

# Standard Chartered Bank Botswana Ltd

## Full Year 2015 Summarised Audited Financial Results



The directors have pleasure in announcing the group (Standard Chartered Bank Botswana and its subsidiaries\*) audited financial results for the 12 months ended 31 December 2015 together with comparative figures for 2014.

### KEY FINANCIAL HIGHLIGHTS

- Operating income is 18% down on 2014 reflecting challenging market conditions and strategic management decisions to strengthen the balance sheet at the expense of short term performance.
- Operating expenses were contained to an increase of 6% to P706.0m, reflective of cost efficiencies delivered in 2015.
- The Balance sheet remained resilient with 3% growth.
- The Bank is strongly capitalised with capital adequacy ratio at 19.8% from 16.1% in the previous year.
- A highly liquid balance sheet with advances to deposits ratio of 73% (2014:81%).
- The quality of the loan portfolio remained strong despite the significant specific impairment of a single client on the corporate side, without which the ratio of impaired loans to total gross loans would have been 1.02%.

### Botswana's Economic Environment

Real Gross Domestic Product (GDP) growth for 2015 was 1.0 percent compared to 3.2 percent in 2014, mainly on account of the slowdown in economic activity. Contributing to the slow growth in the domestic economy in 2015 was the mining sector, which declined by 14.0 percent, due to the reduction of diamond production. The water and electricity sector also registered a decline, due to continued water and electricity supply challenges.

A modest recovery is expected in 2016 and 2017, with growth rates projected to be 4.2 and 4.3 percent, respectively, underpinned by a recovery in both the mining and non-mining sectors, and fuelled by a moderate recovery in the global economy, as well as the impact of the domestic policy initiatives such as the Economic Stimulus Programme.

To support growth, an accommodative monetary policy stance was maintained in 2015, as the bank rate was reduced by 150 basis points, ending the year at 6.0%. This reduction was consistent with the reported inflation which averaged 3.0% in 2015 from 4.5% in 2014.

### Business and Financial Position Review

The group's performance in 2015 was impacted by the challenging trading environment, characterised by subdued macro-economic conditions, low interest rates and a significant decline in market liquidity. These factors resulted in a substantial increase in our cost of funding, causing considerable margin compression, which ultimately reduced income and profit. Throughout these

challenges, the group remained focused on implementing long term sustainable solutions to keep the statement of financial position resilient and ensure that the group remains here for good for our customers and stakeholders.

The re-organisation of the group was completed during the year to support the newly refreshed strategy, which is focused on delivering demonstrable efficiencies and therefore strong returns. The Retail Banking segment is now better aligned with the group's core customer segments and has started embarking on a program to enhance service delivery and meet customers' end to end requirements. Improvements in digital solutions now enable more online transactions such as the purchase of pre-paid electricity and immediate update on DSTV accounts as soon as the subscription is paid using our mobile platform.

The Commercial Banking segment registered a 9% increase in total income despite the challenges in the operating environment, demonstrating its good potential and hence the amplified focus on the segment going forward. Corporate and Institutional Banking continued to support large corporates through advisory and structured financing solutions, with increased focus on Trade, Cash Management and Foreign Exchange offerings.

While 2016 is also expected to be a challenging year, the measures undertaken in 2015 have positioned the group well for growth. The Commercial Banking value proposition has been enhanced to enable seamless services to clients through the group's state of the art Straight-To-Bank platform. CIB will continue to leverage the strength of the group's statement of financial position in partnering with corporate clients in their expansion programmes. The ongoing implementation of the group's revised strategy will deliver great benefits to our clients, enabling the bank to contribute meaningfully to the much needed growth of the economy.

### Here for Good

The highlight of our sustainability initiatives in 2015 was the announcement of the Standard Chartered Bank Education Trust, which supports education and learning. Through this fund, the Bank will sponsor exceptional individuals and projects that have the potential to make a broader contribution to the community. The Trust owns a 0.84% shareholding in Standard Chartered Bank Botswana and has already received a dividend of P 1,2 million in its inaugural year.

