

# Bank Gaborone Financial Results

## Results For The Year Ended 30 June 2015

### HIGHLIGHTS OF THE FINANCIAL RESULTS (SALIENT FEATURES)

Deposits from  
customers

5% ↑

Advances net of  
impairments increased by

9% ↑

Non-interest income  
increased by

3% ↑

Capital  
Adequacy

18.22%

Bank Gaborone Limited ("BG" or "Bank") is wholly owned by Capricorn Investment Holdings (Botswana) Limited, a public unlisted company incorporated in the republic of Botswana. The principal place of business is Plot 5129, Queens Road, Main Mall, Private Bag 00325, Gaborone.

#### Performance Review

The Bank's loss after tax of P21.6 million (2014: Profit P21.7million) was mainly attributable to two significant factors that affected the entire banking industry; namely reduced net interest income margins and increased impairment charges. These two factors impacted this year's financial performance as follows:

- Net interest income declined by 23.40% from P134.2million in the previous financial year to P102.9 million as a result of market liquidity shortages which became pronounced during the second half of the year. This liquidity shortage resulted in a significantly higher cost of funding, while existing loans and advances could not be repriced at a commensurate rate.
- Impairment charges increased by 138% from P16.7million to P39.7million, when comparing year-on-year.

The increased impairment charges are directly related to the current market environment of low economic growth and declining commodity prices giving rise to reduced mining activity, job losses and suspension of mining supplies and service contracts. This negative position was similar across the banking industry. A second contributing factor was the downward trend in market value of properties which resulted in a decrease in the value of collateral for exposures secured by mortgages and an increase in the impairment provisions.

Despite the moratorium on banks fees, non-interest income increased by 3.3% compared to the prior year due to increased transaction volumes. Operating expenses were well controlled as costs increased by a moderate 3% notwithstanding costs for ongoing projects aimed at enhancing our infrastructure and increasing our footprint in Botswana. The cost to income ratio moved from 74% in June 2014 to over 92% as at June 2015, mainly due to reduced net interest income.

The Bank's total assets increased by 6.67% from P3.67 billion as at June 2014 to P3.92 billion in June 2015, which is satisfactory given the highly competitive market. Deposits from customers increased by 5% to P3.4million.

During the financial year, P100million preference shares were issued in favour of Capricorn Investment Holding Limited. The BIFM bond of P50million was settled as it did not comply with the new Basel II requirements for tier II capital.

Following a further injection of P50million tier I share capital by the bank's holding company, the total capital adequacy ratio was 18.2% (2014:17.1%), comfortably above the minimum supervisory limit of 15% and sufficient to support our growth plans.

#### Outlook

Although this year was a challenging one, Bank Gaborone remains committed to our promise of building and nurturing long-lasting, rewarding and mutually beneficial relationships with our clients and all our stakeholders. We also continue to aspire to be Botswana's bank of choice. Bank Gaborone has put in place a turnaround strategy with 8 key focus areas: 1) Funding/Liability Management 2) Selective Lending 3) Cost Management 4) Customer Value Proposition 5) Employee Value Proposition 6) Improved Communication 7) Innovation and 8) Sustainability and Stakeholder engagement. We believe that this new strategy will enable us to navigate through economic, impairments and other challenges the Bank will face in the future. We would like to reassure all our valued clients that the loss incurred in 2014/2015 will not in any way impact the level of service they have come to expect from Bank Gaborone. We will continue to strive to provide all our clients with Great Service.

#### Auditor's opinion

Presented herewith is an extract of the audited financial statements of Bank Gaborone Limited for the year ended 30<sup>th</sup> June 2015, which has been audited by the Bank's independent auditors, PricewaterhouseCoopers. The audit was concluded in accordance with International Standards of Auditing. A copy of the annual financial statements and unqualified audit opinion may be obtained from the Company Secretary at the Bank's principal place of business.

The annual financial statements of Bank Gaborone were approved by the Board of Directors the 15th of September 2015.

#### STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2015

	2015 P'000	2014 P'000
Interest and similar income	317,629	290,462
Interest and similar expense	(214,772)	(156,178)
<b>Net interest income</b>	102,857	134,284
Impairment charges on loans and advances	(39,682)	(16,666)
<b>Net interest income after loan impairment charges</b>	63,175	117,618
Fee and commission income	29,253	28,687
Net trading income	9,230	8,056
Other operating income	3,806	4,207
Fee and commission expense	(7,791)	(9,119)
Operating expenses	(125,651)	(122,259)
(Loss)/ Profit before income tax	(27,978)	27,190
Income tax expense	6,367	(5,486)
(Loss)/ Profit for the year	(21,611)	21,704
<b>Total comprehensive income for the year</b>	<b>(21,611)</b>	<b>21,704</b>

#### STATEMENT OF FINANCIAL POSITION as at 30 June 2015

	2015 P'000	2014 P'000
<b>Assets</b>		
Cash and balances with the Central Bank	162,760	289,764
Bank of Botswana Certificates	349,619	649,268
Due from other banks and other financial institutions	499,245	73,801
Loans and advances to customers	2,816,198	2,591,424
Other assets	50,872	38,282
Intangible assets	13,304	10,196
Property, plant and equipment	15,779	18,092
Current tax asset	1,467	-
Deferred tax asset	6,948	405
<b>Total assets</b>	<b>3,916,192</b>	<b>3,671,232</b>
<b>LIABILITIES</b>		
Due to other banks	10,204	3,387
Deposits from customers	3,404,493	3,244,850
Other liabilities	62,966	66,977
Current tax liability	176	1,054
Debt securities in issue	150,000	100,000
<b>Total liabilities</b>	<b>3,627,839</b>	<b>3,416,268</b>
<b>EQUITY</b>		
Share capital	230,000	175,000
Retained earnings	58,353	78,497
Non-distributable reserves	-	1,467
<b>Total shareholder's equity</b>	<b>288,353</b>	<b>254,964</b>
<b>Total equity and liabilities</b>	<b>3,916,192</b>	<b>3,671,232</b>



S A Coetzee  
Managing Director



PCG Collins  
Chairman