

# Audited Results for the Year Ended 30 June 2019

## GENERAL INFORMATION

Bank Gaborone Limited ("BG" or "Bank") is a public unlisted company incorporated and domiciled in Botswana, wholly owned by Capricorn Investment Holdings (Botswana) Limited. The principal place of business is Capricorn House, Plot 74768, Cnr. 2nd Commercial & Western Commercial, New Central Business District, Gaborone, Botswana.

### Financial Performance

Despite the severe pressure in the Botswana economy, the Bank performed in line with its targets for growth and profitability and achieved profit after tax of P43.8m which is an increase of 9.5% compared to prior year.

### Net interest income

Net interest income increased by 3.5% to P192.0m (2018: P185.5m). This is attributable to interest earning assets increasing by 13.6%.

### Impairment charges

The bank adopted the new IFRS 9 standard on the 1 July 2018, which resulted in new calculations for impairment charge for the year under review.

The impairment charges for the year showed a decline of 45.1% against prior year. This is mainly due to closure of mining companies in which we fully provided for the exposures in the prior year.

### Non-interest income

Non-interest income increased by 28.7% to P49.2m (2018: P38.2m). The growth is mainly due to improved forex trading income as well as the growth in transaction-based fee income.

### Operating Expenses

Operating expenses increased by 14.1% to P171.5m (2018: P150.3m) as a result of increased headcount and operational banking expenses arising from additional branches opened during the year under review (CBD and Mahalapye branches) and the cost of the new Head-office, which was opened in September 2018. Additional branches also resulted in an increase in technology, marketing and travelling costs associated with setting up these new branches.

### Loans and Advances

Loans and advances grew by 13.6% to P4.0bn (2018: P3.53bn). This increase is mainly due to growth in commercial loans by 28.9% to P1.54bn (2018: P1.20bn), overdraft facilities by 15.6% to P373.0m (2018: P322.7m) and mortgage loans by 6.4% to P1.66bn (2018: P1.56bn) as compared to the prior year.

Current adverse economic conditions have seen a substantial increase in non-performing loans (NPLs) across the industry. Our bank was no exception with NPL's increasing from P188.0m as at 30 June 2018 to P251.9m as at 30 June 2019 due to individual large defaults which are however well collateralized.

The increase in impairment provisions following the adoption of IFRS 9 resulted in the impairment coverage ratio increasing from 2.49% to 2.89%.

### Funding

Total funding increased by 16.7% to P5.16bn (2018: P4.42bn) mainly due to increase in current accounts by 45.1% to P469.1m (2018: P323.4m), fixed term deposits by 23.9% to P3.63bn (2018: P2.93bn). This was largely driven by market appetite.

Debt securities decreased by P37.0m due to debenture that was redeemed during the year.

### Total risk-based capital adequacy ratio

The banks' capital adequacy ratio reduced to 15.5% (2018: 16.5%). This decline is due to credit risk-weighted assets increasing aligned to the increase in the loan book and also the impact of first Day adjustment of IFRS 9 which came into effect from 1 July 2018. However, the ratio was still above the minimum regulatory capital adequacy requirement of 15%. The bank will inject additional Tier II capital in the first quarter of 2019/2020.

### Outlook

We anticipate difficult conditions to persist, amplified by economic challenges and the widespread impact of the drought. This calls for enhanced engagement with our clients on all aspects of their financial needs and continuously finding ways to mitigate market and credit risks for all stakeholders. We will keep building on the speed and efficiency of our executions and agility that is well ingrained in the business this year. We will continue to exploit opportunities and further improve our service and product offerings.

We are positive that the bank will remain resilient and continue to deliver positive results. By delivering on our strategy and keeping our focus on operational excellence, we will be able to continue creating value and contributing to positive change.

Net interest income increased by	Advances net of impairments increased by	Non-interest income increased by	Net profit after tax increased by	Return on average equity
<b>3.5%↑</b>	<b>13.6%↑</b>	<b>28.7%↑</b>	<b>9.5%↑</b>	<b>11.1%</b>

## SUMMARY OF KEY RATIOS

for the Year Ended 30 June 2019

	June-19	June-18
Profit after income tax growth	9.53%	12.46%
Cost to Income (excl Tax & impairments)	71.70%	67.15%
Staff Cost (Excl Training) % of total costs	51.70%	52.60%
ROE	11.06%	10.64%
ROA	0.80%	0.80%
Non-Interest income % of total income	25.65%	20.57%
Capital Adequacy Ratio	15.54%	16.55%

## STATEMENT OF COMPREHENSIVE INCOME

for the Year Ended 30 June 2019

	June-19	June-18
	P000	P000
Interest and similar income	381,670	335,617
Interest and similar expense	(189,637)	(150,105)
<b>Net interest income</b>	<b>192,033</b>	<b>185,512</b>
Impairment charges on loans and advances	(10,144)	(18,472)
<b>Net interest income after loan impairment charges</b>	<b>181,889</b>	<b>167,040</b>
Non-interest income	49,266	38,281
Fee and commission expense	(1,385)	(2,712)
Operating expenses	(171,531)	(150,341)
<b>Profit before income tax</b>	<b>58,240</b>	<b>52,267</b>
Taxation	(14,408)	(12,248)
Profit for the year	43,832	40,019
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>43,832</b>	<b>40,019</b>

## STATEMENT OF FINANCIAL POSITION

for the Year Ended 30 June 2019

	June-19	June-18
	P000	P000
<b>ASSETS</b>		
Cash and balances with the Central Bank	261,354	211,748
Bank of Botswana Certificates	399,965	299,673
Due from other banks and other financial institutions	765,528	790,440
Loans and advances to staff	101,810	83,660
Loans and advances to customers	4,002,092	3,522,172
Investment in equity instruments	2,506	1,580
Other assets	28,503	36,929
Intangible assets	7,825	7,590
Property, plant and equipment	41,326	23,149
Deferred tax asset	762	1,550
Current tax	6,944	108
<b>Total assets</b>	<b>5,618,615</b>	<b>4,978,600</b>
<b>LIABILITIES</b>		
Due to other banks	-	106,870
Deposits from customers	4,944,593	4,171,046
Other liabilities	61,605	71,717
Debt securities in issue	216,000	253,000
<b>Total liabilities</b>	<b>5,222,198</b>	<b>4,602,633</b>
<b>EQUITY</b>		
Stated capital	230,000	230,000
Retained earnings	166,417	145,966
<b>Total shareholder's equity</b>	<b>396,417</b>	<b>375,966</b>
<b>Total equity and liabilities</b>	<b>5,618,615</b>	<b>4,978,600</b>

## INDEPENDENT AUDITORS REPORT

The complete set of financial statements from which these summarised results were extracted have been audited by PricewaterhouseCoopers, who issued an unqualified audit opinion. This summary itself is not audited or reviewed.

The annual financial statements comprise the Statement of Financial Position as at 30 June 2019, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year ended 30 June 2019 and supporting explanatory notes. The audit report on the annual financial statements is available for inspection at the Bank's registered office.

## BASIS OF PRESENTATION

The audited financial statements of Bank Gaborone Ltd for the year ended 30 June 2019, from which this information is derived, have been prepared in accordance with International Financials Reporting Standards.

This results announcement is the responsibility of the directors and is extracted from the reviewed financial statements.

The annual financial statements of Bank Gaborone were approved by the Board of Directors on the 29 August 2019.

  
S Coetzee  
Managing Director

  
PCG Collins  
Chairman