross income	Risk weight factor
Total Gross Income for Year 1	1,145,718		-
Total Gross Income for Year 2	1,087,768		-
Total Gross Income for Year 3	1,157,682		-
Aggregate Gross Income ($\sum GI \dots n$)		3,391,168	-
operational risk factor -denoted alpha ()		15%	-
Aggregate Gross Income multiplied by		508,675	-
No. of years with Positive Gross Income (n)		3	-
Operational Risk Capital Charge: BIA		169,558	-
risk weight factor			6.7
operational risk weight assets			1,136,041

Table 7

	Balance Sheet as in Financial Statements	Under Regulatory Scope of Consolidation
	As at Period End 30 June 2022	As at Period End 30 June 2022
Assets	P'000	P'000
Cash balances at central banks	604,238	604,238
Items in the course of collection from banks	-	-
Trading portfolio assets	7,079	-
Financial assets designated at fair value	2,353,352	2,360,394
Derivatives initial instruments	27,517	27,517
Loans and advances to banks	6,184,663	6,158,330
Loans and advances to customers	13,235,555	13,558,464
Reverse repurchase agreement and other secure Lending	-	-
Available for sale financial investments	-	-
Current and deferred tax asset	75,562	75,562
Prepayments, accrued income and other assets	10,404	46,725
Investments in associations and Joint venture	-	-
Goodwill and intangible assets	135,538	135,538
Property ,Plant and equipment's	131,657	131,657
Total Assets	22,765,565	23,098,424
Liabilities		
Deposit from banks	1,742,939	1,742,935
Items in the course of collections due to other banks	-	-
Customer accounts	17,859,095	17,859,095
Repurchase agreement and other secure Lending	125,276	125,276
Trading portfolio liabilities	-	-
Financial liabilities designated at fair value	-	-
Derivatives financial instruments	16,558	16,558
Debt securities in issue	763,389	763,389
Accrual ,deferred tax liabilities	23,094	23,094
Subordinated liabilities	-	-
Provisions	382,336	713,092
Retirement benefit liabilities	-	-
Total Liabilities	20,912,687	21,243,439
Shareholders 'Equity	-	-
Paid -in share capital	390,177	390,177
Retained earnings	1,316,558	1,318,665
Accumulated other comprehensive income	146,142	146,143
Total Shareholders equity	1,852,878	1,854,985

Table 8

	Balance Sheet as in Financial Statements	Under Regulatory Scope of Consolidation	Reference
Risk class	As at Period End 30 June 2022	As at Period End 30 June 2022	
Assets	P'000	P'000	
Cash balances at central banks	604,238	604,238	
Items in the course of collection from banks		-	
Trading portfolio assets	7,079	-	
Financial assets designated at fair value	2,353,352	2,360,394	
Derivatives financial instruments	27,517	27,517	
Loans and advances to banks	6,184,663	6,158,330	
Loans and advances to customers	13,235,555	13,558,464	
Reverse repurchase agreement and other secure Lending	-	-	
Available for sale financial investments	-	-	
Current and differed tax asset	75,562	75,562	
Prepayments, accrued income and other assets	10,404	46,725	
Investments in associations and Joint venture	-	-	-
Goodwill and intangibles assets	135,538	131,657	
of which good will	-	-	a
of which other intangibles (Excluding MSRs)	-	-	b
Property ,Plant and equipment	131,657	135,538	c
Total Assets	22,765,565	23,098,424	
Liabilities			
Deposit from banks	1,742,939	1,742,935	
Items in the course of collections due to other banks	-	-	
customer accounts	17,859,095	17,859,095	
Repurchase agreement and other secure Lending	125,276	125,276	
Trading portfolio liabilities	-	-	
Financial liabilities designated at fair value	-	-	
Derivatives financial instruments	16,558	16,558	
Debt securities in issue	763,389	763,389	
current and deferred tax liabilities	23,094	-	
of which DTIs related to goodwill	-	-	d
of which DTIs related intangibles (excluding MSRs)	-	-	e
of Which DTIs related to MSRs	-	-	f
Subordinated liabilities	-	-	
Provisions	382,336	736,186	
Retirement benefit liabilities	-	-	
Total Liabilities	20,912,687	21,243,439	

Shareholders' Equity P'000			
Paid -in share capital	390,177	390,177	
of which amount eligible for CET1 CAPITAL	-	-	h
of which amount eligible for AT1	-	-	l
Retained earnings	1,316,558	1,318,665	
Accumulated other comprehensive income	146,143	146,143	
Total Shareholders equity	1,852,878	1,854,985	

Table 9: Extract of Basel III Common disclosure template (with added column)

Common equity Tier 1: Instrument and reserves P'000			
		Component of Regulatory capital reported by bank	Source based on reference number/letters of the balance sheet under the regulatory scope of consolidation from step 2
1	Directly issued qualifying common share (and equivalent for non-stock companies) capital plus related stock surplus.	390,177	h
2	Retained earnings	1,164,191	
3	Accumulated other comprehensive income (and other reserves)	154,474	
4	Directly issued Capital subject to phase out from CET1 CAPITAL (only applicable to non -joint stock companies)	-	
5	Common Share capital issued by subsidiaries and held by third parties (amount) allowed in the group CET1 CAPITAL)	-	
6	Common equity Tier I capital before	1,708,842	
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	a-d

Table 10: Main features template

1	Issuer	Stanbic Bank Botswana Limited
2	Unique identifier (e.g. CUSIP,ISIN or Bloomberg identifier for private placement)	ZQ 6621812 ZQ 6621895
3	Governing law(s) of the instrument	Botswana law
	Regulatory treatment	Basel II
4	Transitional Basel III rules	Tier II
5	Post-transitional Basel III rules	Tier II
6	Eligible at solo/group/group and solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Subordinated Debt
8	Amount recognised in regulatory capital (Currency in mil as of most recent reporting date)	P212m P88m
9	Par value of instrument	P212m P88m
10	Accounting classification	Borrowings (Amortised cost)
11	Original date of issuance	28 -11-2019
12	Perpetual or dated	Dated
13	Original maturity	28 -11-2029
14	Issuer caller subject to prior supervisory approval	
15	Optional call date ,contingent call dates and redemption amount	After a minimum of 5yrs
16	Subsequent call dates if applicable	None
	coupons/dividends	
17	Fixed or floating	Floating and Fixed
18	Coupon rate and related index	Bank and prime rate
19	Existence of a dividend stopper	None
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	None
22	Non cumulative or cumulative	Non cumulative
23	Convertible or non-convertible	No
24	If convertible ,conversion trigger(s)	Not applicable
25	If convertible ,conversion rate	Not applicable
26	If convertible ,fully or Partially	Not applicable
27	If convertible ,mandatory or optional conversion	Not applicable
28	If convertible ,specify instrument type convertible into	Not applicable
29	If convertible ,specify issuer of instrument it converts into	Not applicable
30	If write down feature	Not applicable
31	If write down, write-down trigger(s)	Not applicable
32	If write down, full or partial	Not applicable
33	If write down, permanent or temporary	Not applicable
34	If write down, description of write-up mechanism	Not applicable
35	Positioning subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
36	Non-compliant transitioned features	Not applicable
37	If yes, specify non-compliant features	Not applicable