

Net profit after tax increased by **12%**↑ Impairment charge decreased by **48%**↓ Advances net of impairments increased by **15%**↑ Return on average equity **10.6%** Total assets increased by **7%**↑

Audited Results for the Year Ended 30 June 2018

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 Plot 74768, Mashatu Terrace, Cnr. 2nd Commercial & Western Commercial, New CBD, Private Bag 00325 Gaborone, Botswana.

Financial Performance

During the financial year ended 30 June 2018, Bank Gaborone achieved profit after tax of P40m which represented an increase of 12% compared to prior year and realizing a return on average equity of 10.6%.

Net interest income

Net interest income declined by 1% from P183.2m to P180.8m due to the increase of 18% year-on-year in cost of funding. This increase is attributed to the tight market liquidity position experienced during the year under review.

Impairment charges

Impairment charges on loans declined by 48%, from P35.4m to P18.5m. This was mainly due to provision made in prior year relating to closure of mining companies. Non-Performing Loans as a percentage of gross loans and advances increased to 5.5% (June 2017:4.6%).

Non-Interest Income

Non-interest income decreased by 1% to P43m (2017: P43.2m). This was mainly due to the adjustment made in accordance with IFRS. In compliance with the above stated requirement, administration fee for non-Micro loans were deferred based on the effective interest rate of each loan. The cumulative impact of this was P 3.4m.

Operating Expenses

Operating expenses increased by 7% to P150.3m (June 2017: P140.3m). This increase is mainly due to two branches opening which resulted in increase in headcount and capacity building within our digital channels. This resulted in the cost to income ratio increasing from 63.8% in June 2017 to 67.15% as at June 2018.

Loans and Advances

Loans and advances grew by 15% to P3.53bn (June 2017: P3.08bn). This increase is attributable to growth in individual loans by 8.9% to P304m (June 2017: P279m), commercial loans by 42.7% to P1.19bn (June 2017: P804m) and mortgage loans by 4% to P1.57bn (June 2017: P1.50m) as compared to the prior year. The Bank's total assets increased by 7% to P4.98bn as at June 2018 from P4.64bn in June 2017, which is commendable given the current competitive banking environment.

Funding

Total funding increased by 5% to P4.42bn (June 2017: P4.20bn) mainly due to increase in demand deposits by 9.5% to P656m (June 2017: P599m), savings deposits by 71% to P232m (June 2017: P136m) and term deposits by 3.8% to P2,93bn (June 2017: P2,82bn). Other securities increased by P41m due to capital injected during the year.

Total risk-based capital adequacy ratio

The bank's capital adequacy ratio declined to 16.55% (June 2017:17.91%). However, the ratio was still above the minimum regulatory capital requirement of 15%.

OUTLOOK

The bank remains positive that, notwithstanding the subdued economic and business outlook in the country, it will continue to deliver solid results and value to all stakeholders. This requires us to be innovative and to continuously explore new investments, technologies and product and service offerings. Bank Gaborone continues to invest in opportunities that will enable us to achieve operational excellence and maintain a high-performance culture. Through our strategic choices, the bank expects to improve efficiencies, realise cost savings, expand and diversify revenue streams, and manage risks responsively.

SUMMARY OF KEY RATIOS

As at 30 June 2018

	Jun-18	Jun-17
Profit after Income tax growth	12.46%	97.60%
Cost to Income Ratio (excl Tax & Bad & Doubtful Debts)	67.15%	63.80%
Staff Cost (Excl Training) % of total costs	52.60%	49.43%
ROE	10.64%	10.41%
ROA	0.80%	0.81%
Non Interest Income % of total income	20.57%	19.20%
Capital Adequacy Ratio	16.55%	17.91%

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2018

	2018 P'000	2017 P'000
Interest and similar income	330,922	310,400
Interest and similar expense	(150,105)	(127,117)
Net Interest income	180,817	183,283
Impairment charges on loans and advances	(18,471)	(35,363)
Net interest income after loan impairment charges	162,346	147,920
Fee and commission income	28,183	29,131
Net trading income	10,973	9,200
Other operating income	3,820	4,876
Fee and commission expense	(2,712)	(4,257)
Operating expenses	(150,343)	(140,315)
Profit before income tax	52,267	46,555
Taxation	(12,248)	(10,970)
Profit for the year	40,019	35,585
Other comprehensive income	-	-
Total comprehensive income for the year	40,019	35,585

STATEMENT OF FINANCIAL POSITION

for the year ended 30 June 2018

	2018 P'000	2017 P'000
ASSETS		
Cash and balances with the Central Bank	211,748	192,759
Bank of Botswana Certificates	299,673	299,598
Due from other banks and other financial institutions	790,440	945,266
Loans and advances to staff	83,660	77,068
Loans and advances to customers	3,527,629	3,079,627
Investment in equity instruments	1,580	2,716
Other assets	36,929	23,331
Intangible assets	7,590	4,657
Property, plant and equipment	23,149	17,148
Deferred tax asset	1,550	1,615
Current tax	108	-
Total assets	4,984,056	4,643,785
LIABILITIES		
Due to other banks	106,870	25,845
Deposits from customers	4,171,046	3,983,221
Other liabilities	77,174	79,168
Current tax liability	-	1,604
Debt securities in issue	253,000	212,000
Total Liabilities	4,608,090	4,301,838
EQUITY		
Stated capital	230,000	230,000
Retained earnings	145,966	111,947
Total Shareholder's equity	375,966	341,947
Total equity and liabilities	4,984,056	4,643,785

INDEPENDENT AUDITORS REPORT

PricewaterhouseCoopers has audited the annual financial statements of Bank Gaborone Limited and has expressed an unqualified audit opinion on the annual financial statements.

The annual financial statements comprise the Statement of Financial Position as at 30 June 2018, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year ended 30 June 2018 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 2018, from which this information is derived, have been prepared in accordance with International Accounting Reporting Standards. This results announcement is the responsibility of the directors and is extracted from the audited financial statements.

The annual financial statements of Bank Gaborone were approved by the Board of Directors on the 30th of August 2018.


S Coetzee
Managing Director


PCG Collins
Chairman