

# BBS BANK LIMITED

## Audited Summarised Consolidated Financial Statements for the Year Ended 31 December 2023

### Highlights

**Loans & Advances**  
26%  
**P4.1 billion**  
(2022: P3.2 billion)

**Customer deposits**  
55%  
**P4.2 billion**  
(2022: P2.7 billion)

**Total Assets**  
30%  
**P5.2 billion**  
(2022: P4.0 billion)

**Capital Adequacy Ratio**  
17.3%  
(2022: 27.5%)

**Loss before taxation**  
31%  
**P28.2 million**  
(2022: P21.6 million)

**Interest income**  
28%  
**P369.4 million**  
(2022: P288.8 million)

**Non Interest Income**  
93%  
**P49.2 million**  
(2022: P25.5 million)

**Cost to Income Ratio**  
111%  
(2022: 120%)

**Interest expense**  
33%  
**P246.4 million**  
(2022: P185.2 million)

**Operating expenses**  
24%  
**P194.9 million**  
(2022: P157.6 million)

**Operating income**  
33%  
**P172.2 million**  
(2022: P129.0 million)

**Loans to Deposit Ratio**  
97%  
(2022: 121%)

**Liquid Asset Ratio**  
17.3%  
(2022: 17.7%)

#### Statement of financial position

The balance sheet expanded by 30% from the restated balance of P4.0 billion as at 31 December 2022, to P5.2 billion as at 31 December 2023. This growth was mainly driven by the increase in unsecured loans and advances, customer deposits, and cash holdings.

#### Loans and advances to customers

Historically, the bank's loan book was predominantly concentrated in mortgage loans and advances. However, since obtaining the commercial banking license, the primary objective has been to diversify the asset base and introduce high-yielding interest-earning assets. As at December 2023, significant progress had been made in improving the asset mix, with unsecured loans accounting for 19% of total loans and mortgages representing 79%, compared to the previous year's 98% mortgage concentration.

The unsecured personal loan book contributed to the 26% growth in loans and advances during the year.

#### Deposits from customers

Customer deposits at the end of 31 December 2023 stood at P4.2 billion, 55% above the P2.7 billion as at 31 December 2022 due to the support that BBS Bank received from customers upon becoming a commercial bank. The initiative to increase deposits was broadened in 2023 to meet the funding requirements of the unsecured Personal Loan. The net growth by year end amounted to P1.5 billion.

#### Capital Adequacy

BBS Bank's capital was effectively utilised in line with the change into commercial banking and moved from 27.5% to 17.3%. This is largely attributed to the expansion of the unsecured loan book, which reached P794.0 million by December 2023. Despite this, the ratio remained above the prudential limit of 12.5%.

#### Liquid Asset Ratio

The Group and Company remained liquid as at 31 December 2023 with a Liquid Asset Ratio of 17.3% compared 17.7% as at 31 December 2022. This was attributed to increase in cash holdings as at 31 December 2023. The ratio remained above the prudential limit of 10%.

#### BBS Bank's outlook

The outlook for BBS Bank is optimistic as we anticipate a positive trend in shareholder value growth starting in 2024.

We greatly appreciate the patience and trust shown by our shareholders and other stakeholders since 2018 as they held onto their shares and supported the decisions of the Board and Management.

We understand the importance of accumulating reserves before considering the declaration of dividends. We estimate two years, depending on the annual profitability levels. We ask for continued support as we work towards achieving sustainable growth and moving into a more favourable financial position.

#### Acknowledgement

We extend our sincere gratitude to our customers, shareholders, the Board, Management and the entire "Purple Bank" team for all the support and contribution towards the Bank's transformation in 2023.

