

22|23
ANNUAL
REPORT



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Lesedi²⁰₂₅

“

Light {LESEDI} is an essential element of life, affecting various aspects of human existence and the world around us.

”

ABOUT US





DILO DI CHENGCHILE

Replace your Sesigo or Ordinary Savings booklet & SWITCH to our VISA debit card.

For more information visit any of our branches to make that Switch. Enjoy the convenience of 24-hour smooth banking.

#areyengBSB
KeChengchile

Come lets talk or contact us now

BSB TSHOMARELO HUSE, BROADHURST MALL, GABORONE:
TEL: 367 0059 • 367 0011 • 391 2555 | FAX: 395 2608
FRANCISTOWN BRANCH:
TEL: 242 1616 | FAX: 242 1621



CORPORATE INFORMATION

BUSINESS

Botswana Savings Bank was established by an Act of Parliament, the Botswana Savings Bank Act of 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.

REGISTERED OFFICE

Botswana Savings Bank
Tshomarelo House
Cnr Letswai/Lekgarapa Rd
Broadhurst Mall
P.O. Box 1150 Gaborone

BANKERS

Bank of Botswana
Stanbic Bank Botswana Limited
ABSA Bank Botswana Limited
Capital Bank Botswana Limited
Access Bank Botswana Plc
Bank Gaborone Limited
First National Bank of Botswana Limited

AUDITOR

Deloitte & Touche
Assurance & Advisory Services Chartered
Accountants
Deloitte House
Plot 64518
Fairgrounds, Gaborone Botswana

WELCOME

This Annual Report reflects our commitment and journey towards integrated thinking, good governance, and balanced consideration of our stakeholders.

We do recognise that there will continuously be areas for improvement, and affirm our commitment to improved reporting quality and disclosures in future reports. This report provides information on our performance against our strategy, our governance, the material risks and opportunities we face, as well as our impact on society.

Audience

The contents of this report are relevant to all our stakeholders, this includes our staff, customers, funders, strategic partners, Government, regulators, and the members of the communities in which we operate.

Scope and Boundary

Our 2022/23 Annual Report covers the financial year from 1 April 2022 to 31 March 2023 (the financial year of 2023).

Reporting Principles and Frameworks

Our Annual Report aligns with international standards and best practice. The report reflects key risks and opportunities facing the business and how these factors affect our strategy, performance, and the impact we have in Botswana.

Key Frameworks Applied

- International Financial Reporting Standards (IFRS)
- Banking Act of 1995 (Cap 46:04) (Banking Act)
- Non-Bank Financial Institutions Regulatory

Authority

- Financial Intelligence Act, 2022

Materiality and Assurance

Material issues are those that have the potential to significantly impact its performance or ability to create sustainable value for key stakeholders over the long term. We also consider the interests of our stakeholders, in addition to the risks and opportunities facing the organisation.

Materiality assessments are based on determining the key issues that affect our business strategy, ranking or evaluating the impact or likelihood of the matters and then determining the appropriate disclosure on the matters.

We also apply a risk-based approach to our operations through the involvement of internal operational controls, management assurance, compliance functions, and internal audit processes. Further, an independent audit of the Bank's annual financial statements was performed by Deloitte & Touche.

These external assurance services support the accuracy of the disclosures within this report.

Forward-looking Statements

This report contains some forward-looking statements about the Bank's anticipated performance, operations and therefore results. While these statements represent our future expectations, they are based on assumptions and may be affected by

uncertainties and risks that we have no control over. We cannot guarantee future performance, therefore undue reliance should not be placed on such opinions, forecasts or data. The financial information on which the forward-looking statements are based has not been audited or reported on by our independent external auditors.

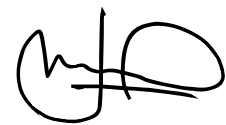
Approval of the Annual Report

The Board of Directors (The Board) is responsible for ensuring the integrity of this report. The Board is satisfied that the report provides a fair and balanced representation of our business and our prospects.

The Board approved the report on June 09, 2023 and signed on its behalf by:

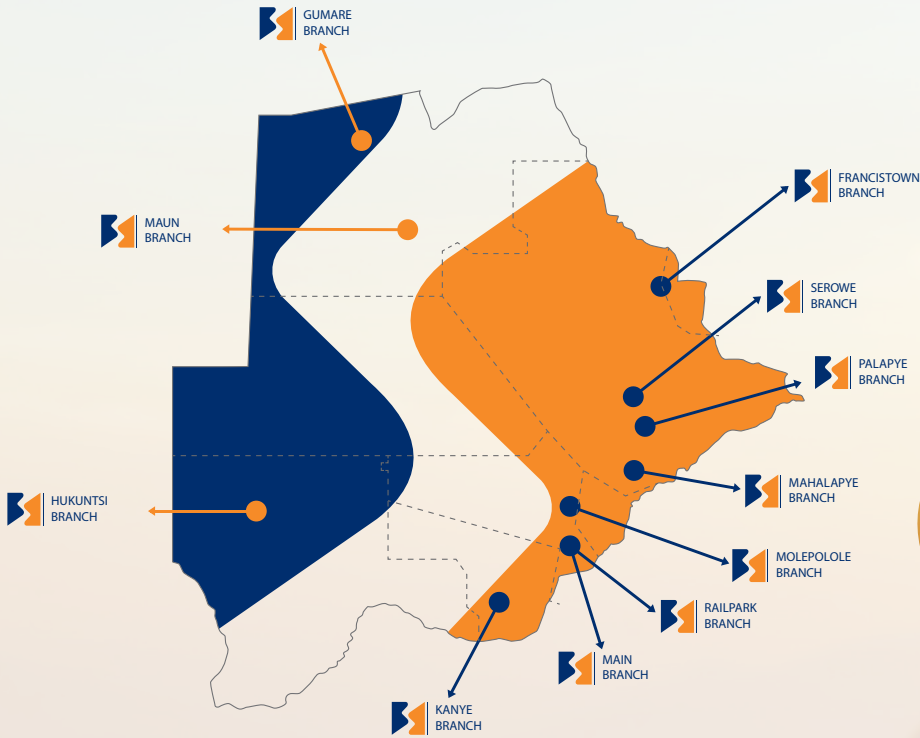


Goitsewang Morekisi
- Chairperson



Nixon Marumoloa
- CEO

OUR FOOTPRINT



18
ATM's



8
Deposit
ATM's



216
Employees

A hand is shown in silhouette, reaching upwards towards a bright sun setting over a mountain range. The sky is a mix of orange, yellow, and blue. The hand is positioned in the lower-left quadrant, with fingers spread. The sun is a large, bright yellow circle on the left side. The mountains are dark silhouettes in the background.

welcome to smooth banking





Vision

To be the leading Botswana owned integrated financial services provider.

Mission

We create value through providing inclusive financial services across Botswana.

