

# ABRIDGED AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2024



## Basis of preparation and accounting policies

The Group has prepared consolidated financial statements for the first time for the financial year ended March 31, 2024 consequently no comparatives have been presented as the subsidiary only started trading in the current financial year.

The consolidated financial statements are prepared on a historic cost basis and are presented in Botswana Pula, which is the Group's functional currency and are rounded off to the nearest thousand, unless otherwise stated.

The consolidated financial statements for the year ended March 31, 2024 have been prepared applying the recognition and measurement criteria in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and IFRIC Interpretations as issued by the IFRIC Interpretations Committee and any Pronouncements if applicable and in compliance with the Botswana Savings Bank Act of 1992.

In the preparation of the consolidated financial statements, the Group has applied sound business principles with key assumptions concerning any inherent uncertainties in recording various assets and liabilities. These assumptions were applied consistently to the abridged consolidated financial statements for the financial year ended March 31, 2024 and have been thoroughly assessed by management to ensure the appropriateness thereof. The critical accounting estimates and areas of judgements are:

- Measurement of Expected credit losses (ECL)
- Lessee's incremental borrowing rate and discount rate
- Deferred Tax
- Residual values and useful lives of intangible assets and property and equipment

The Directors have reviewed the Group's funding position and available sources of funding and conclude that these are adequate to support the Group's funding requirements. The Directors are confident that the Group's operations will continue to remain uninterrupted. Based on this review and considering the current financial position and profitable trading history, the directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the consolidated financial statements.

## New Standards, Interpretations And Amendments Adopted By The Group

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations, these are amendments to IAS 12, IFRS 17, IFRS 9, IAS 1, and IAS 8. These amendments and interpretations apply for the first time in the year ended March 31 2024, but do not have a significant impact on the consolidated financial statements of the Group.

## Economic Environment

Domestically, headline inflation averaged 3.6 percent in the first quarter of 2024, down from 9.4 percent in the first quarter of 2023, mostly accounted for by the dissipating impact of the increase in domestic fuel prices in 2023, the reduction in domestic fuel prices effected on December 21 2023, and the restrained growth in the prices of food and non-alcoholic beverages. However, inflation is forecast to temporarily breach the lower bound of the objective range in the second quarter of 2024 and revert to within the objective range on a sustained basis from the third quarter of 2024. The April 2024 inflation forecast has been revised downwards in the short term compared to the February 2024 forecast.

Botswana's real gross domestic product (GDP) increased by 2.7 percent in 2023, compared to a higher growth rate of 5.5 percent in 2022. The slowdown in growth was mainly attributable to the deteriorating global economic conditions, and geopolitical events, including the conflict in Ukraine, which have negatively impacted demand for diamond jewellery and rough diamonds. Effective implementation of the economic transformation reforms and stimulative government expenditure indicated in the 2024/25 Budget, alongside the April 2023 - March 2025 Transitional National Development Plan (TNDP), would be supportive of economic activity through facilitating expansion of productive capacity, accelerating economic transformation and enhancing economic resilience in the medium term. Consequently, the domestic economy is forecast to grow by 4.2 percent and 5.4 percent in 2024 and 2025, respectively.

## Financial Performance - Commentary

The financial year ended March 31, 2024 has been an exceptional year for Botswana Savings Bank, marking significant achievements and underscoring the success of our strategic direction. The period under review reflects the second year of our ambitious three-year **Lesedi Strategy (2022-2025)**, which continues to drive us towards transforming the Group into a commercially viable and technologically advanced institution. We are proud of the milestones reached and the improved financial performance that is testament to our strategic efforts and the dedication of our entire team.

The financial year 2023-2024 has been characterised by robust growth across key financial metrics. Profit increased by an impressive **258%**, reaching **P23.3 million** (2023: P6.5 million). This remarkable growth was primarily driven by the new subsidiary (**BSB Insurance Agency**) contributing P11.3 million and an enhanced loan book performance. The Group's focus on expanding its offerings and improving operational efficiencies has yielded tangible results.

The Net Interest Income grew by **5%**, from **P164 million** in 2023 to P173 million in 2024. This increase was attributable to the Group's revised sales strategy, which included expanding the Group's direct sales agency network and revising the maximum loan amounts to stimulate demand. The Group's Net Advances grew by **17%** year-on-year, reaching P2.7 billion (2023: P2.3 billion), demonstrating the Group's ability to grow the asset base effectively.

Customer deposits increased modestly by **4%**, standing at **P2.5 billion** (2023: P2.4 billion), which reflects our customers' continued trust and confidence in the Group. The Capital Adequacy Ratio (CAR) of the Group stood at **21%**, comfortably above the regulatory requirement of **12.5%**. This was supported by the P150 million Tier II Bond note issued in December 2023, reinforcing the Group's capital structure, and positioning the Group for future growth.

