

# BBS Limited

## Audited Summarised Financial Statements

### for the Year Ended 31 December 2021

**MOVING FORWARD  
TOGETHER**



#### CHAIRMAN'S REPORT

A lot has happened this year perhaps the most pleasing of which was the response from Bank of Botswana approving the BBSL banking licence application with conditions to be met before a commercial banking license can be granted. While the conditions are being addressed, we are forging ahead with the affairs of the business, which overall, is in sound health.

#### Impact of the COVID-19 pandemic

This has been the biggest challenge not only for BBS Limited but for the business community in general. We lost some traction as a result of COVID-19 because fewer customers than normal came through to take up mortgage loans. There were also significant withdrawals of savings as customers sought funds to meet their financial needs. As a company, we came up with strategies to mitigate the impact of COVID-19. These included giving mortgage customers repayment holidays especially as some of them lost their jobs or were put on half salaries by their employers.

While vaccines have helped to slow down the spread of the pandemic resulting in the economy getting back to as close as possible, we continue to monitor its impact on BBS Limited. This will continue until the World Health Organisation and the Government of Botswana declare that either COVID-19 has been eradicated or it is being managed to the point that it is no longer a global threat to humanity.

#### Performance and dividends

The impact of COVID-19 and our limited product offering are evident on the financial figures under review whose key figures are outlined in the Managing Director's Report. As stated, BBSL, for instance, made a loss of P25 million compared to a loss of P15 million in the previous year. The impact of the performance of the company on Shareholders is that regrettably, BBS Limited is not yet in a position to pay dividends. This is a matter of great concern for us as well and we are hoping to stabilise the business fully once we have started operating as a commercial bank since we will be able to introduce new income streams. Shareholders would then start reaping the rewards of their investments once again.

#### Corporate Strategy

Ours is a far sighted and impressive corporate strategy. As the Board, we have the utmost confidence that BBS Limited has an agile, fit for purpose corporate strategy with an exciting digital bent, supported by VISA capability. BBS Limited will be international in the truest sense. The Board, through the Board Human Resources and Remuneration Committee, ensures that the corporate strategy is supported by suitably qualified and experienced human capital. There is an ongoing process to capacitate the business with appropriate staff while also providing those that have been with the business the opportunity to go and pursue other passions through a rationalisation process that is considerate.

#### Customer Service

We have always been known as a business which treats its customers with the utmost respect and understanding when it comes to their financial arrangements. We assure you that your business will not lose this ethos which is central to its character once it is a commercial bank. There is a sound customer service strategy which is linked to both the corporate and brand strategies of the new chapter we are embarking upon.

#### Products and services

Of course, our various strategies will come to nought if they are not supported by the right products with a small savings component. Our range of products and services will now be very wide in line with the mandate of a commercial bank. Of course, we will look to expand on these with your participation because an important aspect of our strategy going forward is to "co-create" products and services with customers to ensure that we truly meet their needs because they are unique to each customer. BBS Limited will no longer assume that it knows

what customers require through the traditional "top down" approach which many a business has always adopted when designing products and services. We believe that our "co-creation" will set us apart and is the most sustainable way to create customer loyalty and by extension, a sustainable and robust business.

#### Board matters

It is known that BBSL experienced governance challenges earlier in 2021. I am pleased to inform to you that these were resolved, not least with the support of Shareholders at the 2020 Annual General Meeting which was held on 30 April 2021, and the Board is working hard to ensure that there is no recurrence of such incidents. At the 2020 Annual General Meeting, Shareholders effected a number of changes to the Board. New Directors were appointed being myself, Mrs. Lebole M. Mokoto, Mr. Victor Ramalepa, Mr. Colm W. Patterson as well as Mr. Duraiswamy Kalyanaraman joining the Managing Director Mr. Pius K. Molefe, Mrs. Elaina Gonsalves and Mr. Geoffrey M. Bakwena on the Board.

The new Directors replaced Mrs. Pelani Siwawa-Ndai, former Chairman, Mr. Kgalalelo N. Monthe, Mr. James M. Kamyuka, Mr. Richard Molosiwa and Mr. Michael M. Tlhagwane who were not re-elected to the Board. Soon after the 2020 AGM, Mrs. Gonsalves resigned from the Board on 07 May 2021 to pursue other interests. Also unfortunately, one of the new Board Members Mr. Colm W. Patterson left the Board effective 01 January 2022 to focus on his commercial interests which were in conflict with those of the business. On behalf of BBSL, I would like to take this opportunity to thank the former Directors for their contribution to the business during their tenures.

