Botswana Savings Bank

2016/17 ANNUAL REPORT

ABOUT BOTSWANA SAVINGS BANK

Botswana Savings Bank (BSB) is an indigenous institution wholly owned by the Government of Botswana with a specific mandate of mobilizing the nation to save as well as providing inclusive financial services. The Bank is operating under the Transition Act of 2011. In 2009 Government, took a decision to merge Botswana Savings Bank, Botswana Post and Botswana Courier and both institutions are under a Holding Group (Botswana Postal Savings Group). Botswana Post enables BSB to provide its services through the postal network around the country.

The Bank is governed by an Independent Board of Directors which reports to the Group Board of Directors. Botswana Savings Bank is supervised by the Central Bank under the custodian of Ministry of Transport and Communications. BSB is also required to carry out its business according to sound commercial principles and in accordance with the Banking Act of 1995. The Bank is a member of the World Savings Bank Institute- an association of Savings Banks represented in over 90 countries worldwide.

VISION

We are the number one African financial institution turning clients into fans with our smooth life event solutions.

MISSION

We provide the lowest cost and fastest banking, financial and life events services for all businesses and individuals from cradle to grave of all income groups in Botswana and beyond. We provide our service and products through a team of high performing staff and strategic partners and state of the art technology which enables a pro-active service to our clients while create wealth for our shareholders which will lead to more wealth and jobs for Botswana and its citizens.

VALUES

Customer First

- Products and Services designed with customers in mind.

Speed

- Faster service turn around

Smooth

- Provide a friction free, cost efficient and high performance working environment.

Empowerment

- Develop associates to match and surpass the bank's standards.

Borderless

- Remove obstacles that prevent solutions to our client's requirements.

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GENERAL INFORMATION

BUSINESS

Botswana Savings Bank was established by an Act of Parliament, the Botswana Savings Bank Act, 1992, as a wholly owned financial institution of the Botswana Government for the purpose of providing banking and financial services for all people in Botswana.

A Transition Act (The BSB Transition Act 2012) has been passed by Parliament to allow BSB to convert to a public company named the "Botswana Savings Bank Limited". However, the decision to transform the bank from a statutory bank to a commercial bank has been deferred until further notice.

BOARD OF DIRECTORS:

J White	Chairperson
T Gabaraane	Vice Chairperson
B A Tekane	Chief Executive Officer (resigned 31 January 2017)
M Gokatweng	Chief Executive Officer (Acting)
E Richard - Madisa	Member
B Mafatlane	Member
M.C.Z Libengo	Member
O Ward	Member
M Gaobakwe	Member

REGISTERED OFFICE:
Botswana Savings Bank
Tshomarelo House
Cnr Letswai / Lekgarapa road
Broadhurst Mall
P.O. Box 1150, Gaborone

AUDITORS:
PricewaterhouseCoopers
P.O. Box 294
Gaborone, Botswana

BANKERS:
Bank of Botswana
First National Bank Botswana
Bank Gaborone
Bank ABC
Capital Bank

CHAIRPERSON'S REPORT
FOR THE YEAR ENDED
31 MARCH 2017

GENERAL ECONOMIC OVERVIEW

DOMESTIC ECONOMY

Year-on-year GDP has grown by 4.3% during 2016, significantly higher than expected and well above the 1.7% contraction recorded in 2015. This was driven mainly by the Services sector.

There was also an improvement in the trading conditions in the diamond sector due to the sale of stockpile accumulated earlier. Global demand for rough diamonds improved significantly in 2016, a turnaround from the depressed demand that characterised 2015.

Overall diamond exports from Botswana rose by 34% year-on-year in 2016, compared to a decline of 19% year-on-year in 2015. Lower production of copper-nickel, due to poor market conditions and mine closures, also led to negative growth in the mining sector as a whole in 2016. There was close to zero growth in Agriculture and Manufacturing, but healthier growth of over 4% in Construction, Retail trade, Hotels & Restaurants, Transport & Communications, and Banking.

UNEMPLOYMENT RATES

For the period ending December 2016, the Private Sector was the largest employer with 44.6% of employees, followed by Public Administration, Private Households and Subsistence Farming with 22.1%, 12.2% and 9.9%, in that respective order. Overall unemployment rates were estimated at 17.6% for population aged 18 years and above. The youth (15-35 years) unemployment rate was estimated at 25.2%. The unemployed with university/college education was estimated at 11.4%. Gaborone and Kweneng East regions recorded the highest estimates for the total employed labour force. The Highest unemployment rates were recorded for Ngamiland East, Ngamiland West and Kweneng West.

INFLATION TREND

Inflation increased to 3.5% in the first Quarter of 2017, after spending most of 2016 below the Bank of Botswana's lower limit of 3%. The increase in inflation largely reflects the effect of adjustments to administered fuel prices in March 2017, as well as higher food prices. Given trends in international fuel prices, the increase in inflation was largely expected. While inflation is forecasted to be around 4% by mid-year, it is expected to remain within the lower half of the Bank of Botswana's medium-term objective range of 3-6% throughout 2017. The July 2017 inflation stands at 3.4%.

CHAIRPERSON'S REPORT (Continued) FOR THE YEAR ENDED 31 MARCH 2017

BANKING SECTOR - CREDIT, LIQUIDITY AND BANK RATE

(a) Credit Growth

Credit growth has slowed substantially, to the lowest annual rate in nearly 20 years, and arrears on lending hove risen during 2016. Bank credit recorded the lowest annual growth rate since 1997, decreasing from 7.8% in October 2016 to 5.9% in January 2017. The slowdown in credit growth is attributable to slower growth in lending to households, from 8.5% to 7.5% in October 2016 and January 2017 respectively. Amongst the components of household credit, growth in unsecured loans fell from 9.7% to 9.2% and in mortgages from 6,7% to 5.0%. On the other hand, annual growth in bank credit to firms increased from 5.6% to 6.5% in October and January respectively. Household credit accounted for 60% of total lending.

(b) Banking System Liquidity and Bank Rate

Recently there have been concerns about banking system liquidity. Generally, banks have excess liquid assets equivalent to around 5% of total assets, compared to less than 1% at the time of the liquidity crisis in late 2014. However, there is a potential medium-term problem in that the deposit base of the banking system is not growing. Deposits have fluctuated around the P6O billion level for the past two years. With credit growing, albeit slowly, this will eventually lead to a liquidity squeeze unless deposits start to grow notably, However, due to generally stagnant income levels, retail deposits are not expected to register any substantial growth. The Central Bank Monetary Policy Committee (MPC) maintained the Bank Rate at 5.5% in its first meeting of 2017, continuing the era of low interest rates. Commercial banks Prime Lending Rate has also remained unchanged at 7.0%.

(c) Government Budget[2]

The 2016/17 Recurrent Budget increased by 7% from P36,99 billion to P39.66 billion in 2017/18FY. Development Budget for 2016/17 was P14,82 billion, while for 2017/18 was P16,52 billion. This represents an increase of 11%. This increase together with other economic stimulating initiatives are expected to result in more development projects, leading to more employment.

1. *Bank of Botswana, Botswana Financial Statistics(BFS) Bulletin, June 2017*
2. *Ministry of Finance & Development Planning, budget statements, 2017/18*

CHAIRPERSON'S REPORT (Continued) FOR THE YEAR ENDED 31 MARCH 2017

The 2017/18 government budget projected a modest 4.4% increase in overall spending. The additional spending is concentrated on recurrent expenditure (up 8.6%), notably wages and salaries (up 18.5%) and grants and subventions (up 12.6%).

(d) Exchange Rates[3]

Foreign exchange rotes were fairly stable for most of Quarter 1 in 2017. However, exchange rates were shaken-up at the end of the quarter as a result of political events in the Republic of South Africa. These caused the SA rand to weaken sharply against the US dollar, after a long period of appreciation. The Pula-US Dollar exchange rate was 10.53 at the end of March 2017 from 10.65 in December 2016. The Pula depreciated marginally against the Rand, by 0.4%, ending the Quarter at ZAR1.278.

(e) Balance of Payments and Foreign Exchange Reserves

Total trade slowed in the last quarter of 2016. Total exports declined to P16,1 billion in Quarter 4, from P18,9 billion in the previous Quarter, while total imports increased to P17,2 billion from P16,0 billion in Quarter 3. Export performance was adversely affected by the closure of the BCL mine and the suspension of copper-nickel exports, which had previously contributed around PI billion to exports each Quarter. The trade balance in Quarter 4 2016 was a deficit of PI,099 million, compared to a surplus of P2,883 million in Quarter3. Nevertheless, overall trade performance during the year has much improved, with a surplus of P13,478 million in 2016, compared to a deficit of P9,706 million in 2015.

Foreign exchange reserves declined by 9.5% in 2016 to P76,8 billion, down from P84,9 billion in December 2015. The decrease in reserves is attributable to drawing down on government savings as well as the appreciation of the Pula. Foreign reserves decreased in both the US Dollar and SDR terms, by 5% and 2% respectively.

3. *Bank of Botswana, Botswana Financial Statistics, June 2017*

CHAIRPERSON'S REPORT (Continued) FOR THE YEAR ENDED 31 MARCH 2017

ECONOMIC OUTLOOK

Global economic growth has been low during 2016 as a result of low consumer demand. However, some notable growth is expected during 2017. Botswana's economic success over the past fifty years has been driven by the well managed recycling of revenues from diamonds.

This is however, not a sustainable development path for the future. It requires a shift from a resource-driven to a productivity-and efficiency-driven economy, and at the same time a shift from a state-led to a private sector-led economy. Loss of employment due to retrenchments, particularly in the Utilities Sector, will continue to negatively impact customer ability to service loans, leading to high non performing loan book. The current relatively stagnant public salary levels will also impact on the public's marginal propensity to save.

Forward look at Banking Operations or outlook

The Bank is going through a period of uncertainty relating to the implementation of the impeding merger with Botswana Post and Botswana Couriers & Logistics. In view of this uncertainty, the Board has temporarily suspended the Banking License application until final decision has been mode on the merger. The Board remains hopeful that Government will provide much needed strategic direction within the shortest time possible. In the interim, the Board is refocusing the Bank to effectively execute its mandate as enshrined in the BSB Act, However, implementation of the new 2016 - 2021 corporate strategic plan is being intensified. The Board has mandated Management to expedite rollout of the remaining 6 ATMs as well as implement additional two (2) co-branded branches in the 2017/2018 financial year. The Board has also approved an ambitious digital transformation program which will result in automation of standard processes and enable anytime, anywhere banking.

Corporate Social Responsibility

Botswana Savings Bank has a long history of investing in the communities and special causes in which it operates. Even in the current financial year, I am proud to report that the bank's commitment to giving back remains strong. Through Corporate Social Responsibility commitments, the Bank aims to address a set of priorities that are most important to advance prosperity of some of the disadvantaged individuals and special interest groups in the communities in which we operate.

The Bank does not only focus on providing life event solutions to its customers but it is constantly working closely with its communities to make lasting impact in challenging situations. Corporate Social Investment is now

CHAIRPERSON'S REPORT (Continued)
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part of doing our business, and the Board of Directors have therefore dedicated funds towards meeting the social needs of the less privileged members of the society. The Bank places priority on organizations that help young people and women in communities across our footprint to reach their full potential. A good portion of the CSR budget is dedicated to Education development, and health and well-being initiatives targeting mainly the youth. This is premised on the unshaken belief that focusing on the health and well-being and education of young people will help build stable, growing and prosperous communities well into the future, and therefore assist to eradicate extreme poverty and social ills bedeviling most communities. During the year under review and in line with above, the Bank sponsored and collaborated with various charity organisations to uplift people's lives across the different parts of the country.

CHAIRPERSON'S REPORT (Continued)
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CORPORATE SOCIAL RESPONSIBILITY (continued)

These projects include:

Type Of Donation	Beneficiaries	Amount (BWP)
Women Empowerment	Women Leadership Conference	18 000
	Shoshong Constituency Development Foundation Trust, Civil & National Registration Office, Taung VDC, CSI Concepts Foundation, Ministry of Transport & Communications	147 300
Botswana Tourism	Khawa Sporting Event	20 000
Y-Care Charity Fund	Makgadikgadi Pans Walk, Domboshaba, Y-Care Midnight and Y-Care Thank You Event	143 761
President's Housing Appeal	Thamaga House Project	117 289
Youth Empowerment	North East Youth Empowerment & Botswana Career Round Table	40 000
Educational Development	Nyamambisi Primary School, Nanogang CJSS, Mahupu JSS, Note JSS, Baratani CJSS, Agasi Primary, Bakgopeng CJSS, Tlogatloga CJSS	198 426
Other	BDF Charity Concert, The President's Charitable Trust, Cheshire Foundation of Botswana	60 000
		744 776

It is therefore evident from the mix of projects that the Bank aims to touch people's lives in a special way across all corners of Botswana.

CHAIRPERSON'S REPORT (Continued)
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CORPORATE GOVERNANCE

The Directors are committed to upholding high standards of accountability, integrity, transparency, disclosure and best practice in doing business with various stakeholders. The Bank continues to evolve with the current developments in corporate governance and board members are continuously provided with relevant refresher training in this regard. In 2017, the focus is to have all Board Members trained on the latest King IV Code of Corporate Governance.

Attendance Register of Board and Committee Meetings in 2016/17 Financial Year is provided below:

Director	Board Meetings	Finance and Audit	Staff and Remuneration Committee	Tender Committee
J White (Chairperson)	11/12	N/A	N/A	N/A
T Gabaraane (Vice Chairperson)	10/12	N/A	9/10**	N/A
E Richard - Madisa	10/12	4/6	N/A	N/A
B Mafatlane	12/12	1/6*	9/10	5/5**
M.C.Z Libengo	10/12	5/6**	1/10*	1/5*
O Ward	4/12	N/A	N/A	3/5
M Gaobakwe	10/12	N/A	8/10	4/5

** Chairperson of the committee
* By invitation

BOARD STRUCTURES

The Board of Directors assumes the overall responsibility of running the affairs of the Bank. Currently, Board Members are appointed by the Board of Directors of Botswana Postal and Savings Group (BPSG) in line with the impending merger with Botswana Post and Botswana Couriers & Logistics. Although the appointment is done by the BPSG Board of Directors, the constitution of the Board remains largely in accordance with the BSB Act, which is still in force, albeit with slight modifications.