The Liquidity Asset Ratio stood at **20%**, exceeding the **10%** regulatory threshold, highlighting the Group's strong liquidity position. Furthermore, Return on Equity (ROE) increased to **9%**, a clear indicator of the Group's improved profitability and efficient use of capital.

## Correction of prior year errors (Restated)

The Group changed its classification and presentation of cash and cash equivalents by accounting for money market instruments and short-term deposits as investments in financial assets where these did not meet the requirement of cash and cash equivalents per IAS 7 - Statement of Cash Flows.

## Consolidated Statement of Profit or Loss and Other Comprehensive income for the year ended March 31 2024

	Group 2024 P'000	Company 2023 P'000	2022 Restated P'000
Interest income	363,399	337,418	
Interest expense	(189,906)	(173,469)	
<b>Net interest income</b>	<b>173,493</b>	<b>163,949</b>	
Fee and commission income	34,540	10,426	
Fee and commission expense	(9,269)	(9,196)	
<b>Net fee and commission income</b>	<b>25,271</b>	<b>1,230</b>	
Other income	9,248	3,530	
Amortisation of government grant income	14,471	19,438	
<b>Total income</b>	<b>222,483</b>	<b>188,147</b>	
<b>Net operating income</b>	<b>198,764</b>	<b>165,179</b>	
<b>Net impairment (expense)/reversal of financial assets</b>	<b>(1,784)</b>	<b>5,709</b>	
<b>Net income</b>	<b>220,699</b>	<b>193,856</b>	
Employee benefits	(97,157)	(101,594)	
Depreciation and amortisation	(23,557)	(20,683)	
Administrative and general expenses	(71,410)	(58,460)	
<b>Profit before taxation</b>	<b>28,575</b>	<b>13,119</b>	
Taxation	(5,270)	(6,668)	
<b>Profit for the year</b>	<b>23,305</b>	<b>6,451</b>	
Other comprehensive income for the year	-	-	
<b>Total comprehensive income for the year</b>	<b>23,305</b>	<b>6,451</b>	

## Consolidated Statement of Financial Position as at March 31 2024

	Group 2024 P'000	Company 2023 Restated P'000	2022 Restated P'000
<b>Assets</b>			
Cash and cash equivalents*	340,236	241,143	150,356
Investment in financial assets*	162,525	403,485	259,350
Balances with related parties	-	-	50,443
Other assets	20,220	11,311	8,610
Loans and advances to customers	2,689,349	2,346,542	2,698,368
Investment in subsidiary	-	-	-
Current tax receivable	5,308	3,308	263
Deferred tax	17,797	19,732	27,444
Right-of-use assets	30,673	30,310	30,287
Intangible assets	51,975	58,323	37,196
Property, plant and equipment	56,439	51,504	77,101
<b>Total Assets</b>	<b>3,374,522</b>	<b>3,165,658</b>	<b>3,339,418</b>
<b>Equity and Liabilities</b>			
<b>Liabilities</b>			
Deposits due to customers	2,499,069	2,429,240	2,737,658
Current tax payable	3,335	-	-
Other liabilities	37,670	19,049	41,915
Borrowings	446,591	338,160	166,879
Dormancy account liability	26,730	27,144	29,108
Government grant	54,384	70,143	89,581
Lease liabilities	37,023	35,507	34,313
<b>Total Liabilities</b>	<b>3,104,802</b>	<b>2,919,243</b>	<b>3,099,454</b>
<b>Equity</b>			
Unrecallable capital	19,721	19,721	19,721
Statutory reserves	72,789	69,776	68,163
Retained earnings	177,210	156,918	152,080
<b>Total Equity and Liabilities</b>	<b>3,374,522</b>	<b>3,165,658</b>	<b>3,339,418</b>

\* Restated

In the prior year, investments in money market and short-term deposits were incorrectly classified as cash and cash equivalents in the statement of financial position and the statement of cashflows. The Group has re-evaluated the classification of the investments in money market funds/short-term deposits as investment in financial assets. The prior year financial statements have been restated to correct these errors. Management changed the description used in the prior year from Balances with other banks to investments in financial assets. The restatement impacted the consolidated statement of financial position and the consolidated statement of cashflow. The restatement did not have any impact on the consolidated statement of profit or loss and other comprehensive income nor the consolidated statement of changes in equity.

## Outlook

The current financial year has been transformative for Botswana Savings Bank. The Group has seen a marked recovery in the loan book, which continues into the 2024/25 financial year. The Group expects to meet, if not surpass, its financial targets in the coming year. Our ongoing digital transformation initiatives are anticipated to bring the much-needed efficiencies,

cost reductions, and revenue growth. Additionally, the Group continues to engage with the government regarding the privatization of the Group. While discussions are ongoing, our focus remains on commercializing the Group and preparing it for the market.