Sadly, and most unfortunately, we lost one of our new Board Members Ms. Lebole M. Mokoto on 11 August 2021 who was also the Group Head of Human Resources for the mining giant Debswana. During the brief time that she had been on the Board, Lebole demonstrated tremendous business acumen, collegiality, and leadership. BBSL had hoped to be a beneficiary of her immense talents for a while to come. Once again, may her soul rest in peace and our heartfelt condolences go to Ms. Mokoto's family.

#### Conclusion

I would like to end by thanking BBS Limited Shareholders and other stakeholders for your support during the year.

**Bernard Mzizi**  
Chairman

#### SUMMARISED AUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

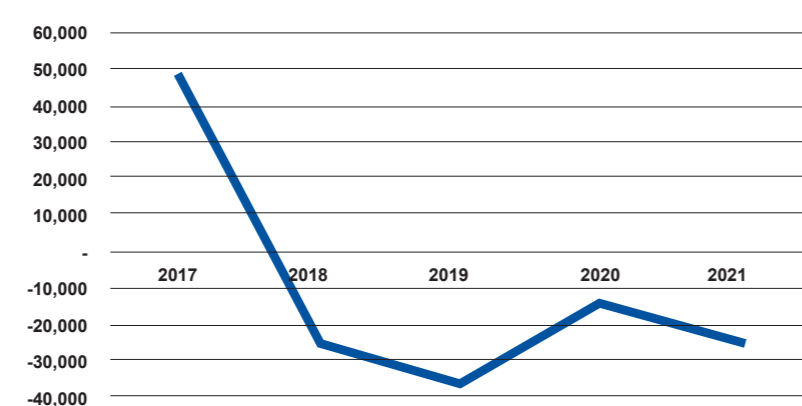
Figures in Pula thousand	2021	2020
<b>Assets</b>		
Cash and cash equivalents	133,380	73,087
Investments with banks	311,520	358,561
Other assets	25,934	25,324
Short-term loans and advances to customers	52,923	53,196
Properties-in-possession	39,871	32,840
Mortgage loans and advances to customers	3,126,662	3,407,892
Right-of-use assets	15,319	18,427
Intangible assets	16,150	13,963
Property and equipment	106,953	105,356
<b>Total Assets</b>	<b>3,828,712</b>	<b>4,088,646</b>
<b>Liabilities</b>		
Customers' savings and fixed deposit accounts	2,084,962	2,060,662
Paid up and subscription savings	426,102	433,788
Withholding tax	1,650	906
Borrowings	667,893	914,682
Debentures	101,974	101,974
Lease liabilities	19,638	21,693
Other liabilities	32,463	35,564
<b>Total Liabilities</b>	<b>3,334,682</b>	<b>3,569,269</b>
<b>Equity</b>		
Stated capital - Ordinary shares	487,453	487,453
Retained loss	(106,860)	(81,513)
Statutory reserves	113,437	113,437
<b>Total Equity</b>	<b>494,030</b>	<b>519,377</b>
<b>Total Equity and Liabilities</b>	<b>3,828,712</b>	<b>4,088,646</b>

#### SUMMARISED AUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

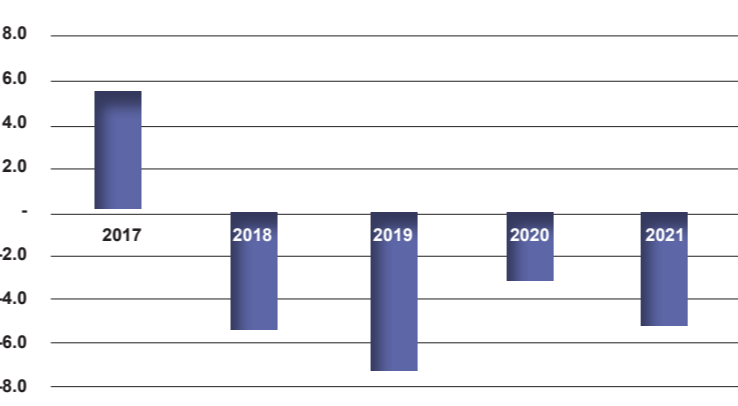
Figures in Pula thousand	2021	2020
Interest income	252,475	291,955
Interest expense	(162,737)	(183,746)
<b>Net interest income</b>	<b>89,738</b>	<b>108,209</b>
Fee and commission income	18,725	19,095
Fee and commission expense	(1,606)	(1,073)
<b>Net fee and commission income</b>	<b>17,119</b>	<b>18,022</b>
<b>Revenue</b>	<b>106,857</b>	<b>126,231</b>
Other operating income	5,741	5,584
<b>Operating income</b>	<b>112,598</b>	<b>131,815</b>
Expected credit losses	18,900	6,940
Personnel expenses	(74,385)	(70,981)
Depreciation and amortisation	(17,134)	(18,578)
Other expenses	(65,326)	(63,848)
<b>Total expenses</b>	<b>(137,945)</b>	<b>(146,467)</b>
<b>Loss for the year</b>	<b>(25,347)</b>	<b>(14,652)</b>
Other comprehensive income	-	-
<b>Total comprehensive loss for the year</b>	<b>(25,347)</b>	<b>(14,652)</b>
<b>Earnings per share</b>		
<b>Per share information</b>		
Basic and diluted loss per share (thebe)	(5.20)	(3.01)