A key part of the group's sustainability agenda is financial literacy. In 2015, the group undertook a number of activities to promote financial literacy. May was declared Financial Education Month, during which education workshops were conducted using the Financial Education for Youth (FE4Y) toolkit. This concept was developed to encourage staff to undertake skills based volunteerism as part of the Employee Volunteering programme. A total of 514 students were

reached through this campaign. In addition, as part of the group's partnership with Thusang Basadi, the group's arranged a business forum for clients of Thusang Basadi, with the Honourable Minister of Health as the guest speaker. Staff also conducted workshops on business and financial management for the women entrepreneurs, imparting much needed knowledge and skills.

Health and wellness also constitute a key part of our sustainability program. The Bank has prioritised HIV and AIDS awareness and in 2015 we collaborated with MTV Staying Alive Foundation (MTV SAF) to fund Botswana's youth led NGO, Young 1ove. Young 1ove aims to help youth deal with real life challenges, including HIV and AIDS.

The group continues to encourage its staff to support the communities in which we operate through Employee Volunteering. Last year, staff contributed over 400 days to helping less privileged members of our society.

### Auditor's report

KPMG has audited the consolidated financial statements of Standard Chartered Bank Botswana and has expressed an unqualified audit opinion on these financial statements. The consolidated financial statements comprise the statements of financial position at 31st December 2015 and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year ended and supporting explanatory notes. The audit report on the consolidated financial statements is available for inspection at the registered offices of Standard Chartered Bank Botswana.

### Post reporting period events

There were no material events that occurred after the reporting date that require adjustments to, or disclosure in, the financial statements as at 31 December 2015.

### Dividend declaration

During the year, P169m dividends were declared and paid (2014: P213m). To maintain the capital resilience of the Bank and to manage growth expectations in the near future, the Board will consider a dividend declaration later in 2016.

Approved by the Board of Directors on 25 February 2016:

  
Othogile, Bojosi  
Chairman

  
Lekaukau, Moathodi  
Managing Director

Gaborone

### CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

|   | 31-Dec-15<br>(P'000s) | 31-Dec-14<br>(P'000s) |
|---|-----------------------|-----------------------|
| Interest income   | 856,883               | 841,613               |
| Interest expense  | (385,617)             | (246,261)             |
| <b>Net interest income</b>  | <b>471,266</b>        | <b>595,352</b>        |
| Fee and commission income   | 280,429               | 297,986               |
| Other income  | 156,494               | 207,183               |
| Less: Commission Expense  | (28,196)              | (27,089)              |
| Net fee income  | 408,727               | 478,080               |
| <b>Operating income</b>   | <b>879,993</b>        | <b>1,073,432</b>      |
| <b>Operating expenses</b>   |                       |                       |
| Staff expenses  | (219,955)             | (249,100)             |
| Other expenses  | (486,039)             | (416,398)             |
| <b>Total operating expenses</b>   | <b>(705,994)</b>      | <b>(665,498)</b>      |
| <b>Profit before impairment losses</b>                                      | <b>173,999</b>        | <b>407,934</b>        |
| Net impairment loss on financial assets                                     | (105,348)             | (1,443)               |
| <b>Profit before income tax</b>   | <b>68,651</b>         | <b>406,491</b>        |
| Income tax expense  | (21,260)              | (87,307)              |
| <b>Total comprehensive income and profit for the period</b>                 | <b>47,391</b>         | <b>319,184</b>        |
| Number of ordinary shares in issue during the period at 100 thebe per share | 298,350,611           | 298,350,611           |
| Basic and diluted earnings per share (thebe)                                | 15.88                 | 106.98                |
| Dividend per share (thebe) - declared in the year                           | 56.69                 | 71.42                 |