## Events after year end

There were no conditions after the reporting period that require disclosure or adjustment to the consolidated financial statements. The impact of events that occur after the reporting period will be accounted for in future reporting periods. We remain confident that despite the rapid changes in the economic environment, strategic priorities set for the subsequent years will drive sustainable growth for the business.

## Segmental Reporting

The Group's business and geographical segments are reported separately. Intersegment transactions are eliminated, and costs of shared services are accounted for in a separate ("Intersegment or Unallocated") segment. All transactions between segments are at arm's length.

## Consolidated Statement of Changes in Equity for the year ended March 31 2024

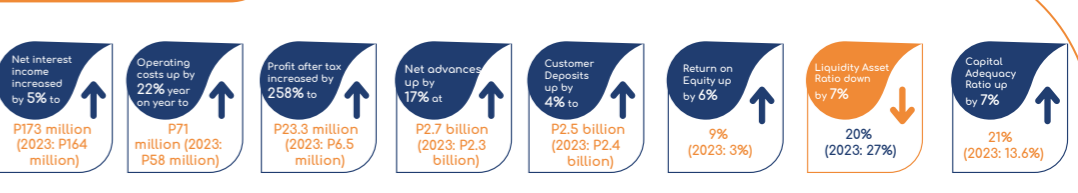
	Unrecallable capital P'000	Statutory reserve P'000	Retained earnings P'000	Total equity P'000
<b>Balance at April 1, 2022</b>	<b>19,721</b>	<b>68,163</b>	<b>152,080</b>	<b>239,964</b>
Total comprehensive income for the year	-	-	6,451	6,451
Transfer between reserves	-	1,613	(1,613)	-
<b>Balance at April 1, 2023</b>	<b>19,721</b>	<b>69,776</b>	<b>156,918</b>	<b>246,415</b>
Total comprehensive income for the year	-	-	23,305	23,305
Transfer between reserves	-	3,013	(3,013)	-
<b>Balance at March 31, 2024</b>	<b>19,721</b>	<b>72,789</b>	<b>177,210</b>	<b>269,720</b>

## Consolidated Statement of Cash Flows for the year ended March 31 2024

	Group 2024 P'000	Company 2023 Restated P'000
<b>Cash flows from operating activities</b>		
Interest receipts*	345,151	326,151
Interest payments	(180,453)	(116,135)
Fees and commission received	34,540	10,426
Fees and commission paid	(9,269)	(9,196)
Rent and other income received	9,073	3,530
Cash payments to employees and suppliers	(154,072)	(134,476)
<b>Cash flows from operating activities before changes in operating assets and liabilities*</b>	<b>44,970</b>	<b>80,300</b>
<b>Changes in operating assets and liabilities</b>		
Movement in loans and advances to customers	(344,615)	339,277
Movement in amounts due to customers	92,794	(348,448)
Movements in other assets	(8,909)	(2,702)
Movements in other liabilities	11,352	(22,873)
Movement in related party balances	-	52,337
Movement in dormancy account liability	(414)	(1,964)
Tax paid	(2,000)	(2,001)
<b>Net cash (used in)/ generated from operating activities*</b>	<b>(206,822)</b>	<b>(93,926)</b>
<b>Cash flows from/(to) investing activities</b>		
Purchase of property, plant and equipment	(11,158)	(14,188)
Proceeds from disposal of property, plant and equipment	383	-
Proceeds from disposal of other intangible assets	-	(338)
Net cash paid on acquisition of subsidiary	-	-
Withdrawals from investment in financial assets*	943,054	785,967
Deposits in financial assets*	(698,323)	(927,588)
<b>Net cash generated from/(used in) investing activities*</b>	<b>233,956</b>	<b>(156,147)</b>
<b>Cash flows from financing activities</b>		
Repayment of Government Grant	(1,288)	-
Borrowings raised	150,050	192,050
Repayment of principal - long term borrowings	(45,067)	(23,695)
Repayment of interest - long term borrowings	(26,018)	(10,121)
Lease liability payments - principal	(2,766)	(2,673)
Lease liability payments - interest	(2,952)	(2,553)
<b>Net cash generated from financing activities</b>	<b>71,959</b>	<b>153,008</b>
Net movement in cash and cash equivalents for the year*	99,093	90,787
Cash and cash equivalents at the beginning of the year*	241,143	150,356
<b>Total cash and cash equivalents*</b>	<b>340,236</b>	<b>241,143</b>

\* Restated

## Financial Highlights



## Independent Auditor's Report

Whilst this abridged financial information and any reference to future financial performance has not been audited by the auditor, this financial information was extracted from the Group's financial statements for the year ended March 31, 2024. The auditor, Deloitte & Touche, has issued an unmodified opinion on the financial statements for the year ended March 31, 2024. The full set of financial statements including the audit report is available for inspection at the Group's registered office.

By order of the Board

Goitsema Morekisi  
Board Chairperson

Nixon Marumoloo,  
Chief Executive Officer