CHAIRPERSON'S REPORT (Continued)
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BOARD STRUCTURES (Continued)

For example, the BPSG has token a decision to suspend the membership of the Director General of Botswana Postal Services as an ex-officio member of the Board. In an effort to ensure selection of good quality members, the selection process is subject to the rigorous PEEPA Board selection processes. The BSB Board, through its Chairperson, makes recommendations on the requisite skills and expertise that are required for the effective discharge of the mandate of the Bank.

The Board is made up of a total of nine members as follows:

- Five members from the private sector, one of whom shall be appointed as Chairperson
- Three members from the public sector as follows
- One member from the Parent Ministry
- One member from the Ministry of Finance & Economic Development
- One member from the Ministry of Investment, Trade and Industry
- Chief Executive Officer of the Bank (Executive Director)

There are Board sub-committees that are responsible for formulating and driving specific initiatives to help improve efficiency at Board level. The following Board Committees have special tasks and responsibilities to ensure that issues relating to audit and financial aspects of the business, staff issues and procurement matters are handled at a technical level before they are submitted to the Board:

- **Finance And Audit Committee**: It is tasked with monitoring financial controls, systems and reporting standards. This includes financial performance against the budget and ensuring that the profitability of the business is sustained.

- **Staff And Remuneration Committee**: The Committee oversees and monitors the recruitment process, remuneration and rewards systems for staff. This Committee drives both the remuneration and retention strategies in order to position the Bank as an employer of choice.

- **Tender Committee**: Oversees the award of tenders in accordance with established tender regulations. The Committee also ensures that procurement procedures and processes are in line with established market standards and that they are adhered to by Management.

CHAIRPERSON'S REPORT (Continued) FOR THE YEAR ENDED 31 MARCH 2017

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, Management and staff, I would like to acknowledge the invaluable support we have received from our parent Ministry, the Ministry of Transport and Communications especially the Minister, Permanent Secretary and his Management team.

I would also like to pay special recognition and appreciation to the immediate past Chief Executive Officer of the Bank, Mr. Boikhutso Tekane who resigned from the Bank with effect from 31st January 2017. Mr. Tekane has laid a strong foundation for the future digital transformation of the Bank. His achievements include the formulation of the new and highly ambitious five-year corporate strategy (2016-21), implementation of ATM network and launch of new co-branded branches. I take this opportunity to sincerely thank him for his immense contribution to the Bank and wish him well in his future endeavours.

I would also like to take this opportunity to officially announce that the Director of Operations, Mr. Modise Gokatweng has been appointed Acting Chief Executive Officer pending conclusion of recruitment process for a new Chief Executive Officer. I wish Mr. Gokatweng every measure of success in his new role.

To fellow Board Members, I wish to applaud you for your diligent service and selfless commitment to drive the bank's strategy through your skills and expertise. In particular, special appreciation goes to the Chairperson of the Finance and Audit Committee, Mr Moshe Libengo; the Chairperson of Staff and Remuneration Committee, Mr. Thata Gabaraane; the Chairperson of the Board Tender Committee, Mr Botshabelo Mafatlane for their effective stewardship and technical advice they continue to render to the Board. I also wish to recognize the individual contributions of the other Board members: Ms Mpho Gaobakwe; Ms Ellen Richard-Madisa and Mrs Ontlametse Ward. I wish you prosperity and good health as we take the Bank forward.

Finally, I wish to thank Management and Staff of the Botswana Savings Bank for rolling up their sleeves to ensure that the bank's performance for the year under review continues to be a success. It is through their professionalism and dedication that the Bank was able to deliver a good set of results, I wish all of you success as you are collectively guided by the strong conviction that BSB can, and shall become the number one financial institution that turns clients into fans with smooth life event solutions.

May the bank's core values of customer-first, speed, smooth, empowerment and borderless continue to guide individual as well as collective behaviour.

Mrs Juliana White
Chairperson

24 August 2017


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CHIEF EXECUTIVE OFFICER'S REPORT
FOR THE YEAR ENDED
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Against the backdrop of ongoing market volatility, liquidity squeeze, increasing global economic uncertainty and historically low interest rate environment, Botswana Savings Bank ended the year in a strong and impressive financial position.

FINANCIAL HIGHLIGHTS

I would like to draw your attention to key financial highlights as follows:

- **Net Interest Income:** The Bank surpassed the P100 million net interest income mark for the first time primarily on account of two factors; a 10% growth in Interest Income which is attributable to growth in loan book (i.e loans increased by 31%) and an 8% decrease in Interest Expense which is attributable to prudent pricing on Corporate Deposits as well as impact of monetary policy interventions that resulted in the prevailing low interest rate environment. The above two factors resulted in a cumulative increase of 28% in Net Interest Income from P81,5 million to P104,6 million.

- **Net Fee And Commission Income**: Net Fee and Commission Income reduced by P2,5 million or 61% from P4,1 million to P1,6 million due to loss of insurance Commission Income following the termination of the unlawful AON Agreement in October 2016.

- **Expenditure**: In terms of expenditure, total expenditure was controlled as the Bank only registered a 16% increase from P68,1 million to P79,2 million compared to the 24% growth in total revenue. Most of these came from relatively flat employee benefits due to operating at less than full staff capacity and some of the roles only been filled close to end of the financial year. Marginal increases in the following expenses have been noted:

    - Operating Lease Expenses increased from P1,5 million to P2,3 million. This is largely attributable to rental expenses for the three (3) new co-branded branches of Railpark, Serowe & Mahalapye.

    - Depreciation and Amortization increased by P2,5 million from P4,6 million to P7,1 million. This relates to new Fixed Assets acquisitions amounting to P7,9 million made during the period as well as capitalization of work-in-progress relating to implementation of ATM Switch Software. The amortization was backdated to the date of acquisition of the software. Therefore, the prior year costs were absorbed in the year under review.

    - Administrative and General Expenses increased by 36% from P21,5 million to P29,3 million mainly due to operating expenses relating to the new co-branded branches as well as consultancies such as new corporate strategy, and additional ICT costs related due to increased ATM network.

CHIEF EXECUTIVE OFFICER'S REPORT (Continued)
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- **Cost to income ratio** - The ratio has fallen significantly to 66.1% compared to 71.9% in the previous year. The significant improvement in this ratio was as a result of the widening gap between income and expenditure as the income grew at 24% whilst at the same time costs grew at a lower rate of 16%.

- **Impairment provision** - The impairment provision increased by 32% from P7,3 million to P9,7 million in the period under review. This is in line with the 31% growth in the loan book denoting that the average rate of loan impairments remains unchanged.

- **Profitability** - The Statement of Comprehensive Income depicts a strong set of results with profit before taxation increasing from P12,7 million to P20,1 million, a 58% increase year-on-year. This is despite several issues including liquidity challenges faced by the bank which amongst other things culminated in the freeze on the issuance of new GEMVAS loans in October 2016 as well as the discontinuance of the insurance income and lastly, the continuing stiff competition in the market.

- **Dividend** - A dividend of P3,88 million will be payable to Government of Botswana against P3,99 million paid in the previous year. The reduction in dividend is due to change in taxation which reduced after-tax profits to P15,5 million.

- **Total Assets** - Total Assets exceeded the two (2) billion-pula mark with the Balance sheet increasing by 17.3% from P1,72 billion to P2,02 billion on the back of increased loans and advances (P364m). Most of the growth on the loans came from the RPA loan product which accounted for 60% of the total growth. This is despite the fact that the product was placed on indefinite freeze period since October 2016.

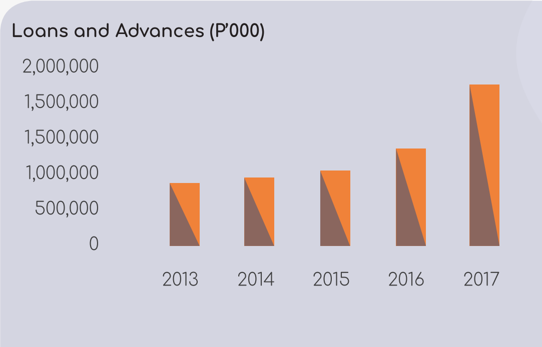
- **Deposits due to Customers** - The deposit book grew by 18% from P1,39 billion to P1,65 billion primarily driven by an increase in Corporate Fixed Deposits which contributed 99% of the total growth while the rest of the products remained largely stagnant or recorded marginal declines. This is reflective of the difficulty in sourcing and maintaining retail deposits which have been on a decline from previous years given the prevailing low interest rate environment. However, the bank has been aggressively countering this development with the Special Savings Promotion.

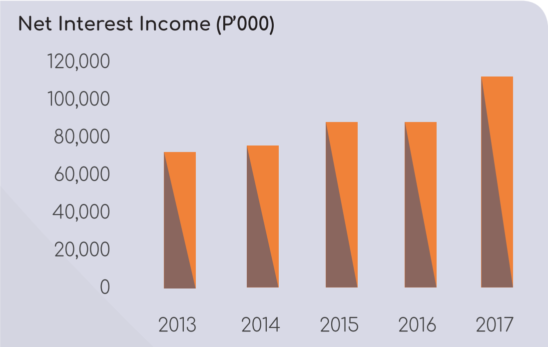
- **Cash and cash equivalents** - Cash and cash equivalent grew over two-folds from P14,3 million to close the year at P35 million. This was due to improved liquidity management.

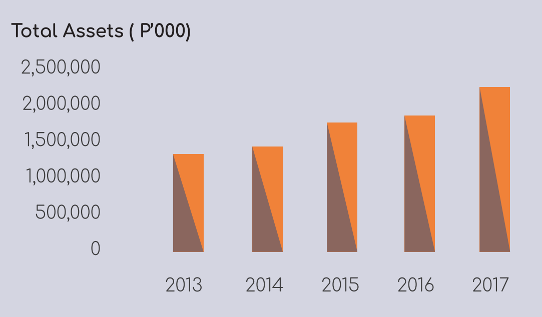
- **Loans and advances** - Loan and advance balances grew by 31% from P1,17 billion to P1,54 billion which contributed to the increase in interest income which registered a rise of 10%.

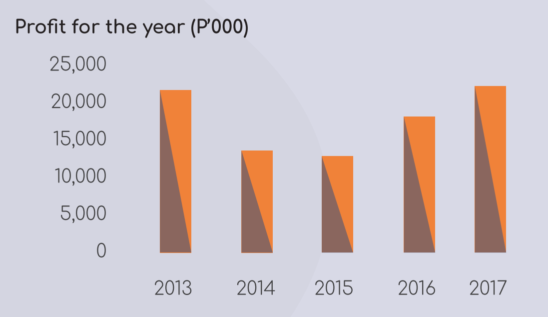
CHIEF EXECUTIVE OFFICER'S REPORT (Continued) FOR THE YEAR ENDED 31 MARCH 2017

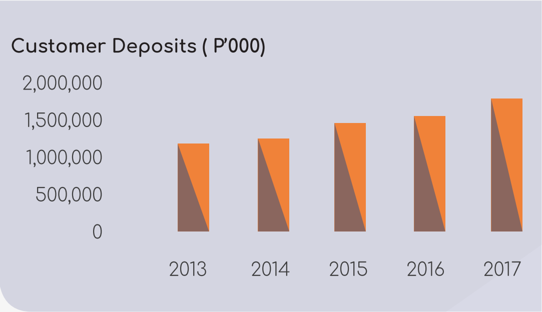
FINANCIAL HIGHLIGHTS - GRAPHS

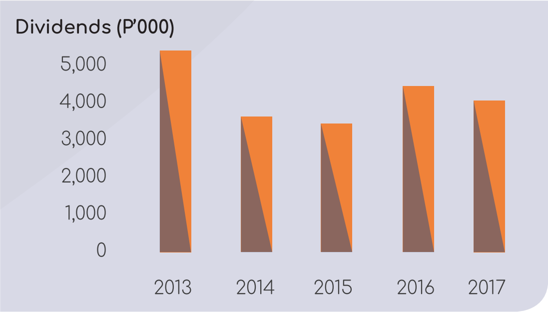












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Despite the above remarkable figures, the results also reveal some vulnerabilities that must be attended to as a matter of urgency. Whereas the Bank has registered 31% growth in the loans book, deposits continue to grow at significantly lower rates. This indicates that the Bank's ability to continue to grow its loan book is not sustainable in the medium to long-term. The continued decline in the retail deposit base coupled with excessive reliance on volatile corporate deposits as well as inadequate shareholder funding point to an improper and unsustainable funding mix. Not only will this create significant funding and liquidity mismatches for the Bank in the long term, but it also inhibits growth as the Bank does not have adequate capital to fund growth initiatives. In view of this, it is critical that the funding position of the Bank with its inherent risks be clearly communicated to the Shareholder. This shall be Management's top priority in the 2017/2018 financial year. Shareholder funding is particularly important given the ambitious growth strategy that the Bank has adopted. Shareholder funding is required to finance growth initiatives such as branch network expansion and implementation of core banking infrastructure.

The results also indicate significant deterioration in asset quality. In view of this, Management shall implement a series of initiatives to improve credit granting processes. Going forward, credit assessment processes shall incorporate an element of character appraisal to evaluate applicant's natural propensity to honor agreements.

Cost-to-income ratio remains at undesirable levels. This denotes operational inefficiency. This is essentially due to largely manual processes. The passbook operating model is extensively manual and costly to operate. Significant cost efficiencies may be generated from automated standard processes. As a result, digitization has been selected as a key strategic priority in the 2017/2018 financial year.

