

ABRIGED UNAUDITED CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE 6 MONTHS ENDED  
SEPTEMBER 30, 2024



Basis of preparation and accounting policies

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

The consolidated financial statements for the period ended September 30, 2024, have been prepared applying the recognition and measurement criteria in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the International Financial Reporting Interpretations Committee("IFRIC") and any if applicable pronouncements and in compliance with the Botswana Savings Bank Act of 1992.

In preparation the consolidated financial statements, the bank has applied sound business principles and has carefully reviewed associated key assumptions concerning any inherent uncertainties in recording various assets and liabilities. These assumptions were applied consistently to the summarised consolidated financial statements for the financial period ended September 30, 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
- Deferred Tax
- Residual values and useful lives of intangible assets and property and equipment

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 30 September 2024. The Group and Company consolidates a subsidiary when it controls it. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and could affect those returns through its power over the investee.

The Directors have reviewed the bank's funding position and available sources of funding and conclude that these are adequate to support the bank's funding requirements. The Directors are confident that the bank's operations will continue to remain uninterrupted. Based on this review and considering the current financial position and profitable trading history of the bank, the directors are satisfied that the bank 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 half year financial statements.

Economic Environment

Botswana's economic growth decelerated from 5.5 percent in 2022 to 2.7 percent in 2023, below the long run potential growth of 4 percent. A sharp decline in diamond trading and mining activities was the main contributor to the slowdown, as global demand for rough diamonds decreased. Botswana's economy is further expected to grow by 1 percent. Growth is forecasted to rebound overaging 5 percent over the next two years due to higher prices and quantities of diamonds produced.

On the monetary policy front, the central bank cut the Monetary Policy Rate (MoPR) by 25 basis points in June 2024, following a decline in inflation which fell within the central bank target range of 3-6%. the general market expectations for rates to remain unchanged. Another rate cut was of 25 basis points was done in August 2024, all geared towards improving economic prospects. However, market sentiment is that it will take more than the above measures to see an improved turn around in the economy.

For the bank, the improved performance in the financial period under review indicates that the wider economic challenges so far will not deter the bank from achieving its targets, with results so far indicating an improvement on the already reported results.

Financial Performance - Commentary

The financial results for the period ended 30 September 2024 shows exceptional performance for Botswana Savings Bank, underscoring the success of our strategic direction. The financial results for the period are of the final year of our ambitious three-year **Lesedi Strategy (2022-2025)**, which continues to drive the Bank towards commercialisation based on added services and increased investment in technology. The Group's performance is on an upward trajectory, and in an intent to reach its milestones, the improved financial performance is testament to the efforts and the dedication of the bank staff in providing excellent customer service.

The financial results for the period ended 30 September 2024 have seen robust growth across key financial metrics. Profit increased by an impressive **1520%**, reaching **P52.8 million** (2023: P3.3 million). This remarkable growth was primarily driven by growth in assets as well as the BSB Insurance Services which contributed **P24.2 million** to the group performance. The bank's focus on expanding its service offer as well as improving operational efficiencies has brought in real value add to the business.

The Net Interest Income grew by **91%**, **P126 million** (2023: P66 million). This increase was attributable to the bank's revised sales strategy, which included expanding the banks direct sales agency network and revising the maximum loan amount as well as extending loan tenure. The Group's Net Advances grew by 93% compared to the previous period, reaching **P4.3 billion** (2023: P2.3 billion), demonstrating the bank's ability to grow customer as well as asset base.

Non-Funded Income increased by **137%**, **P52.4 million** (2023:22.1million). The growth is primarily due to the performance of the Credit life portfolio through the BSB Insurance Services.

Customer deposits increased by **63%**, **P4.4 billion** (2023: P2.7 billion), which reflects continued customer trust and confidence in the bank. The Capital Adequacy Ratio (CAR) stood at **13%**, comfortably above the regulatory requirement of **12.5%**.

The Liquidity Asset Ratio was maintained at **18%**, exceeding the **10%** regulatory threshold, highlighting the bank's strong liquidity position. Furthermore, Return on Equity (ROE) increased to **16%** from **1.8%** from the previous period, a clear indicator of the bank's improved profitability and efficient use of capital.

Outlook

The financial results for the period under review has been transformative for Botswana Savings Bank. The bank has seen a strong growth in the loan book, which the bank hopes it continues until year end. The bank expects to meet, if not surpass, its financial targets in the financial year 2024-2025. Our ongoing digital transformation initiatives are anticipated to bring the much-needed efficiencies, cost reduction, and revenue growth. Additionally, the bank continues to engage with the government regarding the privatization of the bank. While discussions are ongoing, our focus remains on commercializing the bank and preparing it for eventual privatisation.