#### PERFORMANCE HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2021

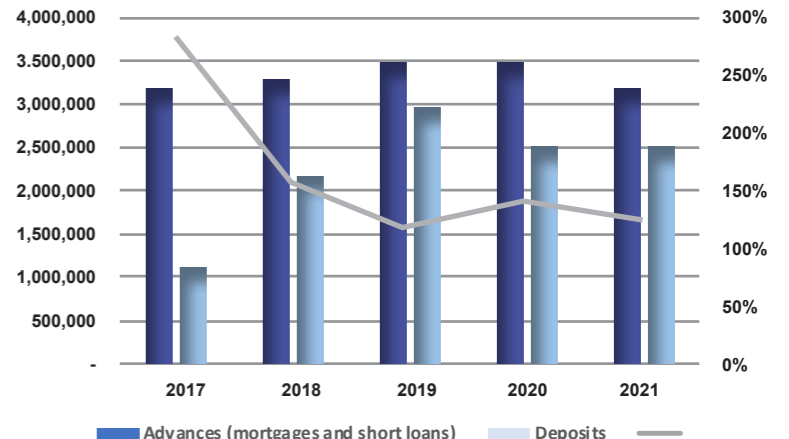
##### (LOSS) / PROFIT FOR THE PERIOD



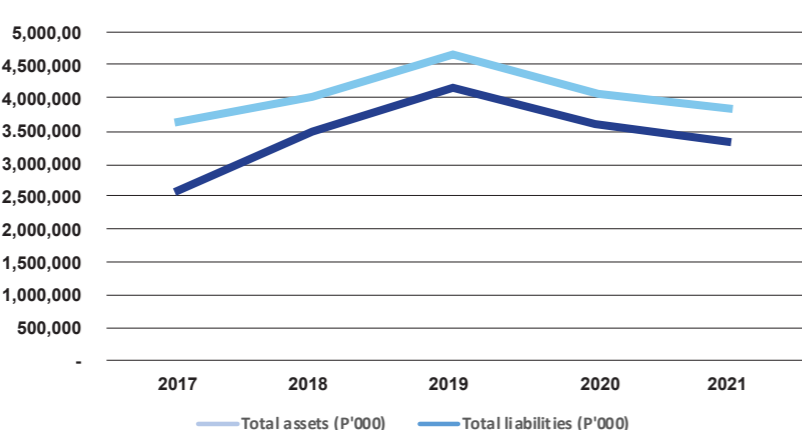
##### EARNINGS PER SHARE (THEBE)