COMPANY VALUES



Integrity



Responsiveness



Customer Focus



Teamwork

A glowing lantern is the central focus, set against a dark, teal-tinted background. The lantern's light is warm and golden, contrasting with the cool blue tones of the surroundings. The lantern has a glass globe and a metal frame. The overall mood is mysterious and focused.

FINANCIAL HIGHLIGHTS

Financial Highlights



Profit for the year
P6.5 million (2022:
P34.3 million)



Net interest income
P163.9 million (2022:
P163.8million)



Return on assets
0.2% (2022: 1.0%)



Return on equity
2.6% (2022: 14.4%)



Loans & advances
P2.3 billion (2022:
2.7 billion)



Customer deposits
P2.4 billion (2022:
P2.7 billion)

OUR BUSINESS

Botswana Savings Bank (BSB or the Bank) is an institution wholly owned by the Government of Botswana with a specific mandate of mobilising the nation to save as well as providing inclusive financial services. The Bank was established by an Act of Parliament, the Botswana Savings Bank Act of 1992. The Bank is governed by a Board of Directors which reports to the Ministry of Finance. Botswana Savings Bank is supervised by the Central Bank under the custodianship of the Ministry.

A Transition Act (The BSB Transition Act of 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 transition the Bank from a statutory Bank to a commercial Bank has been deferred until further notice.

Our mandate is to mobilise financial services, mainly savings, through the provision of affordable financial solutions.

Our Purpose

Vision

To be the leading Botswana owned integrated financial services provider.

Mission

We create value through providing inclusive financial services across Botswana.

Values

- Integrity
- Responsiveness
- Customer Focus
- Teamwork

Six Capitals



CAPITAL	EXPLANATION
Financial Capital	Financial capital is the pool of funds available to us and enables us to carry out our Banking activities.
Intellectual Capital	Intellectual capital is the intangible resources that allow us to create value, by combining material, financial and human resources. These may include intellectual property, patents, rights, and organisational capital like tacit knowledge, systems and protocols.
Human Capital	Human capital refers to the talent, competencies and capabilities of our people. The manner in which they transform the various capitals and create value for our customers, in alignment with our strategic objectives.
Social and Relationship Capital	Social and relationship capital refers to the value we bring and build with our stakeholders and within communities we operate. We refer to our ability to share information and enhance our people's well-being.
Manufactured Capital	Manufactured physical objects including buildings and infrastructure, which may be purchased from other entities or internally generated.
Natural Capital	Natural capital refers to renewable and non-renewable environmental resources and processes that enable our business activities.

Financial capital is the pool of funds available to us and enables us to carry out our Banking activities.



Intellectual capital is the intangible resources that allow us to create value, by combining material, financial and human resources. These may include intellectual property, patents, rights, and organisational capital like tacit knowledge, systems and protocols.



Human capital refers to the talent, competencies and capabilities of our people. The manner in which they transform the various capitals and create value for our customers, in alignment with our strategic objectives.



Social and relationship capital refers to the value we bring and build with our stakeholders and within communities we operate. We refer to our ability to share information and enhance our people's well-being.



Manufactured physical objects including buildings and infrastructure, which may be purchased from other entities or internally generated.



Natural capital refers to renewable and non-renewable environmental resources and processes that enable our business activities.



A SNAPSHOT OF OUR MILESTONES



A SNAPSHOT OF OUR MILESTONES

1963

BSB established under the name Botswana Post Office Savings Bank

1982 - Post Office Savings Bank transferred to the Ministry of Finance and Development Planning

1992 - Established by an Act of Parliament, namely, the Botswana Savings Bank Act with Headquarters in Gaborone

1993 - Introduction of the Ordinary Savings Account
Introduction of Save as You Earn (SAYE)

1994 - Tshomarelo House in Broadhurst Mall officially opened and made the new BSB Headquarters

1997 - Thobo Savings Product launched

1998 - Letlole Savings Certificate (NSC) product offering, in partnership with Bank of Botswana to encourage savings

2003 - Introduction of the Sesigo Savings Account

2008 - Launch of Francistown Branch

2009 - Motheo Personal Loan launched

Government took a decision to embark on the merging of BSB, Botswana Post and Botswana Couriers, for all institutions to be housed under a holding Company (Botswana Postal Savings Group)

2016 - Launch of BSB Automated Teller Machines (ATM's), the VISA Debit Card, Express Loan and Lecha Personal Loan

- BSB launches first ATM at Tshomarelo House

2017- BSB for the first time commemorates World Savings Day in Masunga

2018 - Through the Bank's CSR Strategy and in heartfelt response to the Presidential Appeal, BSB builds a two- bedroom house for a member of the Sefhophe community
BSB hosts national commemoration of World Savings Day in Hukuntsi and launches the community's first ATM

2019

- BSB commemorates World Savings Day in Rakops village in Boteti
- BSB opens a co-branded branch in Hukuntsi and an ATM in Kang village in Kgalagadi

2020

- Lecha Assembly built and handed to Mphinyane Primary School in Mphinyane Village
- Thobo Savings and Save As You Earn (SAYE) merged to improve product offering
- Homeline and Eezi loan products launched

2021

BSB embarks on its migration to a new Core Banking System to enhance service delivery to its customers.

Awarded Best Savings Bank in Botswana by the Global Banking & Finance Review 2021. The award emphasised the role BSB played in driving impactful Banking throughout its 30-year journey in Botswana.

2022 BSB opens Smart Branches in Kanye and Gumare. Another standalone branch officially opened in Maun

LAUNCH OF LESEDI 2025, ENFORCING THE DIGITAL STRATEGY



PRODUCTS & SERVICES

TRANSACTIONAL ACCOUNTS

Transactional Account

- Minimum opening balance is P100
- Maintenance Fee is P60/ Month
- Free Monthly statements
- SMS Notification for all transactions
- Withdraw (over the counter) P8.75

SME Transactional Account

- Minimum Balance P200.00
- Account Maintenance Fee P71.08
- Over the Counter Withdrawal P114
- Other Bank Local ATM Withdrawal P6.56
- International ATM Cash Withdrawal P22.94
- SMS Notification P0.27
- Balance Enquiry (BSB ATM) P0.88
- Balance Enquiry (Local Bank ATM) P2.86
- POS Other Banks P2.28
- ATM Cash Deposit 0.41%
- Over the Counter Cash Deposit 0.36%
- Card Replacement P62.02
- Intra-Transfer (BSB ATM) P5.88
- Interim statement per page P8.18

SAVING ACCOUNTS

Ordinary Savings

- Minimum opening balance is P50
- Interest rate earned is 1.75% annually
- Account Maintenance fee P12

Sesigo Savings

- Minimum opening balance is P200
- Interest rate is tiered
 - 200-499,999 (1.75%)
 - 500,000-999,999 (2.00%)
 - 1,000,000-4,999,999 (2.25%)
 - 5,000,000-10,000,000 (2.75%)
- Account Maintenance fee P10
- One Free Withdrawal a month
- Subsequent Withdrawals fee

