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

# **Highlights**

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

Loss before taxation

P28.2 million

based on what we have achieved.

mplementation of the Pilediwa Corporate Strategy

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

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

(2022: P21.6 million) Interest expense P246.4 million (2022:P185.2 million)

P194.9 million

Operating expenses (2022: P157.6 million)

(2022: P25.5 million) **Operating income** P172.2 million (2022: P129.0 million)

P49.2 million

**Total Assets** 

P5.2 billion

(2022: P4.0 billion)

Non Interest Income

Loans to Deposit Ratio

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

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 achiev-

ing profitability yet, the Board of Directors and Management express confidence in the

Cost to Income Ratio

**Capital Adequacy Ratio** 

17.3%

111%

year, is reflected in the financial performance results for 2023.

business' sustainability and its potential for growth.

(2022: 120%)

(2022: 27.5 %)

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

# The story of BBS Bank is of progress. It is also fortunate to have transformed when there are more market opportunities. technological choices, and diversity of

In the history of every business, there are defining moments. The important thing in these

During the year under review, the Group successfully executed its Pilediwa corporate

profitability. Such include aligning the operating model to that of a fully-fledged commer-

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 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

The bank has revamped its Nomad Digital Banking platform which enables our customers

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

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

performance of the diamond mining sector especially from the third quarter of 2023.

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

that was earlier estimated for the year. This trajectory is largely reflective of the

included renaming and enhancing the product features of our short-term loan,

shareholders, customers and the communities we serve further.

most user-friendly digital banking platforms in the market.

machines, and a good number have started doing so.

Growth is expected to reach 4.0 percent growth in 2024.

educate customers on the importance of saving.

products to bring in revenue and improve topline performance.

**Local Economic Conditions** 

**Economic developments** 

the market. Our primary colour, purple, is distinct and sets us apart from the competition

cial bank, sourcing optimal capital and funding needs as well as optimising costs.

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 of 10%.

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 2024.

moments is not how one reacts, but how well one has prepared for them. BBS Bank has For the most part of the year, the Group and Company encountered persistently high been no exception when one looks at the milestones it is achieving in its present funding costs, particularly related to corporate term deposits. This rise in funding costs evolution. We certainly are prepared for them, and the green shoots are starting to emerge placed strain on the overall financial performance of the Group and Company. Towards the end of the year, the yields on corporate deposits had started to decline owing to the

The net fee and commission income for the year ended 31 December 2023, stood at P43.9 million, surpassing the December 2022 figure of P20.0 million by 112%. BBS strategy, and its implementation is advancing smoothly. This past year, the bank was Insurance Agency Limited contributed P24.3 million in fee and commission income. laying the foundation that will henceforth be used as a springboard for future growth and

> Fee and commission income generated from the usage of digital banking platforms, BBS Bank VISA enabled debit card, account maintenance charges continued to be low due to unavailability of the transactional account (current accounts) that enables such transac-

> Additionally, the setting up of the treasury capabilities took longer than expected due to external dependencies taking longer than anticipated. Consequently, the bank did not realise the trading income that was anticipated in 2023.

Total operating expenses, excluding expected credit losses and other impairments, were P191.0 million, representing an increase of 23% from the restated amount of P154.8 nillion for the year ended 31 December 2022. This rise was primarily driven by transforto bank from anywhere in the world, at any time. We believe that it is one of the best and mation expenses incurred during the year.

Operating expenses included total staff costs amounting to P100.2 million, which has Further, we launched an unsecured loan product called Ipechetse. We are pleased to increased by 22% from P82.6 million for the year ended 31 December 2022. The Group inform you that the performance of this product has exceeded our expectations. By the and Company incurred staff rationalization costs totaling P15.5 million, which were end of December 2023, we had surpassed our target for the year. Other developments deemed essential for the transformation process.

# **Expected Credit losses and other impairments.**

The Group and Company saw a significant 179% increase in the charge for expected credit losses during the year, P5.5 million, compared to a release of P6.9 million for the year ended 31 December 2022. This rise is primarily due to the introduction of the Unsecured personal loan book during the year.