Operational Efficiency: Key to Unlocking Sustainable Value

Our renewed determination as the Leadership of the Bank is to build a highly agile, responsive and resilient organization. This process commenced with an honest evaluation of strategic performance at the end of the period under review. The performance review picked substantial execution challenges. As stated above, whilst the bank continued to exceed profitability and other financial targets, several key strategic challenges were noted: over half of strategic initiatives were not executed due to funding constraints; cost-to-income ratio remained quite high; asset quality continued to deteriorate and the bank operated on extensively manual processes.

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Operational Efficiency: Key to Unlocking Sustainable Value (continued)

In view of this, Management has devised an internally focused annual strategic plan for the 2017/2018 financial year that seeks to build a strong foundation for a highly agile and resilient organization. The goal is to become more efficient while consistently improving clients' experience. To achieve this, a continuous improvement mindset is critical.

The banking industry continues to face a multitude of shifting regulatory, competitive and economic factors. To effectively manage these factors, the Bank must deploy digital options to make processes highly responsive and less costly. The idea is to transform organizational capability through deploying new technology with advanced digital core banking functionalities.

This will also assist the Bank to get rid of manual processes, thereby generating significant sustainable cost efficiencies. In addition, a seamless multi-channel digital core banking infrastructure will capacitate the bank to provide unparalleled superior service to clients, thereby gaining sustainable competitive advantage.

The internal focus strategy will enable the Bank to build solid competencies across a broad spectrum of the business such as banking operations, finance and human capital to optimize internal controls. Enhanced controls will in turn generate significant operational efficiencies and reduce revenue leakages.

PROGRESS AGAINST OUR STRATEGIC AGENDA (Corporate Strategy 2016 -21)

During the 2016/2017 Financial Year, Management commenced implementation of a new, bold and highly ambitious strategy with on overarching objective of turning the Bank into "the number One African financial institution that turns clients into fans with its smooth life event financial solutions."

Through the strategy, greater focus will be on delivering a superior client experience and creating sustainable shareholder value. While driving consistent and predictable financial performance in the short-term, the ultimate objective is to position Botswana Savings Bank for sustainable financial success over the longer term. To achieve this, particular focus will be on four highly integrated strategic themes and these are:

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PROGRESS AGAINST OUR STRATEGIC AGENDA (Corporate Strategy 2016 -21) (Continued)

1. Achieving Long-term Financial Sustainability and Shareholder Value
2. Client Focus or Client Centricity
3. Driving a Radical Digital Transformation to Achieve Low Execution Friction and Adaptability Speed
4. Leadership And Employee Engagement

Achieving Long-term Financial Sustainability and Shareholder Value

The Bank has undertaken a comprehensive review of its business model as well as operating model and will launch a series of new initiatives to enhance profitability, and ensure that financial resources are well-deployed and well-aligned to the achievement of long-term financial sustainability and improvement in shareholder value. Among other things, these include strengthening the bank's approach to capital allocation and liquidity management. The focus is to manage limited capital more efficiently as well as adopt a balanced and prudent approach to growing both sides of the balance sheet.

In the recent past, excessive focus was on aggressively growing asset base while limited attention was given to growing sustainable sources of funding. The bank has commenced a process to optimize liquidity management. With this approach, the key focus is on growing loanable deposits and optimizing strategic capital allocation in order to enhance the Bank's risk adjusted margin. In this regard, the Bank will introduce a number of new savings mobilization initiatives and intensify marketing of existing savings products.

Client Focus or Client Centrality

The Bank has made good progress and is generating significant momentum towards becoming a client -focused institution. The introduction of life-event based solutions, and ATMs has gone a long way in generating client excitement about the bank's product mix and service channels.

In 2017, a set of new initiatives geared towards delivering superior experience for customers will be implemented. These include, defining a clear client service philosophy for the bank which will give the bank distinct competitive advantage over its competitors. The Bank will also develop client service standards and include these as a service promise or contractual obligation under the terms and conditions for operating an account with the Bank.

CHIEF EXECUTIVE OFFICER'S REPORT (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

Client Focus or Client Centrality (Continued)

This will clearly illustrate the Bank's commitment to serve clients better.

The Bank will also implement a new client experience management system across all service points.

This automated capability will allow the bank to actively listen to clients in real time, dynamically shape a better client experience and respond to client enquiries, complaints and suggestions within the shortest time possible. In addition, in the next year or two, the bank will deploy a series of digital options to enable anywhere, anytime banking to clients through mobile and electronic means.

Driving a Radical Digital Transformation to Achieve Low Execution Friction and Adaptability Speed

To become relevant, the Bank must abandon its legendary "passbook operating model" as matter of urgency. In fact, the world over, banking has moved into digital and virtual platforms. The passbook has no place in modern day banking.

As digital trends and changing client preferences continue to re-shape the role and relevance of branch network, the Bank will introduce digital options so that clients can bank how, when and where they want. Migration into a digital environment will mark the beginning of a new era for the Bank. To ensure the migration is implemented successfully, proper planning is critical. In view of this, a new Digital Banking Strategy shall be developed. This will lay a roadmap for introduction of new digital core banking infrastructure. It will also clearly stipulate the sort of new capabilities that are required, both from the leadership and people point of view.

With the digital core banking platform, the Bank will launch anywhere, anytime services through an appropriate mix of mobile and electronic self-service channels with straight-through processing capabilities. Overtime, more and more transactions will be redirected from branches to digital options. This will transform the way the bank serves its clients and generate substantial cost savings for the Bank.

This approach is a win-win solution for both clients and the Bank. Clients benefit from a superior experience in branches that are better tailored to their needs and the Bank benefits from lower operating costs as online and mobile channels are significantly more cost efficient than in-branch transactions. A digital environment will also transform core processes to be a lot more faster and friction-free, thereby improving service turnaround time and increasing client satisfaction levels.

CHIEF EXECUTIVE OFFICER'S REPORT (Continued) FOR THE YEAR ENDED 31 MARCH 2017

LEADERSHIP AND EMPLOYEE ENGAGEMENT

As the leadership of the Bank, we firmly believe that one of the best investments the Bank can make is in people. As a result, we create a supportive environment that enables employees to express their full potential. We promote and nurture a high empowerment business environment and provide employees with maximum possible latitude within regulatory constraints to take calculated risks and make significant judgement calls.

We have also taken bold steps to support individualized development of 'rare-talent' employees through on-the-job training and coaching, targeted development planning and greater alignment of career planning with business needs and career aspirations through proper and structured succession and talent management programs. To achieve the long-term goal of building a financially sustainable organization, important steps have been taken to enhance key elements of the Bank's culture. Specifically, a new clearly documented high-performance culture has been adopted. The Bank is now more intensely focused on ensuring that the new culture assimilates across the organization. The idea is to create a vibrant and lively climate as well as resonant culture that is ripe with persistent hope, enthusiasm and can-do mentality.

We have also reviewed and enhanced the performance management framework. The new framework places emphasis on disproportionately incentivising exceptional individual value creation and brilliance that delivers more than just the salary demands.

Although the new culture is only evolving, it has been fully embraced by the leadership team, and is resonating strongly across the Bank. Relationships are grounded on mutual respect, authenticity and trust.

As the Bank migrates into the digital world, new and special skills will certainly be required. In acquiring new skills, the Bank will balance external acquisition with internal high performing talent development. As we enhance the depth and diversity of the senior leadership team, specific focus will be in acquiring talent with strong expertise and experience in digital banking.

We are proud to announce that currently our leadership team comprises young professionals, 40% of whom are women.

As a fiduciary institution, the goodwill and reputation of the Bank must be jealously protected. In line with this, the Leadership of the Bank continues to vigorously promote a culture of operating ethically and acting with integrity.

CHIEF EXECUTIVE OFFICER'S REPORT (Continued)
FOR THE YEAR ENDED 31 MARCH 2017

LEADERSHIP AND EMPLOYEE ENGAGEMENT (Continued)

Corporate Citizenship

As a corporate citizen, we believe the responsibility to give back and make a positive impact in the communities in which we live and work is not just a social agenda; it is a good way of doing business. From time to time, we extend financial, social and humanitarian support to organizations that are building strong and resilient communities. Our key focus is on youth and women empowerment initiatives. We also spend a considerable amount of resources to assist charitable organizations to restore dignity to disadvantaged individuals and groups as well as address social ills and general moral decadence in the country.

Thank You

I would like to express sincere gratitude to the Board, the Honourable Minister of Transport and Communications, the Permanent Secretary in the Ministry of Transport & Communications and his leadership team for the trust and confidence they have shown in us. We are extremely humbled, honoured and privileged to have such a supportive Board and Ministry. We sincerely appreciate your guidance, encouragement and support. I am very confident that the Bank's best days lie ahead as we continue to build on our momentum and fruitful partnership.

I also wish to appreciate and applaud the individual and collective efforts of the **"Smooth Banking"** team. It is through their individual brilliance and collective and unquestionable championing of the BSB values that the Bank continues to achieve great success.

To our clients, I would like to thank you most wholeheartedly for trusting us to grow your wealth. We promise to give you **smooth** service at all times.

To our partners and other stakeholders, I wish to thank you for partnering with us to deliver smooth life event solutions to our clients.

I thank you;

____

Mr. Modise Gokatweng

Chief Executive Officer (Acting)

BOARD MEMBERS

BOARD MEMBERS

MRS J. C. MMEREKI-WHITE
(Non-Executive Director) Board Chairperson

MR T. GABARAANE
(Non-Executive Director) Vice Board Chairperson

MS M. GAOBAKWE
(Non-Executive Director)

MR B. L. MAFATLANE
(Non-Executive Director)

MR M. C. Z. LIBENGO
(Non-Executive Director)

MRS Q. NKATE
Lil-Que Consultants (Board Secretary)

MS M. BASINYI
Non-Executive Director

MRS E. RICHARD-MADISA
Non-Executive Director

BOTSWANA SAVINGS BANK
ANNUAL FINANCIAL STATEMENTS
31 MARCH 2017

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DIRECTORS' RESPONSIBILITY STATEMENT
FOR THE YEAR ENDED
31 MARCH 2017

The Directors of Botswana Savings Bank are responsible for the preparation and fair presentation of the financial statements comprising the statement of financial position as at 31st March 2017 and the statements of profit and loss and other comprehensive income, changes in equity and the cash flows for the year then ended and a summary of significant accounting policies and notes to the financial statements in accordance with international Financial Reporting Standards and in the manner required by the Botswana Savings Bank Act of 1992.

The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the ability of the Bank to continue as going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The Auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the financial statements

The financial statements of Botswana Savings Bank, as identified in the first paragraph, were approved by the Board of Directors on 24th August, 2017 and signed on their behalf by:

Mrs Juliana White
Chairperson

pwc

Independent auditor's report

To the Members of Botswana Savings Bank

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Botswana Savings Bank (the "Bank") as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

Botswana Savings Bank's financial statements set out on pages 35 to 100 comprise:

- the statement of financial position as at 31 March 2017;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the Botswana Institute of Chartered Accountants Code of Ethics (the "BICA Code") and the ethical requirements that are relevant to our audit of financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with these requirements and the BICA Code. The BICA Code is consistent with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (Parts A and B).

Other information

The directors are responsible for the other information. The other information comprises the general information, the Chairman's report, the Chief Executive Officer's report and the Directors' responsibility statement, which we obtained prior to the date of this auditor's report. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

PricewaterhouseCoopers, Plot 50371, Fairground Office Park, Gaborone, P O Box 294, Gaborone, Botswana
T: (267) 395 2011, F: (267) 397 3901, www.pwc.com/bw

Country Senior Partner: B D Phirie
Partners: R Binedell, A S Edirisinghe, L Mahesan, R van Schalkwyk, S K K Wijesena

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of

our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Pricewaterhousecoopers

Individual practicing member: Rudi Binedell
Membership number: 20040091

Gaborone
29 September 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED
31 MARCH 2017

	Note	2017 P'000	2016 P'000 (Restated)
Interest Income		182 551	166 171
Interest expense		(77 925)	(84 590)
Net Interest Income	1	104 626	81581
Fee and commission Income		9 448	11 802
Fee and commission expense		(7 833)	(7 713)
Net fee and commission Income	2	7615	4 089
Net operating income		106 241	85 670
Other income	3	2 836	2 528
Total Income		109 078	88 198
Net Impairment loss of financial assets	4	(9 689)	(7 342)
Net income		99389	80 856
Employee benefits	5	(40 510)	(40 436)
Operating lease expenses		(2 253)	(1 458)
Depreciation and amortisation	6	(7 124)	(4 644)
Administrative and general expenses	7	(29 333)	(21 536)
Profit before taxation		20168	12 782
Income taxation	8	(4 660)	-
Profit for the year		15 508	12 782
Other comprehensive Income		-	-
Total comprehensive income for the year		15 508	12 782

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Note	2017 P'000	2016 P'000 (Restated)	2015 P'000 (Restated)
ASSETS				
Cash and cash equivalents	9	35 016	14 358	18 550
Balances with other Banks	10	376 488	464 256	556 371
Loans and advances to customers	11	1 538 020	1 174 194	914 522
Balances with related parties	12	16 550	16 918	19 332
Property and equipment	13	33 126	30 863	26 846
Intangible assets	14	6 506	6 894	7 542
Other assets	15	11 506	12 502	11 788
Total assets		**2 017 212**	**1 719 985**	**1 554 951**
EQUITY AND LIABILITIES				
LIABILITIES				
Borrowings	16	108 653	108 653	-
Deposits due to customers	17	1 650 170	1 393 352	1 358 642
Other liabilities	18	64 710	45 851	34 902
Deferred income	19	9 243	7 369	6 260
Dividend	20	-	3 979	6 249
Current tax liability		3 810	-	-
Deffered tax liability	21	850	-	-
Dormancy account liability	22	20 988	17 501	14 421
Total liabilities		1 858 424	1576 705	1 420 474
EQUITY				
Unrecallable capital	23	19 721	19 721	19 721
Statutory reserve	24	43 766	39 889	35 910
Retained earnings		95 301	83 670	78 846
Total equity		158 788	143 280	134 477
Total equity and liabilities		**2 017 212**	**1 719 985**	**1 554 951**