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|                                     | 31-Dec-15<br>(P'000s) | 31-Dec-14<br>(P'000s) |
|-------------------------------------|-----------------------|-----------------------|
| <b>Assets</b>                       |                       |                       |
| Cash and balances with central bank | 1,139,254             | 1,005,148             |
| Loans and advances to banks         | 2,226,840             | 2,526,133             |
| Investment securities               | 2,308,814             | 884,624               |
| Loans and advances to customers     | 7,188,009             | 8,128,305             |
| Other assets                        | 166,942               | 145,622               |
| Tax refundable                      | 20,247                | 8,333                 |
| Property and equipment              | 33,684                | 39,918                |
| Intangible Assets and goodwill      | 46,213                | 62,186                |
| <b>Total assets</b>                 | <b>13,130,003</b>     | <b>12,800,269</b>     |
| <b>Liabilities</b>                  |                       |                       |
| Deposits from other banks           | 1,284,538             | 991,441               |
| Deposits from customers             | 9,865,985             | 10,041,700            |
| Other liabilities                   | 238,174               | 258,331               |
| Deferred taxation                   | 13,765                | 11,941                |
| Senior and subordinated debt        | 686,260               | 297,260               |
| <b>Total liabilities</b>            | <b>12,088,722</b>     | <b>11,600,673</b>     |
| <b>Equity</b>                       |                       |                       |
| Stated capital                      | 179,273               | 179,273               |
| Reserves                            | 862,008               | 1,020,323             |
| <b>Total equity</b>                 | <b>1,041,281</b>      | <b>1,199,596</b>      |
| <b>Total liabilities and equity</b> | <b>13,130,003</b>     | <b>12,800,269</b>     |

### CONSOLIDATED STATEMENT OF CASH FLOWS

|   | 31-Dec-15<br>(P'000s) | 31-Dec-14<br>(P'000s) |
|---|-----------------------|-----------------------|
| <b>Cash flow from operating activities:</b>                   |                       |                       |
| Profit after taxation   | 47,391                | 319,184               |
| <b>Adjustments for:</b>                                       |                       |                       |
| - Taxation  | 21,260                | 87,307                |
| - Depreciation  | 7,134                 | 8,613                 |
| - Amortisation on intangibles                                 | 15,996                | 15,664                |
| - Impairment loss on loans and advances                       | 105,348               | 1,443                 |
| - Movement in operating lease accrual                         | (2,124)               | 1,331                 |
| - Loss on disposals of property and equipment                 | -                     | 36                    |
|   | <b>195,005</b>        | <b>433,578</b>        |
| Change in investment securities                               | (1,429,196)           | 476,240               |
| Change in loans and advances to customers                     | 834,948               | (1,841,464)           |
| Change in other assets  | (21,320)              | 5,159                 |
| Change in deposits from other banks                           | 293,097               | 498,926               |
| Change in amounts due to customers                            | (175,715)             | 2,149,481             |
| Change in other liabilities                                   | (18,033)              | 29,265                |
|   | <b>(321,214)</b>      | <b>1,751,185</b>      |
| Taxation refunded   | 6,363                 | -                     |
| Taxation paid   | (37,713)              | (103,554)             |
| <b>Net cash (used in)/generated from operating activities</b> | <b>(352,564)</b>      | <b>1,647,631</b>      |
| <b>Cash flow from investing activities</b>                    |                       |                       |
| Acquisition of property and equipment                         | (900)                 | (598)                 |
| Acquisition of intangibles                                    | (23)                  | (8,609)               |
| Purchase of treasury shares                                   | (31,566)              | -                     |
| <b>Net cash used in investing activities</b>                  | <b>(32,489)</b>       | <b>(9,207)</b>        |
| <b>Cash flow from financing activities</b>                    |                       |                       |
| Proceeds from subordinated debt                               | 389,000               | -                     |
| Dividends paid  | (169,134)             | (213,086)             |
| <b>Net cash generated from/(used in) financing activities</b> | <b>219,866</b>        | <b>(213,086)</b>      |
| <b>(Decrease)/increase in cash and cash equivalents</b>       | <b>(165,187)</b>      | <b>1,425,338</b>      |
| <b>Cash and cash equivalents:</b>                             |                       |                       |
| Cash and cash equivalents at 1 January                        | 3,531,281             | 2,105,943             |
| <b>Cash and cash equivalents at 31 Dec **</b>                 | <b>3,366,094</b>      | <b>3,531,281</b>      |

\* The financial statements of SCB Insurance Agency (Proprietary) Limited and Standard Chartered Botswana Education Trust have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances.