Furthermore, other impairments increased by 36% to P3.9 million compared to P2.8 million for the year ended 31 December 2022.

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### 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

### 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.

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

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.

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.

# SUMMARISED STATEMENT OF FINANCIAL POSITION

	31 December	31 December	31 December	31 December	01 Janua
	2023	2022	2023	2022	20:
		(Restated)*		(Restated)*	(Restated
	P'000	P'000	P'000	P'000	P'0
ASSETS					
Cash and cash equivalents	366,036	41,092	345,087	41,092	133,3
Investments with banks and other financial institutions	472,102	448,033	472,102	448,033	311,5
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	57,7
Properties-in-possession	26,580	36,831	26,580	36,831	39,8
Current tax receivable	68	-	68	-	
Loans and advances to customers	4,071,336	3,240,794	4,071,336	3,240,794	3,181,3
Right-of-use assets	8,926	10,643	8,926	10,643	15,3
Deferred tax asset	11,650	-	11,650	-	
Intangible assets	24,660	18,061	24,660	18,061	16,1
Property and equipment	98,402	96,405	98,402	96,405	106,9
Investments in subsidiary	-	-	100	100	
Total assets	5,161,250	3,967,942	5,143,191	3,968,972	3,861,9
Liabilities					
Customer deposits	4,211,083	2,717,746	4,211,676	2,720,234	2,511,0
Borrowings	271,198	589,193	271,198	589,193	667,8
Debentures	102,235	102,235	102,235	102,235	101,9
Lease liabilities	14,700	15,886	14,700	15,886	19,6
Other liabilities	75,475	36,097	74,766	35,787	32,4
Withholding tax	2,498	1,337	2,629	1,338	32,² 1,6
Current tax payable	2,490	38	2,029	1,330	1,0
Total liabilities	4,677,189	3,462,532	4,677,204	3,464,673	3,334,6
		· · · · -	-	, , , <u>-</u>	-
Equity					
Stated capital - Ordinary shares	487,453	487,453	487,453	487,453	487,4
Retained loss/earnings	(3,392)	17,957	(21,466)	16,846	(73,5
Statutory reserves	-	-	_	-	113,4
Total equity	484,061	505,410	465,987	504,299	527,3
rotal equity					

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

For the year ended 31 December 2023

	•			_	
	2023	2022	2023	2022	
	(Audited)	(Restated)*	(Audited)	(Restated)*	
	P'000	P'000	P'000		
Interest income	369,407	288,843	369,233	288,843	
Interest expense	(246,419)	(185,218)	(246,445)	(185,232)	
Net interest income	122,988	103,625	122,788	103,611	
Fee and commission income	46,132	21,727	21,837	18,677	
Fee and commission expense	(2,277)	(1,678)	(2,277)	(1,678)	
Net fee and commission income	43,855	20,049	19,560	16,999	
Revenue	166,843	123,674	142,348	120,610	
Other operating income	5,327	5,410	7,036	6,408	
Operating income	172,170	129,084	149,384	127,018	
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)	
Total expenses	(200,380)	(150,671)	(199,346)	(150,029)	
Loss before taxation	(28,210)	(21,587)	(49,962)	(23,011)	
Taxation	6,862	(313)	11,650	-	
Loss for the year	(21,348)	(21,900)	(38,312)	(23,011)	
Other comprehensive income	-	-	-	-	
Total comprehensive loss for the year	(21,348)	(21,900)	(38,312)	(23,011)	