#### Thank you.

#### SUMMARISED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2023

	At 31 December 2023	At 31 December 2022	At 31 December 2023	At 31 December 2022	At 01 January 2023
	P'000	(Restated)* P'000	P'000	(Restated)* P'000	(Restated)* P'000
<b>ASSETS</b>					
Cash and cash equivalents	366,036	41,092	345,087	41,092	333,380
Investments with banks and other financial institutions	472,102	448,033	472,102	448,033	311,520
Balance due from related company	-	-	3,756	1,036	-
Non-current assets held for sale	12,593	13,832	12,593	13,832	-
Other assets	68,897	62,251	67,931	62,145	57,740
Properties-in-possession	26,580	36,831	26,580	36,831	39,871
Current tax receivable	68	68	68	68	-
Loans and advances to customers	4,071,336	3,240,794	4,071,336	3,240,794	3,181,329
Right-of-use assets	8,926	10,643	8,926	10,643	15,319
Deferred tax asset	11,650	-	11,650	-	-
Intangible assets	24,660	18,061	24,660	18,061	16,150
Property and equipment	98,402	96,405	98,402	96,405	106,953
Investments in subsidiary	-	-	100	100	-
<b>Total assets</b>	<b>5,161,250</b>	<b>3,967,942</b>	<b>5,143,191</b>	<b>3,968,972</b>	<b>3,861,992</b>
<b>LIABILITIES</b>					
Customer deposits	4,211,083	2,717,746	4,211,676	2,720,234	2,511,064
Borrowings	271,198	589,193	271,198	589,193	667,893
Debentures	102,235	102,235	102,235	102,235	101,974
Lease liabilities	14,700	15,886	14,700	15,886	19,538
Other liabilities	78,475	36,997	74,766	35,767	32,463
Withholding tax	2,498	1,337	2,629	1,338	1,450
Current tax payable	38	-	-	-	-
<b>Total liabilities</b>	<b>4,677,189</b>	<b>3,462,532</b>	<b>4,677,204</b>	<b>3,464,673</b>	<b>3,334,682</b>
<b>Equity</b>					
Stated capital - Ordinary shares	487,453	487,453	487,453	487,453	487,453
Retained loss/earnings	(3,392)	17,957	(21,466)	16,846	(73,580)
Statutory reserves	-	-	-	-	113,437
<b>Total equity</b>	<b>484,061</b>	<b>505,410</b>	<b>465,987</b>	<b>504,299</b>	<b>527,310</b>
<b>Total equity and liabilities</b>	<b>5,161,250</b>	<b>3,967,942</b>	<b>5,143,191</b>	<b>3,968,972</b>	<b>3,861,992</b>

#### SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Group		Company	
	2023 (Audited)* P'000	2022 (Restated)* P'000	2023 (Audited)* P'000	2022 (Restated)* P'000
Interest income	369,407	288,843	369,233	288,843
Interest expense	(246,419)	(185,218)	(246,445)	(185,232)
<b>Net interest income</b>	<b>122,988</b>	<b>103,625</b>	<b>122,788</b>	<b>103,611</b>
Fee and commission income	46,132	21,727	21,837	18,677
Fee and commission expense	(2,277)	(1,678)	(2,277)	(1,678)
<b>Net fee and commission income</b>	<b>43,855</b>	<b>20,049</b>	<b>19,560</b>	<b>16,999</b>
<b>Revenue</b>	<b>166,843</b>	<b>123,674</b>	<b>142,348</b>	<b>120,610</b>
Other operating income	5,327	5,410	7,036	6,408
<b>Operating income</b>	<b>172,170</b>	<b>129,084</b>	<b>149,384</b>	<b>127,018</b>
Expected credit losses	(5,493)	6,975	(5,493)	6,975
Other impairment losses	(3,850)	(2,822)	(3,850)	(2,822)
Personnel expenses	(101,121)	(82,560)	(100,184)	(81,991)
Depreciation and amortisation	(12,522)	(12,560)	(12,522)	(12,560)
Operating and expenses	(77,394)	(59,704)	(77,297)	(59,631)
<b>Total expenses</b>	<b>(200,380)</b>	<b>(150,671)</b>	<b>(199,346)</b>	<b>(150,029)</b>
<b>Loss before taxation</b>	<b>(28,210)</b>	<b>(21,587)</b>	<b>(49,962)</b>	<b>(23,011)</b>
Taxation	6,862	(313)	11,656	-
Loss for the year	<b>(21,348)</b>	<b>(21,900)</b>	<b>(38,312)</b>	<b>(23,011)</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the year</b>	<b>(21,348)</b>	<b>(21,900)</b>	<b>(38,312)</b>	<b>(23,011)</b>