Events after reporting period

There were no conditions after the reporting period that require

Consolidated Statement of Profit or Loss and Other Comprehensive income

	Group 2024 Actual P'000	Group 2023 Actual P'000
Interest income	257,191	162,491
Interest expense	(130,806)	(96,226)
<b>Net interest income</b>	<b>126,385</b>	<b>66,265</b>
Fees and commission income	41,753	13,472
Fees and commission expense	(4,566)	(2,215)
<b>Net fee ond commission income</b>	<b>37,186</b>	<b>11,257</b>
<b>Net operating income</b>	<b>163,571</b>	<b>77,523</b>
Other income	6,350	2,490
Amortisation of government grant income	8,857	8,321
<b>Total income</b>	<b>178,778</b>	<b>88,334</b>
Net impairment (expense)/reversal of financial assets	(5,765)	(4,022)
<b>Net income</b>	<b>173,014</b>	<b>84,312</b>
Employee benefits	(47,357)	(38,832)
Depreciation and amortisation	(14,301)	(9,860)
Administrative and general expenses	(43,323)	(31,936)
<b>Profit before tax</b>	<b>68,034</b>	<b>3,683</b>
Taxotion	(15,263)	(426)
<b>Profit for the year</b>	<b>52,770</b>	<b>3,257</b>

Consolidated Statement of Financial Position

	Group 2024 Actual P'000	Group 2023 Actual P'000
<b>Assets</b>		
Cash and cash equivalents	701,532	769,218
Investment in financial assets	83,713	223,807
Other assets	15,334	22,460
Loans and advances to customers	4,335,924	2,251,434
Current tax receivable	(1,829)	4,202
Property, plant and equipment	64,559	73,003
Right-of-use assets	28,304	28,203
Intangible assets	37,558	32,491
Deferred tax	18,600	19,732
<b>Total Assets</b>	<b>5,283,696</b>	<b>3,424,550</b>
<b>Equity and Liabilities</b>		
<b>Liabilities</b>		
Deposits due to customers	4,392,027	2,690,961
Current tax payable	10,470	161
Other liabilities	18,979	44,877
Borrowings	430,918	315,100
Dormancy account liability	26,730	6,642
Government grant	45,527	64,386
Lease liabilities	35,796	34,797
<b>Total Liabilities</b>	<b>4,960,447</b>	<b>3,156,923</b>
<b>Equity</b>		
Unrecallable capital	19,721	19,721
Reserves	72,287	87,879
Retained earnings	231,241	160,027
	<b>323,249</b>	<b>267,627</b>
<b>Total Equity and Liabilities</b>	<b>5,283,696</b>	<b>3,424,550</b>

Consolidated Statement of Changes in Equity

	Unrecallable capital P '000	Statutory reserve P '000	Retained earnings P '000	Total equity P '000
<b>Group</b>				
<b>Balance at September 30, 2023</b>	<b>19,721</b>	<b>87,879</b>	<b>160,027</b>	<b>267,627</b>
Total comprehensive income for the year	-	-	55,623	55,623
Transfer between reserves	-	(15,592)	15,592	-
<b>Balance at September 30, 2024</b>	<b>19,721</b>	<b>72,287</b>	<b>231,242</b>	<b>323,249</b>

Consolidated Statement of Cash Flows

	Group 2024 P'000	Group 2023 P'000
<b>Cash flows from operating activities</b>		
Interest receipts	260,832	146,408
Interest payments	(159,963)	(98,719)
Fees and commission received	41,753	16,171
Fees and commission paid	(4,566)	(2,215)
Rent and other income received	15,207	10,822
Cash payments to employees and suppliers	(79,272)	(63,595)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>73,991</b>	<b>8,873</b>
<b>Changes in operating assets and liabilities</b>		
Movement in loans and advances to customers	(2,041,413)	372,363
Movement in amounts due to customers	1,689,111	208,927
Movements in other assets	(7,338)	(6,851)
Movements in other liabilities	(25,898)	(36,019)
Movement in related party balances	-	-
Movement in dormancy account liability	20,087	(20,778)
Tax paid	(10,809)	(4,202)
<b>Net cash generated from/(used in) operating activities</b>	<b>(376,261)</b>	<b>513,441</b>
<b>Cash flows (to)/from investing activities</b>		
Purchase of property, plant and equipment	(8,444)	(9,733)
Sale of property, plant and equipment	0	(238)
Payments into fixed deposits with banks	135,367	(93,868)
<b>Net cash (used in)/generated from investing activities</b>	<b>126,922</b>	<b>(103,838)</b>
<b>Cash flows from financing activities</b>		
Repayment of Government Grant	(1,288)	(1,288)
Borrowings raised	150,050	30,000
Repayment of principal - long term borrowings	(16,045)	(15,377)
Repayment of interest - long term borrowings	(20,742)	(16,359)
Lease liability payments - principal	(2,766)	(2,766)
Lease liability payments - interest	(1,546)	(1,575)
<b>Net cash generated from financing activities</b>	<b>107,663</b>	<b>(7,365)</b>
<b>Net movement in cash and cash equivalents for the year</b>	<b>(67,685)</b>	<b>411,110</b>
Cash and cash equivalents at the beginning of the year	769,218	358,107
<b>Total cash and cash equivalents</b>	<b>701,532</b>	<b>769,218</b>

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.

By order of the Board

  
Goitsewang Morekisi  
Board Chairperson

  
Nixon Marumolaa,  
Chief Executive Officer

Financial Highlights