Per share information

Basic and diluted loss for the period/year

# SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	2023	2022	Company	CO
	2023	(Restated)*	2023	(Resta
	P'000	(Restated)*	P'000	
	F 000	P 000	P 000	
Cashflows from operating activities				
Interest receipts	363,757	284,081	363,583	2
Commission receipts	41,665	18,821	17,370	
Interest payments	(216,475)	(171,857)	(216,501)	(17
Commission payments	(1,862)	(1,678)	(1,862)	. (
Other operating income	5,327	5,410	7,036	
Cash payments to employees and suppliers	(168,719)	(136,740	(167,685)	(13
Proceeds from sale of properties in possession	6,964	11,094	6,964	
Income tax paid	(4,894)	(275)	(68)	
Net cash generated from	25,763	8,856	8,837	
operating activities before changes in working capital				
Changes in:	(6.646)	(4.704)	(5.704)	
Increaase in other assets	(6,646)	(4,781)	(5,786)	(
Increase in balance due from related company			(2,720)	(
Increase in loans and advances to customers	(838,378)	(64,795)	(838,378)	(6
Increase in customers' deposits	1,459,374	193,416	1,457,479	1
Increase in other liabilities	43,797	6,528	43,399	
Increase/(decrease) in withholding tax	1,161	(313)	1,291	
Net cash flows generated from operating activities	685,071	138,911	664,122	1;
Cashflows from Investing activities				
Purchase of property and equipment	(6,458)	(11,064)	(6,458)	(1
Purchase of intangible assets	(12,396)	(5,581)	(12,396)	(
Investment in subsidiary	-	-	-	
New placements of investments with banks and other financial institutions	(2,223,726)	(2,849,559)	(2,223,726)	(2,84
Maturities of investments with banks	2,197,900	2,714,739	2,197,900	2,7
Net cash flows used in investing activities	(44,680)	(151,465)	(44,680)	(15
Cashflows used in Financing activities				
Proceeds from borrowings			-	
Repayment of borrowings	(313,976)	(78,534)	(313,976)	(7
Payment of lease liabilities	(1,471)	(1,200)	(1,471)	(
Net cash flows used in financing activities	(315,447)	(79,734)	(315,447)	(7
Total cash movement for the year	324,944	(92,288)	303,995	(9
Cash at the beginning of the year	41,092	133,380	41,092	13
Total cash at the end of the year	366,036	41,092	345,087	

# SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2	Ordinary shares	Statutory reserve	Retained loss	Total equity
Group				
Balance at 01 January 2022 as previously reported	487,453	113,437	(106,860)	494,030
Impact of correction of error	-	-	33,280	33,280
Balance at 01 January 2022 as restated	487,453	113,437	(73,580)	527,310
Total comprehensive loss for the year	-	-	(21,900)	(21,900)
Transfer from statutory reserves	-	(113,437)	113,437	-
Balance at 01 January 2023	487,453	-	17,956	505,409
Total comprehensive loss for the year	_	-	(21,348)	(21,348)
Balance at 31 December 2023	487,453	-	(3,392)	484,061
Company				
Ralance at 0.1 January 2022 as previously reported	487,453	113,437	(106,860)	494,030
Impact of correction of error	-	-	33,280	33,280
Balance at 01 January 2022 as restated	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	-
Balance at 01 January 2023	487,453	-	16,846	504,299
Total comprehensive loss for the year	_	-	(38,312)	(38,312)
Balance at 31 December 2023	487,453	-	(21,466)	465,987
	_			

# A current account that takes **BBS**

### 1. Activities

The Board of Directors is pleased to present their report to Shareholders together with the audited consolidated financial statements for the year ended 31 December 2023. Resignation of Director The Bank obtained its commercial banking license on 06 October 2022, after changing its name from BBS Limited to BBS Bank Limited on 06 September 2022, to facilitate the On 29 January 2024, Mr. Bernard Mzizi stepped down as a issuance of the banking license. Following the acquisition of the banking license, the member of Board of Directors of BBS Bank Limited ("the Bank began its journey to transition into a commercial bank in January 2023. This Bank") after serving for a period of three years. journey involved transitioning into a full-fledged bank, focusing on developing banking capabilities and introducing a wide array of banking services and products.

The Bank established an Insurance Agency, BBS Insurance Agency Limited on 08 June The Bank introduced its current account on 05 February 2024, 2022 as part of its long-term strategic plan to diversify its portfolio and offerings.

### 2. Comparative Financial Information

The comparative financial information considered in these financial statements relate strategic move to promote Current and Savings Accounts (CASA). to the audited financial information for the year ended 31 December 2022.

### 3. Dividend

No dividend was declared during the current or prior period.

