



PILLAR 3 DISCLOSURE

Stanbic Bank Botswana Limited

Risk and Capital Management Report



31 March
2021



Stanbic Bank **IT CAN BE™**

01

Regulatory Capital Requirements

1. 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 March 2021, the Bank remained adequately capitalised recording a Capital Adequacy Ratio (CAR) of 17.27%, an increase from 16.92% that was reported in Q4:2020. The improvement in capital was due to reduced capital demand during the quarter.

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

2. Capital Structure

Table 1: Basel III Common Equity Tier 1 Disclosure Template.

	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	1,245,832
3	Accumulated other comprehensive income (and other reserves)	-
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	1,636,009
	Common Equity Tier 1: regulatory adjustments	
7	Prudential valuation adjustments	-
8	Goodwill (net of related tax liability)	-
9	Other intangibles other than mortgage-servicing rights (Net of related tax liability)	165,004
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)	-

02. Regulatory Capital Requirements... Cont

2.1 Capital Structure... cont

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	165,004
29	Common Equity Tier I capital (CET1 CAPITAL)	1,471,005
	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 + ATI)	1,471,005
	Tier II capital : instruments and provisions	
46	Directly issued qualifying Tier II instruments plus related stock surplus	500,000
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	142 684
51	Tier II capital before regulatory adjustments	715,076
	Tier II capital: regulatory adjustments	
52	Investments in own Tier II instruments	-

02. Regulatory Capital Requirements... Cont

2.1 Capital Structure... cont

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)	715,076
59	Total capital (TC = T1 + T2)	2,186,081
60	Total risk-weighted assets	12,657,398
	Capital ratios and buffers	
61	Common Equity Tier I (as a percentage of risk weighted assets)	11.62%
62	Tier I (as a percentage of risk weighted assets)	11.62%
63	Total capital (as a percentage of risk weighted assets)	17.27%
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)	-

02. Regulatory Capital Requirements... Cont

2.1.1 IFRS 9 Transitional Arrangement

Effective 1 January 2018, the IFRS 9 financial instruments replaced the accounting treatment of Financial instruments under IAS 39. SBBL transitioned on 1 January 2018 in line with the standard. Subsequent to the implementation of IFRS 9, Bank of Botswana (BOB) issued a circular pursuant to sections 13 and 14 of the Banking Act (CAP 46:04). To cushion the banks against any significant shocks to capital, a three-year transitional period was offered for the additional transioning provision. The transition period would run for three years from 1 January 2018 to 31 December 2020. SBBL opted for the transitional arrangement.

Table 2: SBBL IFRS 9 Transitional Arrangement

		a	b	c	d	e
		T	T-1	T-2	T-3	T-4
	Available Capital (P '000)	31/03/21	31/12/20	30/09/20	30/06/20	31/03/20
1	Common Equity Tier 1 (CET1)	1,471,005	1,141,640	1,141,640	1,141,640	1,030,294
1a	Fully loaded ECL accounting model	1,447,699	1,118,334	1,118,334	1,118,334	970,536
2	Tier 1	1,471,005	1,141,640	1,141,640	1,141,640	1,030,294
2a	Fully loaded ECL accounting model Tier 1	1,447,699	1,118,334	1,118,334	1,118,334	970,536
3	Total capital	2,186,081	2,089,555	2,008,559	1,930,880	1,870,348
3a	Fully loaded ECL accounting model total capital	2,162,775	2,066,250	1,985,253	1,907,575	1,810,590
	Risk weighted asset assets (P'000)					
d	Total risk-weight assets (RWA)	12,657,398	12,347,712	11,735,708	11,460,501	10,720,206
	Risk-based capital ratios as a percentage of RWA (%)					
5	Common Equity Tier 1 (CET1) ratio	11.62%	9.25%	9.73%	9.96%	9.61%
5a	Fully loaded ECL accounting model common Equity tier 1	11.44%	9.06%	9.53%	9.76%	9.05%
6	Tier 1	11.62%	9.25%	9.73%	9.96%	9.61%
6a	Fully loaded ECL accounting model Tier 1	11.44%	9.06%	9.53%	9.76%	9.05%
7	Total capital	17.27%	16.92%	17.11%	16.85%	17.45%
7a	Fully loaded ECL accounting model total capital	17.09%	16.73%	16.92%	16.64%	16.89%
	Additional CET1 Buffer requirement as a Percentage of RWA					
8	Capital conservation buffer requirements (2.5% from 2019 (%)					
9	Countercyclical requirement (%)					
10	Bank G-SB and or /D-S additional requirements (%)					
11	Total bank CET 1 specific buffer requirements					
12	CET1 available after meeting the bank's minimum capital requirement (P'000)					

Table 3: Summary of Credit RWA

Credit Risk	P'000
Total on balance sheet amount	10,678,866
Total off balance Sheet	735,842
Total Risk weighted Assets	11,414,707

02. Regulatory Capital Requirements... Cont

2.1.1 IFRS 9 Transitional Arrangement... cont

Table 4: Market Risk RWA

Credit Risk	P'000
Standardised Measurement Method	24,456
Interest rate risk	146
Specific risk	
General risk	146
Foreign exchange risk	24,310
Foreign exchange and gold	24,310
Total capital charge	24,456
Risk-weighted amount factor	6.70
Market risk-weighted assets	163,854
Total Pillar 1 Market Risk Capital Requirements	24,456

Table 5: Operational risk RWA

P'000	Gross income	Aggregate gross income	Risk weight factor
Total Gross Income for Year 1	986,919		
Total Gross Income for Year 2	1,145,718		
Total Gross Income for Year 3	1,087,768		
Aggregate Gross Income (#GID...n)		3,220,405	
operational risk factor -denoted alpha (α)		15%	
Aggregate Gross Income multiplied by α		483,061	
No. of years with Positive Gross Income (n)		3	
Operational Risk Capital Charge: BIA		161,020	
risk weight factor			6.7
operational risk weight assets			1,078,836

