

**BBS BANK LIMITED**  
Interim Condensed Consolidated Financial Results for the Period Ended 30 June 2024

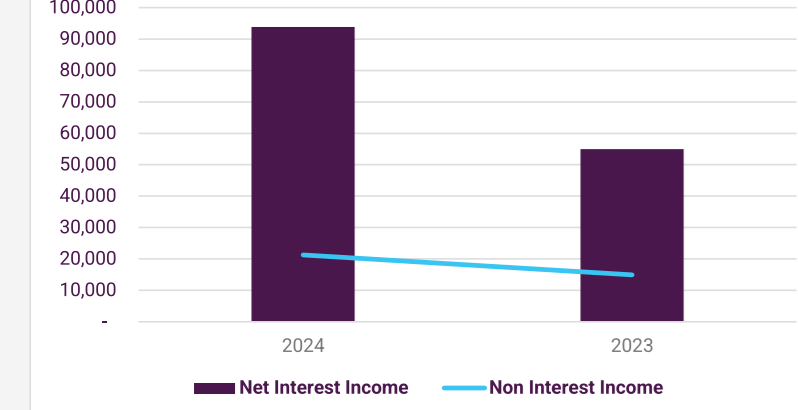
**Key Financial Highlights**

	Jun-24	Jun-23	
Net Loans & Advances to customers	P4.2 b	P3.3 b	28% ▲
Customer Deposits	P4.4 b	P3.0 b	46% ▲
Total Assets	P5.4 m	P4.1 b	31% ▲
Interest Income	P233.0 m	P164.2 m	42% ▲
Interest Expense	P139.1 m	P109.2 m	27% ▲
Total Expenses	P109.5 m	P98.8 m	11% ▲
Profit/(Loss) For The Period	P4.9 m	P(26.9) m	-118% ▲

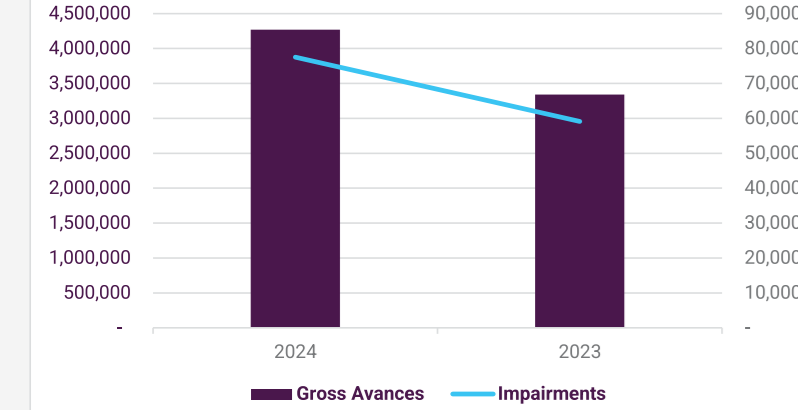
**Key Financial Ratios**

	Jun-24	Jun-23	
CAR against Regulatory-12.5%	18.4%	22.3%	▼
NPL as % of Gross Advances	5.7%	8.2%	▼
Cost to Income Ratio	79.5%	139.8%	▼
Loans to Deposit Ratio	94.7%	108.5%	▼
Liquid to Assets Ratio	18.1%	16.3%	▲

**Net Interest Income vs Non Interest Income (P'000)**



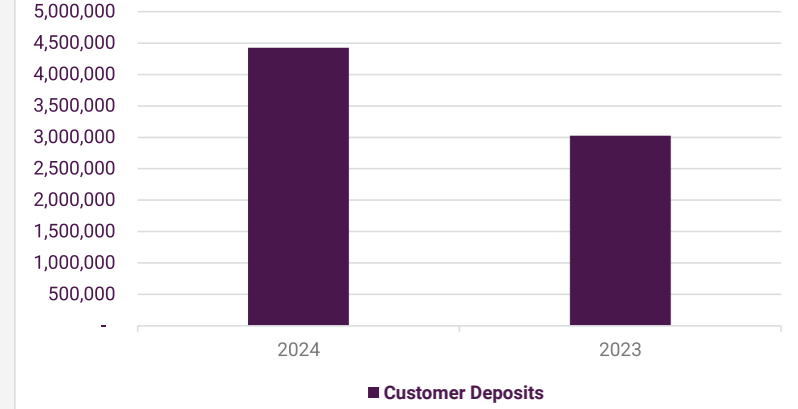
**Impairments to Gross Advances (P'000)**



**Profit Before Tax (P'000)**



**Customer Deposits (P'000)**



The Directors of BBS Bank Limited and its subsidiary, BBS Insurance Agency Limited (collectively "the Group") are pleased to publish the reviewed financial results for the six-month period ended 30 June 2024. The results show improved performance compared to the corresponding previous period. Key highlights are in the subsequent paragraphs.