#### EARNINGS PER SHARE

	2023	2022
Per share information		
Basic and diluted loss for the period/year	(4.38)	(4.49)

#### SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Group 2023 P'000	Group 2022 (Restated)* P'000	Company 2023 P'000	Company 2022 (Restated)* P'000
<b>Cashflows from operating activities</b>				
Interest receipts	362,757	284,081	363,585	284,081
Commission receipts	41,665	18,921	17,299	15,771
Interest payments	(214,475)	(171,857)	(214,501)	(171,871)
Commission payments	(1,862)	(1,678)	(1,862)	(1,678)
Other operating income	5,327	5,410	7,036	6,408
Cash payments to employees and suppliers	(148,719)	(136,740)	(147,685)	(136,995)
Proceeds from sale of properties in possession	4,984	11,094	6,864	11,094
Income tax paid	(4,894)	(275)	(68)	-
<b>Net cash generated from operating activities before changes in working capital</b>	<b>25,763</b>	<b>8,854</b>	<b>8,837</b>	<b>7,710</b>
<b>Changes in:</b>				
Increase in other assets	(6,545)	(4,781)	(5,789)	(4,675)
Increase in balance due from related company	-	-	-	(2,720)
Increase in loans and advances to customers	(838,378)	(64,795)	(838,378)	(64,795)
Increase in customers' deposits	1,499,374	193,416	1,457,479	195,904
Increase in other liabilities	43,797	6,528	43,399	6,216
Increase/(decrease) in withholding tax	1,161	(313)	1,291	(313)
<b>Net cash flows generated from operating activities</b>	<b>685,071</b>	<b>138,911</b>	<b>664,122</b>	<b>139,011</b>
<b>Cashflows from investing activities</b>				
Purchase of property and equipment	(6,458)	(11,064)	(6,458)	(11,064)
Purchase of intangible assets	(12,396)	(5,581)	(12,396)	(5,581)
Investment in subsidiary	-	-	-	(100)
New placements of investments with banks and other financial institutions	(2,223,726)	(2,849,559)	(2,223,726)	(2,849,559)
Maturities of investments with banks	2,197,900	2,714,739	2,197,900	2,714,739
<b>Net cash flows used in investing activities</b>	<b>(44,680)</b>	<b>(151,465)</b>	<b>(44,680)</b>	<b>(151,565)</b>
<b>Cashflows used in Financing activities</b>				
Proceeds from borrowings	(313,976)	(78,534)	(313,976)	(78,534)
Payment of lease liabilities	(1,471)	(1,200)	(1,471)	(1,200)
Net cash flows used in financing activities	<b>(315,447)</b>	<b>(79,734)</b>	<b>(315,447)</b>	<b>(79,734)</b>
Total cash movement for the year	324,944	(92,288)	303,995	(92,288)
Cash at the beginning of the year	41,092	133,380	41,092	133,380
<b>Total cash at the end of the year</b>	<b>366,036</b>	<b>41,092</b>	<b>345,087</b>	<b>41,092</b>

#### SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Ordinary shares	Statutory reserve	Retained loss	Total equity
<b>Group</b>				
<b>Balance at 01 January 2022 as previously reported</b>	487,453	113,437	(106,860)	494,030
Impact of correction of error	-	-	33,280	33,280
<b>Balance at 01 January 2022 as restated</b>	487,453	113,437	(73,580)	527,310
Total comprehensive loss for the year	-	-	(23,011)	(23,011)
Transfer from statutory reserves	-	(113,437)	113,437	-
<b>Balance at 01 January 2023</b>	487,453	-	17,554	505,008
Total comprehensive loss for the year	-	-	(21,348)	(21,348)
<b>Balance at 31 December 2023</b>	487,453	-	(3,392)	484,061
<b>Company</b>				
<b>Balance at 01 January 2022 as previously reported</b>	487,453	113,437	(106,860)	494,030
Impact of correction of error	-	-	33,280	33,280
<b>Balance at 01 January 2022 as restated</b>	487,453	113,437	(73,580)	527,310
Total comprehensive loss for the year	-	-	(23,011)	(23,011)
Transfer from statutory reserve	-	(113,437)	113,437	-
<b>Balance at 01 January 2023</b>	487,453	-	16,846	504,299
Total comprehensive loss for the year	-	-	(38,312)	(38,312)
<b>Balance at 31 December 2023</b>	487,453	-	(21,466)	465,987

#### Introduction

In the history of every business, there are defining moments. The important thing in these moments is not how one reacts, but how well one has prepared for them. BBS Bank has been no exception when one looks at the milestones it is achieving in its present evolution. We certainly are prepared for them, and the green shoots are starting to emerge based on what we have achieved.