Save As You Earn

- Monthly minimum contribution is P200
- 12 to 60 Months deduction
 - Rates: 1-2 Years 1.25% p.a.
 - 3-4 Years 1.50% p.a.
 - 5 Years 2.00% p.a.
- Account attracts no charges
- Rollover is encouraged
- Termination attracts 50% reduction on interest earned

Fixed Deposit Account

- A minimum amount of P1 000 can be invested for periods ranging from 3 to 24 months
- For individuals or businesses that want to invest money for a fixed period at a set interest rate
- Attractive interest rates
- Interest + tax free

Pensioners Personal Loan

- Min: P1,000 Max: P40,000
- Repayment Period: 4 years subject to the age of 65 years
- Pension income ONLY
- 100% secured loan against personal savings-all products in our books
- Interest on the loan is Prime + 3.0%
- Credit Life Compulsory through BSB or self-arranged.
- Cession with BSB as an assignee to be submitted before disbursement.

LOANS

Ipelegeng Personal Loan

- Loan range P1,000-P100,000 repayable over 48 Months
- Interest: Prime rate +5%
- All savings as security

Lecha Personal Loan

- Loan range: 5,000-500,000
- Interest ranges from Scheme (Prime 14%), Non- Scheme (Prime 18%)
- Repayment: Up to 120 Months
- You do not need to be an existing BSB customer
- Gearing: Up to 60%
- Min Sal P1 800.00
- Turnaround time: 12 - 16 hrs.
- Free P10,000.00 Funeral Cover

Express Loan

- Loan Amount up to P100 000
- Prime Plus 22%
- Repayment Period up to 48 Months

Homeline Property Loan

- Residential loans interest rate: Prime to Prime plus 4.5 %)
- Residential Property Loans are repayable in 25 years
- Free hold land repayable in 7 yrs. subject to development covenant

- Home Improvements, Equity Release, Refinancing, Loan Consolidation
- Urban Areas – up to 100% OVM (Gabs, Phakalane, G/North, F/town, Notwane, Mmokolodi, Sentshane)
- Semi-Urban Areas – up to 90% OVM (Tlokweng, Mogoditshane, Palapye, Maun, Kasane, Letlhakane, Oodi, Modipane, Bokaa, Mmopane, Gabane, Metsimotlhabe, Tsolamosese, Tati Siding)
- Allows Surety bond for married persons
- Banks own valuers and attorneys allowed

Eezi Auto Loan

- Used Cars not more than 5 Years/100 000 Km mileage – Prime + 5,5%
- New cars @ Prime + 4,5%
- 100% financing, no deposit required
- Repayment Period for New cars is 6 Years & Used cars is 4 Years

NB: All Fees Are VAT Inclusive Tax Free Interest

Retail Account Opening Requirements

- Completed BSB Individual Application Form (Collected from BSB)
- Valid proof of birth certificate or passport for persons below 18 years of age.
- Omang/ ID and passport for citizens and foreigners respectively
- Proof of income (Payslip) and residential address (Utility Bill)
- Indemnity form (Collected from BSB)

Corporate Account Opening Requirements

- Completed BSB Corporate Application Form (Collected from BSB)
- Certificate of Incorporation & Company Extract (CIPA)
- KYC for signatories:
- Confirmation of Employment (Collected from BSB)
- Certified copies of identity documents for signatories; Omang (citizens), and passports, work and residence permits (non-citizens)
- Signing mandate (Collected from BSB)
- Indemnity form (Collected from BSB)
- Annual Financial Statements / Latest Management Accounts
- Confirmation Business Address (Latest Utility bill or Lease)



A glowing lantern in a dark setting with a teal background. The lantern is the central focus, with a warm orange light emanating from its glass globe. The background is a blurred teal color, and the overall mood is reflective and serene.

OUR LEADERSHIP REFLECTIONS





Goitsewang Morekisi
Chairperson

CHAIRPERSON'S STATEMENT

It is my pleasure to present to you our performance for the year ended March 2023.

The past year has been marked by significant changes in the Bank's operations. The adoption of the new core Banking system came into full effect and with it came a new way of doing things for the Bank's staff members and a new way for our customers to interact with the Bank.

As with all changes of this magnitude, there have been teething issues that had to be overcome, but I am pleased to say that our staff remained committed to minimising the inconvenience to our customers as much as possible. The Bank has truly taken a significant step in delivering digital solutions to our customer base.

The Bank parted ways with Botswana Post, who had been a key distribution partner, in December 2022. The dissolution of this partnership paves the way for the Bank to reach our customers using different channels that leverage off the digital footprint that the Bank is establishing.

The Agency Banking model that the Bank is implementing will plug the gap left by Botswana Post and provide even wider coverage for the Bank to the country's remote areas, supporting the Bank's initiative of financial inclusion.

Financial Performance

The financial services industry went through a structural shift in the past year. The monetary policy stance changed from the accommodative regime that had been in place for more than a decade to a tightening cycle. This came on the back of the retirement of the Bank rate as a monetary policy tool to a new monetary policy rate that could better be referenced by Bank of Botswana. Combine this with the Russia-Ukraine war that exacerbated supply issues that caused run-away inflation the likes of which we had not seen since before 2008.



Profitability declined from P34.3 million in 2021/22 to P6.5 million in 2022/23

The above mentioned meant that the Bank faced challenging trading conditions that saw profitability decline from P34.3 million in 2021/22 to P6.5 million in 2022/23. Interest income rose by 12% to P337 million, however, this was offset by the 26% increase in interest expense, which reflects the increase in interest rates that happened in the past year.

The increases in interest rates negatively impacted the Bank's loan book as they resulted in customers not meeting the affordability measures of the Bank, hence limiting the growth of the loan book, which is the Bank's primary source of interest income.

The Board is extremely proud that during this past year, the Management Team was able to raise a bond in the financial markets to assist with capitalising the business. This was a first for the Bank and to raise P192 million in a debut auction was a significant achievement that management should be congratulated on.

Delivering on our Strategy

2022/23 birthed a new strategic direction that the Bank embarked on, being Lesedi 2025. Lesedi 2025 is a 3-year strategy that is aimed at propelling the Bank into the digital Banking space. The core driver underpinning Lesedi 2025 is the new core Banking system that will allow the Bank to unlock digital offerings to our customers.

While serving our customers is key to the sustainability of the Bank, the Board recognises that customers are not the only stakeholders that contribute to its success. The Bank operates within a community that is impacted by its activities, therefore as a responsible entity, it is important that the Bank gives back through corporate social initiatives, which forms part of the strategy deliverables.

The Bank's staff is the frontline that interfaces with our customers, as such, for them to deliver excellent customer service, they need to be taken care of, which is another pillar of

Lesedi 2025. Offering our customers cutting edge service, giving back to the community and staff wellness will allow the Bank to unlock value that the shareholders require from the Bank, delivering sustainable returns.