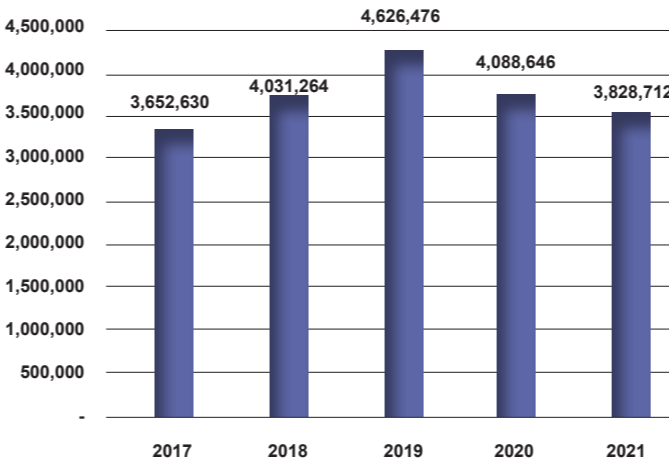
##### DEPOSITS TO ADVANCE RATIO



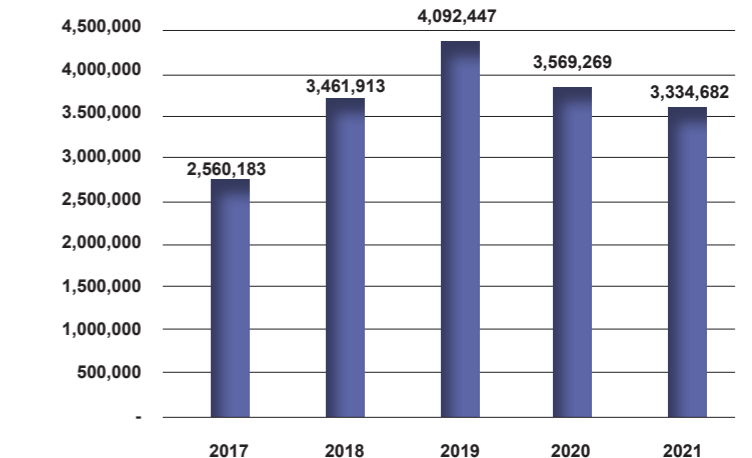
##### ASSETS AS A COVERAGE OF LIABILITIES



##### TOTAL ASSETS (P'000)



##### TOTAL LIABILITIES (P'000)



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## MANAGING DIRECTOR'S STATEMENT

The 2021 financial year marked a significant turning point in the history of BBS Limited in its quest to become Botswana's first home grown commercial bank. After much anticipation, Bank of Botswana approved our application for a commercial bank with certain conditions to be met before a banking licence can be granted. I will provide a detailed update on the matter later on in this statement.

### Performance

The key performance indicators for the year under review are as follows:

- Total balance sheet reduced by 6% from P4.088 billion recorded as at 31 December 2020 to P3.829 billion as at 31 December 2021.
- Mortgage loans and advances reduced by 8% from P3.408 billion recorded as at 31 December 2020 to P3.127 billion as at 31 December 2021.
- Total Customer savings and deposits, including paid up and subscription savings increased slightly by 1% from P2.494 billion recorded as at 31 December 2020 to P2.511 billion as at 31 December 2021.
- Borrowings (including bonds) reduced by 27% from P915 million as at 31 December 2020 to P668 million as at 31 December 2021. The balance as at the reporting date includes the BBS012 bond which was issued during the year at P64.470 million.
- The Company recorded a loss of P25.347 million compared to the loss of P14.252 million recorded for the year ended 31 December 2020.
- The company continues to maintain a strong capital base. As at 31 December 2021, the capital adequacy ratio stood at 28.49% compared to 26.32% as at 31 December 2020.
- The company recorded cost to income ratio of 139% compared to 116% achieved for the year ended 31 December 2020.

It is evident from these performance highlights that this year was challenging compared to the previous financial year. The following have been observed as the key contributors to the negative performance:

- Continued impact of the change of the capital structure upon demutualisation:** This continues to have a negative impact on profitability. It is important to remind shareholders that the change was deliberate and necessary to transition the company into a commercial bank. The impact of this change on profitability was envisaged at the time and remains acceptable considering the company's strategic objectives which will unfold and bear fruits once the company starts operating as a commercial bank.

As you are aware, the turnaround strategy has a high dependency on the commercial banking license which has been delayed due to unforeseen circumstances. It was anticipated that the negative impact would subsist for a period of at least 3 years following demutualisation. Considering the delayed banking license and progress to date, this is likely to be longer and is profoundly regretted. However, management is confident that the long-term benefits which will be derived from 'BBS Bank' will pay off.

- Liquidity preservation and Impact of the Covid 19 pandemic:** The company has remained resilient on key liquidity metrics after the accelerated repayments of the International Finance Corporation (IFC) and Access Bank Botswana Limited facilities.

The remaining Access Bank Botswana Limited facility will be fully settled by the end of March 2022. In addition, the economic pressures due to the effects of Covid-19 pandemic and retrenchments by some companies, whose employees are our customers, resulted in the increased level of cash withdrawals as customers used their savings to sustain their livelihoods/businesses. The prioritisation of liquidity preservation resulted in management considering prudent lending measures to guard against the continued impact of the pandemic and the significant deposit withdrawals, which unfortunately had an impact on the business performance.