**Overview on Strategic Achievements**

The Group is undoubtedly on an upward trajectory based on an assessment of the strategic initiatives that have and continue to be implemented under the Pilediwa Corporate Strategy.

The Pilediwa Strategy commenced in 2023, and by its projected end, it is expected to result in a profitable bank through the launch of various products and services, including digital offerings, heightened operational efficiencies, agile technological platforms and a fit for purpose human resources capability.

Also critical to the effectiveness of the strategy is the enablement of an innovative and high performance culture that will enable the Group to deliver cutting edge products and services given that BBS Bank is operating in a very competitive banking environment.

**Products and Services**

The Group continued to roll out new products and services at a fast pace in order to improve its competitiveness and position in the market. During the period, the following were successfully put on stream:

- Forex (foreign exchange) services are now being offered across all our Branches.
- Wire Wawa Cardless Cash which enables customers to send and receive money 24/7 without the need to use a bank card thus contributing towards financial inclusion.
- Card Management capability allows our customers to protect their hard-earned money by remotely cancelling or unblocking/blocking their bank card should it be lost or misplaced. The self-service functionality also allows for linking of accounts.
- Card embedded insurance accounts were also launched during the period. The benefits enhance BBS Bank Current Accounts and create another revenue stream for the Group. This is also a part of the diversification of the BBS Insurance Agency portfolio. The benefits include the Accident Hospital Cash Back, Card Protection and Funeral cover.

**Future Plans**

There is still a lot to be done in terms of additional products and services the bank aims to provide such as youth focused offerings and agency banking which will increase our footprint, particularly in places where we do not have physical presence. The wallet and prepaid card value propositions are also being finalised for launch to the market.

**Information Technology**

As we continue with implementing the structures of the new commercial bank, it becomes clearer each day that information technology is central to our success. Therefore, optimising the bank's information technology infrastructure and security capabilities is key for the bank's operational efficiencies.

**Human Capital**

The Group has embarked on a drive to review its human resource strategy and to capacitate staff with the requisite skills on financial, operational, information technology, customer experience and credit skills, amongst others, so that it is able to stand up to the rigours of commercial banking. The progress that the Group is making is testament to the effectiveness of such interventions.

**Financial Literacy**

In addition to strengthening the capabilities of the bank as outlined above, it is also important to equip consumers and members of the public with knowledge that will enable them to make the right financial choices. Both are strategic imperatives of the same coin. Thus, during the period under review, the Group launched a financial literacy show. It covers a range of financial literacy topics including fraud, money matters and compliance and many other topics. This program is aired on national television (BTv) and has been received well.

**Stakeholder Engagement**

Stakeholder engagement remains a key strategic imperative for the Group and is given attention at Board level. During the period, the Group embarked on stakeholder sessions across the country. The stakeholders included shareholders, customers, potential customers as well as leaders in the private and public sectors. The Group used the opportunity to outline progress made during its commercialisation journey but more importantly explained various matters that were raised during the sessions. Feedback from these sessions is being used to improve our products and service offering, processes and customer experience. Viable suggestions are being explored in line with our co-creation initiative.

**Financial Performance**

The financial results for the period ended 30 June 2024 show progress in the Group's transformation and the implementation of the Pilediwa Strategy. While the Group has not yet achieved its targeted performance, it is making strides towards levels that will instill confidence amongst our shareholders and other stakeholders. The Board, Management and Staff remain steadfast in improving the Group's performance, and as a result the Group reported a profit after taxation of P4.922 million, a significant turnaround from the restated loss of P26.829 million for the period ended 30 June 2023. This marks the Group's first positive performance since the beginning of its demutualization journey in 2018.

This strong performance was primarily driven by the following factors:

- Interest income increased by 42% year-on-year, rising from P164.172 million to P232.953 million, reflecting growth in the loan portfolio. The unsecured loan book generated P68.698 million in interest income, up from P0.582 million for the period ended 30 June 2023.
- The cost of funding significantly improved compared to the previous period due to better market liquidity. Acquiring deposits became less expensive than in the previous period. However, despite this improvement, interest expense increased by 27% from P109.249 million to P139.127 million, primarily driven by the growth of the customer deposit portfolio.