#### Implementation of the Pilediwa Corporate Strategy

During the year under review, the Group successfully executed its Pilediwa corporate strategy, and its implementation is advancing smoothly. This past year, the bank was laying the foundation that will henceforth be used as a springboard for future growth and profitability. Such include aligning the operating model to that of a fully-fledged commercial bank, sourcing optimal capital and funding needs as well as optimising costs.

#### Achievements

We are pleased to report that during the year under review, we implemented several key strategic initiatives. The bank launched its brand which has been received positively by the market. Our primary colour, purple, is distinct and sets us apart from the competition. The colour denotes wisdom to serve the market well, garnered in significant part from our long history as a building society, and wealth which blends in well with our philosophy of "shared prosperity". As we embed this philosophy, it will enable us to empower our shareholders, customers and the communities we serve further.

The bank has revamped its Nomad Digital Banking platform which enables our customers to bank from anywhere in the world, at any time. We believe that it is one of the best and most user-friendly digital banking platforms in the market.

Further, we launched an unsecured loan product called Ipechetse. We are pleased to inform you that the performance of this product has exceeded our expectations. By the end of December 2023, we had surpassed our target for the year. Other developments included renaming and enhancing the product features of our short-term loan, Ntshgetsas.

BBS Bank is also on the VISA card payment platform enabling its customers to use their cards globally. Non-BBS Bank customers can also transact on our automated teller machines, and a good number have started doing so.

#### Local Economic Conditions

Data released by Statistics Botswana in December 2023 indicate that the domestic economy averaged 3.0 percent during the first three (3) quarters of 2023, compared to an average of 5.5 percent realised over the same period in 2022. The domestic economy is estimated to grow at 3.2 percent in 2023, further revised downwards from the 3.6 percent that was earlier estimated for the year. This trajectory is largely reflective of the performance of the diamond mining sector especially from the third quarter of 2023. Growth is expected to reach 4.0 percent growth in 2024.

#### Economic developments

The Russia-Ukraine war increased the cost of living by affecting the fuel prices and the global supply chain. Even though, in Botswana the National Petroleum Fund cushioned the public from the shock of global fuel prices, consumers of financial services products, including BBS Bank customers, were impacted as some withdrew funds with increasing regularity to fund their everyday needs. Despite these global challenges, we continued to educate customers on the importance of saving.

Offshore investments have started to flow into the local economy. BBS Bank anticipates more funds to be invested locally and in the bank itself because of this policy change regarding pension fund asset allocation. Going forward the bank will improve its financial performance by improving its cost of funding, managing other costs and rolling out new products to bring in revenue and improve topline performance.

#### Financial Performance

The Pilediwa strategy implemented during the year placed a strong emphasis on creating banking capabilities and introducing innovative banking products and services. The impact of this transformation, along with various market challenges faced during the year, is reflected in the financial performance results for 2023.

The Group and Company recorded a loss before taxation of P28.2 million, compared to a restated loss of P21.6 million for the year ended 31 December 2022. Despite not achieving profitability yet, the Board of Directors and Management express confidence in the business' sustainability and its potential for growth.

#### Operating Income

At the end of the year, several key transformation initiatives were still ongoing, presenting challenges for the bank to meet its strategic performance targets. However, the Group and Company saw an increase in operating income of 33%, reaching P172.2 million compared to the restated figure of P129.1 million for the year ended 31 December 2022.

Although the unsecured personal loan book did not achieve its full potential contribution in 2023 due to the growth of the book occurring towards the end of the year. It contributed P31.0 million to interest income for the year. We expect the unsecured personal loan book to contribute meaningfully in 20