- Cost of funding:** Due to the need to fund the repayments of the two facilities noted above, Management worked tirelessly to raise funding in the form of short to long term deposits. Our average cost of funding was adversely impacted by declining liquidity generally against elevated investor expectations due to rising inflation. This put pressure on yields as there was increased demand for better rates. The cost of this funding was not offset by the amount of business the company was generating from mortgage loans and advances thereby negatively impacting margins.
- Stagnant mortgage loans and advances book:** The prudent lending measures/mitigations implemented by Management to manage the liquidity challenges resulted in the company experiencing reduced uptake of mortgage loans and advances and increased level of attrition. This resulted in a significant decline of the mortgage book (core product) and consequently loss of interest income and related non-interest income. The trend was noted since the beginning of the year and continued until year end.
- Operational losses:** Due to the withdrawal of the International Finance Corporation facility, the company incurred unanticipated costs of P3.9 million relating to a prepayment premium and P2.7 million relating to a "make whole amount". These costs contributed to increased losses recorded for the year.

Management is working hard to eliminate the effects of the above challenges and improve the company performance during the 2022 financial year.

### Governance matters

As the Chairman Mr. Bernard Mzizi states, the business is now beyond the corporate governance challenges experienced in April 2021. I would like to thank the former Board Members who left during the year under review and to wish them success in their endeavours. Similarly, my sympathies and those of Management go to the family of late Board Member Ms. Lebole M. Mokoto whom we lost this financial year, only a few months after her appointment. She had started proving herself to be a solid member of the Board of Directors.

### Road to commercialisation

It was critical that BBBSL resolve the above corporate governance issues as quickly and wisely as possible so that we could turn our attention back to the commercialisation project. As stated above, we are back on track and are working very hard to satisfy Bank of Botswana conditions that will enable BBBSL to be issued with a commercial banking licence. I will not mention the conditions here due to the sensitivity of the process but I can assure you that we would be able to satisfy them with the support of relevant shareholders.

The intention is for BBS Limited to operate as a commercial bank by the second half of 2022. We are ready (my emphasis) BBS Limited is indeed poised to become a successful indigenous commercial bank. The major confidence booster is that we already have a long track record dating back to 1971 as United Building Society followed by Botswana Building Society in 1976 through which we were able to build a solid mortgages and retail customer base as well as generate a sustainable brand with a tangible track record in Botswana. We have come up with a corporate strategy which leverages on this admirable legacy. There will be a broader range of products and services, many of which will be digitally enabled for the convenience of users while also adding to the bottom line. We are also excited that unlike in the past, our information technology platforms such as our ATM network will be VISA enabled. BBBSL is changing in a very big and commercially meaningful way.

### Employees

BBS Limited is rationalising its staff across all levels so that it is fit for purpose going forward. The intention is to ensure that BBS Limited has relevant skills that are aligned to the demands of the new organisation. It is a delicate process and it is being done in the most sensible manner possible. We want to make sure that we compete fully in the commercial banking space. We must have the right human capital to be able to do so. The intention is to have bedded down the bigger part of the human transformation agenda by the end of 2022/beginning of 2023.

### The future

The way forward for BBS Limited is now clear. Ours is a very hopeful future replete with exciting possibilities. As Shareholders and other stakeholders, you have been patient with our transformation agenda and now the time to reap the rewards of your facilitation is nigh. We hope you are as excited as we are about this imminent phase as a commercial bank. Your support has gotten us through the raft of requirements over the years which has led us to this moment with your support. We expect that 2022 will be a truly watershed year for BBS Limited. Thank you very much.

Pius K. Molefe

Managing Director

## SUMMARISED AUDITED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

Figures in Pula thousand	Ordinary shares	Statutory reserves	Retained loss	Total equity
<b>Balance at 01 January 2020</b>	<b>487,453</b>	<b>113,437</b>	<b>(66,861)</b>	<b>534,029</b>
Loss for the year	-	-	(14,652)	(14,652)
<b>Balance at 01 January 2021</b>	<b>487,453</b>	<b>113,437</b>	<b>(81,513)</b>	<b>519,377</b>
Loss for the year	-	-	(25,347)	(25,347)
<b>Balance at 31 December 2021</b>	<b>487,453</b>	<b>113,437</b>	<b>(106,860)</b>	<b>494,030</b>

