



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. CBD 2nd Commercial & Western Commercial Road, New CBD, Private Bag 00325 Gaborone, Botswana.

Financial Performance

The Bank delivered good growth on both its income statement and balance sheet in an uncertain operating environment characterized by rising inflation, rising interest rates and depressed margins. The Bank demonstrated resilience with Profit After Tax increasing by 34.7% to P65.6m, (PY: P48.7m). Loans and advances grew by 6.3% year on year to P5.1bn, (PY: P4.8bn), customer deposits on the other hand grew by 17.1% to P6.51bn (PY: P5.56bn).

Net Interest Income

The Bank's net interest income decreased by 7.3% to P230.3m (2021: P248.5m). The decrease was attributable to the increase in cost of funding driven by rising inflation and lower market liquidity which resulted in aggressive pricing across the industry.

Impairment Charges

Impairment charges saw an improvement year on year decreasing materially by 48.4% from P38.6m in June 2021 to P20.0m in June 2022. This improvement is attributable to stable portfolio performance and an improvement in macroeconomic variables impacting the Bank's impairment models. The Bank also saw strong performance from its recoveries portfolio owing to its robust collection measures.

Non-Interest Income

Non-interest income grew by 33% to P95.26m (2021: P71.2m). The positive performance was driven by an increase in foreign exchange trading and transaction based fee income (cards and channels). These increases were on the backdrop of a relaxation of COVID-19 restrictions which saw customers carry out more economic activities.

Operating Expenses

Operating expenses remained under control, at P222m (PY211.6m) growing slightly by 4.9% despite the rising inflation in the country. The 4.9% growth was a result of costs related to enhancement of the Bank's internet banking platform as well as its staff development initiatives intended to gear staff for the Bank's next growth cycle. The increasing costs were however countered by cost reduction in other areas such as the introduction of cash depositor Automatic Teller Machines (ATMs) and refinement of the Bank's bulk cash deposit processes.

Loans and Advances

Loans and Advances grew by 7.1% to P5.1bn (PY: P4.8bn). This increase is mainly due to a growth in Overdrafts by 30% to P710.5m (PY: P545.0m), Commercial Loans by 19% to P2.2bn (PY:1.8bn) and Article Finance with a 6.5% increase of P360.1m (PY: P338.2m).

Non-performing loans (NPLs) increased by 7.3% to P342.9m (PY: P319.7m). These increases were on Commercial Loans and Overdrafts and were mainly from customers operating in the Business services sector whose cashflows were impacted by the COVID-19 pandemic disruptions. The Bank is however, adequately collateralized and also holds sufficient impairment provisions for the NPLs.

Funding

The Bank's total funding increased by 17.3% to P6.514bn (PY5.551bn) driven by good growth in customer deposits across all deposit lines. The Bank's initiatives aimed at increasing its non-maturing deposits resulted in a 15% and 9% increase in current and savings accounts respectively. Good growth was also seen for maturity deposits which grew 23% year on year while notice deposits shrunk 16% as customers preferred higher yielding deposit products.

Total Risk-Based Capital Adequacy Ratio

The Bank remains well capitalized with a total risk-based capital adequacy ratio (CAR) of 15.79%. This is above the current minimum regulatory capital requirement of 12.5% as well as the Bank's internal threshold. The Bank continued to employ several tools including stress testing, scenario planning, budgeting and forecasting to ensure that the Bank has adequate capital for growth, absorbing stress conditions as well as distributing dividends to shareholders.

Outlook

The Bank has made progress in delivering its 2021-2023 strategy given the dynamic economic environment both locally and internationally. Key strategic initiatives including an enhanced internet and mobile banking platform, a first in Botswana Card-2-Card service and rollout of cash depositor machines across the Bank's branches were delivered in the just ended financial year. The Bank will launch a further suite of products and services over the next 12 months as it gears itself for the next 3 year strategic cycle.

The Bank remains confident that the resilience demonstrated over the last 2-3 years (where unprecedented challenges such as COVID-19 were experienced) will be carried forward into the next financial year and beyond. Further, the Bank has considered the current operating environment and while challenges such as rising inflation and increasing interest rates remain, the Bank has identified significant opportunities for growth and is confident that it will deliver a sustainable performance in 2023.

Statement of Comprehensive Income for the year ended 30 June 2022

	2022 P'000	2021 P'000	Growth %
Interest and similar income	483,030	453,288	6.6%
Interest and similar expense	(252,738)	(204,793)	23.4%
Net interest income	230,292	248,495	-7.3%
Impairment charges on loans and advances	(19,956)	(38,647)	48.4%
Net interest income after loan impairment charges	210,336	209,848	0.2%
Non-interest income	96,363	71,475	34.8%
Fee and commission expense	(1,096)	(2,493)	56.0%
Operating expenses	(222,042)	(211,594)	4.9%
Profit before income tax	83,561	67,236	24.3%
Taxation	(17,970)	(18,556)	3.2%
Profit for the year	65,591	48,680	34.7%
Other comprehensive income	-	-	
Total comprehensive income for the year	65,591	48,680	34.7%

Statement of Financial Position as at 30 June 2022

	2022 P'000	2021 P'000
ASSETS		
Cash and balances with the Central Bank	55,839	75,617
Bank of Botswana Certificates	224,853	229,954
Due from other banks and other financial institutions	1,978,413	1,470,315
Loans and advances to customers	5,145,048	4,804,989
Investment in equity instruments	5,128	3,962
Other assets	55,794	59,688
Intangible assets	13,932	7,967
Property, plant and equipment	99,385	107,341
Deferred tax asset	3,310	336
Investment in subsidiaries	29	29
Total assets	7,581,731	6,760,198
LIABILITIES		
Due to other banks	462	171,034
Deposits from customers	6,513,419	5,550,896
Other borrowings	62,216	40,973
Current tax payable	955	644
Other liabilities	172,607	173,929
Debt securities in issue	278,387	328,389
Total liabilities	7,028,046	6,265,865
EQUITY		
Stated capital	233,750	233,750
Retained earnings	319,935	260,583
Total shareholder's equity	553,685	494,333
Total equity and liabilities	7,581,731	6,760,198

Independent Auditors Report

The complete set of financial statements from which these summarized 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 2022, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year ended 30 June 2022 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 2022, 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 audited financial statements of Bank Gaborone were approved by the Board of Directors on the 08 September 2022.



S Coetsee
Managing Director



PCG Collins
Board Chairman