

UNAUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDING 30 JUNE 2020



Revenue

P269.3m

H2019: 249.0 million

Expenses

P196.4m

H2019: 182.7 million

PAT

P55.7m

H2019: 51.3 million

Total Equity

P1,132.1m

H2019: 1,025.6 million

ECONOMIC GROWTH

The first half of 2020 has been challenging for nearly every economy and business in the world; a relatively normal first quarter was supplanted by the rapid spread and concerns of COVID-19 in the second quarter thereby drastically changing economic and business fortunes. For Botswana, the pre COVID-19 first quarter of 2020 saw domestic economic growth already slowing down to 2.6% compared to a growth of 4.5% recorded in the same period of 2019. The drop in economic growth was led by contractions in Agriculture and Mining which weakened by 0.6% and 6.1% respectively.

The second quarter of 2020 was characterised by muted economic activity due to containment measures put in place locally and globally to contain the COVID-19 outbreak. The measures severely impacted local and global travel, interrupted supply chains, dampened production and negatively affected many livelihoods and many sectors of the economy. The banking sector, whilst less impacted than other sectors, saw reduced activity as a result of lockdowns and extreme social distancing measures enacted from April. Economic growth projections continue to evolve as the duration and impact of the pandemic remains uncertain: Government latest estimates for local economic growth is for GDP to shrink by 8.9% in 2020 whilst the International Monetary Fund ("IMF") projects a contraction of 9.6%. The looming recession is expected to affect almost all sectors of the economy with the more severely impacted to include minerals, tourism and transportation.

Policy interventions have sought to bolster the local economy supported by the low inflation environment which has provided room for the Bank of Botswana (BOB) to ease rates further, beginning with a reduction of the Bank Rate by 0.50% from 4.75% to 4.25% from April 2020. The BOB has introduced a raft of other measures—such as the reduction in the Primary Reserves Ratio as well as lowering the Capital Adequacy Requirements—all as an effort to capacitate banks to provide counter cyclical lending support for the economic environment and augment Government efforts to mitigate COVID-19 and aid economic recovery. Annual inflation hit record lows in June of 0.9% possibly providing room for further interest rate reductions in the year ahead. The June inflation which remained flat as at July is the lowest rate of inflation since available records began in January 1997, driven by a significant drop in fuel prices and a slowdown of tobacco and alcoholic beverages prices. Inflation remains below Central Bank's medium-term objective range of 3-6% and is expected to be within the objective range by end of quarter three 2021.

FINANCIAL PERFORMANCE

The beginning of 2020 showed strong carry through of the momentum achieved in the second half of 2019. Revenue traction was maintained as expected up to end of March 2020. Significant slowdown in performance occurred during the second quarter when the country commenced the COVID-19 containment measures being under a State of Emergency and the ensuing lockdown. During this period—branch network, loan and payments activity reduced substantially for both individual clients as well as corporate and small to medium enterprises (SME's). Overall the Profit after Tax for the business stood at P55.7 million representing a 9% increase to the same period in 2019—buoyed by a strong first quarter.

REVENUE

Total Bank income increased by 8% year on year driven by a strong performance on net interest income (NII) despite two rate cuts of 50bps in August 2019 and April 2020 impacting the review period. The growth in NII was supported by the growth in the loan book by 4% largely achieved in the first quarter and the successful reduction in interest expense of 15% year on year. The improvement in interest expense has been achieved through the more efficient use of technology such as the platform rolled out for corporate clients, BancOnline, and concerted effort to reduce the pricing of term deposits. Trading revenue had significantly recovered from P2 million in 2019 to almost P9 million in the same period in 2020 further showing progress in our quest to rebuild our Markets business given prior challenges in this business line.

Non-Interest Income was impacted significantly due to reduction in activity volumes and discount measures put in place to support customers during the lockdown period, reducing by 33% year on year. The reduction in volumes was both on transactional banking as well as personal loans. Whilst sign up on digital channels during this period rose significantly and should auger well for conversion of clients to electronic channels, the reductions in volumes have been substantial.