## SUMMARISED AUDITED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

Figures in Pula thousand	2021	2020
<b>Cash flows from operating activities</b>		
Interest receipts	256,462	308,979
Commission receipts	18,725	19,095
Interest payments	(180,256)	(183,549)
Commission payments	(1,606)	(1,073)
Other operating income	5,741	5,584
Cash payments to employees and suppliers	(139,411)	(132,979)
<b>Net cash (used in)/from operating activities before changes in working capital</b>	<b>(40,345)</b>	<b>16,057</b>
<b>Changes in:</b>		
Increase in other assets	(1,120)	(961)
Decrease in short-term loans and advances to customers	775	8,197
Proceeds from sale of properties in possession	14,255	10,821
Decrease/(increase) in mortgage loans and advances to customers	274,615	(43,499)
Increase/(decrease) in customers' savings and fixed deposit accounts	43,427	(461,582)
(Decrease)/increase in other liabilities	(3,096)	2,788
(Decrease)/increase in paid up and subscription savings	(7,668)	15,292
Increase/(decrease) in withholding tax	744	(713)
<b>Net cash generated from/(used in) operating activities</b>	<b>281,587</b>	<b>(453,600)</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(9,601)	(12,027)
Purchase of intangible assets	(9,012)	(131)
New placement of investments with banks	(2,318,794)	(2,329,318)
<b>Maturities of investments with banks</b>	<b>2,365,781</b>	<b>2,896,738</b>
<b>Net cash from/(used in) investing activities</b>	<b>28,374</b>	<b>555,262</b>
<b>Cash flows used in financing activities</b>		
Proceeds from borrowings	64,470	25,000
Repayment of borrowings	(312,885)	(104,096)
Payment on lease liabilities	(1,253)	(1,298)
<b>Net cash used in financing activities</b>	<b>(249,668)</b>	<b>(80,394)</b>
<b>Total cash movement for the year</b>	<b>60,293</b>	<b>21,268</b>
<b>Cash at beginning of the year</b>	<b>73,087</b>	<b>51,819</b>
<b>Total cash at end of the year</b>	<b>133,380</b>	<b>73,087</b>

## DIRECTOR'S REPORT

for the year ended 31 December 2021

The directors have pleasure in presenting their report together with the financial statements of BBS Limited ("the Company") for the year ended 31 December 2021. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Building Societies Act (CAP 42:03).

### 1. Business activities

The Company is primarily involved in property finance and the provision of financial services.

### 2. Financial results and position

The Company's financial results and position are reflected in the financial statements. The Company realised a 14.6% decrease in operating income from P131.815 million for the year ended 31 December 2020 to P112.598 million for the year ended 31 December 2021. A loss of P25.347 million was realised during the year ended 31 December 2021 compared to a loss of P14.652 million for the year ended 31 December 2020.

### 3. Stated capital

The issued capital of the Company comprised of 487,453 (2020: 487,453) ordinary shares at the end of the year. The detail on shareholding is presented on the full audited financial statements.

### 4. Related parties interests in shares

Mr Geoffrey M Bakwena (non-executive director) and some members of executive management are BBS Limited shareholders. The other directors do not hold shares directly or indirectly in the Company.

### 5. Dividends

No dividends were declared during the current or prior year.

### 6. Directorate

The directors in office at the date of this report are as follows:

Office	Designation	Nationality	Changes
Mr Bernard Mzizi	Chairperson	Non-executive	Motswana Appointed 30 April 2021
Mr Pius K Molefe	Managing Director	Executive	Motswana
Mr Geoffrey M Bakwena	Director	Non-executive	Motswana
Mr Victor Ramalepa	Director	Non-executive	Motswana Appointed 30 April 2021
Mr Colm W Patterson	Director	Non-executive	Irish Appointed 30 April 2021 (Resigned 1 January 2022)
Mr Duraiswamy Kalyanaraman	Director	Non-executive	Indian Appointed 30 April 2021
Ms Lebole M Mokoto	Director	Non-executive	Motswana Appointed 30 April 2021 (Deceased 11 August 2021)

### 7. Events after the reporting date

There are no material events to report after the financial year ended 31 December 2021.

### Opinion

The summarized financial statements are extracted from the financial statements audited by Ernst and Young who expressed an unmodified opinion thereon.

The detailed audited financial statements and audit opinion are available for inspection at the Company's registered office,

Plot 13108-112, Corner of Lemmenyane Drive and Segoditshane Way, Broadhurst Way, Broadhurst, Gaborone, Botswana.

Mr Bernard Mzizi  
Chairperson

Mr Pius K. Molefe  
Managing Director