

Stanbic Bank Botswana Limited

Financial Results 2015



Profit after tax
P132m
2015
P91m
2014
P241m
2013

Loans & Advances to Customers
P5.9b
2015
P6.5b
2014
P6.4b
2013

Total Income
P700m
2015
P666m
2014
P813m
2013

Return on Equity
14%
2015
11%
2014
38%
2013

Return on Assets
1.1%
2015
0.8%
2014
2.2%
2013

Capital Adequacy
24.20%
2015
21.50%
2014
16.25%
2013

Performance

During the year, we entered a new phase to focus the entire essence of the Bank on improving client service. This was done through emphasising customer service excellence and driving operational efficiencies across all platforms and addressing inherent risks, optimising the efficiency of the balance sheet, delivering new products to the market on the strength of a superior core banking system, sourcing cheaper liquidity, and streamlining our card system. The cumulative cuts of 150 basis points in the bank rate in February and August significantly reduced interest income. The response by the Central Bank to inject some much needed liquidity into the banking sector in March by reducing the cash reserving requirement ratio from 10 percent to 5 percent was leveraged by the bank to bring the unsustainable levels of cost of funds under control. The effects of the slowdown in the mining sector, business closures, retrenchments, personal over-indebtedness, drought, and challenges in electricity and water supply culminated in constraining growth in the loan book. Notwithstanding these challenges, the Bank posted profit after tax of P132 million with a 44 percent year-on-year growth.

Net Interest Income

Interest income declined by 5 percent as a result of the loan book declining by 9 percent due to the challenging business environment and the endowment effects of the 150 basis points bank rate cuts during the year. Liquidity pricing efficiencies yielded positive gains with a 2 percent reduction in interest expense and weighted cost of funds.

Non-Interest Income

Against the backdrop of the moratorium on fees and commissions, non-interest income delivered a strong growth of 18 percent. This reflects the exceptional transactional capabilities the Bank has acquired since the implementation of the new improved core banking system in 2013. This has allowed for best-in-class digital value-added products to be introduced on the market. Additionally, the trading desk leveraged the volatilities in the foreign exchange market to post very strong revenues.

Impairment

The effective management of impairment has been the highlight of the year, due to continued focus on rehabilitation, recoveries and revising risk appetite to align to current difficult market conditions. There were also some improvements in the quality of the loan book held and the quality of the securities held. This resulted in a 50 percent year-on-year improvement on impairment charges.

Operating expenses

Operating costs increased by 5 percent during the year. This was mainly driven by the need to sharpen the focus of the Bank to deliver customer service excellence through operational efficiencies, optimised technology and building critical staff competences. This investment has positioned the Bank to enable it to deliver sustainable and superior client experience across all service delivery platforms.

Business Performance

Corporate and Investment Banking (CIB) continues to provide a strong anchor for our operations with the trading desk generating 20 percent growth in revenues to offset the endowment risks resulting from rate cuts. Being the dominant player in the market, the unit was very exposed to the macro-economic challenges facing the key sectors of the country; as a result, the loan book declined by 25 percent year-on-year. The outlook on this unit remains very positive with a quality book and a strong pipeline.

The Personal and Business Banking (PBB) unit emerged stronger than in the previous year. The new core banking platform provides opportunities to introduce contemporary and digital solutions to the market. This unit leveraged this opportunity to grow a quality customer base to generate a healthy growth of 18 percent in non-interest revenue. While the loan book remained flat year-on-year, the risk profile of the book was enhanced. The loss position for PBB improved by 38 percent from P101 million in 2014 to P62 million in 2015. PBB is well positioned to continue with the improving trend and is expected to return to profitability.

Balance Sheet and Capital Management


During the year, the Bank remained strongly committed to funding and supporting viable corporate and commercial business opportunities as well as personal wealth creation. The challenging macro-economic environment constrained the number and quality of credit applications received during the year. This resulted in the 9 percent decline in loans and advances to customers, even though total assets grew by 10 percent to P12.0 billion.