### 4. Related party transactions

Mr. Geoffrey M. Bakwena (Non-Executive director), Mr. Victor Ramalepa (Non-Executive director). Mrs. Pedzani Tafa (Executive Director) and some members of Executive Management are BBS Bank Limited shareholders. The other directors do not hold shares directly or indirectly in the Group and Company.

### 5. Key sources of estimation uncertainities

certain critical accounting estimates.

It also requires Management to exercise its judgement in the process of applying the Group and Company's accounting policies. The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to During the year management corrected the recognition of the the Group and Company's financial statements are disclosed in the financial employee benefit provided as an expense over the term of the loan, statements. In preparing these financial statements, Management has made judgements, estimates and assumptions that affect the application of the Group and impacted prior periods and constituted a prior year error in terms of Company's accounting policies and the reported amounts of assets, liabilities, income International Accounting

Actual results may differ from these estimates. Estimates and assumptions are and Errors (IAS8). The cumulative misstatement on retained reviewed on an ongoing basis.

### 6. Reporting entity

The Company and it's subsidiary are domiciled in Botswana. The address of the Group retained earnings for the respective years. and Company's registered office is Plot 13108-112 Broadhurst, Gaborone. The Company is primarily involved in the provision of banking services while the subsidiary is involved in offering insurance agency services. These financial statements represent the Group's consolidated and separate financial statements. The consolidated financial statements were approved for issue by the Directors on 22 March 2024.

# 7.Basis of preparation

These consolidated and separate financial statements for the year ended 31 December 2023 have been prepared on the going concern basis in accordance with International Financial Reporting Standards (""IFRS"") and in the manner required by the Banking Act (CAP 46:04) and are based upon appropriate accounting policies consistently applied and supported by reasonable anmd prudent judgements and estimates.

These accounting policies are consistent with those applied in the previous year unless

# 8. Consolidation

# **Basis of Consolidation**

The consolidated financial statements comprise the financial statements of the Bank ("the Company") and its subsidiary (jointly "the Group") as at 31 December 2023. The Bank consolidates a subsidiary when it controls it.

The Company has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use its power over the entity.

The results of the subsidiary are included in the consolidated financial statements from the effective date of acquisition to the effective date of disposal. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. Investments in subsidiaries are measured at cost less accumulated impairment losses in the company's financial statements.

Adjustments are made when necessary to the consolidated and separate financial statements of the subsidiary to bring their accounting policies in line with those of the

All inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset

# 9. Going Concern

Management has made an assessment of the Group and Company's ability to continue as a going concern and is satisfied that the Group and Company has the resources to continue in business for the foreseeable future. There are significant judgements involved in the assessment of whether the going concern assumption remains appropriate. This going concern basis applied presumes that resources will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

These consolidated financial statements should be read in conjunction with the annual report for year ended 31 December 2023.

10. Events after the reporting period

### Launch of the BBS current account

marking a significant step forward in providing products and services to customers. BBS customers can now easily transfer funds within BBS and other banks, make payments and effectively manage their finances. This launch is a crucial

### Launch of banking capabilities

transformation journey by introducing systems aimed at enhancing its banking capabilities. These include:

On 20 February 2024, the bank reached a major milestone in its

- Botswana Interbank Settlement Systems (BISS)
- Real Time Gross Settlement (RTGS) Society for Worldwide Interbank Financial Telecommunication
- Botswana Automated Clearing House Integration (BACH) Foreign Exchange capabilities

As a result, the Bank is now equipped to facilitate electronic The preparation of the Group and Company's financial statements requires the use of transactions with other banks, both domestically and internationally, through various clearing and settlement systems.

### 11. Prior Period Error

in accordance with IAS 19 - Employee benefits. The change

Standards 8: Accounting policies, Changes in Accounting Estimates earnings as at 31 December 2023, amounted to P17.2 million whilst the cumulative misstatement on retained earnings as at 31 December 2021, amounted to P33.3 million. The restatement impacted the loans and advances, other assets, staff costs, interest income and

# 12. Auditors' Review

**Chairperson - Board** 

The consolidated financial statements from which the financial information is set out in this announcement has been audited by Frnst & Young, the Group's external auditors. Their audit report is available for inspection at the Group's registered office.







