

BANK GABORONE LIMITED | Results for the Year Ended 30 June 2021
HIGHLIGHTS OF THE FINANCIAL RESULTS

Profit after tax P48.7m (restated 2020: P42.7m)	13.9%	↑
Advances net of impairment P4.8b (restated 2020: P4.6b)	5.5%	↑
Customer deposits P5.6b (restated 2020: P5.0b)	10.2%	↑
Non-interest income as % total income P71.5m (restated 2020: P53.5m)	22.3%	↑
Return on Equity 9.85% (restated 2020: 9.59%)		
Return on Assets 0.72% (restated 2020: 0.69%)		
Capital Adequacy Ratio 16.5% (restated 2020: 16.2%)		


General Information

Bank Gaborone Limited ("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, Mashatu Terrance, Cnr. 2nd Commercial & Western Commercial Road, New CBD, Private Bag 00325 Gaborone, Botswana.

Restatement of Prior Year Statements

The results as presented reflect a restated prior year in accordance with the International Financial Reporting Standards (IFRS). This was as a result of updating the accounting treatment of interest on stage 3 loans.

According to IFRS, interest on stage 3 loans is to be recognised on the net carrying amount of loans and advances (Gross loans and advances less impairments) at the effective interest rate.

The restatement resulted in increased income recognised and increased value of gross loans and advances. As collateral values and expected recoveries remain unchanged, impairment charges to the income statement increased.

Impairment charge is recognised after taking into account collateral values. Where collateral values exceed carrying value of loans, even with additional impairments recognised, for these loans, 100% of interest is recognised as income, while no additional impairment is raised. The net impact on profit before tax for 2020 is an additional P4.7m profit after tax.

Financial Performance

The Bank reacted swiftly to the low-interest environment and the threat to earnings in the year under review by, amongst others, implementing a proactive and effective assets and liability re-pricing strategy, active and close monitoring of asset quality, innovative fee pricing and a strong focus on essential spending.

Considering the impact of COVID-19 with the GDP contraction of 5.0% in the 2021 fiscal year and lasting indirect impacts of the pandemic, Bank Gaborone Ltd posted satisfactory results. For the year ended 30 June 2021 the Bank reported a profit after tax of P48.7m, a 13.9% increase from the previous year restated profit after tax of P42.7 million. This is attributed to the following:

Net Interest Income

Restated net interest income decreased by 4.9% to P248.5m (2020: P261.3m). The decrease was attributable to the increase in cost of funding due to an interest margin deterioration from 4.6% to 3.8%, mainly as a result of increased cost of funding, despite an interest rate cut of 50 basis points in October 2020. Lower market liquidity led to aggressive pricing across the industry.

Impairment Charges

Impairment charges for the year decreased by P33.9% (from P58.5m to P38.6m). The decline is attributable to local decision-making, deep customer knowledge and relationships and effective credit risk management. Given the current uncertainty, the Bank applied a prudent forward-looking approach, consistent with the requirements of IFRS 9, in determining expected credit losses given the current economic conditions.

Non-interest Income

Non-interest income increased by 34.0% to P69.0m (2020: P51.37m). The positive performance is attributable to an increase in transaction volumes, especially in the Point of sales transactions, and growth in the forex trading.

Operating Expenses

Operating expenses increased by 8.1% to P211.6m (June 2020: P195.7m). Main contributors to the increase include among others, insurance costs which grew by 38% due to revamped branches assets, Technology costs which grew by 20% in line with the Bank's digitalization drive. Staff costs also grew by 5% due to salary increments and new recruitments during the financial year.

Loans and Advances

Loans and advances grew by 5.5% to P4.8bn (June 2020: P4.6bn). This increase is due to growth in Article finance by 18.4% to P338.2m (2020: 285.6m), Overdrafts by 7% to P545.0m (2020: P509.2m), Commercial loans by 6.3% to P1.8bil (2020: P1.7bil), Mortgage loans by 3.04% to P1.92bil (2020: P1.86bil); offset by a decrease in individual loans of 3% to P362.9m (2020: P374.2m).

Non-performing loans (NPLs) decreased by 4.8% to P315.5 (June 2020: P331.6). The Bank wrote off an amount of P55m as irrecoverable during the year. Impairment provision including the impact of COVID-19 therefore decreased by 6.7% to P167.5m (2020: P179.6m).

The challenging economic environment, exacerbated by the impact of the pandemic, has however had a negative impact on the Bank's total NPLs, which when excluding write offs increased by 12% to P315.6m during the reporting period.