STATEMENT OF CASH FLOWS AS AT 31 MARCH 2017

	Note	2017 P'000	2016 P'000
OPERATING ACTIVITIES			
Interest receipts		183 475	168 377
Interest payments		(64 490)	(79 875)
Fees and commission receipts		9 448	11 802
Rent and other income received		2 704	2 528
Cash payments to employees and suppliers		(79 971)	(68 758)
Cash from operating activities before changes in operating assets and liabilities		**51 166**	**34 074**
Changes in operating assets and liabilities			
Movement in loans and advances to customers		(373 716)	(269 975)
Movement in amounts due to customers		245 195	33 649
Movement in other assets		996	(714)
Movement in deferred income		1 874	1 109
Movement in other liabilities		18 858	10 950
Movement in related party balances		368	(2 414)
Net cash (used in)/ from operating activities		**(55 258)**	**(188 493)**
INVESTING ACTIVITIES			
Purchase of property, equipment and software		(9 098)	(8 013)
Proceeds from sale of property, equipment and software		1 225	-
Movement in Fixed deposits with Banks		87 768	89 910
Net cash from /(used in) investing activities		79 895	81 897
FINANCING ACTIVITIES			
Movements on Government Loan		-	108 653
Dividend paid		(3 979)	(6 249)
Net cash from financing activities		(3 979)	102 404
Net movement in cash and cash equivalents		20 658	(4 192)
Cash and cash equivalents at beginning of year		14 358	18 550
Cash and cash equivalents at end of year		35 016	14 358

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED
31 MARCH 2017

	Unrecollable Capital P'000	Statutory reserve P'000	Retained earnings P'000	Total equity P'000
Balance at 31 March 2015- as previously reported	19 721	35 910	93 347	148 978
Impact on correction of prior periods error	-	-	(14 501)	(14 501)
Balance at 31 March 2016 (Restated)	19 721	35 910	78 846	134 477
Comprehensive income for the year - Restated	-	-	12 782	12 782
Dividends declared during the year	-	-	(3 979)	(3 979)
Transfer to statutory reserve	-	3 97	(3 979)	-
Balance at 31 March 2016 (Restated)	19 721	39 889	83 670	143 280
Comprehensive income for the year	-	-	15 508	15 508
Dividends declared during the year	-	-	-	-
Transfer to statutory reserve	-	3 877	(3 877)	-
Balance at 31 March 2017	19 721	43 766	95 301	158 788

SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED
31 MARCH 2017

STATEMENT OF COMPLIANCE

Botswana Savings Bank is an entity incorporated under the Botswana Savings Bank Act, 1992. The statutory financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Botswana Savings Bank Act, 1992. These financial statements represent the Bank's statutory financial statements and have been approved by the Board of Directors on the 24 August 2017.

BASIS OF PREPARATION

The financial statements are presented in Botswana Pula, which is the Bank's functional currency and are rounded off to the nearest thousand, unless otherwise stated.

The financial statements have been prepared under the historical cost basis, except where otherwise stated. The financial statements incorporate the following accounting policies which are consistent with those applied in the previous year, except where otherwise stated.

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis and these relate mainly to the fair valuation of staff loans that attract interest lower than market rates, assessment of residual values and useful lives of property and equipment and estimation of the impairment losses on the loans and advances due from customers. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

SIGNIFICANT ACCOUNTING POLICIES (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

KEY SOURCES OF ESTIMATION UNCERTAINLY

Allowances for credit losses

The specific counter party component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of cash flows that are expected to be received. In estimating these cash flows, management makes judgments about the counter party's financial situation and the net releasable value of any underlying collateral. Each impaired asset is assessed on its merits and the work out strategy and estimate of cash flows considered recoverable are independently approved by the credit department.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics where there is objective evidence to suggest that they contain impaired claims, but individual impaired items cannot yet be identified.

In assessing the need for collective Loan Loss Allowances, management considers factors such as credit quality, portfolio size, concentration and economic factors.

In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled out to determine the required input parameters based on historical experience and current economic conditions.

Determination of fair values

The determination of fair values of assets and liabilities for which there is no observable markets prices requires the use of valuation techniques as described in the accounting policy for financial instruments below. For financial instruments that trade frequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration uncertainty of market factors, pricing assumptions and other risks affecting the instrument.

Income tax

Significant judgement is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

SIGNIFICANT ACCOUNTING POLICIES (Continued) FOR THE YEAR ENDED 31 MARCH 2017

KEY SOURCES OF ESTIMATING UNCERTAINITY (Continued)

Income tax (continued)

The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Income Tax Act was amended during February 2016 to bring all parastatal entities and other state-owned enterprises, which had previously been exempted from income tax, to be within the ambit of the Act. The revised Act allows the Minister of Finance and Economic Development to exempt specific parastatal entities and state-owned enterprises from income tax. The Honourable Minister identified those entities which are to be exempted from income tax in the Income Tax (Bodies Corporate Exempt From Tax) Regulation, 2016 of 1 July 2016. The Bank was not identified as an exempt entity in this regulation and is thus subject to income tax for the first time in the current year.

The Botswana Unified Revenue Services (BURS) has not issued any guidelines as to any transitional arrangements which would apply in the first tax period for the newly taxable entities.

Accordingly, the Bank has estimated the income tax liability for the current year based on management's best interpretation of the income Tax Act as it may apply to the Bank. This has required the Bank to make a number of judgments in the calculation of its current and deferred tax charges and balances. The most significant of these judgments are:

- the income tax liability has been calculated based on the income for the full year financial year (although a possible interpretation of the Income Tax Act may indicate that this should be portion of the financial year)
- capital allowances on property, plant and equipment existing at the beginning of the financial year have been calculated using the accounting book value of such property and equipment as at 31 March 2016 as proxy for cost in accordance with the Income Tax Act.
- the full cost of computer software has been claimed for income tax purposes.

SIGNIFICANT ACCOUNTING POLICIES (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

KEY SOURCES OF ESTIMATING UNCERTAINTY (Continued)

These judgments maybe challenged by BURS during future financial periods, as and when income tax assessments are submitted, etc. Any changes in the recorded value of current and deferred income tax as a result of different views taken by BURS will be accounted for in the financial statements for the year when such changes occur.

NEW STANDARDS AND INTERPRETATIONS

(a) Standards, amendments,improvements to published standards and interpretations adopted by the Bank for the first time

IFRS	Effective date	Executive summary
Amendments to IAS 1,' Presentation of financial statements' disclosure initiative	01-Jan-16	In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on initiative materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. No material impact on bank's financial statements.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted by the Bank earlier

IFRS	Effective Date
Amendment to IAS 12 - Income taxes Recognition of deferred tax assets for unrealised losses.	Annual periods beginning on or after 1 January 2017
Amendment to IAS 7-Cash flow statements Statement of cash flows on disclosure initiative	Annual periods beginning on or after 1 January 2017
IFRS 15 - Revenue from contracts with customers.	Annual periods beginning on or after 1 January 2018

SIGNIFICANT ACCOUNTING POLICIES (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

NEW STANDARDS AND INTERPRETATIONS (Continued)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted by the Bank earlier - continued

IFRS	Effective Date
IFRS 9 - Financial Instruments (2009 & 2010) • Financial liabilities • Derecognition of financial instruments • Financial assets • General hedge accounting	Annual periods beginning on or after 1 January 2018
IFRS 16 - Leases	Annual periods beginning on or after 1 January 2019 - earlier application permitted if IFRS 15 is also applied.
Amendments to IFRS 10, Consolidated financial statements and IAS 28, Investments in associates and joint ventures on sale or contribution of assets	Effective date postponed (intially 1 January 2016)
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,Investments in associates and joint ventures' on sale or contribution of assets	Effective date postponed (initially on 1 January 2016)

IFRS 9 will be adopted by the Bank for the first time for its financial reporting period ending 31 March 2019.

The standard forms parts of the IASB's project to replace IAS 39. It will be applied retrospectively, subject to transitional provisions.

SIGNIFICANT ACCOUNTING POLICIES (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

NEW STANDARDS AND INTERPRETATIONS (Continued)

IFRS 9 addresses the classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The standard also includes guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, without change, except for financial liabilities that are designated at fair value through profit or loss.

Impairments

IFRS 9 introduces a revised impairment model which requires entities to recognise expected credit losses based on forward-looking information, replacing the existing incurred loss model which only recognised impairment if there was objective evidence that a loss was already incurred. The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, lease receivables, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts

The introduction of the revised impairment model is expected to have a material financial impact and impairment charges will tend to be more volatile. Impairment will also be recognised earlier and the amounts recognised as impairment losses will be higher.

Key concepts and management judgement

The impairment requirements are complex and require management judgments, estimates and assumptions. Key concepts and management judgments will continue to be refined during the 2017 parallel run and as any further authoritative guidance is issued, and include;

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted by the Bank earlier - continued

a. Determining a significant increase in credit risk since initial recognition

IFRS 9 requires the recognition of 12 month expected credit losses (the expected credit losses from default events that are expected within 12 months of reporting date) if credit risk has not significantly increased since initial recognition (stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition or which are credit impaired.

SIGNIFICANT ACCOUNTING POLICIES (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

NEW STANDARDS AND INTERPRETATIONS (Continued)

Botswana Savings Bank expects to estimate when a significant increase in credit risk has occurred based mainly on qualitative assessments. Qualitative drivers of a significant increase in credit risk are expected to include exposures determined to be higher risk (by credit risk) and subject to closer credit risk monitoring, with a backstop factor of more than 90 days past due. For significant portfolios, an additional quantitative driver based on changes in weighted average cumulative lifetime probabilities of default may be used in conjunction with the qualitative factors.

b. **Definition of default and credit Impaired assets**
   The definition of default for the purpose of determining expected credit losses is expected to be aligned to the Regulatory Capital CRR Article 178 definition of default, which considers indicators that the debtor is unlikely to pay, includes exposures in forbearance and is no later than when the exposure is more than 90 days past due. When exposures are identified as credit impaired or purchased or originated as such, IFRS 9 requires separate disclosure and Interest income to be recognised on the net carrying amount rather than the gross carrying amount.

(b) Standards, amendments and Interpretations to existing standards that are not yet effective and have not been adopted by the Bank earlier - continued

IFRS 15 - Revenue from contracts with customers

This standard aims to be a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of goods or services transfer to a customer.

This amendment is not expected to have a material effect on the financial statements of the Bank.

SIGNIFICANT ACCOUNTING POLICIES (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

NEW STANDARDS AND INTERPRETATIONS (Continued)

IAS 12 - Income taxes

This amendment will be adopted by the Bank for its financial period ending 31 March 2018. The amendment was issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets.

The amendment clarifies the existing guidance under IAS 12. It does not change the underlying principles for the recognition of deferred tax assets.

IAS 7 - Cash flow statements

This amendment will be adopted by the Bank for its financial period ending 31 March 2018.

In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities. The amendment is not expected to have a material effect on the financial statements of the Bank.

(b) Standards, amendments and Interpretations to existing standards that are not yet effective and have not been adopted by the Bank earlier - continued

IFRS 16-Leases

This amendment will be adopted by the Bank for its financial period ending 31 March 2020. This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular.

Under IAS 17, lessees were required to make a distinction between a finance Lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a

SIGNIFICANT ACCOUNTING POLICIES (Continued)
FOR THE YEAR ENDED
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NEW STANDARDS AND INTERPRETATIONS (Continued)

lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between Lessors and Lessees. Under IFRS 16, a contract is, or contains, a Lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 16 supersedes IAS 17, 'Leases', iFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases - Incentives' and SIC 27, 'Evaluating the \Substance of Transactions Involving the Legal Form of a Lease'. On adoption to IFRS 16 those Leases will be brought onto the balance sheet and result in the recognition of a right of use asset and lease liability.

FOREIGN CURRENCY TRANSACTIONS

Transactions conducted in foreign currencies are translated to Botswana Pula at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities that are measured at fair value in the foreign currency are translated to Botswana Pula at the exchange rate when the fair value was determined. Foreign exchange differences are recognised in profit and loss,

INTEREST INCOME AND EXPENSE

Interest income and expense for all interest-bearing financial instruments is recognised on an accrual basis using the effective yield method on the original settlement amount. Interest income includes the amortisation of any discount or other differences between the initial carrying amount of an interest bearing instrument and its amount calculated on an effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or expense over the relevant period.

SIGNIFICANT ACCOUNTING POLICIES (Continued)
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INTEREST INCOME AND EXPENSE (Continued)

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Where the estimates of payments and receipts on financial assets or financial liabilities are subsequently revised, the carrying amount of the financial asset or financial liability is adjusted to reflect actual and revised estimated cash flows. The carrying amount is calculated by comparing the present value of the estimated cash flows at the financial asset or financial liability's original effective interest rate. Any adjustment to the carrying value is recognised in the net interest income.

When a financial asset of a Bank has been written down as a result of an impairment loss, interest income is recognised using the rate of interest that discounts the future cash flows of the asset for the purpose of measuring the impairment loss.

FEE AND COMMISSION INCOME

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

INCOME TAX

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Income tax is recognised in profit or loss unless it relates to items directly in equity or other comprehensive income in which instance it is recognised in equity or to her comprehensive income.

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined

SIGNIFICANT ACCOUNTING POLICIES (Continued)
FOR THE YEAR ENDED
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INCOME TAX (Continued)

using tax rates and laws that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liabilitiy is settled.

The principal temporary differences arise from depreciation of property and equipment, the changes in fair value of financial assets and liabilities which are measured at fair value, provisions for bad debts and tax losses carried forward. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profits nor loss, in initial recognition of goodwill and differences relating to investments in subsidiaries may be extended if probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The tax effects of income tax losses available for carry-forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realistic.

Deferred taxation is not recognised when it arises from:

- Temporary differences on initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profits or loss.

- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

- Taxable temporary differences arising from the initial recognition of goodwill.

Additional Income taxes that arises from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividends is recognised.

Withholding tax of 7.5% is payable on the gross value of the dividends.