We are especially thankful that our shareholders have kept faith in our growth initiatives by supporting us in carrying out our mandate of financial inclusion.

The Bank operates in an environment where there are regulatory authority figures that stipulate requirements that must be met to be considered to be operating in a prudent manner. The Board does not take these regulatory obligations lightly and make it a priority to ensure that the Bank meets all regulatory requirements.

As custodian of our valued customers funds, to instill good faith, the Bank adheres to the strictest compliance regime. The Board is satisfied that the Bank operates in an environment that is within all regulatory prescriptions.

CHAIRPERSON'S STATEMENT [continued]

Corporate Governance

The Board is appointed by the Bank's stakeholders to ensure that there is a strategy in place to achieve the stakeholders' mission, that management is taking appropriate action to achieve the strategy and has the support of the Board. The Board has to discharge its duties in a transparent and accountable manner that upholds high levels of integrity and ethics.

Risk Management

As a responsible Banking institution, risk management is paramount to ensure that the Bank is sound and conducts business in a manner that does not expose our customers to unacceptable risks. As testament to the emphasis that the Board places on risk management, the Board oversaw the review and revision of the Bank's risk policies, as well as other policies, in order to bring them up to date.

With market conditions changing in the past year, the economy experiencing a rate hike cycle, inflation soaring to double digits and the adoption of the new core Banking solution, the Board had to be satisfied that the risk processes were reflective of the environment and did not lag behind.

The Board and management remain ready to adapt to any emergent risks.

Looking Ahead

With one year of the three-year Lesedi 2025 strategy done, the Board is of the view that management has laid a solid foundation towards implementation of the strategy. Initiatives have commenced that will bear fruit in the next two years, bringing the Bank closer to the privatisation goal. Challenges brought on by the Russia-Ukraine war are expected to peter out, returning economic conditions back to normal and allowing the Bank to resume its growth trajectory.

Acknowledgement

On behalf of the Board of Directors, I wish to thank the Government of the Republic of Botswana for entrusting me with the responsibility to provide leadership and direction to the Bank and ultimate delivery of its strategic plan. We will always be grateful for the invaluable support we continue to receive from our parent Ministry. I am satisfied with the competency of the Board and the work achieved in the financial year under review.

I would also like to personally extend my sincere gratitude to the Management Team and staff of the Bank for their dedication throughout the years.

To our valued customers, I am incredibly grateful for your support, loyalty, and patronage that the Bank has enjoyed.

Finally, I would like to thank my fellow Board members from whom I have drawn some wisdom and insights.



Goitsewang Morekisi
Chairperson

June 09, 2023

Ikanye Lecha Personal Loan

Apply for P5000
or up to P500,000

You also get P10,000
funeral cover.

Call us on +267 3670001 today or visit your
nearest branch to learn more.

    www.bsb.bw



CHIEF EXECUTIVE OFFICER'S STATEMENT

The year ended March 31, 2023 kicked off BSB's new strategy, Lesedi 2025. Lesedi 2025 is a three-year strategy that aims to take the Bank to the next level. We have set very high targets for ourselves which will require all stakeholders to stretch themselves too so as to achieve set objectives. I have no doubt however, that with the tenacity and resilience that we have shown in the past, we will be able to achieve Lesedi 2025 goals.

Botswana Savings Bank has over the years transitioned from a traditional Savings Bank into a semi-digital Bank, which offers a variety of competitive platforms for its customers. Together with the technology shift, the Bank undertook to ensure the re-alignment of the organizational structure as well as its underlying business process to ensure the fulfillment of the operational requirements of commercialization.

Top amongst these changes was the adoption of the new Core Banking System, which has just completed its first financial year of being functional. The Core Banking System will improve the BSB customer experience and level the playing field towards the Banks entrance into the commercial market space. What is expected in the coming financial year is increased customer access through digital channels and agency Banking initiatives.

There were some unique challenges that we faced in 2022/23, but it is testament to the Bank's Board of Directors, Management and staff's hard work that the Bank produced a positive set of results.



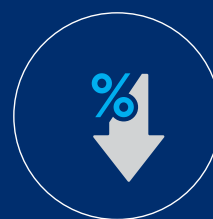
Financial performance



Net interest income increased by 0.1% to P163.9 million (2022: P163.8 million)



Operating costs were up 21% year on year to P160 million (2022: P132million)



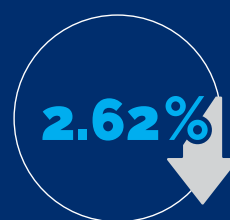
Profit after tax was P6.5million, down from 2022 profit of P34.3 million.)



Net advances were down 13% to P2.35 billion (2022: P2.70 billion)



Customer savings were down 11% to P2.43 billion (2022: P2.74 billion)



Return on Equity was 2.62% (2022: 14.4%)

Financial Sector Highlights

The financial services industry went through major changes in the past financial year. There was a reform to how the prime rate is determined, with the Bank rate falling away and a new monetary policy rate introduced. The monetary policy rate would be the mechanism that Bank of Botswana uses to effect monetary policy changes. Banks were now allowed to set their own prime rate, with most Banks choosing to maintain their prime rates at the same level as others.

The monetary policy rate was increased 3 times last year, a cumulative increase of 1.51% within the space of 6 months. The rate hikes were in response to increased inflation that was brought on by the Russia-Ukraine war, amongst others. The increased rates reduced

loan affordability for most Botswana, but the Bank managed to contain impairments within reasonable levels. The increased interest rates also had an adverse impact in terms of what the Bank had to pay as cost of funds, increasing the Bank's interest expense.

The monthly bond auctions conducted by Bank of Botswana since the advent of Covid-19 grew in quantum over the year as government sought to access funding from the market rather than from its coffers. Corporate depositors diverted a large portion of their funds from Banks and invested them in government bonds. This had the effect of reducing overall funding liquidity in the market, which further escalated the cost of any funds that would be put offer for the Banks.

CEO's STATEMENT [continued]



Bond Issuance

On a positive note, it was my privilege to be part of a truly historic milestone for the Bank, where the Bank issued and listed a bond on the Botswana Stock Exchange (BSE). The bond issuance was a culmination of years of planning and engagements with the Board and our shareholders to bring the note programme into reality. Of the more than 60 state owned enterprises in Botswana, BSB became the 4th one to list a bond on the BSE.

I am extremely proud of the BSB Management who put together the note programme, embarked on roadshows to build investor confidence in BSB's name and negotiated to raise just over P192 million. For a debut auction, this was a significant amount raised and it showed that investors believe in BSB's vision and the Bank's strategic direction.

Risk Management

Our Board entrusts the management team with the responsibility of ensuring that the Bank operates within the confines of prudent risk parameters. As a Banking institution, we have to comply with the regulatory requirements stipulated by Bank of Botswana through regular reporting to the regulator. The Bank maintained sufficient levels of capital to meet obligations as they became due during the year.