The balance sheet strategy during the year was to preserve capital and the long term sustainability of the Bank while fully complying with all regulatory requirements and the Standard Bank Group capital management demands. At the close of the year, the Bank's capital adequacy ratio, under both Basel I and II / III requirements, was 24 percent and 21 percent respectively.

Outlook

Despite the tough operating environment anticipated in 2016, the investment made into our technology platforms, people and efficient processes will yield greater competitive edge in growing market share in our target market segments to deliver stronger returns for all stakeholders.


Craig Granville
(Chairman)


Leina Gabaraane
(Chief Executive)

Abbreviated Financial Reports

Statements of profit or loss and other comprehensive income

For the year ended 31 December 2015 in Pula (thousands)

	Group		Company	
	2015 P000's	2014 P000's	2015 P000's	2014 P000's
Net interest income	302 837	330 482	302 837	330 482
Non interest income	396 896	335 237	390 297	328 597
Total income	699 733	665 719	693 134	659 079
Credit impairment charges	52 093	104 073	52 093	104 073
Net income	647 640	561 646	641 041	555 006
Total operating expenses	458 971	438 304	455 952	434 224
Profit before indirect tax from continuing operations	188 669	123 342	185 089	120 782
Indirect tax	19 639	11 132	19 639	11 130
Profit before direct tax from continuing operations	169 030	112 210	165 450	109 652
Direct tax	37 397	20 781	36 956	19 873
Profit after tax	131 633	91 429	128 494	89 779
Other comprehensive income				
Available for sale reserve	(749)	(1 975)	(749)	(1 975)
Other comprehensive expense after tax for the year	(749)	(1 975)	(749)	(1 975)
Total comprehensive income for the year	130 884	89 454	127 745	87 804

Statements of Financial Position

As at 31 December 2015 in Pula (thousands)

	Group		Company	
	2015 P000's	2014 P000's	2015 P000's	2014 P000's
Assets				
Cash and balances with the Central Bank	747 208	822 731	747 208	822 731
Derivative assets	40 606	38 218	40 606	38 218
Trading portfolio assets	1 244 329	754 421	1 244 329	754 421
Financial assets designated at fair value	603 069	981 162	603 069	981 162
Loans and advances	9 153 550	8 008 927	9 153 550	8 008 927
Other assets	130 114	232 743	125 644	238 460
Investment in subsidiaries	-	-	33	33
Intangible assets	4 609	5 334	4 609	5 334
Property, plant and equipment	64 977	66 478	64 977	66 478
Current tax asset	4 898	530	4 309	-
Deferred tax asset	-	2 496	-	2 496
Total assets	11 993 360	10 913 040	11 988 334	10 918 260
Liabilities and equity				
Derivative liabilities	60 053	41 527	60 053	41 527
Deposits	9 541 617	8 579 536	9 557 328	8 596 804
Tax liability	-	4 907	-	4 907
Accruals, deferred income and other liabilities	167 155	153 111	158 130	149 636
Deferred tax liability	3 192	-	3 192	-
Debt securities in issue	1 184 700	1 228 200	1 184 700	1 228 200
Equity- attributable to ordinary shareholders	1 036 643	905 759	1 024 931	897 186
Total liabilities and equity	11 993 360	10 913 040	11 988 334	10 918 260

Statements of cash flows

For the year ended 31 December 2015 in Pula (thousands)

	2015	2014	2015	2014
	P000's	P000's	P000's	P000's
Net cash flows from operating activities	(14 812)	(483 325)	(14 812)	(483 325)
Cash flows generated from operations	46 280	(442 199)	45 778	(442 153)
Indirect tax paid	(19 639)	(11 132)	(19 639)	(11 130)
Direct tax paid	(43 051)	(32 367)	(42 549)	(32 416)
Share options exercised	1 598	2 374	1 598	2 374
Net cash flows in investing activities	(17 211)	(5 590)	(17 211)	(5 590)
Net cash flows in financing activities	(43 500)	465 200	(43 500)	465 200
Net movement in cash and cash equivalents	(75 523)	(23 715)	(75 523)	(23 715)
Cash and cash equivalents at beginning of the year	822 731	846 446	822 731	846 446
Cash and cash equivalents at end of the year	747 208	822 731	747 208	822 731