SIGNIFICANT ACCOUNTING POLICIES (Continued)
FOR THE YEAR ENDED
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FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSETS

The Bank classifies its financial assets in the following categories'

a) financial instruments at fair value through profit or loss, and

b) loans and advances

c) held to maturity financial assets

Management determines the classification of financial assets at initial recognition.

Financial instruments at fair value through profit or loss

Financial instruments are classified in this category if they are held for trading, or if they are designated by management under the fair value option. Financial instruments are classified as held for trading if they are:

a) Acquired or incurred principally for the purpose of selling or repurchasing in the near term;
b) Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking or;
c) A derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial instruments may be designated at fair value through profit or loss (designated under the fair value option) on inception. Financial instruments cannot be taken into or out of this category after inception. Financial instruments designated at fair value are recognised initially at fair value and transaction costs are taken directly to profit or loss. Gains and losses arising from changes in fair value are included directly in profit or loss. The instruments are derecognised when the rights to receive cash flows have expired or the Bank has transferred substantially all the risks and rewards of ownership and the transfer qualifies for de-recognition. Regular way purchases and sale of financial instruments held for trading under the fair value option are recognised on trade date, being the date on which the Bank irrevocably commits to purchase or sell the asset.

SIGNIFICANT ACCOUNTING POLICIES (Continued)
FOR THE YEAR ENDED
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FINANCIAL ASSETS AND LIABILITIES (Continued)

FINANCIAL ASSETS (Continued)

Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. They arise when the Bank provides money or services directly to a customer with no intention of trading the loan. Loans and receivables are initially recognised at fair value including direct and Incremental transaction costs. They are subsequently measured at amortised cost, using the effective interest method. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount minus any reduction for impairment. They are derecognised when the rights to receive cash flows have expired or when the Bank transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all risks and rewards of ownership of financial assets are transferred. Loans and advances extended to members of staff at rates below the ruling market rates are originally recorded at amortised cost, determined based on the effective interest yield method. Under this method, the fair value of the capital value granted is measured as the present value of anticipated future cash flows discounted at an applicable market interest rate. The difference between the capital amount advanced and amortised cost is recognised as an expense when the loan is granted and unwinds to income over the period of the loan based on the effective interest rate yield curve.

Regular way purchases and sale of loans and advances are recognised on contractual settlement. The majority of the Bank's advances are included in the loans and advances category.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivate financial assets with fixed or determinable payments and fixed maturities that the Bank's management has positive intention and ability to hold to maturity. If the Bank were to sell other than a significant amount of held-to-maturity assets, the entire category would be reclassified as available-for-sale. Held-to-maturity assets are stated at amortised cost using the effective interest method, less any impairment losses.

SIGNIFICANT ACCOUNTING POLICIES (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

FINANCIAL ASSETS AND LIABILITIES (Continued)

FINANCIAL ASSETS (Continued)

Cash and cash equivalents

Cash and cash equivalents include notes and coins in hand, balances with the central bank and other short term highly liquid investments that are readily convertible to known amount of cash, subject to insignificant risk in changes in value. These are used in the management of short term commitments. Cash and cash equivalents are stated at amortised cost using the effective interest method, less any impairment losses.

Fixed deposits / Investments with Banks

Fixed deposits with Banks are investments with regulated banks with original maturities of one month or more from inception date that are subject to insignificant risk in change in value, and are used by the Bank in the management of its loan commitments.

Fixed deposits with banks are measured at amortised cost using the effective interest method, less any impairment losses.

FINANCIAL LIABILITIES

Financial liabilities, other than trading liabilities and financial liabilities designated at fair value through profit or loss, are measured at amortised cost using the effective interest method. Financial liabilities are derecognised when they extinguished.

Amounts due to customers

Amounts due to customers on savings and deposit accounts comprise deposits held on behalf of members of the public and corporate bodies and are initially recorded at the fair value of the consideration received. Such accounts are subsequently measured at amortised cost determined based on the effective interest yield method. All customer savings and deposit accounts are repayable on demand except where there is an express statement to the contrary.

Borrowings

Borrowings are initially recognised at fair value, generally being their issue proceeds, net of directly attributable transaction costs incurred. Borrowings are subsequently measured at amortised cost and interest is recognised using effective interest method.

SIGNIFICANT ACCOUNTING POLICIES (Continued)
FOR THE YEAR ENDED
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FINANCIAL ASSETS AND LIABILITIES (Continued)

FINANCIAL LIABILITIES (Continued)

Determining fair value

Where the classification of a financial instrument requires it to be stated at fair value, this is determined by reference to the quoted bid price or asking price (as appropriate) in an active market whenever possible. Where no such active market exists for the particular asset, the Bank uses appropriate valuation techniques to arrive at the fair value, including the use of prices obtained in recent arms' length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when, and only when, there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by international Financial Reporting Standards.

Impairment of financial assets

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or a portfolio of financial assets carried at amortised cost is impaired. A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the reporting date ('a loss event'} and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

Objective evidence that a financial asset or a portfolio is impaired includes observable data that comes to the attention of the Bank about the following loss events:

SIGNIFICANT ACCOUNTING POLICIES (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

FINANCIAL ASSETS AND LIABILITIES (Continued)

FINANCIAL LIABILITIES (Continued)

Impairment of financial assets (Continued)

i) Significant financial difficulty of the issuer or obligor;
ii) a breach of contract, such as a default or delinquency in interest or principal payments;
iii) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not other wise consider;
iv) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
v) the disappearance of an active market for that financial asset because of financial difficulties; or
vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
vii) Adverse changes in the payment status of borrowers in the portfolio;
vii) National or Local economic conditions that correlate with defaults on the assets in the portfolio.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not Individually significant, if the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it Includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For loans and advances, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognised using an allowance account and the amount of the loss is included in profit or loss.

SIGNIFICANT ACCOUNTING POLICIES (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

FINANCIAL ASSETS AND LIABILITIES (Continued)

FINANCIAL LIABILITIES (Continued)

Impairment of financial assets (Continued)

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counter party's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Following impairment, interest income is recognised using the original effective rate of interest which was used to discount the future cash flows for the purpose of measuring the impairment loss.

When a loan is irrecoverable, it is written off against the related allowance account for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the allowance account for loan impairment in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of profit or loss.

SIGNIFICANT ACCOUNTING POLICIES (Continued)
FOR THE YEAR ENDED
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PROPERTY AND EQUIPMENT

Property and equipment ore carried at cost less accumulated depreciation and impairment loses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Where parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment. Gains and losses on diposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amounts of these items and are recognised in profit and loss. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Repairs and maintenance costs are recognised in profit or loss during the financial period in which they are incurred. However, major renovations are capitalised and included in the carrying amount of the assets when it is probable that future economic benefits in excess of the originally assessed standard of performance of the assets will flow to the Bank. Major renovations are depreciated over the remaining useful life of the related asset or until the next planned major renovations, if this period is shorter. The carrying amount of the replaced part Is derecognised. Depreciation on property and equipment is calculated using the straight line method to allocate the depreciable carrying amounts of the assets over their estimated remaining useful and economic lives. The following are the estimated useful lives applied in depreciating the Bank's assets.

Leasehold properties	Unexpired period of the lease
Buildings	50 years
Motor vehicles	5 years
Office and computer equipment	5 years
Furniture and fittings	6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least annually.

Impairment of property and equipment

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to the recoverable amount.

SIGNIFICANT ACCOUNTING POLICIES (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

PROPERTY AND EQUIPMENT (Continued)
Impairment of property and equipment (Continued)

The recoverable amount of assets is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. For an asset that does not generate largely independent cash lows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are recognised in profit and loss.

Where an impairment loss subsequently reverses, the carrying amount of the assets (cash generating unit) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior periods. A reversal of an impairment loss is recognised in profit or loss as income immediately unless the relevant asset is carried at a revalued amount in which case the reversal of the impairment loss is treated as an increase in the revaluation reserve.

INTANGIBLE ASSETS

Intangible assets are carried at cost less accumulated amortisation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs including developments costs are recognised in the asset's carrying amount or as separate assets when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. However, research costs are recognised in profit or loss during the financial period in which they are incurred.

The amortisation of the intangible assets with finite useful economic lives is calculated on a straight-line basis to allocate the depreciable carrying amount of the assets over their estimated remaining useful and economic lives, which in the Bank's case is 5 years.

The assets' useful lives are reviewed, and adjusted if appropriate, at least annually. However, intangible assets such as software licenses are not freely tradable, and as such they are regarded as having nil residual values. Intangible assets with indefinite useful and economic lives are not depreciated but are assessed for the appropriateness of the infinite useful life criteria and impairment indicators at least annually.

SIGNIFICANT ACCOUNTING POLICIES (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

INTANGIBLE ASSETS (Continued)

Impairment of intangible assets

The carrying values of intangible assets are reviewed for impairment on annual basis. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units ore written down to the recoverable amount. The recoverable amount of assets is the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset.

For on asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are recognised in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the assets (cash generating unit) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior periods. A reversal of an impairment loss is recognised as income in profit or loss immediately unless the relevant asset is carried at a revalued amount in which case the reversal of the impairment loss is treated as an increase in the revaluation reserve.

UNRECALLABLE CAPITAL

This represents equity contributed by the Government of Botswana and is recognised at the fair value of the consideration received.

DIVIDEND DISTRIBUTION

Dividends declaration is done with reference to the Botswana Savings Bank Act of 1992. The rate of on the profit for the year is arrived at after considering the circumstances at the time including anticipated growth.

Dividends are recognised as a liability in the period that they ore declared by the directors. Dividends declared are recognised directly in equity.

SIGNIFICANT ACCOUNTING POLICIES (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

TRANSACTIONS WITH BOTSWANA POSTAL SERVICES

These comprise of the settlement of deposits and withdrawals transacted by customers at post offices. All amounts are stated at cost and settlement is made periodically net of agreed agency fees, which are payable to the Botswana Postal Services under the terms of the agency agreement.

EMPLOYEE BENEFITS

Termination benefits

Certain employees are entitled to terminal gratuities in accordance with their contracts of employment. An accrual is recognised for the estimated liability for such employees up to the reporting date. This accrual is based on un-discounted current wage and salary rates. However, all other employees are members of the bank's pension scheme.

Leave pay accrual

Employees' entitlement to annual leave and other benefits are recognised when they accrue to employees. An accrual is recognised for the estimated liability for annual leave and other benefits as a result of services rendered up to the reporting date. This accrual is based on un-discounted current wage and salary rates.

Pension obligations

The Bank operates a defined contribution pension scheme and its assets are managed by an independent company under supervision of the board of trustees. The Bank pays 15% contributions on behalf of its employees and the employees contribute 5% of basic salary. Once the contributions have been made, the Bank has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other in making financial or operating decisions. A number of transactions are entered into with related parties in the normal course of business. These transactions are carried out based on mutually agreed terms and conditions.

SIGNIFICANT ACCOUNTING POLICIES (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

LEASES

Agreements which transfer substantially all the risks and rewards of ownership, with or without ultimate legal title, are classified as finance leases. The present value of the lease payments, under a finance lease agreement, discounted at the rate of interest implicit in the lease, is recognised as a receivable.

The difference between the total payments receivable under the lease and the present value of the receivable is recognised as unearned finance income, which is allocated to accounting periods using the effective interest yield method.

Leases which merely confer the right to the use of the asset are treated as an operating lease, with the contractual lease payments recognised in profit or loss on a straight line basis over the period of the tease.

When an operating lease is terminated before the lease period has expired, any payments required to be made to the lessor by way of penalty is recognised as an expense in profit or loss in the period in which termination takes place.

FINANCIAL RISK MANAGEMENT
FOR THE YEAR ENDED
31 MARCH 2017

The Bank's activities expose it to a variety of risks. Taking measured risks is core to the financial business sector, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

Risk management is carried out by the Bank under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. In addition, internal audit is responsible for the independent review of risk management and the control environment.

The activities of the Bank to a large extent make use of financial instruments. The Bank accepts deposits from its customers at fixed rates, and for varying periods, and therefore, would seek to earn interest margins by investing in high quality assets.

The Bank also mitigates its lending risks by giving out loons that are either guaranteed or have been granted against collateral or are based on employer direct deductions from payroll. The Bank is exposed to the following risks arising from its use of financial instruments:

a) Market risk
b) Credit risk
c) Liquidity risk
d) Capital risk
e) Market risk

a) Market risk

Market risk is the risk that changes in market prices such as interest rates will affect the Bank's income.

FINANCIAL RISK MANAGEMENT (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

Interest rate risk

The Bank is exposed to interest rate risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position (fair value interest rate risk) and cash flows (cash flow interest rate risk).

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rotes. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored regularly by the Operations Department.

The table below summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

31 March 2017	0-3 months P'000	3-12 months P'000	1-5 years P'000	Over 5 years P'000	Total P'000
Assets					
Fixed deposits with Banks	346 488	30 000	-	-	376 488
Loans and advances	7 305	13 298	421 541	1 095 876	1 538 020
Total financial assets	**353 793**	**43 298**	**421 541**	**1 095 876**	**1 914 508**
Liabilities					
Deposits due to customers	1 034 818	344 043	221 309	50 000	1 650 170
Borrowings	108 653	-	-	-	108 653
Total financial Liabilities	1 034 818	347 696	224 643	131 666	1 758 823
Total interest re-pricing gap	(681 025)	(304 398)	176 898	964 210	155 685
Effect of a 1% increase on profit for the year	(6 810)	(3 044)	1 769	9 642	1 557

FINANCIAL RISK MANAGEMENT (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

Interest rate risk (continued)

31 March 2016	0-3 months P'000	3-12 months P'000	1-5 years P'000	Over 5 years P'000	Total P'000
Assets					
Fixed deposits with Banks	393 321	70 935	-	-	464 256
Loans and advances	63 582	5 847	404 938	717 461	1 191 828
Total financial assets	**456 903**	**76 782**	**404 938**	**717 461**	**1 656 084**
Liabilities					
Deposits due to customers	1 019 044	171 679	152 629	50 000	1 393 352
Borrowings	-	-	-	108 653	108 653
Total financial Liabilities	1 019 044	171 679	152 629	158 653	1 502 005
Total interest re-pricing gap	(562 141)	(94 897)	252 309	558 808	154 079
Effect of a 1% increase on profit for the year	(5 621)	(949)	2 523	5 588	1 541

FINANCIAL RISK MANAGEMENT (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

Market interest rate risk (continued)

As disclosed above, an increase of 100 basis points in interest rates during the reporting period would have increased the profit for the year by P1,6 million (2016: P1,4 million). On the other hand, a 100 basis point decrease in interest rates during the reporting period would have had the equal but opposite effect on the reported profit for the year to the amounts disclosed above, on the basis that all other variables remain constant.

b) Credit risk

Credit risk is the risk that the Bank's customers, clients or counter parties will not be able or willing to pay interest, repay capital or otherwise fulfil their contractual obligations under loan agreements or other credit facilities. Credit risk also arises through the downgrading of counter parties whose credit instruments the Bank may be holding, causing the value of those assets to fall. Furthermore, credit risk is manifested as sector risk where difficulties experienced by the sector in which the exposure is domiciled may impede payment or reduce the value of the asset.