EXPECTED CREDIT LOSSES

Credit impairments for the first half of the year was an increase in provisioning by P2 million compared with a net release in the prior year. The increase is driven primarily by a deterioration on the largely SME lending book due to the current stresses experienced due to COVID-19. The retail portfolio increase in impairments is due to the modified cashflows adjustments for change in client's repayment schedules brought about by relief measures put in place to assist the Bank's clients that required cash flow assistance during this difficult time rather than underlying credit portfolio deterioration. SMEs remain a small portion of our portfolio—showing the strong credit quality of our book of mainly deduction at source clients.

OPERATING EXPENSES

We continue to contain discretionary spending whilst driving realisation of return on investment made so far. Employee costs have remained controlled. Overall operating expenses have increased in comparison to same period last year due to increase in communication expenses occasioned by new working arrangements and amortisation and depreciation expense as we begin to amortise significant investment spend in technology and other upgrades to bring the bank to capacity for growth which were completed in 2019.

BALANCE SHEET

The Bank's balance sheet has grown by about 3% driven primarily by the growth in the loans and advances at about 4%. Overall the retail lending continues to be the main driver of the asset book, however, volumes were muted due to the delay in the expected Government employee's salary increases. The Bank's total deposits reduced slightly by about 4% year on year on tighter review end liquidity, however, deposit growth has returned to a stronger position early in the third quarter. The Bank continues to focus on building transactional banking capability in order to bring interest expense in line with market peers.

CAPITAL ADEQUACY AND DIVIDEND PAYMENT

The Bank continues to have a strong capital position closing the half at 21% against a revised 12.5% regulatory guideline. During the year the bank secured further Tier II capital instrument amounting to \$10 million to support the Bank's strategic growth aspirations. Whilst the Bank has capacity to pay dividend, given the uncertainty of the length and severity of the COVID-19 pandemic, the Board of Directors decided in an abundance of caution to be prudent and defer dividend payments until the economic environment and COVID-19 pandemic containment is more certain.

LOOKING FORWARD

The COVID-19 pandemic continues to create significant uncertainty around the duration of constrained economic activity and timelines for the economy to be fully operational. The global and local economy is expected to go into a recession of unknown magnitude and duration, with intermittent lockdown measures likely. Based on estimated financial performance during the first of these lockdowns in the second quarter, whilst the Bank continues to be profitable, we expect the curtailed economic activity and disrupted markets to have an impact in 2020 full year financial performance and will slow down the Bank's path to deliver on its previous timelines for attaining return on investment made. However, the Bank will continue to accelerate achievement of underlying value driver milestones.

GRATITUDE

We extend our sincere gratitude to our customers, shareholders, fellow board members, management and the entire BancABC team for all the resilience and support during this time.

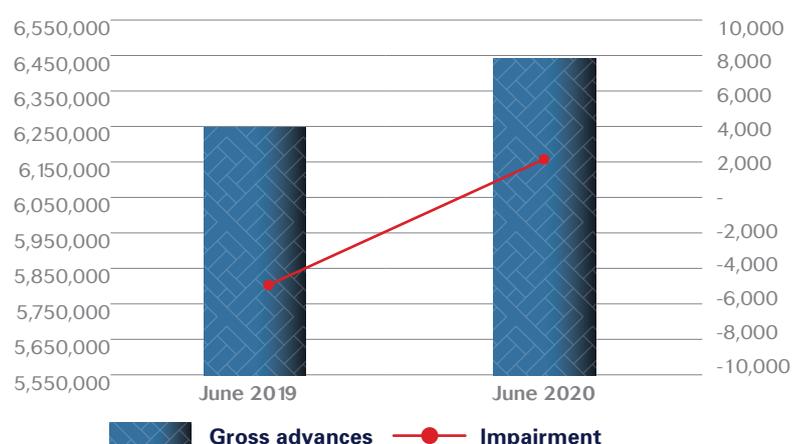
Mrs. Lorato Nthando Moseithanyane
CHAIRPERSON