Segment reporting

For the year ended 31 December 2014 in Pula (thousands)

	Corporate & Investment	Personal & Business	Total
	P000's	P000's	P000's
2014 Group			
Net interest income	149 690	180 792	330 482
Non-interest income	207 419	127 818	335 237
Total income	357 109	308 610	665 719
Credit impairment charges	304	(104 377)	(104 073)
Net income	357 413	204 233	561 646
Total operating expenses	(119 389)	(318 915)	(438 304)
Profit before indirect tax from continuing operations	238 024	(114 682)	123 342
Indirect tax	(3 954)	(7 178)	(11 132)
Profit before direct tax from continuing operations	234 070	(121 860)	112 210
Direct tax	(41 661)	20 880	(20 781)
Profit after tax	192 409	(100 980)	91 429
Operating information			
Total assets	5 793 130	5 119 910	10 913 040
Total liabilities	5 443 606	4 563 675	10 007 281
Other information			
Depreciation and amortisation	15 076	3 222	18 298

Segment reporting

As at 31 December 2015 in Pula (thousands)

	Corporate & Investment	Personal & Business	Total
	P000's	P000's	P000's
2015 Group			
Net interest income	133 337	169 500	302 837
Non interest income	245 434	151 462	396 896
Total income	378 771	320 962	699 733
Credit impairment charges	1 136	(53 229)	(52 093)
Net income	379 907	267 733	647 640
Total operating expenses	(128 694)	(330 277)	(458 971)
Profit before indirect tax from continuing operations	251 213	(62 544)	188 669
Indirect tax	(5 775)	(13 864)	(19 639)
Profit before direct tax from continuing operations	245 438	(76 408)	169 030
Direct tax	(51 689)	14 292	(37 397)
Profit after tax	193 749	(62 116)	131 633
Operating information			
Total assets	7 604 339	4 389 021	11 993 360
Total liabilities	7 112 297	3 844 420	10 956 717
Other information			
Depreciation and amortisation	(3 212)	(15 420)	(18 632)

Auditor's opinion on the group Financial statements

The auditors, KPMG, have issued their opinion on the consolidated and separate financial statements for the year ended 31 December 2015. Their audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified audit opinion. These summarised financial statements have been derived from the consolidated and separate financial statements and are consistent in all material respects with the consolidated and separate financial statements. A copy of their audit report is available for inspection at the Bank's registered office. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the Bank's auditors.

Statements of Changes in equity

For the year ended 31 December 2015 in Pula (thousands)

	Stated capital	Preference share capital	Statutory credit reserve	Available-for-sale reserve	Revaluation reserves	Share based payments reserve	Retained earnings	Total equity
	P000's	P000's	P000's	P000's	P000's	P000's	P000's	P000's
Group								
Balance at 1 January 2014	161 084	229 093	16 021	6 273	1 057	3 596	398 736	815 860
Total profit and comprehensive income for the year	-	-	-	(1 975)	-	-	91 429	89 454
Increase in statutory credit risk reserve	-	-	4 816	-	-	-	(4 816)	-
Share options exercised	-	-	-	-	-	(2 374)	-	(2 374)
Share based payment scheme	-	-	-	-	-	2 819	-	2 819
Balance 31 December 2014	161 084	229 093	20 837	4 298	1 057	4 041	485 349	905 759
Group								
Balance at 1 January 2015	161 084	229 093	20 837	4 298	1 057	4 041	485 349	905 759
Total profit and comprehensive income for the year	-	-	-	(749)	-	-	131 633	130 884
Increase in statutory credit reserve	-	-	790	-	-	-	(790)	-
Ordinary shares issued	229 093	-	-	-	-	-	-	229 093
Shares redeemed	-	(229 093)	-	-	-	-	-	(229 093)
Share options exercised	-	-	-	-	-	(1 598)	1 598	-
Share based payment scheme	-	-	-	-	-	(1 585)	1 585	-
Balance 31 December 2015	390 177	-	21 627	3 549	1 057	858	619 375	1 036 643