\*\* Cash and cash equivalent are cash balances and balances held with Central Bank and other financial institutions with maturity of 0 - 3months.

# Standard Chartered Bank Botswana Ltd

## Full Year 2015 Summarised Audited Financial Results



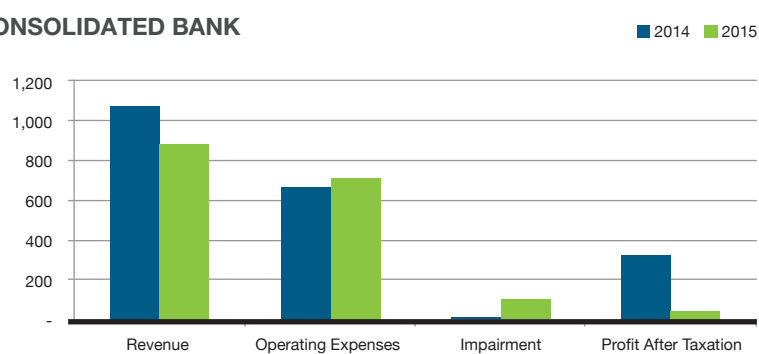
### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|  | Stated capital<br>P'000 | Revaluation<br>reserve<br>P'000 | Statutory credit<br>risk reserve<br>P'000 | Retained<br>earnings<br>P'000 | Dividend<br>reserve<br>P'000 | Capital<br>contribution<br>P'000 | Treasury<br>share reserve<br>P'000 | Available for<br>sale reserve<br>P'000 | Total<br>P'000 |
|--|-------------------------|---------------------------------|---|-------------------------------|------------------------------|----------------------------------|------------------------------------|--|----------------|
| <b>Balance at 01 January 2014</b>                    | 179,273                 | 6,327                           | 8,223                                     | 828,696                       | 20,000                       | 28,213                           | -                                  | 30,267                                 | 1,100,999      |
| Total comprehensive income                           |                         |                                 |   |                               |                              |                                  |                                    |  |                |
| Profit for the year                                  | -                       | -                               | -   | 319,184                       | -                            | -                                | -                                  | -                                      | 319,184        |
| Fair value adjustment: Available for sale securities | -                       | -                               | -   | -                             | -                            | -                                | -                                  | (7,501)                                | (7,501)        |
| <b>Transaction with owners of the bank</b>           |                         |                                 |   |                               |                              |                                  |                                    |  |                |
| Dividend to equity holders - proposed                | -                       | -                               | -   | (60,000)                      | 60,000                       | -                                | -                                  | -                                      | -              |
| Dividend to equity holders - paid                    | -                       | -                               | -   | (133,086)                     | (80,000)                     | -                                | -                                  | -                                      | (213,086)      |
| <b>Balance at 31 December 2014</b>                   | 179,273                 | 6,327                           | 8,223                                     | 954,794                       | -                            | 28,213                           | -                                  | 22,766                                 | 1,199,596      |
| Total comprehensive income                           |                         |                                 |   |                               |                              |                                  |                                    |  |                |
| Profit for the year                                  | -                       | -                               | -   | 47,391                        | -                            | -                                | -                                  | -                                      | 47,391         |
| Fair value adjustment: Available for sale securities | -                       | -                               | -   | -                             | -                            | -                                | -                                  | (5,006)                                | (5,006)        |
| <b>Transaction with owners of the bank</b>           |                         |                                 |   |                               |                              |                                  |                                    |  |                |
| Dividend to equity holders - paid                    | -                       | -                               | -   | (169,134)                     | -                            | -                                | -                                  | -                                      | (169,134)      |
| Purchase of treasury shares                          | -                       | -                               | -   | -                             | -                            | -                                | (31,566)                           | -                                      | (31,566)       |
| <b>Balance at 31 December 2015</b>                   | 179,273                 | 6,327                           | 8,223                                     | 833,051                       | -                            | 28,213                           | (31,566)                           | 17,760                                 | 1,041,281      |