Mr. Kgotso Bannalotlhe
MANAGING DIRECTOR

UNAUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDING 30 JUNE 2020

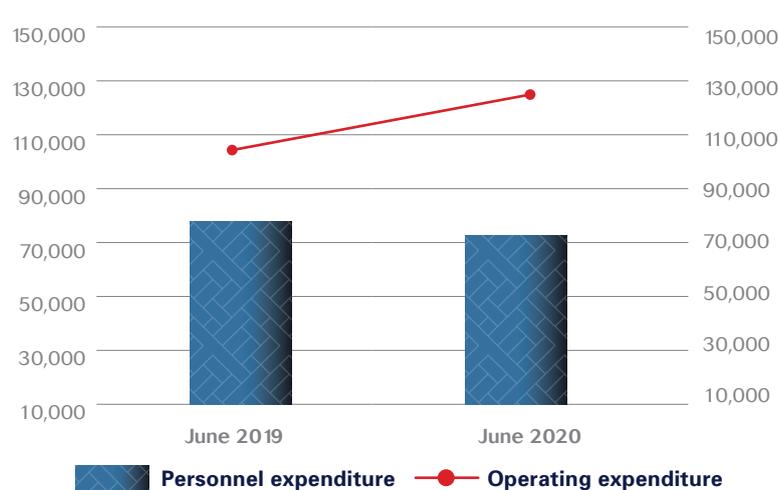
GROWTH IN ADVANCES VS IMPAIRMENT TO ADVANCES



PROFIT AFTER TAX VS COST TO INCOME



OPERATING AND PERSONNEL EXPENDITURE



SHAREHOLDERS FUNDS VS CAPITAL ADEQUACY RATIO



STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2020

	Unaudited half year		
	30 June 2020	30 June 2019	% Change
	P'000	P'000	
Effective interest and similar income	377,035	366,671	3%
Effective interest expense and similar charges	(147,651)	(174,265)	15%
Net interest income	229,384	192,406	19%
Changes in expected credit losses and other credit impairment	(2,001)	4,798	(142%)
Net interest income after loan impairment charges	227,383	197,204	15%
Net trading income	8,773	2,321	278%
Net fee and commission income	33,105	49,467	(33%)
Total net revenue	269,261	248,992	8%
Personnel expenses	(72,069)	(80,096)	10%
General and administrative expenses	(63,240)	(51,171)	(24%)
Depreciation and amortisation expenses	(22,492)	(18,837)	(19%)
Other operating expenses	(38,602)	(32,636)	(18%)
Total operating expenses	(196,403)	(182,740)	(7%)
Profit before tax	72,858	66,252	9.97%
Tax expense	(17,131)	(14,936)	(13%)
Profit for the period	55,727	51,316	9%
Other comprehensive income for the period	-	-	
Total comprehensive income for the period	55,727	51,316	9%
Earnings per share			
Basic and diluted earnings per share (thebe)	7,6	7,1	
Headline earnings per share			
Basic and diluted headline earnings per share (thebe)	7,6	7,1	

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Unaudited half year		Audited full year
	30 June 2020	30 June 2019	31 December 2019
	P'000	P'000	P'000
ASSETS			
Cash and balances with the central bank	367,618	488,275	77,138
Balances with other banks	904,985	550,247	904,537
Balances due from related parties	536,390	542,285	633,118
Derivative financial assets	57,019	64,991	60,487
Financial assets held at amortised cost	343,378	564,120	642,818
Loans and advances to customers	6,163,454	5,947,483	6,443,556
Other assets	97,906	59,624	62,359
Current tax assets	15,633	18,389	18,124
Deferred tax asset	19,786	46,013	28,220
Intangible assets	107,325	105,524	104,347
Property and equipment	121,261	132,246	129,860
Total assets	8,734,755	8,519,197	9,104,564
LIABILITIES			
Deposits from banks	526,315	217,192	66,844
Deposits from customers	5,971,840	6,211,160	6,973,892
Derivative financial liabilities	56,489	61,940	59,618
Balances due to related parties	16,397	19,436	17,662
Other liabilities	160,256	140,982	147,014
Borrowed funds	871,369	842,930	763,172
Total liabilities	7,602,666	7,493,640	8,028,202
EQUITY			
Stated capital	222,479	222,479	222,479
Retained earnings	894,224	788,542	838,497
Revaluation reserve	9,295	8,445	9,295
Other reserves	6,091	6,091	6,091
Total equity	1,132,089	1,025,557	1,076,362
Total equity and liabilities	8,734,755	8,519,197	9,104,564

UNAUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDING 30 JUNE 2020

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2020

	Stated Capital P'000	Other Reserves P'000	Revaluation Reserve P'000	Retained Earnings P'000	Total P'000
At 1 January 2019	222,479	6,091	8,445	735,786	972,801
IFRS 16 transitional adjustment	-	-	-	1,440	1,440
Comprehensive income					
Profit for the period	-	-	-	51,316	51,316
Total Comprehensive income	-	-	-	52,756	52,756
At 30 June 2019	222,479	6,091	8,445	788,542	1,025,557
At 1 July 2019	222,479	6,091	8,445	788,542	1,025,557
Comprehensive income					
Profit for the period	-	-	-	70,481	70,481
Transactions with owners					
Dividend declared and paid	-	-	-	(20,526)	(20,526)
Revaluation of land and buildings	-	-	1,090	-	1,090
Deferred tax on revaluation of land and buildings	-	-	(240)	-	(240)
Total Comprehensive income	-	-	850	49,955	50,805
At 31 December 2019	222,479	6,091	9,295	838,497	1,076,362
At 1 January 2020	222,479	6,091	9,295	838,497	1,076,362
Profit for the period	-	-	-	55,727	55,727
Total Comprehensive income	-	-	-	55,727	55,727
At 30 June 2020	222,479	6,091	9,295	894,224	1,132,089

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2020

	Unaudited half year		Audited full year
	30 June 2020 P'000	30 June 2019 P'000	31 Dec 2019 P'000
Cash flows from operating activities			
Profit before tax	72,858	66,252	152,296
Adjusted for:			
Depreciation	9,671	11,079	19,079
Amortisation of intangible assets	12,821	7,758	19,037
Expected credit losses	2,001	(4,798)	(15,658)
Fair value adjustment on derivatives	339	-	2,712
Prior year over/under provision	-	-	3,013
Tax paid	(6,206)	(16,241)	(13,986)
Cash flows from operating activities before changes in operating assets and liabilities	91,484	64,050	166,493
Movement in operating assets / liabilities:			
Loans and advances to customers	278,101	(133,561)	(618,774)
Balances due from related parties	96,728	146,999	(104,338)
Other assets	(51,322)	150,253	397,108
Deposits from customers and banks	(542,581)	(780,420)	(168,037)
Other liabilities	11,605	(67,572)	(6,575)
Balances due to related parties	(1,265)	1,265	(36,539)
Net cash from operating activities	(117,250)	(618,986)	(370,662)
Cash flows from investing activities			
Disposal/(purchase) of property and equipment	5,427	10,323	(11,242)
Purchase of intangibles assets	(15,800)	(2,449)	(11,167)
Work in progress	-	-	(1,384)
Net cash (used in)/generated investing activities	(10,373)	7,874	(23,793)
Cash flows from financing activities			
Proceeds from borrowed funds	106,157	106,157	99,922
Repayments on borrowed funds	2,040	(6,107)	(79,630)
Dividend paid	-	-	(20,526)
Payment of lease liabilities	(4,864)	-	(3,783)
Net cash generated from financing activities	103,333	100,050	(4,017)
Net (decrease) / increase in cash and cash equivalents	(24,290)	(511,062)	(398,472)
Cash and cash equivalents at beginning of the period	1,380,345	1,778,817	1,778,817
Cash and cash equivalents for the period	1,356,055	1,267,755	1,380,345
Cash and cash equivalents comprised of:			
Balances with other banks	904,985	550,247	904,537
Financial assets	203,452	519,410	398,813
Cash and balances with the Central Bank	247,618	198,098	76,995
	1,356,055	1,267,755	1,380,345

Purchase Order Financing

Purchase Order Financing for business growth

You live for the ideas, the independence, the feeling of making things happen. Supporting your growth every step of the way, we are here to help your business grow.

Speak to one of our Relationship Managers today, or Call our help-desk at 3993312

T's and C's apply

UNAUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDING 30 JUNE 2020



SIGNIFICANT ACCOUNTING POLICIES FOR THE PERIOD ENDED 30 JUNE 2020

General information

African Banking Corporation of Botswana Limited trading as BancABC Botswana provides corporate banking, retail and investment banking services. The Bank is a limited liability company and is incorporated and domiciled in Botswana (registration number C086/384). The summarised financial statements for the period ended 30 June 2020 have been approved for issue by the members of the Board on the 24 August 2020. Neither the members of the Board nor others have the power to amend financial statements after issue.

