Stanbic Bank Pillar 3 Disclosures For Quarter ending 30 September 2020

Stanbic Bank *IT CAN BE*™

1. INTRODUCTION

This report sets out the Stanbic Bank Botswana (SBBL) quarterly capital disclosers 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 September 2020, the Bank remained adequately capitalised recording a capital adequacy ratio (CAR) of 17.22%, an increase from 16.85% that was reported in Q2:2020. 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.

	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	916,467
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**	**1,306,644**
	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)	-
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)**	**1,141,640**
	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)**	1,141,640
	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	130,975
51	**Tier II capital before regulatory adjustments**	866,919

	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)**	**866,919**
59	**Total capital (TC = T1 + T2)**	**2,008,559**
60	**Total risk-weighted assets**	**11,662,505**
	Additional Tier 1 capital (CET 1 CAPITAL)	
	Capital ratios and buffers	
61	Common Equity Tier I (as a percentage of risk weighted assets)	**9.79%**
62	Tier I (as a percentage of risk weighted assets)	**9.79%**
63	Total capital (as a percentage of risk weighted assets)	**17.22%**
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 assists)	**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)	**15.0%**
	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 previsions 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 2 : SBBL IFRS 9 Transitional Arrangement

		a	b	c	d	e
		T	T-1	T-2	T-3	T-4
	Available Capital (P '000)	**30/09/20**	**30/06/20**	**31/03/20**	**31/12/19**	**30/09/19**
1	Common Equity Tier 1 (CET1)	1,141,640	1,141,640	1,030,294	1,165,647	1,030,294
1a	Fully loaded ECL accounting model	1,118,334	1,118,334	970,536	970,536	970,536
2	Tier 1	1,141,640	1,141,640	1,030,294	1,165,647	1,030,294
2a	Fully loaded ECL accounting model Tier 1	1,118,334	1,118,334	970,536	970,536	970,536
3	**Total capital**	2,008,559	1,930,880	1,870,348	1,776,337	1,765,222
3a	Fully loaded ECL accounting model total capital	1,985,253	1,907,575	1,810,590	1,716,579	1,705,464
	Risk weighted asset assets (P'000)					
d	**Total risk-weight assets (RWA)**	**11,662,505**	**11,460,501**	**10,720,204**	**10,036,127**	**10,361,165**
	Risk-based capital ratios as a percentage of RWA (%)					
5	Common Equity Tier 1 (CET1) ratio	9.79%	9.96%	9.61%	11.61%	9.94%
5a	Fully loaded ECL accounting model common Equity tier 1	9.59%	9.76%	9.05%	9.67%	9.37%
6	Tier 1	9.79%	9.96%	9.61%	11.61%	9.94%
6a	Fully loaded ECL accounting model Tier 1	9.59%	9.76%	9.05%	9.67%	9.37%
7	Total capital	17.22%	16.85%	17.45%	17.70%	17.04%
7a	Fully loaded ECL accounting model total capital	17.02%	16.64%	16.89%	17.10%	16.46%
	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		9,851,474
Total off balance Sheet		626,558
Total Risk weighted Assets		**10,478,032**

Table 4: Market Risk RWA

Summary Information	P'000
Standardised Measurement Method	**23,763**
Interest rate risk	**2,267**
Specific risk	
General risk	2,267
Foreign exchange risk	**21,496**
Foreign exchange and gold	21,496
Total capital charge	**23,763**
Risk-weighted amount factor	6.70
Market risk-weighted assets	**159,215**
Total Pillar 1 Market Risk Capital Requirements	**23,763**

Table 5: Operational risk RWA

P'000	Gross income	Aggregate gross income	Risk weight factor
Total Gross Income for Year 1	927,833		
Total Gross Income for Year 2	986,919		
Total Gross Income for Year 3	1,145,718		
Aggregate Gross Income ($\sum GI_{1...n}$)		**3,060,470**	
operational risk factor -denoted alpha (Đ)		15%	
Aggregate Gross Income multiplied by $_{1}a$		**459,071**	
No. of years with Positive Gross Income (n)		3	
Operational Risk Capital Charge: BIA		**153,024**	
risk weight factor			6.7
operational risk weight assets			**1,025,257**

Subsequent Events

On March 11, 2020 the World Health Organisation declared the Coronavirus (COVID-19) a pandemic. Many governments took stringent steps to help contain the spread of the virus, including: requiring self – isolation/ quarantine by those potentially affected, implemented social distancing measures, controlling or closing boarders and 'locking –down' cities/ regions. The President of the Republic of Botswana in response, declared a State of Emergency (SOE) initially for a month which was later extended by 6 months to September 2020. Following another surge of infections in the second half of the year, the SOE was again extended by another six months to March 2021.

The COVID- 19 pandemic and the measures that were implemented to manage it such as national lock down have severely depressed economic demand which might lead to increased job losses especially at the end of the SOE. The increased unemployment is likely to affect the ability of borrowers to meet loan obligations with the Bank subsequently impacting the credit loss provisioning. The Bank has been proactive and continues to monitor all potential effects of the pandemic. Based on the reassessment performed at the end of September 2020, management has concluded that there is no doubt on the entities' ability to continue as a going concern. The Bank is currently well capitalised and well-funded to sustain the effects of the pandemic in the foreseeable future.