Credit risk is the Bank's largest risk and considerable resources, expertise and controls are devoted to managing it.

Management of credit risk

The Credit Risk Unit is responsible for portfolio management and risk concentration issues, sector exposure, product risk and credit grading. The Credit Committee is responsible for sanctioning large credit exposures to all customers and counter parties arising from lending and trading activities.

FINANCIAL RISK MANAGEMENT (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

b) Credit risk (continued)

i) Financial assets subject to credit risk

For the purposes of the Bank's disclosures regarding credit quality, its financial assets have been analysed as follows:

	Neither past due nor impaired*	Past due but not impaired	Past due and impaired	Specific Impairment allowance	Total carrying value
	P'000	P'000	P'000	P'000	P'000
31 March 2017					
Cash and cash equivalents	35 016	-	-	-	35 016
Fixed deposits with Banks	376 488	-	-	-	376 488
Loans and advances to customers	1 027 847	497 953	39 105	(26 885)	1 538 020
Balances with related parties	16 550	-	-	-	16 550
Other assets	11 506	-	-	-	11 506
	1 467 407	**497 953**	**39 105**	**(26 885)**	**1 977 580**
31 March 2016					
Cash and cash equivalents	14 358	-	-	-	14 358
Fixed deposits with Banks	464 256	-	-	-	464 256
Loans and advances to customers	758 373	408 069	27 024	(19 271)	1 174 195
Balances with related parties	16 918	-	-	-	16 918
Other assets	12 502	-	-	-	12 502
	1 226 407	**408 069**	**27 024**	**(19 271)**	**1 682 229**

- The Performing loan and advances to customers have been netted off against the portfolio impairment provision.

FINANCIAL RISK MANAGEMENT (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

b) Credit risk (continued)

ii) Maximum exposure to credit risk before collateral held or other credit enhancements

The following table presents the maximum exposure to credit risk before taking account of any collateral held or other credit enhancements after allowance for impairment and the impact of netting where appropriate.

For financial assets recognised on the statement of financial position the exposure to credit risk equals their carrying amounts. For financial guarantees granted, the exposure Is the maximum committed facilities before any collateral.

	2017 P'000	2016 P'000
On statement of financial position:		
Cash and cash equivalents	35 016	14 358
Fixed deposits with Banks	376 488	464 256
Loans and advances to customers	1 538 020	1 174 195
Balances with related parties	16 550	16 918
Other assets	14 472	12 502
Total on statement of financial position	1 978 235	1 682 229
Off statement of financial position:		
Un-drawn commitments for loons	113 892	109 471
Total maximum exposure at 31 March	**2 092127**	**1 791 700**

(iii) Credit quality of financial assets neither past due nor impaired

The Bank assesses the probability of default of individual counter parties using internal rating tools, as advised by the Bank of Botswana, tailored to the various categories of counter party. Clients of the Bank are segmented into the following three rating classes:

a) Normal
b) Special mention
c) Sub-standard

FINANCIAL RISK MANAGEMENT (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

b) Credit risk (continued)

(iii) Credit quality of financial assets neither past due nor impaired (continued)

The credit quality of financial assets subject to credit risk, that were neither past due nor impaired, based on the Bank's internal credit ratings, is summarised as follows:

31 March 2017	Gross P'000 Normal	Portfolio Impairment P'000 Provision	Net P'000 Normal
Cash and cash equivalents	35 015	-	35 015
Fixed deposits with Banks	376 488	-	376 488
Loans and advances to customers	1 038 540	(10 693)	1 027 847
Balances with related parties	16 550	-	16 550
Other assets	14 472	-	14 472
Total financial assets subject to credit risk neither past due nor impaired	**1 481 065**	**(10 693)**	**1 470 372**

31 March 2016	Normal P'000	Portfolio Impairment Provision P'000	Net Normal P'000
Cash and cash equivalents	14 358	-	14 358
Fixed deposits with Banks	464 256	-	464 256
Loans and advances to customers	766 790	(8 417)	758 373
Balances with related parties	16 918	-	16 918
Other assets	12 502	-	12 502
Total financial assets subject to credit risk neither past due nor impaired	**1 274 824**	**(8 417)**	**1 266 407**

FINANCIAL RISK MANAGEMENT (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

b) Credit risk (continued)

(iv) Credit quality of financial assets past due but not impaired (continued)

The aging of assets that are past due and not impaired are summarised as follows:

	Past Due 1-30 days P'000	Past Due 31-89 days P'000	Past Due Total P'000
31 March 2017			
Residential property loans	77 801	28 479	106 280
Motor vehicle advances	1 318	854	2 172
Personal loans	369 714	19 787	389 501
	448 833	**49 120**	**497 953**
31 March 2016			
Residential property loans	73 351	21 725	95 076
Motor vehicle advances	1 794	569	2 363
Personal loans	299 372	11 258	310 630
	374 517	**33 552**	**408 069**

FINANCIAL RISK MANAGEMENT (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

b) Credit risk (continued)

(v) Financial assets that ere past due and impaired

The aging of assets that are past due and impaired are summarised as follows:

	Substandard (90-119 days) P'000	Doubtful (120-179 days) P'000	Loss (Over 180 Days) P'000	Total P'000
31 March 2017				
Residential property loans	3 592	2 165	6 590	12 347
Motor vehicle advances	60	70	77	207
Personal loans	2 527	3 306	20 718	26 551
	6 179	**5 541**	**27 385**	**39 105**
31 March 2016				
Residential property loans	2 229	2 020	3 978	8 227
Motor vehicle advances	88	88		
Personal loans	1 434	2 433	14 842	18 709
	3 663	**4 453**	**18 908**	**27 024**

FINANCIAL RISK MANAGEMENT (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

b) Credit risk (continued)

(vi) Collateral and other credit enhancements held

Assets subject to collateralisation and credit enhancement include motor vehicle and residential mortgage loans. For most forms of security, the collateral given is the guarantee issued by the Government of Botswana of up to 80% of the carrying amount of the loan.

Ipelegeng Personal Loans are secured by the customer's Sove-As-You-Earn, Thobo and/or Sesigo savings account.

The details of the Collateral held as at year ended against respect buckets is summarised as follows:

31 March 2017	Performing P'000	Non-performing but not impaired P'000	Non-performing and impaired P'000	Total carrying value P'000
Residential property loans	553 969	87 198	10 729	651 896
Motor vehicle advances	12 108	1 738	166	14 012
Personal loans	264	246	40	550
	566 341	**89 382**	**10 935**	**666 458**
31 March 2016				
Residential property loans	386 436	77 549	7 407	471 392
Motor vehicle advances	15 557	1 891	70	17 518
Personal loans	400	293	12	705
	402 393	**79 733**	**7 489**	**489 615**

FINANCIAL RISK MANAGEMENT (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

b) Credit risk (continued)

(vii) Analysis of loons and advances by employer type/segment (sectorial analysis)

The following table analyses the sectorial analysis of the gross loan book by customers' employer type:

	Neither past Due nor impaired	Past due but not impaired	Past due and impaired	Specific Impairment allowance	Total carrying value
31 March 2017	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**
Central government	705 452	378 012	10 052	(5 191)	1 088 324
Parastatals	32 697	7 117	322	(319)	39 818
Local government and others	300 391	112 824	28 731	(21 375)	420 571
Portfolio Impairment Provision	(10 693)	-	-	-	(10 693)
	1 027 847	**497 953**	**39 105**	**(26 885)**	**1 538 020**
31 March 2016					
Central government	571 871	327 882	6 883	(3 765)	902 871
Parastatals	29 006	1 702	18	(18)	30 708
Local government and others	165 913	78 747	20 123	(15 751)	249 032
Portfolio Impairment Provision	(8 417)	-	-	-	(8 417)
	758 373	**408 331**	**27 024**	**(19 532)**	**1 174 194**

FINANCIAL RISK MANAGEMENT (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

c) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its obligations from its financial liabilities. Liquidity risk may arise in situations where there are mismatches between maturities of assets and liabilities.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank's liquidity risk. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates.

Assets and liabilities are generated from a variety of different sources and opportunities over a period of time and therefore inherently this will create a mismatch in the statement of financial position. The Bank actively and closely manages this mismatch.

The Bank's liquidity management process, as carried out within the Bank, includes:

a) Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers;
b) Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
c) Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
d) Managing the concentration and profile of debt maturities.

i) Management of liquidity risk

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Investment Committee. A summary report, including any exceptions and remedial action taken, is submitted regularly to the Investment Committee.

FINANCIAL RISK MANAGEMENT (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

c) Liquidity risk (continued)

ii) Exposure to liquidity risk

The table below analyses assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at the reporting date to the maturity date.

Maturity analysis table

31 March 2017	0-3 months P'000	3-12 months P'000	1-5 years P'000	Over 5 years P'000	Illiquid P'000	Total P'000
Assets						
Cash and cash equivalents	35 016	-	-	-	-	35 016
Fixed deposits with Banks	316 488	60 000	-	-	-	376 488
Loans and advances	7 305	13 298	421 541	1 095 876	-	1 538 020
Balances with related parties	16 550	-	-	-	-	16 550
Property and equipment	-	-	-	-	33 126	33 126
Intangible assets	-	-	-	-	6 506	6 506
Other assets	9 059	986	-	-	1 461	11 506
Total assets	384 418	74 284	421 541	1 095 876	41 093	2 017 212
Liabilities						
Borrowings	108 653	-	-	-	-	108 653
Due to customers	1 034 818	344 221	221 131	50 000	-	1 650 170
Other liabilities	64 710	-	-	-	-	64 710
Deferred income	44	80	2 533	6 586	-	9 243
Dividend	-	-	-	-	-	-
Current Tax liability	4 677	-	-	-	-	4 677
Deferred Tax liability	-	850	-	-	-	850
Dormancy account liability	-	-	-	20 988	-	20 988
Total liabilities	1 104 249	348 804	246 998	159 240	-	1 859 291
Net liquidity gap	**(719 832)**	**(247 520)**	**174 543**	**936 636**	**41 093**	**157 921**

FINANCIAL RISK MANAGEMENT (Continued)
FOR THE YEAR ENDED
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c) Liquidity risk (continued)

ii) Exposure to liquidity risk (Continued)

31 March 2016	0-3 months P'000	3-12 months P'000	Over 5 years P'000	years P'000	Illiquid P'000	Total P'000
Assets						
Cash and cash equivalents	14 358	-	-	-	-	14 358
Fixed deposits with Banks	393 321	70 935	-	-	-	464 256
Loans and advances	63 582	5 847	404 938	717 461	-	1 191 828
Balances with related parties	16 918	-	-	-	-	16 918
Property and equipment	-	-	-	-	30 863	30 863
Intangible assets	-	-	-	-	6 894	6 894
Other assets	9 335	1 087	-	-	2 080	12 502
Total assets	497 514	77 869	404 938	717 461	39 837	1 737 619
Liabilities						
Due to customers	1 019 044	171 679	152 629	50 000	-	1 393
Other liabilities	45 851	-	-	-	-	45 851
Deferred income	393	36	2 504	4 436	-	7 369
Dividend	3 979	-	-	-	-	3 979
Borrowings	-	-	-	108 653	-	108 653
Dormancy account liability	-	-	-	17 501	-	17 501
Total liabilities	1 069 267	171 715	155 133	180 590		1 576 705
Net liquidity gap	**(571 753)**	**(93 846)**	**249 805**	**536 871**	**39 837**	**160 914**

FINANCIAL RISK MANAGEMENT (Continued)
FOR THE YEAR ENDED
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c) Liquidity risk (continued)

Although, ordinary savings included in amounts due to customers are payable on demand, historically it has shown that at least 40% of these deposits are long term in nature.

Liquidity ratio
The Bank of Botswana has issued guidelines on the management of liquidity. These guidelines require that total liquid assets divided by total customer deposits should be at least 10%. Liquidity ratios have been assessed as follows:

	2017 P'000	2016 P'000
Total liquid assets	399 193	407 680
Total deposits	1 650 170	1 393 352
Ratio	**24%**	**29%**

The following are considered as liquid assets by the Bank of Botswana:

a) Notes and coins;
b) Balances due from Bank of Botswana excluding primary reserve requirement balances;
c) Balances due from domestic banks with maturities less than 184 days;
d) Treasury bills equal to or less than 6 months;
e) Government bonds with maturities less than 12 months;
f) Bank of Botswana Certificates - less those pledged as security;
g) Other government obligations with less than 12 months' maturity; and
h) Other liquid assets

FINANCIAL RISK MANAGEMENT (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

d) Capital risk management

Capital adequacy and the use of regulatory capital are monitored by the Bank, applying techniques based on the guidelines developed by the Basel Committee on Banking Regulations and Supervisory Practices (Basel Committee) and European Community Directives, as implemented by the Bank of Botswana for supervisory purposes.

These techniques include the risk asset ratio, which the Bank of Botswana regards as a key supervisory tool. The Bank of Botswana has set the individual minimum ratio requirements for Banks in Botswana at 15% which is above the Basel Committee minimum guideline of 8%. The ratio calculation involves the application of designated risks weightings to reflect an estimate of credit, market and other risks associated with broad categories of transactions and counter parties.