\*Non-Funded Income increased by 27%, from P12.424 million to P15.747 million, with the BBS Insurance Agency contributing P5.795 million, up from P3.060 million in 2023. Although the Group has not yet achieved its targeted transactional income from a newly launched suite of products and services, there are expectations for growth by year-end with enhanced marketing efforts.

\*The Group experienced a rise in expected credit losses and other impairments during the period. The unsecured loan portfolio accounted for P8.577 million of the total P17.973 million charge for June 2024, alongside an impairment of Properties in Possession totalling P2.787 million.

\*Operating Expenses increased by 18%, from P33.909 million to P39.853 million, reflecting the Group's commitment to transformation initiatives. The implementation of new banking capabilities introduced additional costs, including license fees and maintenance subscriptions. However, this increase is considered reasonable given the anticipated benefits from the newly launched products and services.

\*Personnel Expenses decreased from P52.754 million in June 2023 to P44.509 million in June 2024, primarily due to P11.037 million in one-off staff exit costs from the prior period.

\*The Group maintained a strong financial position, with a year-on-year balance sheet growth of 31%, driven by the introduction of unsecured lending products in March 2023 and growth in the customer deposit portfolio. By the end of the period, the total unsecured loan portfolio was P931.134 million, compared to P46.414 million in June 2023.

\*The Group continued to receive strong support from its corporate clients, achieving a 46% year-on-year growth in deposits. Consequently, the Group maintained a healthy cash position, enabling business growth with minimal pressure.

\*Borrowings, including debentures, decreased by 31% from P531.747 million to P366.070 million year-on-year, due to the successful repayment of matured term loans and bonds, which helped contain funding costs during the period.

\*Shareholders' equity increased by 2%, from P478.580 million to P488.983 million, driven by a significant turnaround in accumulated earnings, which overcame negative P8.873 million to positive P1.530 million as at 30 June 2024.

**Prudential Ratios**

The Group has demonstrated continued improvement in its prudential ratios, particularly in the non-performing loans (NPL) ratio, cost-to-income ratio, and loans-to-deposit ratio.

\*The Capital Adequacy Ratio has decreased since 30 June 2023, reflecting the effective use of capital to support asset growth. During this period, the Group successfully converted P41 million in debentures to Tier II capital, enhancing its capital base. It anticipates converting an additional P50 million in debentures to Tier II and securing P250 million in Tier II facilities by year-end. This underscores the Group's commitment to preparing for business expansion while ensuring compliance with regulatory capital requirements.

\*The NPL ratio has improved due to growth in the loan portfolio and effective credit collection efforts.

\*Although the cost-to-income ratio remains above the Bank of Botswana's recommended guideline, it has shown marked improvement due to cost containment measures and increased operating income.

\*The loans-to-deposit ratio continues to strengthen as the Group restructures its balance sheet through asset diversification and enhanced deposit mobilization. While this ratio is still above the regulatory threshold, it has improved significantly.

\*The Liquid Asset Ratio indicates that the Group maintains sufficient liquidity to meet its daily operational needs and obligations, with a ratio of 18.1%, well above the regulatory minimum of 10%.

The Group is in the second year of its transformational journey and implementation of the corporate strategy. The turnaround strategy is intended, amongst others, to enable the Group to grow the return on investment and be able to declare dividends in due course.

**BBS Insurance Agency Limited**

The subsidiary, BBS Insurance Agency Limited, continues to perform exceptionally since it was launched in June 2022 as part of the Group's diversification strategy and to create a one-stop shop bancassurance service for our customers.

In June 2024, BBS Insurance Agency Board of Directors declared a dividend payout of P12,130 million to BBS Bank Limited.

**Strategic Outlook**

The execution of the corporate strategy continues. The Board and Management are confident that the implementation of transformation initiatives in the strategy will enable business growth and create shareholder value.

**Economic Outlook**

From the initial projected growth figures of 4.00% for the year 2024, we have had revisions to a projected 1.00% for the year by the International Monetary Fund. There is likelihood of lower numbers for 2024 as we have seen a Q1 2024 contraction in GDP. There are now limitations to effect a fiscal stimulus through the Government development budget expenditure of BWP30 billion announced in the February 2024 Budget Speech due to lower than projected receipts on the revenue side. There is need to adopt caution and austerity measures, and this has the potential impact of slowing economic growth. The key of funds from the Pension Fund Assets will provide a window for the Botswana Government to borrow from the local capital markets to cover the shortfalls. The latest unemployment figures from Statistics Botswana show that unemployment rate has increased from 25.9% in Q4 2023 to 27.6% in Q1 2024. This makes an already difficult situation harder.