1. Basis of presentation

1.1 Statement of compliance

Accounting policies

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared on the historical cost basis, except for revaluation of property, plant and equipment and certain financial instruments which are disclosed at fair value. The bank has consistently applied the accounting policies, where necessary, the bank adjusts comparative figures to conform to changes in presentation in the current year. The principal accounting policies applied are disclosed in the annual financial statements.

All other new or amendments to accounting standards effective for the current reporting period had no material impact on the Group's reported results.

The financial statements comprise the statement of profit or loss and other comprehensive income showing as one statement, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the bank's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed, in the annual financial statements.

The critical accounting estimates and areas of judgement relate to the following elements of the interim financial results:

- ▶ Impairment of financial assets
- ▶ Application and interpretation of tax regulation
- ▶ Fair value of financial instruments
- ▶ Useful lives of property and equipment

COVID-19 Assessment

The Group and indeed the whole world was faced with the Covid-19 pandemic over the reporting period. The Botswana Government has taken stringent measures to help contain the virus such as controlling entrants into the country at the borders, implementing social distancing measures and requiring self-isolation (quarantine) by those potentially affected. These measures are similar to those adopted by other countries which has led to weaker economic outlook globally. All legal obligations on the institution with regards to preventative measures introduced by Government are adhered to. This pandemic has stretched the business continuity processes with no geographical location safe from the pandemic and lockdown introducing unanticipated challenges to the supply chain. This stretch is experienced by both the Bank and its clients. Over the period including the different lockdowns, the Group was able to operate. Looking ahead as a result of this pandemic, the Group will experience a decrease in profitability especially by the second half of the year due to decline in revenue, possible increase in cost of funding or increased impairments as customers and businesses potentially become more affected by the pandemic. The management judgements on the impairment provision raised does include an assessment of the impact of this pandemic on the loan book portfolio as required by IFRS 9 Financial Instruments.

Applicable standards, interpretations and amendments issued and effective:

Amendments of References to Conceptual Framework in IFRS Standards - effective for annual reporting periods beginning on or after January 1, 2020.

- ▶ The IASB decided to revise the Conceptual Framework because certain important issues were not covered and guidance was unclear or out of date.
- ▶ This standard will not have any material impact on the Group's financials.

Definition of a Business (Amendments to IFRS 3)- effective for annual reporting periods beginning on or after January 1, 2020.

- ▶ The proposed amendments are intended to provide entities with clearer application guidance to help distinguish between a business and a group of assets when applying IFRS3.
- ▶ This standard does not have any material impact on the Group's financials.

Definition of Material (Amendments to IAS 1 and IAS 8)- effective for annual reporting periods beginning on or after January 1, 2020

- ▶ The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework. The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material'.
- ▶ This standard does not have any material impact on the Group's financials.

Amendments to IFRS 9, IAS 39 and IFRS 7- Interest rate benchmark reform- effective for annual reporting periods beginning on or after January 1, 2020

- ▶ These amendments provide certain reliefs in connection with interest rate benchmark reform.
- ▶ This standard does not have any material impact on the Group's financials.

Going Concern

The directors are responsible for ensuring that the group keeps accounting records which disclose with reasonable accuracy at any time the profit or loss and other comprehensive income, financial position, changes in equity and cash flows of the group which enable them to ensure that the financial statements comply with the Botswana Companies Act, 2003, the Banking Act (Cap 46:04) and International Financial Reporting Standards (IFRS).

The directors have no reason to believe that the group will not be a going concern in the year ahead, based on the forecasts and available cash resources. These financial statements have accordingly been prepared on that basis.

2. Stated Capital

The issued share capital of the bank comprises of 725 000 000 ordinary shares which are 78% owned by ABC Holdings Limited. There has been no change in the bank's stated capital during the period.

BancOnline

BancABC's Premier Online Corporate Banking Platform

We understand your focus is on sustainable business growth. That is why we have a platform to manage your transactions from anywhere, which allows you to view Real-time Balances, execute Bulk Payments and Collections, Manage Payroll as well as View and Download User Audit Trails.

