

Lesotho PostBank Limited

(Registration number I2004/163)

Annual Financial Results for the year ended 31st December 2016

Financial Position

Growth of balance sheet

Deposits amounted to M588 million at December 31st 2016, a 98% growth from prior year which stood at M297 million. This performance resulted in the balance sheet growing by 106% to M808 million. However, the income did not match the growth levels in deposits as most deposits came at the tail-end of the year.

The loan book, at M225 million, also increased at a significant rate of 40% from 2015. The higher growth rate was recorded in the Retail Sector at 80% while the Business Sector accounted for 20%.

Capital Expenditure

Capital expenditure of over M40 million included refurbishment costs on Mafike Building, modernisation of the data centre and acquisition of new computer hardware. Part of the expenditure related to the core banking system upgrade project which is still in progress. The Go-Live date of the new core banking system is expected to be May 2017. In an effort to get closer to its customers, the Bank opened a branch in Mafeteng in September 2016. All the expenditure was aimed at brand positioning, improvement of Bank efficiencies and effectiveness.

Liquidity

The bank recorded increased liquidity levels being spillover effects of the increase in deposits. The funds will be invested profitably during the course of 2017.

Financial Performance

Increase in Interest Income

Interest income improved significantly to M53 million (2015: M37 million) as a result of growth in the loan book and the implementation of aggressive debt collection strategies. The interest rate charges on loans remained stable throughout the year whereas interest paid on savings and investments was aligned to local economic conditions.

Operating expenses

Operating expenses increased by 18% from M25.3 million in 2015 to M35.9 million in 2016. This was attributable to a foreign exchange loss amounting to M6 million and M3 million for operational provisions. Employment costs grew year-on-year by 16% as a result of business expansion.

Profit Before Tax

Profit before tax was M6.5 million compared to M17.4 million in 2015. Profit was higher in 2015 due to a foreign exchange gain of M13.6 million on the Bank's investment held in US dollars. In 2016 the Bank recorded a foreign exchange loss of M6 million on this investment.

Recognition

We won the Diamond Arrow award and were voted Outstanding - 1st Overall in Investment Services by PMR.africa. We were also recognized by the Lesotho National Development Corporation as the most promising Bank in Lesotho. Both awards were received in 2016.

Acknowledgements

Our token of appreciation goes to all our customers for their loyalty and support. We also want to extend our gratitude to all our stakeholders, in particular, our Staff for providing excellent service to our customers. We wish to thank the Government of Lesotho, particularly the Ministry of Communications, Science and Technology and Ministry of Finance, for their continued support and engagements.

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2016

	2016 M	2015 M
Continuing Operations		
Capital Grant Income	3,381,122	3,119,488
Other Income	22,468,749	33,728,852
Interest Income	53,254,153	37,354,744
Finance Costs	(3,522,398)	(2,898,593)
Operating Expenses	(35,931,433)	(25,348,455)
Depreciation	(3,381,122)	(3,029,003)
Employee Costs	(29,802,456)	(25,525,626)
Profit/(Loss) before taxation	6,466,615	17,401,407
Income Tax Expense	(2,184,912)	3,048,309
Profit/(Loss) for the Year	4,281,703	14,353,098
Subsidised by Grants	-	-
Other Comprehensive Income	-	-
Total Comprehensive Income/(loss)	4,281,703	14,353,098

STATEMENT OF FINANCIAL POSITION as at ended 31 December 2016

	2016 M	2015 M
Assets		
Deferred Tax Asset	3,580,942	2,216,782
Cash and Cash Equivalents	379,003,078	138,872,188
Treasury Bills	77,256,458	65,414,900
Investment	50,712,244	56,607,995
Inventories	1,050,799	776,326
Trade and other Receivables	7,740,999	2,828,666
Property, Plant and Equipment	56,791,830	13,638,182
Intangible Assets	6,727,389	4,400,201
Loans and Advances	225,703,913	160,899,957
Total Assets	808,567,652	445,655,197
Equity and Liabilities		
Equity		
Share Capital	37,000,000	34,500,000
Reserves	34,637,016	14,577,925
Retained Income	32,810,607	46,611,967
	104,447,623	95,689,892
Liabilities		
Deferred Tax Liability	1,924,500	310,731
Deposit	588,827,506	297,556,749
Deferred Income	93,527,893	43,909,019
Trade and other Payables	18,819,320	5,107,403
Corporate Tax Liabilities	1,020,810	3,081,403
Total Liabilities	704,120,029	349,965,305
Total Equity and Liabilities	808,567,652	445,655,197

M. MASHEANE

NON-EXECUTIVE DIRECTOR

M. LEQHAOE

MANAGING DIRECTOR