As a loan disbursing entity, the Bank faces the risk that funds loaned out will not be paid back. Our screening and vetting process ensure that only quality loans are disbursed by the Bank, resulting in tight controls over impairments.

Whilst the overall corporate governance responsibility rests with the Board of Directors, risk management is coordinated and monitored by the Bank Management through the Risk Department. The responsibility for the implementation of risk management is shared with all staff members across the Bank.

Strategic Thrust *Bancassurance*

Lesedi 2025 has set ambitious revenue and profit targets for the Bank by the year 2025. Part of broadening the revenue generation and growing profitability involved establishing a Bancassurance Unit. I am pleased to report that Bancassurance was launched in the past financial year, and we are expecting to realise tangible results from this business unit in the years to come.

Service Accessibility and Financial Inclusion

A new Agency Banking model that allows the Bank to reach a greater number of Botswana in all corners of the country was initiated in the past year. Agency Banking gives access to Banking services through retail service points that have partnered with the Bank. The Bank continues to contract with service partners that will provide it with a presence in over 200 locations across the country. This will provide convenience to its customers and will reduce commute time to access our services for those in remote areas.

Digital Transformation

To further position itself and enhance its efficiency through the new Core Banking System, the Bank is phasing out the traditional passbooks as it prepares to roll out its digital channels. These digital channels will introduce new point-of-sale machines (POS), internet Banking and mobile app. All the behind-the-scenes setup, piloting and testing for digital channels have been done and there is just final testing to be concluded before it is rolled out to all our customers. Online Banking will enable our customers to transact whenever they want and wherever they are at their own convenience. This is in line with the Bank's purpose to reach and Bank the underserved members of the community. Moreover, the digital channels will ensure smoother Banking and better service for our customers.

Human Capital Strength

Bagaetsho, we are people before anything else. While there are procedures, processes and machines that are used on a daily basis, the drivers behind these are our people. We recognise that our staff are our most valuable asset that deliver customer service to our client base. It is important that the Bank nurtures its staff to enable them to perform at their best.

In the past year, the Bank instituted an Employee Wellness Programme. The Wellness Programme places emphasis on staff welfare and provides channels that support our staff through challenges they may be facing. There are also coaching services to help staff unlock their potential and be even more productive.

Looking Forward

2022/23 was very crucial in setting a foothold for Lesedi 2025. I am looking forward to seeing our Agency Banking take our services to the underBanked and unBanked populace in Botswana in the next two years. Our Online Banking platform will soon be available to our customers and will bring new ways in which we interact with our customers, increasing our engagement levels with our customer base. Our digital footprint will keep expanding as we fully step up into the digital arena and we measure ourselves against the commercial Banks.

Quality service comes from quality human capital. Our focus on retaining and recruiting quality human capital will propel us to the achievement of

Lesedi 2025. I have no doubt we will see a synergy between our human capital and infrastructure investments blending to provide a smooth Banking experience for our customers.

We remain confident that despite the rapid changes in the economic environment, strategic priorities set for the subsequent years will drive sustainable growth for the business.

Conclusion

To the shareholder and the Board of Directors, thank you for being able to facilitate the Bank to navigate the challenges of the past year, successfully.

To our valued customers, I would like to thank you for your patience, continued support and loyalty, and more importantly, for trusting us to grow your wealth.

Lastly, to our partners and other stakeholders, I wish to thank you for partnering with us to deliver smooth life event solutions to our clients. The Bank remains committed to growing its partnerships and strengthening its relationships.



Nixon Marumoloa

Chief Executive Officer

June 09, 2023

CHIEF FINANCIAL OFFICER'S STATEMENT

Financial Performance

The Bank's performance for the year 2022/2023 was underpinned by an increase in interest expense and a decline in the loan book. Return on equity of 2.62% (2022: 14.4%) decreased due to the decline of profit for the year. During a year where inflation reached a high of 14.3% and Bank of Botswana increased interest rates 3 times for a cumulative 1.51%, the bank's cost of funding grew by a larger margin than interest income, resulting in net interest income that was stagnant. Capital Adequacy improved as the bank prioritised matching the funding profile to the asset base through the issuance of P192.05 million bond.

Financial Highlights



Profit for the year
P6.5 million (2022: P34.3 million)



Net interest income
P163.9 million (2022: P163.8 million)



Cost to income
85% (2022: 74%)



Return on assets
0.2% (2022: 1.0%)



Return on equity
2.6% (2022: 14.4%)



NPL coverage ratio
3.2% (2022: 3.2%)



Loans & advances
P2.3 billion (2022: 2.7 billion)



Customer deposits
P2.4 billion (2022: P2.7 billion)



Capital adequacy ratio
13.6% (2022: 13.7%)



Mike Dube
Chief Financial Officer

Income statement

Net Interest Income

Net interest income increased by 0.1% to P163.9 million (2022: P163.8 million). The limited growth was due to the increase in interest income being offset by a larger increase in interest expense. Interest expense was elevated by market liquidity constraints which resulted in higher deposit pricing. Both the loan book and the deposit book declined this past year due to higher interest rates, which also constrained the growth in net interest income.

Non-Interest Income

Non-interest income up by 27% to P24.2 million (2022: P15.1 million). The increase was due to the introduction of broad-based revenue streams. With new revenue streams being launched, the benefits from them have been realised in the financial year.

Impairment of financial assets

Impairments declined by 56% (P7.2 million) year-on-year, driven by a reduction in stage 3 loans and advances. The decrease in impairment was due to improved collections year on year as well as improved data clean up. The 56% decrease in impairments translated into an NPL coverage ratio of 3.6%. Total expenses

The cost-to-income ratio of 85% (2022: 74%) reflects an increase in employee benefits and other non-staff related costs without a corresponding increase in revenue. Employee benefits increased by 13% year-on-year as the bank looked to align employee benefits to the market. The administrative and general expenses increased by 15% year-on-year, partly driven by the inflationary environment that the bank was operating in.

Balance Sheet

Loans and advances reflect a decrease of P350 million year-on-year. This decrease is as a result of a

decision by management to pause disbursement of loans in order to remain compliant with regulatory capital requirements. The main decrease was in Lecha personal loans which declined by P326 million.

The above decline in the loan book was accompanied by a decline in the deposit book. To manage interest expense growth due to the high interest rate environment, the bank was deliberate in foregoing some deposits that would have been too expensive to keep.

Advances to Deposit ratio increased to 106%, reflecting the decrease in customer deposits that was in line with the decrease in loans. The Bank remained adequately funded with corporate fixed deposits continuing to contribute significantly to the deposit base, depicting stable behaviour even as some depositors were redeeming their funds.