The concept of risk weighting, as applied to banking activities, assumes that such activities generally include some risk of loss. For risk weighting purposes, commercial lending is taken as a benchmark to which a risk weighting of 100% is ascribed. Other transactions considered to generate Lower levels of risk than commercial tending may qualify for reduced weightings.

Off balance sheet items are converted to credit risk equivalents by applying credit conversion factors laid down by the Basel Committee, as implemented by the Bank of Botswana. The resulting amounts are then risk weighted according to the nature of the counter party.

Regulatory guidelines define two tiers of capital resources:

a) Tier 1 (core) capital, comprising mainly shareholders' funds, is the highest tier
b) Tier 2 capital includes perpetual, medium and long term subordinated debt, general provisions for bad and doubtful debts as well as property and equipment revaluation reserves.

Both tiers can be used to meet trading and banking activity requirements. Up to end of December 2015, Tier 2 capital, included in the risk asset ratio calculation, could not exceed Tier 1 capital.

The Bank has complied with all externally imposed capital requirements throughout the year. There were no material changes in the Bank's management of capital during the year.

FINANCIAL RISK MANAGEMENT (Continued)
FOR THE YEAR ENDED
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d) Capital risk management (continued)

To monitor the adequacy of its capital, the Bank uses ratios established by the Bank of Botswana. These ratios measure adequacy by comparing the Bank's eligible capital with its reported assets and commitments at weighted amounts to reflect their relative risk. The regulator has advised all financial institutions to ensure capital requirements to be based on the Basel II framework. With Basel II having come into full force by 01 Janaury 2016, the Bank is fully compliant following a parallel run from 2014. The regulator has advised the adoption of the following approaches:

- Standardised Approach (SA) for Credit risk,
- Basic Indicator Approach (BIA) for Operational risk
- Standardised Measurement Method (SMM) for Market risk.

For prudential supervisory purposes, Tier 1 capital consists of unrecallable share capital together with the general and the statutory reserves. The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain growth of the business. The objective is to strike a balance between the higher returns that might be possible with greater earnings and the advantages and security afforded by a sound capital position. The Bank has complied with all externally imposed capital requirements throughout the period. The capital adequacy ratio 18.2% as at 31 March 2017 (2016:17.5%). The high ratio is as a result of lower weighted risk. The minimum capital adequacy rate as set by the Bank of Botswana is 15%.

FINANCIAL RISK MANAGEMENT (Continued)
THE YEAR ENDED
31 MARCH 2017

d) Capital risk management (continued)

The following table shows the capital adequacy for the Bank and the risk weighted assets based on Base II as at 31 March 2017:

	Note	Balance P'000	Risk Weight	Weighted Value P'000
Capital Adequacy				
Tier 1 - Stated capital				19 721
Tier 1 - Other revenue reserve				148 028
Tier 2 - General provisions				10 692
Total Unimpaired capital				**178 411**
Risk Weighted Assets				
Cash and balances with Bank of Botswana	9	5 250	0%	-
Cash balances with other banks	9	29 766	20%	5 953
Fixed deposits with banks	10	376 488	20%	75 298
Loans and Balances to customers	11	1 538 020	0%	714 500
Exposures to Government of Botswana and Bank of		*593 520*	*0%*	*-*
Botswana Past due to Government and Bank of Botswana				
where specific provision is less than 150% of the outstanding		*6 009*	*150%*	*9 014*
loan Retail exposures that fully comply with para 7.26 of		*733 567*	*75%*	*550 175*
Capital of cash collateral deducted from Retail exposures		*(348)*		*(348)*
Past due on Retail portfolios where specific provision is more		*5 256*	*50%*	*2 628*
than 50% of the outstanding loan				
Other Non-qualifying residential mortgages (not meeting				
any of the conditions of para 7.28 of the Capital Directive)		*195 293*	*75%*	*146 470*
Past due Non-qualifying residential mortgages where				
Specific provision is less than 20% of the outstanding loan		*4 374*	*150%*	*6 561*
Balances with related party	11	16 550	100%	16 550
Property and equipment	12	33 126	100%	33 126
Intangible assets	14	6 506	100%	6 506
Other assets	15	11 506	100%	11 506

FINANCIAL RISK MANAGEMENT (Continued)
FOR THE YEAR ENDED 31 MARCH 2017

d) Capital risk management (continued)

	Note	Balance P'000	Risk Weight	Weighted Value P'000
Total Assets/Risk weighted assets (on balance sheet)		**2 017 212**		**863 439**
Total Assets/Risk weighted assets (off balance sheet)	24	113 892	20%	22 778
Operational Risk weighted assets		-		94 545
Total Assets/Risk weighted assets		2 131 104		**980 762**
Capital Adequacy ratio				18.2%
Regulatory requirement				15.0%

FINANCIAL RISK MANAGEMENT (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

The following table shows the capital adequacy for the Bank and the risk weighted assets based on Base II as at 31st March 2016:

	Note	Balance P'000	Risk Weight	Weighted Value P'000
Capital Adequacy				
Tier 1 - Stated capital				19 721
Tier 1 - Other revenue reserve				116 624
Tier 2 - General provisions				8 417
Total Unimpaired capital				**144 762**
Risk Weighted Assets				
Cash and balances with Bank of Botswana	8	4 972	*0%*	-
Cash balances with other banks	8	9 386	*20%*	1 877
Fixed deposits with banks	9	464 256	*20%*	92 851
Loans and Balances to customers	10	1 174 662		562 142
Exposures to Government of Botswana and Bank of Botswana		*431 233*	*0%*	*-*
Past due to Government and Bank of Botswana where specific provision is less than 20% of the outstanding loan		*3 673*	*150%*	*5 509*
Retail exposures that fully comply with para 7.26 of Capital		*585 980*	*75%*	*439 485*
Value of cash collateral deducted from Retail exposures				*(520)*
Past due on Retail portfolios where specific provision is less than 20% of the outstanding loan		*3 707*	*150%*	*5 561*
Other Non-qualifying residential mortgages (not meeting any of the conditions of para 7.28 of the Capital Directive)		*149 228*	*75%*	*111 921*
Past due Non qualifying residential mortgages where specific provision is less than 50% of the outstanding loan		*374*	*50%*	*187*
Balances with related party	11	16 918	100%	169 918
Property and equipment	12	30 863	100%	30 863
Intangible assets	14	6 864	100%	6 864
Other assets	15	11 994	100%	11 944

FINANCIAL RISK MANAGEMENT (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

	Note	Balance P'000	Risk Weight	Weighted Value P'000
Total Assets/Risk weighted assets (on balance sheet)		**1 719 985**		**724 048**
Total Assets/Risk weighted assets (off balance sheet)	24	109 471	20%	21 894
Operational Risk weighted assets		-		83 007
Total Assets/Risk weighted assets		**18 829 457**		**828 949**
Capital Adequacy ratio				17.5%
Regulatory requirement				15.0%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2017

	2017 P'000	2016 P'000
1. NET INTEREST INCOME		
Interest income		
Call accounts with other financial institutions	872	1 208
Other fixed deposits	22 280	38 905
Loans and advances to customers	159 399	126 058
	182 551	**166 171**
Interest expense		
Ordinary Savings	2 066	2 136
Sesigo Savings	9 380	12 502
Save-As-You-Earn	1 050	1 271
Thobo Savings	285	349
National Saving Certificates (NSC)	885	1 816
Transactional account	68	-
Corporate Deposits	51 020	53 754
Fixed Deposits	7 921	9 106
Government Loan	5 250	3 656
	77 925	84 590
Net Interest Income	**104 626**	**81 581**
2. NET FEE AND COMMISSION		
Fee and commission income		
Account maintenance fees	6 719	6 414
Loan arrangement fees and other income	2 729	5 388
	9 448	**11 802**
Fee and commission expense		
Agency fees	(2 670)	(2 796)
Commissions	(51 631)	(4 917)
	(7 833)	**(7 713)**
Net fee and commission income	**1 615**	**4 089**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

	2017 P'000	2016 P'000
3. OTHER INCOME		
Rental income	2 486	2 391
Gain on disposal of equipment	132	-
Other income	218	137
	2 836	**2 528**
4. NET IMPAIRMENT LOSS OF FINANCIAL ASSETS		
Specific impairment	7 614	6 212
Portfolio impairment	2 276	1 132
Recoveries	(201)	(2)
Net impairment loss of financial assets	**9 689**	**7 342**
Movement on specific Impairments		
Balance at the beginning of the year	19 271	14 156
Bad debts written off	-	(1 097)
Charge for impairment of loans per profit or loss	7 614	6 212
Balance at the end of the year	**26 885**	**19 271**
Movement on portfolio impairments		
Balance at the beginning of the year	8 417	7 285
Charge for impairment of loans per profit or loss	2 276	1 132
Balance at the end of the year	**10 693**	**8 417**
Balance specific and portfolio Impairments at the end of the year (note 11)	**37 578**	**27 688**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

	2017 P'000	2016 P'000
5. EMPLOYEE BENEFITS		
Salaries, wages and allowances	31 800	29 957
Pension and medical aid contributions	5 086	4 304
Fair value adjustment for staff loans	(702)	2 960
Training and recruitment costs	1 753	1 261
Staff welfare	2 573	1 954
	40 510	**40 436**

The average number of persons employed by the Bank during the year was 162 (2016:160).

	2017 P'000	2016 P'000
6. DEPRECIATION AND AMORTISATION		
Depreciation - Property and Equipment (Note 13)	3 813	3 428
Amortisation for the period (Note 14)	3 311	1 216
	7 124	**4 644**
7. ADMINISTRATIVE AND GENERAL EXPENSES		
Audit fees	728	621
Consultancy fees	2 085	3 458
Debt recovery	209	147
Directors remunerations for services rendered	141	98
Insurance premiums	591	750
Other operating expenses	4 587	2 346
Overdrawn balances written off	32	(552)
Property management and security fees	2 614	1 790
Publicity and advertising	4 324	3 537
Repairs and maintenance	2 271	2 083
Software licensing and other IT costs	6 801	3 842
Stationery, utilities and postage	4 950	3 416
	29 333	**21 536**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

8. INCOME TAXATION

	2017 P'000	2016 P'000
Normal Company taxation	3 810	-
Deferred taxation - current year movement	850	-
Income tax per accounts	**4 660**	-
Taxation Reconciliation		
Profit before taxation	20 168	-
Taxation at statutory rate (22%)	4 437	-
Disallowed expenses	223	-
Taxation per profit and loss	**4 660**	**-**

With effect from the tax year commencing July 2016, the Bank, alongside several other parastatals or bodies wholly owned by the government, was excluded or removed from the listing of exempt tax entities through the income tax (bodies corporate exempt from tax) regulation of 2016.

9. CASH AND CASH EQUIVALENTS

	2017 P'000	2016 P'000
Cash on hand	2 818	2 086
Balance with the Bank of Botswana	2 432	2 886
Bank balances with other banks	29 766	9 386
Total cash and cash equivalents	35 016	14 358

Cash and cash equivalents comprise cash on hand and non-fixed deposits held with other banks that are highly liquid instruments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

	2017 P'000	2016 P'000
10. BALANCES WITH OTHER BANKS		
Fixed deposits	376 488	464 256

Fixed deposits with banks generally have a term of either 3 months, 6 months, 12 months and 24 months, however other maturities are negotiable or can be tailored to customers' requirements. Interest rates are negotiable on a deal by deal basis .

11. LOANS AND ADVANCES TO CUSTOMERS

	2017 P'000	2016 P'000
Motor vehicle advances	17 575	21 967
Residential property Loans	792 991	571 450
Personal loans	765 032	608 465
Total loans and advances	1 575 598	1 201 882
Less impairment provision (Note 4)	(37 578)	(27 688)
	1 538 020	**1 174 194**
Analysis by period		
Up to 1 year	20 603	15 592
Greater than 1 up to 5 years	421 541	402 520
Over 5 years	1 133 454	783 770
	1 575 598	**1 201 882**
Sectorial analysis:		
Central Government employees	1 093 516	906 373
Parastatal employees	40 136	30 726
Local government employees and other customers	441 946	264 783
Impairment provision	(37 578)	(27 688)
	1 538 020	**1 174 194**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED
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11. LOANS AND ADVANCES TO CUSTOMERS (Continued)

	2017 P'000	2016 P'000
Analysis of specific impairment losses on loans and advances		
Motor vehicle advances	41	18
Residential property loans	4 509	3 706
Personal loans	22 335	15 547
	26 885	**19 271**

The Government of Botswana and certain of its participating agencies/departments, under the agreement dated April 1985, and updated on 3rd April 1995, had guaranteed 100% of all motor vehicle and residential property loans disbursed up to March 1995 and 80% or 100% of all loans disbursed subsequent to that date, depending on the specific employer, including all interest arising on these loans. As a result, interest is not suspended on certain non-performing loans.

Ipelegeng personal loans are advanced to customers who hold SAYE accounts and are secured by Save As You Earn ("SAYE") account balances held with the bank. The customer must maintain the SAYE account balance with at least 60% of the outstanding portion of the loan. Motor vehicle and residential loans are issued to employees of the Government of Botswana and other parastatal bodies and are secured (either 80% or 100%) by the respective employer. Motheo Personal Loan was introduced in November 2007. Two additional personal loan products, Lecha Personal loan and Express Loan were introduced in November 2015. Lecha has identical features to those of Motheo but has a higher loan amount - up to P300 000 repayable over 84 months (compared to P200 000 with repayment up to 6 years for Motheo). Express on the other hand is a short term loan for up to 12 months (2016 - 6 months) with loan amount up to Gross salary of each respective customer. No security is required for these loans as the deduction is made from source by the employer.