BancABC part of **atlasmara**

UNAUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDING 30 JUNE 2020

CONSOLIDATED SEGMENTAL REPORTING

The Managing Director, supported by the rest of the Management Committee (MANCO), is considered the Chief Operating Decision Marker ('CODM') for the purposes of identifying the Group's reportable segments. The Group's business results are assessed by the CODM on the basis of adjusted performance that removes the effects of significant items from reported results. The Group has three reportable segments being Retail, Commercial Banking and Global Markets. All operating segments used by the group meet the definition of reportable segments and the results presented are in line with internal reports used internally to assess each reportable segment.

SEGMENTAL REPORTING JUNE 2020

Statement of comprehensive income

	Retail Banking P'000	Global Markets P'000	Commercial Banking P'000	Total P'000
Net interest income	164,771	26,065	38,548	229,384
Non- interest income	28,040	8,275	5,563	41,878
Total income	192,811	34,340	44,111	271,262
Movement in impairment	(3,189)	-	1,188	(2,001)
Net income	189,622	34,340	45,299	269,261
Operating expenditure	(154,035)	(20,594)	(21,774)	(196,403)
Profit before taxation	35,587	13,746	23,525	72,858
Taxation	(8,368)	(3,232)	(5,531)	(17,131)
Profit after tax	27,219	10,514	17,994	55,727

Statement of financial position

Financial assets held at amortised cost	-	343,378	-	343,378
Loans and advances to customers	5,811,542	-	351,912	6,163,454
Total assets for reportable segments	5,811,542	343,378	351,912	6,506,832
Deposits from customers	1,170,608	-	4,801,232	5,971,840
Deposits from banks	-	526,315	-	526,315
Total liabilities for reportable segments	1,170,608	526,315	4,801,232	6,498,155

Audit opinion

The directors take are responsible for the preparation of the unaudited summarised consolidated financial statements and the auditors KPMG have not performed an audit of the half year performance.

Events after reporting date

There are no material changes in the affairs of the entity post 30 June 2020 and the approval of the financial statements.

SEGMENTAL REPORTING JUNE 2019

Statement of comprehensive income

	Retail Banking P'000	Global Markets P'000	Commercial Banking P'000	Total P'000
Net interest income	132,039	22,406	37,961	192,406
Non- interest income	45,357	2,145	4,286	51,788
Total income	177,396	24,551	42,247	244,194
Movement in impairment	(689)	-	5,487	4,798
Net income	176,707	24,551	47,734	248,992
Operating expenditure	(144,187)	(15,801)	(22,752)	(182,740)
Profit before taxation	32,520	8,750	24,982	66,252
Taxation	(7,331)	(1,973)	(5,632)	(14,936)
Profit after tax	25,189	6,777	19,350	51,316

Statement of financial position

Financial assets held at amortised cost	-	564,120	-	564,120
Loans and advances to customers	5,377,343	-	570,140	5,947,483
Total assets for reportable segments	5,377,343	564,120	570,140	6,511,603
Deposits from customers	1,006,035	-	5,205,126	6,211,161
Deposits from banks	-	217,192	-	217,192
Total liabilities for reportable segments	1,006,035	217,192	5,205,126	6,428,353

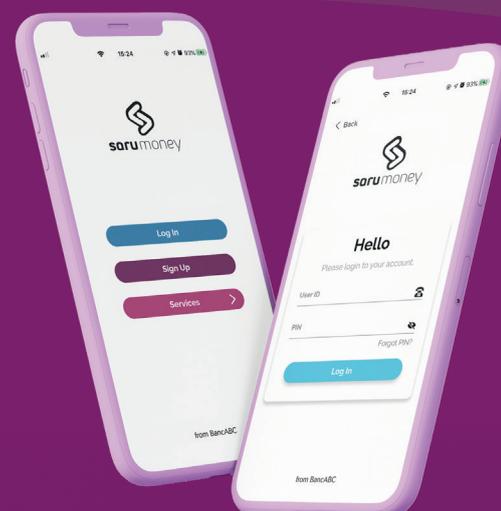
ZERO DATA. ALL ACCESS.

You can now use the SaruMoney App with no data charges on the Orange and BTC Networks. O tseña hela!

Ts & Cs apply



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