Capital Management

Capital adequacy at 13.6% (2022: 13.7%), this ratio was above the 12.5% minimum requirement. The ratio is attributed to the bond that was issued in December and January that contributed P192.05 million to the bank's funding base.

The bond that was issued was senior unsecured debt. The bank will continue to look for opportunities to issue subordinated tier 2 bonds, which will have a direct impact on improving the capital adequacy of the bank further.

Liquidity Management

The Bank held liquid assets amounting to P644m in March 2023. Liquidity buffers are maintained through the active management of high-quality liquid assets that are available as protection against unexpected events brought on by a volatile liquidity market. The balance sheet remained stable in the year under review, with the Liquidity Asset Ratio at 27%, well above the minimum regulatory requirement of 10%.

A glowing lantern is the central focus, set against a dark, teal-tinted background. The lantern's light is warm and yellow, contrasting with the cool blue tones of the surroundings. The lantern has a glass globe and a metal frame. The overall mood is contemplative and focused.

STRATEGIC INTENT & REVIEW



People and Service Excellence

We provide our service and products through a team of high performing staff and strategic partners and technology which enables a proactive service to our clients

Creating Value For Our Nation

We exist to create value for our Shareholder and this will also contribute towards wealth and job creation for Botswana and its citizens

BSB's strategic intent is to generate value for the Shareholder through financial performance and financial inclusion of Batswana from all walks of life, providing them with accessible savings products and services. In this section, we look at our strategic performance during the year under review.



Brand Purpose

We exist to empower Batswana from all walks of life. Our purpose is clear, low cost and speed-based with a strong focus on needs oriented (life- event) based product and service offerings.

Access to Banking is Our Priority

We provide the lowest cost and fastest Banking, financial and life events services to our clients

Locally Founded with a Global Mindset

Our purpose is based on servicing Botswana, all businesses and individuals from all income groups, and thereafter with attaining optimal growth, we intend to look beyond our borders.

STRATEGY INTERIM



The financial year ended March 2022 marked the end of the twelve-month interim strategy that was an extension of the 2016-2021 five-year strategy. The interim strategy aimed at achieving key deliverables that could not be fully realised within the previous strategic period due to Covid-19 and other environmental challenges.

Through this season we have learned valuable lessons through reviewing ways to drive greater innovation and accessibility of our Banking solutions especially to remote and unBanked communities across Botswana. In the wake of the global pandemic, we experienced challenges but they also ultimately propelled us toward growth.

Lesedi 2025 Strategy

The year 2022 saw the development and implementation of a new three-year strategy named Lesedi 2025. The new strategy unveiled a revised Mission and a new Vision. The overriding objective of Lesedi 2025 is to move BSB from a traditional manual Bank to a "No Frills" Commercial Bank by 2025. This will be achieved by improving customer accessibility through Agency Banking and Digital channels, and, efficiency through optimized processes and building and high-performance culture.

Strategy Development Process

Strategy development process follows an approved internal Strategy and Corporate performance management policy. The key processes include:

Affirmation/Review of strategic foundations.

To provide a framework for decision-making, goal setting, and prioritisation, the Bank reviewed its strategic

foundations, being Mission, Vision and Values and established its strategic themes and key Performance Areas in line with the same.

Situational Analysis

The Bank also conducted a situational analysis which included the scanning of the macro environment using the PESTEL (Political, Economic, Socio-cultural, Technological, Environmental and Legal) model of analysis.

The industry analysis was done using the Porter's 5 forces model of analysis, looking at competition, Potential new entrants, Power of suppliers, Power of customers and Threat of substitute products. Finally, the Bank used the SWOT (Strength, Weakness, Opportunities and Threats) model of analysis to assess itself against the Macro and Industry analysis findings.

Gap Analysis

The Bank used the information as per the established Strategic Foundations, Key Performance Areas, and Situational Analysis to identify gaps between its current situation and the desired

status. The established gaps would form the basis of the Strategic Plan.

Execution Plan

Information from the Gap analysis was used to develop the Strategy Execution Plan. Initiatives list was developed and prioritized according to expected impact and required effort. A Business Road map to distribute the action plans or initiatives within the given strategic period was developed in line with the prioritisation matrix mapping. Finally, the Bank's corporate scorecard with full Strategic Objectives, Key Performance Indicators, targets, and timelines was developed and signed off by management. This corporate scorecard was cascaded to different levels as guided by the Strategy and Corporate Performance Management Policy.

Stakeholder Engagement

Throughout the strategy development process up to cascading and contracting, all key stakeholders were engaged. Management, through the help of external strategic partners, was responsible for the entire

strategic development and cascading process. The Board of Directors, as the strategy approver, was responsible for ensuring that the developed strategy was plausible and represented the interest of the shareholder.

Employees, as the key execution partner, were engaged throughout the process through their Unions, direct interviews, group discussions and questionnaires in line with their roles and levels. Customers, as the recipients of the Bank's products and services, were surveyed through an independent strategic partner and the Bank's ethics hotline reports. Other reports from other stakeholders, including Regulatory Bodies, suppliers and local communities, were used when analysing the macro and microenvironments and informed the strategic development process.

Strategic Foundations

VISION: To be the leading Botswana owned integrated financial service provider.

We are inspired by being Botswana owned. We want our services to continuously bring integrated leading-edge products



Teamwork



Integrity



Responsiveness



Customer Focus

Strategy Performance Highlights

Business Growth and Sustainability

The Bank managed to successfully list with Botswana Stock Exchange a Bond worth BWP 1 billion. This bond issuance provides ease of access to capital for BSB.

& services to the market, including the underBanked and underserved.

MISSION: We create value through providing inclusive financial services across Botswana.

Our services will be inclusive, to reach every corner of the country. We exist to create value for our stakeholders.

VALUES:

Integrity: To behave with honor, honesty, and truthfulness according to ethical business principles and standards.

Responsiveness: To engage in an effective manner with customers, stakeholders, and team members. Also, to be focused on continuous drive for service excellence and business results.

Customer Focus: To take action to meet client needs, to enhance customer satisfaction and to build strong customer relationships.

Teamwork: To be highly driven as individuals and contribute to joint effort as a team. To demonstrate agility to work with others and set mutual goals. To focus on achieving positive results through building highly effective partnerships.

The Bank also managed to launch and operationalize its Bancassurance Unit, which will assist in growing the non-funded income.

Financial Inclusion

The Bank is driving its financial inclusion initiative through the implementation of Digital Channels (Internet, Mobile Application and cellphone Banking) and Agency Banking.

i. Digital Channels were successfully launched internally to staff and will soon be out to all customers within the month of June.

ii. Agency Banking will be implemented in a phased approach from June 2023 until March 2024 where the Bank is aiming to have reached 200 locations.

Customer Service Excellence

BSB has partnered with Botswana National Productivity Center (BNPC) to build a customer centric culture and capabilities within a period of three years.

Strengthen Human Capital

The Bank managed to achieve a retention rate of 99% and implemented 90% of its employee wellness programme.