Overall, the economic situation remains challenging and uncertain on the growth prospects. The bank has raised additional capital to ensure that the Group remains adequately capitalised. This is crucial if the situation deteriorates further beyond current circumstances. There will be a continuous review of the prevailing economic situation and their impact on our forecasts.

Management remains cautious and will prioritize resource allocation diligently. The key strategic focus is still on the Group's transformational journey in order to enhance its returns and ensure long-term sustainability.

**Conclusion**

Once again, we are eternally indebted to our loyal customers, dedicated employees, and supportive shareholders for their trust and partnership. As these interim results indicate, the Group is making good and steady progress. The Board hopes that this will strengthen their confidence in the sustainability of the Group.

Thank you

**How to purchase pre-paid electricity**

- 1.Dial \*190\*123#
- 2.On the main menu select Buy/Pay
- 3.Then select prepaid electricity
- 4.Then follow the prompts
- 5.Token number will be sent to your mobile number

**How to pay for DSTV**

- 1.Press \*190\*123#
- 2.On the main menu select Buy/Pay
- 3.Then select DSTV Payment
- 4.Then follow the prompts
- 5.You will receive a success confirmation screen

**How to buy airtime**

- 1.Dial \*190\*103#
- 2.On the main menu select Buy/Pay
- 3.Then select airtime top-up
- 4.Then enter the mobile number
- 5.Enter the amount
- 6.You will receive a success confirmation screen

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	At 30 June 2024 (Reviewed)	At 31 December 2023 (Audited)	At 30 June 2023 (Reviewed)
	P'000	P'000	P'000
<b>Assets</b>			
Cash and cash equivalents	491,297	366,036	177,777
Financial investments	440,349	472,102	396,953
Non-current assets held for sale	12,457	12,593	13,832
Other assets*	61,567	68,897	62,581
Properties-in-possession	22,713	26,580	32,747
Current tax receivable	-	68	181
Loans and advances to customers*	4,192,208	4,071,336	3,281,909
Right-of-use assets	9,963	8,926	9,641
Deferred tax assets	11,958	11,650	2,429
Intangible assets	22,861	24,660	20,431
Property and equipment	97,994	98,402	95,127
<b>Total assets</b>	<b>5,363,367</b>	<b>5,161,250</b>	<b>4,093,608</b>
<b>Liabilities</b>			
Customer deposits	4,427,197	4,211,083	3,024,742
Borrowings	263,782	271,198	429,531
Debentures	102,288	102,235	102,216
Lease liabilities	15,970	14,700	15,192
Other liabilities	62,511	75,475	39,919
Withholding tax	2,592	2,498	3,428
Current tax payable	45	-	-
<b>Total liabilities</b>	<b>4,874,384</b>	<b>4,677,189</b>	<b>3,615,028</b>
<b>Shareholders' Equity</b>			
Stated capital - Ordinary shares	487,453	487,453	487,453
Retained earnings/(accumulated loss)*	1,530	(3,392)	(8,873)
<b>Total equity attributable to equity holders of the parent company</b>	<b>488,983</b>	<b>484,061</b>	<b>478,580</b>
<b>Total liabilities and equity</b>	<b>5,363,367</b>	<b>5,161,250</b>	<b>4,093,608</b>

As per IAS 1 - Presentation of financial statements, the Group have made changes to how loans and advances as well as customer deposits are presented in the financial statements. Previously, loans and advances were disclosed separately as Mortgage loans and advances and Short-term loans and advances, while customer deposits were categorized as Customers' savings and fixed deposit accounts and Paid up and subscription savings.

Now, both loans and advances as well as customer deposits are combined and presented together in a single note in the financial statements and on the face of the statement of financial position. This adjustment aims to offer users of financial statements with more comprehensive view of the Group's loan and deposit portfolios by presenting the overall size of the loan book and deposit book.

