

Bank Gaborone Limited Financial Results

For The Year Ended 30 June 2017

HIGHLIGHTS OF THE FINANCIAL RESULTS (SALIENT FEATURES)

Net interest income increased by	Advances net of impairments increased by	Non-interest income increased by	Net profit after tax increased by	Capital adequacy maintained in line within regulatory requirements	Return on average equity
36.9% ↑	8.7% ↑	3.7% ↑	97.6% ↑	17.9% ↑	10.4% ↑

Bank Gaborone Limited ("Bank Gaborone" or "the 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 5129, Queens Road, Main Mall, Private Bag 00325, Gaborone.

Financial Performance

Bank Gaborone delivered a solid performance during the 2017 financial year with profit after tax increasing by 98% compared to prior year and realizing a return on average equity of 10.4%. This was the second consecutive year of profit growth in excess of 90%, emphasizing the consistent performance of the Bank.

Net interest income

Net interest income increased by 36.9% from P133.8m to P183.3m which is attributable to a reduction in cost of funding, as a result of improved liquidity in the market compared to the previous year.

Impairment charges

Impairment charges increased by 62%, from P21.8m to P35.4m. This was mainly due to provisions made during the year for customers in the mining industry as a result of closure of those mines. Non-performing loans as a percentage of gross loans and advances was 5.3% as compared to 5.5% in the previous year.

Non-Interest Income

Non-interest income increased by 1.5% to P43.2m (June 2016: P42.6m). This is mainly due to growth in transaction-based fee income and trading income. Transaction-based fees continue to be the largest contributor to non-interest income with an increase of 10% from the previous year.

Operating Expenses

Operating expenses increased by 14% to P140.3m (June 2016: P123.4m). The increase in operating expenses is due to the increase in staff costs and technology related expenses, mainly due to implementation of new projects during the financial year.

The cost to income ratio reduced from 73.1% in June 2016 to 63.8% as at June 2017.

Loans and Advances

Bank Gaborone grew loans and advances to P3.08bn (June 2016: P2.83bn). The 8.7% increase is mainly due to growth in overdrafts by 23.4% to P333m (June 2016: P252m), commercial loans by 24% to P838m (June 2016: P649m) and mortgage loans by 5.6% to P1.499bn (June 2016: P1.40bn) as compared to the previous year.

The Bank's total assets increased by 4.7% from P4.44bn as at June 2016 to P4.64bn in June 2017, which is commendable given the current competitive banking environment.

Funding Increase

Total funding increased by 3.9% to P4.195bn (June 2016: P4.027bn), comprising a 4% increase in deposits to P3.983bn (June 2016: P3.840bn) mainly due to increase in demand deposits by 26.7% to P599m (June 2016: P473m), savings deposits by 25.4% to P136m (June 2016: P108m) and term deposits by 1.9% to P2.822bn (June 2016: P2.771bn) and increase in debt securities in issue by P25m.

Total risk-based capital adequacy ratio

The Bank remains well capitalized and is generating sufficient profits to fund the growth in the loans and advances book. At 17.91%, the risk-based capital adequacy ratio remains well above the minimum regulatory capital requirement of 15%.

Outlook

We expect more challenging conditions to persist in the short term with slower economic growth, inflationary pressures and increases in interest rates.

We will continue to strive to improve the ease of doing business and the level of service to our customers. With a respected brand, good relationships, a prudent approach to credit and a strong capital adequacy position, the Bank remains focused on meeting the banking and financial services needs in Botswana.

Credit growth is broadly in line with the pace of increase in nominal Gross Domestic Product (GDP) and continues to support economic activity. The Bank's service offering will improve delivery of stakeholder value.

The Bank continues with the implementation of its strategy to achieve a sustainable performance year on year. The focus is on business improvement and operational excellence in order to deliver quality customer experience. The bank will achieve operational excellence by continuous improvement on its existing products and services and investing in its human capital to drive process efficiencies.

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 2017, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year ended 30 June 2017 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 Limited for the year ended 30 June 2017, 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 annual financial statements of Bank Gaborone were approved by the Board of Directors on the 30th of August 2017.



S A Coetzee
Managing Director



PCG Collins
Chairman

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2017

	2017	2016
	P'000	P'000
Interest and similar income	310,400	307,173
Interest and similar expense	(127,117)	(173,359)
Net Interest income	183,283	133,814
Impairment charges on loans and advances	(35,363)	(21,822)
Net Interest income after loan impairment charges	147,920	111,992
Fees and commission income	29,131	28,278
Net trading income	9,200	9,760
Other operating income	4,876	4,531
Fee and commission expense	(4,257)	(5,737)
Operating expenses	(140,315)	(123,406)
Profit before income tax	46,555	25,418
Taxation	(10,970)	(7,409)
Profit for the year	35,585	18,009
Other comprehensive income	-	-
Total comprehensive income for the year	35,585	18,009

SUMMARY OF KEY RATIOS as at 30 June 2017

	2017	2016
Profit after income tax growth	97.6%	183.3%
Return on average equity	10.4%	5.9%
Return on average assets	0.8%	0.4%
Cost to income ratio	63.8%	73.1%
Growth in total assets	4.7%	13.3%

STATEMENT OF FINANCIAL POSITION as at 30 June 2017

	2017	2016
	P'000	P'000
ASSETS		
Cash and balances with the Central Bank	192,759	524,573
Bank of Botswana Certificates	299,598	423,743
Due from other Banks and other financial institutions	945,266	507,529
Loans and advances to staff	77,068	72,312
Loans and advances to customers	3,079,627	2,833,844
Investment in equity instruments	2,716	2,035
Other assets	23,331	45,975
Intangible assets	4,657	11,584
Property, plant and equipment	17,148	14,968
Deferred tax asset	1,615	477
Total assets	4,643,785	4,437,040
LIABILITIES		
Due to other Banks	25,845	35,014
Deposits from customers	3,983,221	3,840,779
Other Liabilities	79,168	67,129
Current tax liability	1,604	756
Debt Securities in issue	212,000	187,000
Total Liabilities	4,301,837	4,130,678
EQUITY		
Stated Capital	230,000	230,000
Retained Earnings	111,947	76,362
Total shareholder's equity	341,947	306,362
Total Equity and Liabilities	4,643,785	4,437,040