All loans and advances are recognised when cash is disbursed to borrowers.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED
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12. BALANCES WITH RELATED PARTIES

	2017 P'000	2016 P'000
Amount due from Botswana Postal Services	16 550	16 918

Botswana Postal Services provide banking services to the Botswana public on behalf of the Bank at a fixed cost per transaction. The balance due at the end of the year is in respect of net deposits (deposits less withdrawals) which are settled upon demand in the ordinary course of the business.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED
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13. PROPERTY AND EQUIPMENT

	Land and building P'000	Motor vehicles P'000	Office and computer equipment P'000	Furniture and fittings P'000	Capital works in Progress P'000	Total P'000
Cost						
At 1 April 2015	25 878	1 922	13 294	8 437	3 170	52 701
Additions	475	1 028	1 780	116	4 046	7 445
Transfers	-	-	3 503	-	(3 503)	-
At 31 March 2016	**26 353**	**2 950**	**18 577**	**8 553**	**3 713**	**60 146**
Additions	551	1 021	2 324	562	4 561	9 459
Transfers	-	-	3 097	-	(3 097)	-
Transfers to intangibles	-	-	-	-	(2 844)	(2 844)
Disposals	-	(487)	(1 118)	(227)	-	(1 832)
At 31 March 2017	**26 904**	**3 484**	**22 880**	**8 888**	**2 333**	**64 489**
Accumulated Depreciation						
At 1 April 2015	8 188	1 100	9 804	6 763	-	25 855
Charge for the year	586	478	1 852	512	-	3 428
At 31 March 2016	8 774	1 578	11 656	7 275	-	29 283
Charge for the year	650	476	2 175	512	-	3 813
Disposal	-	(487)	(1 021)	(225)	-	(1 733)
At 31 March 2017	9 424	1 567	12	809	7 562	31 363
Net book amount						
31 March 2017	**17 480**	**1 917**	**10 071**	**1 326**	**2 333**	**33 126**
31 March 2016	**17 579**	**1 372**	**6 921**	**1 278**	**3 713**	**30 863**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED
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13. PROPERTY AND EQUIPMENT (CONTINUED)

Land and building represent Land at Tshomarelo House and a portion of which that is held for the Bank's own use and is carried at cost. In the opinion of the directors the fair value of the land end building is P15,3 million. This value is based on a valuation conducted by on independent firm of professional valuers as at 7th May 2014 (open market basis). Land and buildings are independently valued on regular basis and management are of the considered view that no major changes have occurred in the open market value of the property between the last date of valuation and the current period end. The land and building on Plot 53796 is held under a state grant of 50 years commencing 1 June 2006.

	2017 P'000	2016 P'000
14. INTANGIBLE ASSETS (Software and licences)		
Cost at beginning of year	12 862	12 294
Additions	79	568
Transfer from Work in Progress (WIP)	2 844	-
Cost at end of the year	15 785	12 862
Accumulated Amortisation		
Opening balance at 1 April	5 968	4 752
Charge for the year	3 311	1 216
Closing balance at 31 March	9 279	5 968
Net book value at 31 March	6 506	6 894

The bulk of the cost relate to the ATM project where the Bank acquired an ATM switch, an Oracle database and additional security features for encryption of card data which were integrated with the core banking system (refer to below note).

The remaining portion relate to the purchase of banking software from Craft Silicon in 2008. In terms of the software license rights, the bank is entitled to use the software and thereafter auto-renew for additional 5 year periods. The license and useful life of the software is extended following any upgrades during the usage of the software.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED
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	2017 P'000	2016 P'000
15. OTHER ASSETS		
Accounts receivable and prepayments	3 856	3 309
Accrued interest	6 189	7 113
Stock of stationery	1 461	2 080
	11 506	**12 502**
16. BORROWINGS		
Opening Balance	108 653	105 000
Interest paid during the year	(5 250)	-
Interest accrual	5 250	3 653
Long term loan from Government of Botswana	**108 653**	**108 653**

A total of P105 million was advanced by the Government of Botswana for a period of twenty (20) years from July 2015. This period is inclusive of an initial grace period of two (2) years during which interest will be payable with the principal repayable over the remaining eighteen (18) years. The loan was obtained for purposes of facilitating the submission of an application for a banking license to Bank of Botswana which is required for the commercialisation of Botswana Savings Bank.

Interest accrues at 5% per annum on the amount outstanding and is fixed over the loan term.

The Bank has breached the terms of this loan facility by utilising the proceeds of the loan for purpose other than those stipulated in the loan agreement. The Bank has voluntarily disclosed this breach to the lender, with a request for condonation of the breach. Until the lender accedes to the Bank's request, the loan is immediately callable by the lender.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED
31 MARCH 2017

	2017 P'000	2016 P'000
17. DEPOSITS DUE TO CUSTOMERS		
Ordinary Savings	103 875	105 324
Save-As-You-Earn	26 208	26 646
Sesigo Savings	282 034	323 075
Thobo Savings	7 808	8 884
National Savings Certificates	18 446	18 061
Transactional account	32 132	0
Corporate Savings	10 660	4 135
Corporate Fixed Deposits	1 015 170	757 222
Retail Fixed Deposits	153 837	150 279
	1 650 170	**1 393 352**

Ordinary savings, Sesigo savings and Corporate savings are all repayable on demand. Ordinary savings accrue interest at 2.0% (2016: 2.0%) per annum, Sesigo savings accrue interest between 2.0% and 4.5% 2016: between 2.0% and 5.0%) per annum and Corporate savings' interest is negotiable.

All other products are fixed deposits with varying maturities and interest rates. Save-As-You-Earn is a 24 months product and earns interest at 3.0% (2016: 3.0%) per annum. Thobo savings is a 12 month product and earns interest at 3.0% (2016: 3%) per annum. National Savings Certificates are a 60 months fixed product and earns interest at 5.0% (2016: 5.0%) per annum. Retail fixed deposits have maturities ranging from 3 months to 24 months and earn interest between 2.50% and 3.30% (2016: between 2.5% and 3.30%). Corporate Fixed deposits are negotiable.

18. OTHER LIABILITIES

	2017	2016
Accruals and interest provisions	53 649	35 796
Audit fees	614	510
Other creditors	10 449	9 545
	64 710	**45 851**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED
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	2017 P'000	2016 P'000
19. DEFERRED INCOME		
Loan arrangement fees	9 137	7 263
ATM Project grant from Enterplan	106	106
	9 243	**7 369**

Loan arrangement fees are amortised over the repayment period of the Loan. The grant represents funds which were received to fund the ATM project.

20. DIVIDEND

	2017 P'000	2016 P'000
Opening Balance	3 979	6 249
Transfers in	-	3 979
Remittance to Government	(3 979)	(6 249)
Dividend due to Government	**-**	**3 979**

Section 7(2) of the Botswana Savings Bank Act of 1992 provides that the Board of Directors shall, after allowing for expenses of operations during the year, and making provision for statutory reserve account, bad debts, depreciation of fixed assets and such other contingencies or provisions as are customarily made by financial institutions, determine the amount payable as dividends in any given year.

With the restatement of the prior year errors and consequently the reduction in the opening retained earnings reserves, there was no dividend declared in the current year (2016:25%) of the comprehensive income for the year in accordance with the Act.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
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	2017 P'000	2016 P'000
21. DEFERRED TAX LIABILITY		
Charge and balance outstanding for the year	**850**	**-**
Analysis of deferred tax balance		
Accelerated depreciation and amortisation	1 531	-
Impairment provision	(545)	-
Expenses not allowed for tax purposes	(136)	-
	850	**-**
22. DORMANCY ACCOUNT LIABILITY		
Balance at the beginning of the year	17 501	14 421
Net movement for the year	3 487	3 080
Balance at end of the year	**20 988**	**17 501**

A customer's savings account becomes dormant if after five consecutive years the customer does not transact in that account. Section 18 of the Botswana Savings Bank Act requires the Bank to transfer dormant accounts to a separate liability account. A transfer can only be made twelve months following the publication in the Government Gazette of dormant customer accounts so identified.

Such transfers into the dormancy liability account are done without prejudice to any subsequent claims made by the respective customers. This balance was transferred from a reserve account in the prior year to liabilities as this liability is not of an equity nature and its classification into equity is not specifically required by the Act.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED
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	2017 P'000	2016 P'000
23. UNRECALLABLE CAPITAL		
Authorised	**20 000**	**20 000**
Subscribed	19 721	19 721

Section 3 (6) of the Botswana Savings Bank 1992 provides that the Bank's authorised share capital shall be P20 million of which the first P5 million shall constitute the fully subscribed share capital. The fully subscribed shore capital represents the Government's contribution towards the construction of Tshomarelo House and other set up costs.

24. STATUTORY RESERVE

	2017 P'000	2016 P'000
Balance at the beginning of the year	39 889	35 910
Movement for the year	3 877	3 979
Balance at the end of year	**43 766**	**39 889**

The statutory reserve was established in terms of Section 3 (e) of the Botswana Savings Bank Act, 1992. The section requires the Bank to transfer the equivalent of 25% of the comprehensive income for the year to a statutory reserve.

The Bank might utilise this reserve against any remaining loss after such loss has firstly been applied against retained earnings.

25. CONTINGENT LIABILITIES AND COMMITMENTS

	2017 P'000	2016 P'000
Contingencies and capital commitments	**113 892**	**109 471**

These represents the commitments incurred on the issuance of residential property loans which, by virtue of long construction periods over several stages, results on some of the authorised amounts be outstanding as at period end.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED
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26. PENSION FUND

The Bank operates a defined contribution pension fund for its eligible employees. The Bank contributes 15% of the employees' basic pay and employees contribute 5% of their basic pay. The cost to the Bank is disclosed in note 5.

27. EVENTS AFTER THE REPORTING DATE

Other than the facts and developments as detailed in these financial statements, there have been no material changes in the affairs or financial position of the Bank between the year end and the date of the approval of these financial statements that require adjustment to the amount recognised in the financial statements or that require disclosure in the financial statements.

28. RELATED PARTY TRANSACTIONS

Related parties comprise the Government of the Republic of Botswana, Botswana Postal Services and key members of management. Botswana Savings Bank and Botswana Postal Services ("BPS") have an agency agreement where the latter accepts deposits and pays out withdrawals through the postal network for a fee. Both organisations are wholly owned by the newly established Botswana Postal Savings Group.

The volumes of related party transactions outstanding balances at the year end, and the related expense and income for the year are as follows:

		2017 P'000	2016 P'000
a)	Balance due from BPS		
	Net balance of fees, deposits and withdrawals made at BPS branches	16 550	16 918
b)	Balance due to related parties		
	Net of fees, deposits and withdrawals made at BPS branches	1 213	1 302
	Interest due on Borrowings - Botswana Government	3 653	3 654
		4 866	**4 956**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED
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28. RELATED PARTY TRANSACTIONS (Continued)

	2017 P'000	2016 P'000
c) Loans and advances		
Executive Directors		
- Residential Loans	1 152	1 288
- Personal Loans	176	626
	1 328	**1 914**
d) Transaction with Botswana Post		
- Fees and commissions paid to BPS	**2 670**	**1 493**
e) Transactions with Government of Botswana		
- Dividends payable	-	3 979
- Long term loan	-	105 000
- Interest accrued on the long term loan	5 250	3 653
	5 250	**112 632**
f) Remuneration to key management		
- Salaries and Allowances	1 611	1 943
- Gratuities and Leave pay	460	618
- Staff Welfare	46	42
	2 117	**2 603**

Loans to Non-executive directors are made in the ordinary course of business on normal commercial terms. Loans to employees (including executive directors) are made on concessionary terms in accordance with the conditions of employment.

A list of members of the Board of Directors is disclosed in General Information. Directors' remuneration is disclosed in note 7.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED
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29. CORRECTION OF PRIOR PERIODS ERRORS

Loans and Advances to Customers - Impairments

Specific impairment is calculated on loans and advances which are more than 90 days in arrears subject to government guarantees or other collaterals available. The Bank had been computing the arrears based on the time elapsed between the last payment made by the customer and the reporting date. This methodology did not take into account the actual payments made against the expected payments hence the computed impairment charges were being understated to the extent of unpaid installments before the last payment.

Still on the issue of Impairments, the Bank was only computing the specific impairments and not performing portfolio assessments on the derived un-impaired books as per the requirements by the IAS 39. Both errors have been corrected by restating each of the affected financial statement line items for the prior periods, as follows;,

	2016 P'000
Effect on statement of comprehensive income	
Net Impairment loss of financial assets - as reported	4 209
Adjustment for specific Impairment	2 001
Adjustment for portfolio Impairment	1 132
Net Impairment loss of financial assets - restated	7 342
Total comprehensive income for the year - restated	**12 783**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
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29. CORRECTION OF PRIOR PERIODS ERRORS - Continued

Loans and Advances to Customers - Impairments (continued)

	2016 P'000	2015 P'000
Effect on statement of financial position		
Loans and advances to customers - as reported	1 191 828	929 023
Adjustment for specific impairment	(9 217)	(7 216)
Adjustment for portfolio Impairment	(8 417)	(7 285)
Loans and advances to customers - restated	**1 174 194**	**914 522**
Total assets - restated	**1 719 985**	**1 554 951**
Retained earnings - as reported	101 304	93 347
Adjustment for Impairment	(17 634)	(14 501)
Retained earnings - restated	**83 670**	**78 846**
Total equity and liabilities - restated	**1 719 985**	**1 554 951**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
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29. CORRECTION OF PRIOR PERIODS ERRORS- Continued

Loans and Advances to Customers - Impairments (Continued)

Effect on statement of changes in equity

	Unrecallable Capital P'000	Statutory reserve P'000	Retained earnings P'000	Total equity P'000
Balance at 31 March 2015- as previously reported	19 721	35 910	93 347	148 978
Impact on income for the year - Impairments	-	-	(14 501)	(14 501)
Restated Balance at 31 March 2015 - restated	19 721	35 910	78 846	134 477
Comprehensive income for the year - restated	-	-	12 782	12 782
Dividends declared during the year	-	-	(3 979)	(3 979)
ansfer to statutory reserve	-	3 979	(3 979)	-
Balance at 31 March 2016	19 721	39 889	83 670	143 280

Notes

Notes

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