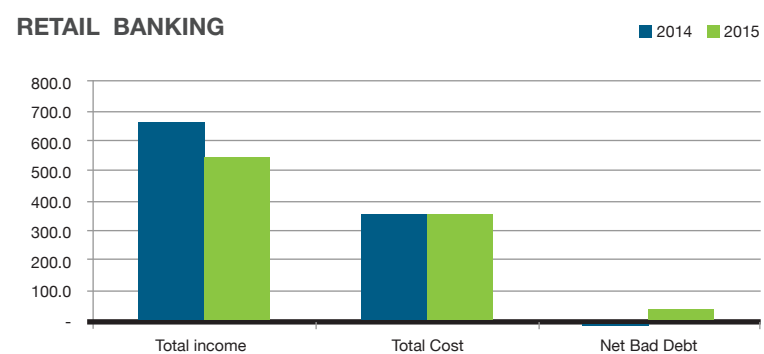
### CONSOLIDATED SEGMENTAL REPORTING

|  | Retail<br>Banking | Corporate and<br>Institutional<br>Banking | Commercial<br>Banking | TOTAL             |  | Retail<br>Banking | Corporate and<br>Institutional<br>Banking | Commercial<br>Banking | TOTAL             |
|--|-------------------|---|-----------------------|-------------------|--|-------------------|---|-----------------------|-------------------|
| <b>2015</b>                                      |                   |   |                       |                   | <b>2014</b>                                      |                   |   |                       |                   |
| <i>Profit and Loss</i>                           |                   |   |                       |                   | <i>Profit and Loss</i>                           |                   |   |                       |                   |
| Net interest income                              | 309,112           | 141,355                                   | 20,799                | 471,266           | Net interest income                              | 422,090           | 162,781                                   | 10,481                | 595,352           |
| Non interest income                              | 237,671           | 140,869                                   | 30,187                | 408,727           | Non interest income                              | 244,647           | 197,204                                   | 36,229                | 478,080           |
| Revenue - external sources                       | 546,783           | 282,224                                   | 50,986                | 879,993           | Revenue - external sources                       | 666,737           | 359,985                                   | 46,710                | 1,073,432         |
| Impairment movement                              | (39,972)          | (61,866)                                  | (3,510)               | (105,348)         | Impairment movement                              | 3,276             | (3,514)                                   | (1,205)               | (1,443)           |
| <b>Net interest income after impairment</b>      | <b>506,811</b>    | <b>220,358</b>                            | <b>47,476</b>         | <b>774,645</b>    | <b>Net interest income after impairment</b>      | <b>670,013</b>    | <b>356,471</b>                            | <b>45,505</b>         | <b>1,071,989</b>  |
| Operating expenses                               | (352,939)         | (282,026)                                 | (71,029)              | (705,994)         | Operating expenses                               | (353,107)         | (230,178)                                 | (82,213)              | (665,498)         |
| <b>Profit before taxation</b>                    | <b>153,872</b>    | <b>(61,668)</b>                           | <b>(23,553)</b>       | <b>68,651</b>     | <b>Profit before taxation</b>                    | <b>316,906</b>    | <b>126,293</b>                            | <b>(36,708)</b>       | <b>406,491</b>    |
| <i>Statement of financial Position</i>           |                   |   |                       |                   | <i>Statement of financial Position</i>           |                   |   |                       |                   |
| Investment securities                            | -                 | 2,308,814                                 | -                     | 2,308,814         | Investment securities                            | -                 | 884,624                                   | -                     | 884,624           |
| Loans and advances to customers                  | 5,260,200         | 1,618,057                                 | 309,752               | 7,188,009         | Loans and advances to customers                  | 5,112,643         | 2,663,221                                 | 352,441               | 8,128,305         |
| Other assets for reportable segments             | 17,327            | 3,611,658                                 | 4,195                 | 3,633,180         | Other assets for reportable segments             | 29,903            | 3,752,113                                 | 5,324                 | 3,787,340         |
| <b>Total assets for reportable segments</b>      | <b>5,277,527</b>  | <b>7,538,529</b>                          | <b>313,947</b>        | <b>13,130,003</b> | <b>Total assets for reportable segments</b>      | <b>5,142,546</b>  | <b>7,299,958</b>                          | <b>357,765</b>        | <b>12,800,269</b> |
| Deposits from non bank customers                 | 3,270,161         | 5,333,895                                 | 1,261,929             | 9,865,985         | Deposits from non bank customers                 | 3,060,094         | 4,809,269                                 | 2,172,337             | 10,041,700        |
| Other liabilities for reportable segments        | 14,719            | 2,198,181                                 | 9,837                 | 2,222,737         | Other liabilities for reportable segments        | 21,604            | 1,456,546                                 | 80,823                | 1,558,973         |
| <b>Total liabilities for reportable segments</b> | <b>3,284,880</b>  | <b>7,532,076</b>                          | <b>1,271,766</b>      | <b>12,088,722</b> | <b>Total liabilities for reportable segments</b> | <b>3,081,698</b>  | <b>6,265,815</b>                          | <b>2,253,160</b>      | <b>11,600,673</b> |