Funding Increase

Total funding increased by 10.2% to P5.550bn (June 2020: P5.037bn) attributable to the growth in current accounts that grew by 24.4% to P641.7m (2020: P515.7m). Main contributors: savings deposit grew by 19.4% to P178.0m (2020: P149.1m), fixed deposits grew by 9.6% to P3.8bn (2020: P3.5bn), demand deposits grew by 3.5% to P885.6m (2020: 885.9m). The mix was driven by the Bank's strategy to diversify the funding from fixed deposits to non-maturing deposits.

Total Risk-based Capital Adequacy Ratio

The Bank remains well capitalised with a total risk-based capital adequacy ratio of 16.5% which is well above the minimum regulatory capital requirement of 12.5%. The strong capital position will stand the Bank in good stead whilst navigating the perfect storm brought about by the COVID-19 economic shocks.

Outlook

The forecasted contraction of the economy in Botswana of 6.0% for 2020 effectively puts Botswana's GDP back to levels reported for 2015. Notwithstanding the forecast of modest economic growth for 2021 from this reduced base, the economic outlook remains fairly bleak. As a result, we expect the increase in customer defaults to continue, with impairment charges remaining high and interest rates remaining at the current all-time lows. The negative financial impact of these factors is expected to be offset by the growth in non-interest income, largely from digital platforms. 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.

**BANK GABORONE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2021**

	2021	2020	%
	P'000	Restated P'000	Change
Interest and similar income	453,288	446,791	1.5%
Interest and similar expense	(204,793)	(185,488)	10.4%
Net interest income	248,495	261,303	-4.9%
Impairment charges	(38,647)	(58,471)	-33.9%
Net interest income after impairment charges	209,848	202,832	3.5%
Fee and commission income	46,505	30,774	51.1%
Net trading income	21,057	19,473	8.1%
Other operating income	3,913	3,412	14.7%
Fee and commission expense	(2,493)	(2,287)	9.0%
Operating expenses	(211,594)	(195,679)	8.1%
Profit before income tax	67,236	58,525	14.9%
Taxation	(18,556)	(15,785)	17.6%
Profit for the year	48,680	42,740	13.9%
Other comprehensive income	-	-	
Total comprehensive income for the year	48,680	42,740	

**STATEMENT OF FINANCIAL POSITION
as at 30 June 2021**

	2021	2020	2019
	P'000	P'000	P'000
		Restated	Restated
ASSETS			
Cash and balances with the Central Bank	75,617	59,223	261,354
Bank of Botswana Certificates	229,954	171,857	399,965
Due from other banks and other financial institutions	1,470,315	1,237,091	765,528
Loans and advances to customers	4,804,989	4,553,207	4,107,422
Investment in equity instruments	3,962	3,037	2,506
Other assets	59,717	49,194	28,503
Intangible assets	7,967	6,960	7,825
Property, plant and equipment	107,341	115,497	41,326
Deferred tax asset	336	-	762
Current tax asset	-	488	6,170
Total assets	6,760,198	6,196,554	5,621,361
LIABILITIES			
Due to other banks	171,034	164,515	-
Deposits from customers	5,550,896	5,037,170	4,944,593
Other borrowings	40,973	59,031	-
Other liabilities	173,929	174,054	61,605
Current tax liability	644	-	-
Deferred tax liability	-	131	-
Debt securities in issue	328,389	316,000	216,000
Total liabilities	6,265,865	5,750,901	5,222,198
EQUITY			
Stated capital	233,750	233,750	230,000
Retained earnings	260,583	211,903	169,163
Total shareholder's equity	494,333	445,653	399,163
Total equity and liabilities	6,760,198	6,196,554	5,621,361

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.

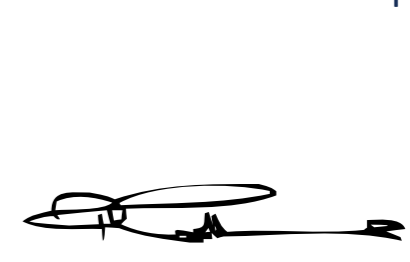
The annual financial statements comprise the Statement of Financial Position as at 30 June 2021, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year ended 30 June 2021 and supporting explanatory notes. The audit report on the annual financial statements is available for inspection at the Bank's registered office.

BASIS OF PRESENTATION

The audited annual financial statements of Bank Gaborone Ltd for the year ended 30 June 2021, from which this information is derived, have been prepared in accordance with International Financial Reporting Standards. This results announcement is the responsibility of the directors and is extracted from the audited financial statements. The audited annual financial statements of Bank Gaborone were approved by the Board of Directors on the 09 September 2021.



S Coetzee
Managing Director



PCG Collins
Board Chairman