Looking Ahead

Business Growth and Sustainability

a. To Grow total income

through an intensified sales drive which will be achieved by improved Customer Value Proposition (CVP), as well as restructured Direct Sales Model.

b. To raise subordinated debt capital to increase liquidity and fund the loan book growth.

Financial Inclusion

a. To improve customer outreach and access through the implementation of Agency Banking in 200 locations and Digital Channels to be available to all customers.

b. To implement customized customer education initiatives aimed at improving financial literacy.

Customer Service Excellence

a. To reduce loan application process turnaround time to 24 hours.

Operational Efficiency and Innovation

a. To optimize and automate internal processes to improve efficiency and turnaround time and overall service quality.

Strengthen Human Capital

To improve employee engagement and build a high-performance culture through aligned and relevant training and development, Succession Planning and improved employee satisfaction.





LESEDI STRATEGY 2025

A group of people, mostly men in suits and ties, are gathered in a dark room at night. Many of them are holding and lighting small, glowing lanterns. The scene is dimly lit, with the primary light source being the lanterns. In the background, a white poster or sign is visible on a wall. The overall atmosphere is one of a formal or ceremonial event.

 Lesedi 2025

A glowing lantern in a dark setting with a teal bokeh background. The lantern is the central focus, with a warm orange light emanating from its glass chamber. The background is dark with a soft, out-of-focus teal light. The text 'PERFORMANCE REVIEW' is overlaid on the left side of the image.

**PERFORMANCE
REVIEW**

Operations Report

The Department engages in continuous process improvement to ensure smooth and timely service delivery. Automation of process remains critical to enhance processing and customer satisfaction.

The departments have been a major support of back-office processing during this time while the Bank is still settling in the new Core Banking system Finacle. Banking Operations was during this period instrumental in supporting achievement of the Bank's digitization strategy by facilitating switch from manual transacting which was initially done by use of a passbook to Visa debit card. This will see BSB customer transacting from Branches or electronic channels (ATM, POS).

The expected implementation of POS in support of the current digitization strategy, is expected to facilitate straight through transaction processing of customer transactions.

Through this, the Bank is transitioning and moving away from the manual processing of transactions. This is achieved through the project of phasing away BSB customer passbooks in replacement of VISA debit cards.

Banking operations was a major player in the switch from passbook to card. It was responsible for passbook audit which was initially a prerequisite to the switch exercise. It thus revived Passbooks from all BSB Branches and all the 124 Post Offices country wide.

To facilitate the switch exercise, a total of 80k Debit Cards were ordered for all passbook account holders and dispatched to Branches for further distribution to customers.

The Card issuing started in the third Quarter of 2022-2023 financial year and will continue to the next financial year.



"This milestone is expected to contribute significantly to customer satisfaction."



Information Communication Technology

In today's digital era, the role of Information and Communication Technology (ICT) and Management Information Systems (MIS) is paramount for organizations to thrive. This report sheds light on the ICT operating environment, shedding light on their operating environment, key milestones achieved, major systems in place, and future ambitions.

KEY ICT&MIS RISKS IDENTIFIED

Some of the key risks identified were as follows:

- Risks around cybersecurity and data privacy
- Risks around business continuity
- Risks around Information Security
- Risks around lack of funding for IT initiatives, due to budget constraints
- Resistance to change by stakeholders, especially in relation to new systems that are being implemented

DATA/CYBERSECURITY CHALLENGES/ RISKS FACED

The Bank did not experience any data/cybersecurity challenges for the period under review.

KEY MILESTONES ACHIEVED BY DEPARTMENT

Implementation of Digital Channels, which was rolled out to staff for piloting at the beginning of this year 2023.

Enhancement of Cybersecurity through the implementation of Identity & Access Management, as well as the rollout of an online cybersecurity awareness programme for the Bank. Printing services enhancement for the Bank, with an objective to reduce printing in pursuit of adopting environmentally friendly processes.

MAJOR SYSTEMS

A Core Banking Platform

The Core Banking Platform is the primary backbone for the Bank's operations and transactions. It is an integrated platform that enables BSB to manage its core Banking functionalities more efficiently,

and covers areas around account management, CRM, transactions and payments, integration to digital channels and IT core infrastructure. This is the single most important platform for the Bank's operations.

b.Digital Channels Project

The Digital Channels Project, which was undertaken in the period under review, was meant to implement and introduce new channels for customers to get access to BSB's products and services in an efficient manner. The project introduced two new channels that were not there before – namely Mobile App and Internet Banking. Once fully complete, the project would have delivered other channels including USSD and Mobile Banking, over and above the ones that have already been delivered.

Implementation level for each system

The Core Banking Platform is 100% implemented, with the Bank having gone live on the platform about a year ago.

The Digital Channels Project, for both Mobile App and Internet Bank, is at 90% in terms of implementation, with internal staff currently using the platform while any issues being picked up are getting resolved. The plan is to roll these channels out to the market within the 2nd quarter of the current FY. Other channels like USSD and Mobile Banking will come on Board later during the FY.

ICT & MIS framework

A customized cybersecurity framework has been developed and adopted by the Bank. This framework borrows from best practice frameworks like the NIST Cybersecurity Framework, ISO/IEC 27001: ISO/IEC 27001 and The CIS (Center for Internet Security) Controls framework. The framework

also incorporates elements of PCI DSS for compliance purposes.

The department also follows the ITIL (Information Technology Infrastructure Library), which is a widely adopted framework for IT service management (ITSM).

The Digitalization Journey

For the year under review (FY 2022-23), the Bank made an estimated investment (CAPEX) of around BWP 10 Million in technology, as part of its digitalization journey. The rest of expenditure on IT was the OPEX.

The Bank's ICT & MIS goals for the near future

Goals of the Bank's IT department are as follows:

- Driving the Bank's digitalization programme, by making sure that any opportunities for automation are undertaken, as this will enhance the efficiencies of the Bank's operations
- Enhancing cybersecurity, by putting in place the necessary tools and measures that will improve the security posture of the Bank.
- Enhancing customer experience, by making sure that systems performance and any technical issues are resolved speedily, in order to make sure that customers do not experience any major issues when using the Bank's systems (channels), and in turn promoting good customer experiences.
- Continuous modernization of the IT infrastructure to enable the Bank to take advantage of any new innovations that come out of having in place technologies that are aligned to where trends are moving to e.g., AI and other technologies.

Human Capital Report

The Human Capital Department is the driver of corporate culture at the BSB. The department is tasked with nurturing key talent by finding synergies between personal development and a high-performance drive of the Bank.

The year just ended saw a restructuring exercise that seeks to blend in a structure that ushers the business into a commercial space while retaining the traditional ethos the BSB is known for. The total spend for salaries and allowances for the year 2022-2023 was BWP 7,7996 000.00. To this end, the Human Capital department re-positioned itself as a more than just support but a strategic partner to the business.