\*Refer to December 2023 statutory financial statements for details of the restatement.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	6 months ended 30 June 2024 (Reviewed)	6 months ended 31 December 2023 (Reviewed)	Change
	P'000	P'000	%
Interest income*	232,953	164,172	42
Interest expense	(139,127)	(109,249)	27
<b>Net interest income</b>	<b>93,826</b>	<b>54,923</b>	
Fee and commission income	17,151	13,520	71
Fee and commission expense	(1,404)	(1,096)	28
<b>Net fee and commission income</b>	<b>15,747</b>	<b>12,424</b>	
Net trading income	18	-	100
Other income	5,514	2,518	119
<b>Net Operating Income</b>	<b>115,105</b>	<b>69,865</b>	
Expected credit losses	(13,318)	(4,999)	166
Other impairment losses	(4,855)	(1,090)	327
Personnel expenses	(44,509)	(52,754)	(16)
Depreciation and amortisation	(7,130)	(6,024)	18
Operating expenses	(39,853)	(33,909)	18
<b>Total expenses</b>	<b>(109,465)</b>	<b>(98,776)</b>	
<b>Profit/(loss) before taxation</b>	<b>5,640</b>	<b>(28,911)</b>	<b>120</b>
Taxation	(718)	2,082	(134)
<b>Profit/(loss) for the period</b>	<b>4,922</b>	<b>(26,829)</b>	<b>118</b>
Other comprehensive income	-	-	-
<b>Total comprehensive profit/(loss) for the period</b>	<b>4,922</b>	<b>(26,829)</b>	<b>118</b>
<b>EARNINGS PER SHARE</b>			
Per share information	1.01	(5.50)	
Basic and diluted earnings/(loss) for the period	1.01	(5.50)	

As per IAS 1 - Presentation of financial statements, the Group revised the presentation of expected credit losses and impairment on non-financial assets. Previously, these were combined and reported together in the same note and aggregated on the face of the statement of profit or loss and other comprehensive income. The revised approach involves separate disclosure of expected credit losses and other impairments in both the notes and on the face of the statement of profit or loss and other comprehensive income.

The comparative information for 2023 has been revised to reflect this revised presentation. This does not have any impact on the statement of profit or loss and other comprehensive income.

\*Refer to December 2023 statutory financial statements for details of the restatement.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Ordinary shares P'000	Retained loss / earnings P'000	Total equity P'000
Balance at 01 January 2023 - Restated*	487,453	17,956	505,409
<b>Total comprehensive income for the period</b>	-	-	-
Loss for the period	-	(26,829)	(26,829)
<b>Balance at 30 June 2023 - Restated*</b>	<b>487,453</b>	<b>(8,873)</b>	<b>478,580</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>5,481</b>	<b>5,481</b>
Profit for the period	487,453	(3,392)	484,061
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>4,922</b>	<b>4,922</b>
<b>Balance at 30 June 2024 - Reviewed</b>	<b>487,453</b>	<b>1,530</b>	<b>488,983</b>

\*Refer to December 2023 statutory financial statements for details of the restatement.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	6 months ended 30 June 2024 (Reviewed)	6 months ended 31 December 2023 (Audited)	6 months ended 30 June 2023 (Reviewed)
	P'000	P'000	P'000
<b>Cashflows from operating activities</b>			
Interest receipts	231,610	363,757	160,364
Commission receipts	15,056	41,665	14,299
Interest payments	(139,612)	(216,475)	(95,086)
Commission payments	(6,813)	(1,862)	(1,096)
Other operating income	3,815	5,327	2,518
Cash payments to employees and suppliers	(79,124)	(168,719)	(83,006)
Proceeds from sale of properties in possession	363	6,964	3,484
Proceeds from sale of asset held for sale	1,995	-	-
Income tax paid	(984)	(4,894)	(564)
<b>Net cash generated from operating activities before changes in working capital</b>	<b>32,436</b>	<b>25,763</b>	<b>903</b>
Changes in:			
(Increase)/decrease in other assets	2,161	(6,646)	979
Increase in loans and advances to customers*	(132,934)	(838,378)	(49,027)
Increase in customer deposits	216,664	1,459,374	290,007
(Decrease)/increase in other liabilities	(9,579)	43,797	3,026
Increase in withholding tax	94	1,161	2,091
<b>Net cash flows generated from operating activities</b>	<b>108,842</b>	<b>685,071</b>	<b>247,979</b>
<b>Cashflows from investing activities</b>			
Purchase of property and equipment	(2,977)	(6,458)	(1,663)
Purchase of intangible assets	(2,166)	(12,396)	(4,451)
New placements of financial investments	(708,078)	(2,223,726)	(967,500)
Maturities of financial investments	738,000	2,197,900	1,019,874
<b>Net cash flows generated from/(used) in investing activities</b>	<b>24,779</b>	<b>(44,680)</b>	<b>46,260</b>
<b>Cashflows used in Financing activities</b>			
Repayment of borrowings	(7,428)	(313,976)	(156,860)
Payment of lease liabilities	(932)	(1,471)	(694)
<b>Net cash flows used in financing activities</b>	<b>(8,360)</b>	<b>(315,447)</b>	<b>(157,554)</b>
Net movement in cash and cash equivalents	125,261	324,944	136,685
Cash and cash equivalents at the beginning of the period/year			