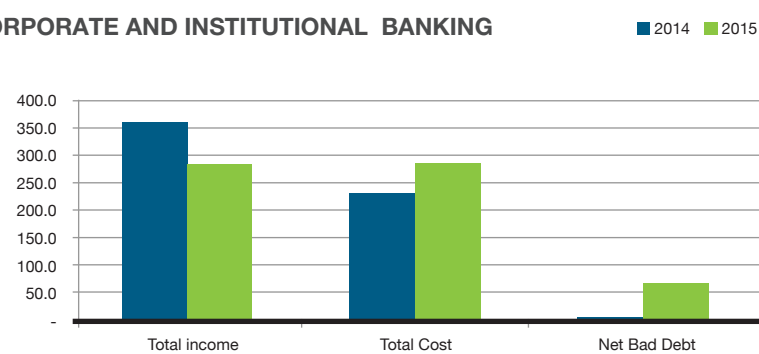
### CONSOLIDATED BANK



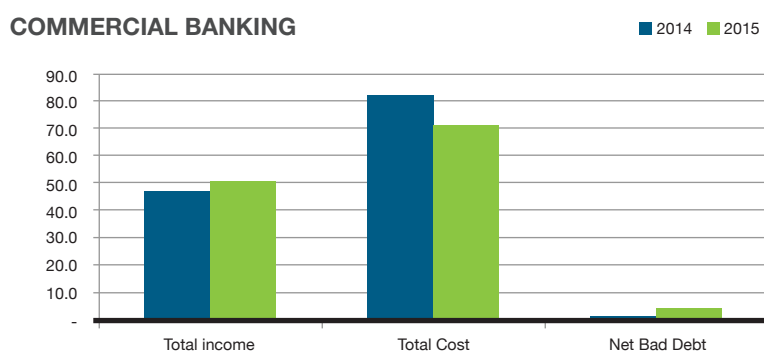
### RETAIL BANKING



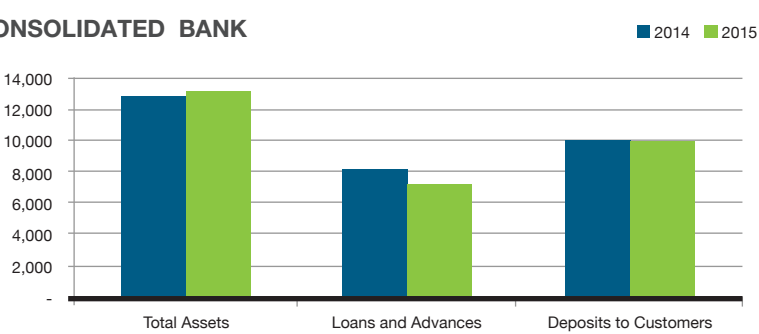
### CORPORATE AND INSTITUTIONAL BANKING



### COMMERCIAL BANKING



### CONSOLIDATED BANK



### TOTAL EQUITY vs CAPITAL ADEQUACY RATIO