The Human Capital Department comprises of the following functional areas:

Organisational effectiveness

- Performance Management;
- Employee Engagement
- Talent Management
- Leadership for the future (Succession Planning)
- Leadership Development and Acquisition
- Competitive pay in a tight commercial arena

All of the above are top of the HC agenda into the final lap of the LESEDI 2025 business strategy. However, the following remain in our radar as our traditional key functions:

Human Capital Services

- HC key traditional services with key focus on Employee self-service and digitization
- Payroll Management
- Administration Services
- Employee Relations

Records Management

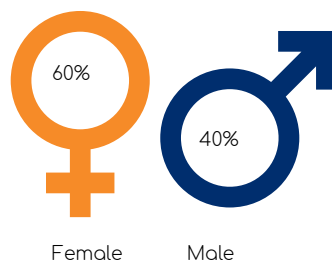
- Employee Records
- Banking Records (digitized and for access and retrieval)

Facilities Management

- Buildings Maintenance
- Fleet Management
- Security Management
- Safety Health & Environment (sustainability & green technologies adoption)

OUR PEOPLE OUR PRIDE Headcount Growth Rate

BSB headcount has grown from the previous years 198 to our current 216 which is modest considering the branch growth rate. This growth has created growth opportunities for staff, and we experience a lot of promotions and appointments mainly from our



internship program who have been well assimilated into the DNA of the Bank. This growth has a unique 60-40 blueprint with 60% being female employees and the remaining 40% being male.

The pride and future of our Bank lies in its youthfulness. 87% of the Bank employees are below the age of 41 years and this profile presents a good opportunity for the Bank to retain its core skills over a horizon of at least 19 years to the retirement age of 60 years.

We pride ourselves with a SMOOTH partnership with our biggest HC stakeholder, the Botswana Savings Bank Employees Union (BSBEU). The Bank's transition through all these healthy transformations is largely owed to the cordial but delicate nature of engagements with these great Union. The Bank's management remain ever indebted to the partnerships built over the years, the maturity and checks and balances provided at JNC level.

Employee Retention

We are sitting at 97% retention rate and a 3 % turnover. This is, by all standards, a huge KPA for any organization. Retaining talent at BSB is critical for our growth in the highly competitive Banking skills market. Our biggest challenge at HC is to build on this exciting statistic and keep on putting in place programs that sustains this talent retention rate and we are laser-focused on keeping it.

Wellness and social welfare programs are in the offing for a new exciting year ahead of us.

Culture management and transformation

BSB has adopted very radical and bold transformation paths. Commercialization and privatization are all in one bucket as espoused by the shareholder. To that end, all else is moving at a very fast pace and it is THE PEOPLE who are going to deliver this transformation process. Our change management agenda is based on socializing all aspect of the change by getting everyone on Board with the CEO being the main driver and face of the journey. The key word being PERFORMANCE CULTURE drive.

Our role at HC is to make it exciting for everyone at BSB, employees and customers alike THE SMOOTH WAY



Our Corporate Social Responsibility

As a corporate citizen, Botswana Savings Bank believes in 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.

The Bank executes its corporate social responsibility (CSR) mandate by identifying deserving beneficiaries, by supporting various social responsibility projects, enriching and uplifting the lives of many people in need across the country.

Through its Corporate Social Responsibility Programme the Bank extends financial, social and humanitarian support to organizations that are building strong and resilient communities. The bank has invested more than P3 million in robust CSR programs that cover education, social and welfare development, sports, arts, and culture over the past five years.

As a result, these improve the livelihoods of the members of the community alongside realising their financial goals.

The impact we have on our community is important. We strive to be a good corporate citizen, active in the development of our communities.

During the year under review (2022/2023) Botswana Savings Bank has contributed towards promoting education, arts and culture, sports and recreation, as well as social and welfare development in Botswana.

Giving back to the Community remains a priority for BSB, and the Bank will continue to advocate for community involvement throughout the country. To-date BSB has invested in worthy projects throughout the country, some of which included:

Government

During the year under review we streamed, support under the following categories:

- Kweneng District Council Trust Donation of 1000 face masks and 500 bottles of sanitisers
- Kgosi Malope II cash donation of P50 000 towards the Cultural event for Kgosi Malope II
- Business Botswana National Business Conference donation of P50 000.00
- Local Government Transformation Symposium cash donation of P50 000.00

Health

Young Epilepsy Association

Education

- Masilo Junior Secondary School in Molepolole donation of a four in on printer and computers
- Gumare Primary School cash donation of P10 000 going towards Teachers and Students academic excellence awards
- Mosiwa Primary in Hukuntsi, cash donation towards Academic Excellence



EDUCATION



SOCIAL & WELFARE DEVELOPMENT



SPORTS



ARTS & CULTURE

Sport Development Support

- Hatab Tourism Golf
- Old Mutual Golf

BSB I Care Staff Volunteer Program

The BSB CSR Policy also has Staff Volunteering reach out programme called I Care, where they may choose to partner or make donation to the community project of their choice. The Palopye Branch donated sanitary items to Lotsane Senior Secondary Students as well as the Palopye Primary Hospital.



Our Stakeholder Relations



Our stakeholders are individuals or groups who impact or are impacted by our business, and thus affect our ability to realise our strategy. Sustainable value creation depends on our ability to balance the interests and expectations of all stakeholders ”

Engagements take place at varying levels in the organisation and through the appropriate channels depending on the nature of the stakeholder. Stakeholder engagement is a priority area for our Board. Management are well positioned to manage the stakeholder programme and keep the Board informed on material engagements and outcomes.



Stakeholder	Description	Engagements	Key issues of concern	Response
Shareholder	The main shareholder owns the Bank and provided the capital at establishment	<ul style="list-style-type: none"> Meetings Financial results and presentations 	<ul style="list-style-type: none"> Value creation and maximisation of profits Robust business strategy and risk management Good governance Provision of affordable Banking solutions 	<ul style="list-style-type: none"> Developing ambitious strategies to grow the business Maintain capital requirements to grow the Bank of Botswana Maintain good corporate governance and risk management practice
Government and Regulators	Government is a key partner in our mandate. Regulators govern our operations and stipulate compulsory actions on disclosure and compliance	<ul style="list-style-type: none"> Engagement on regulatory matters Submission of compliance documents 	<ul style="list-style-type: none"> Adherence to regulatory requirements Complete and timely disclosure Provision of affordable Banking solutions 	<ul style="list-style-type: none"> Improved compliance to regulatory requirements Ongoing ad hoc engagements Participation in strategic and partnership events
Employees	Our people are integral to our operations and achievement of strategic objectives. We strive to create a conducive environment for our staff which enables them to take care of customers.	<ul style="list-style-type: none"> Internal communications – email, intranet, social media Team building sessions Departmental meetings 	<ul style="list-style-type: none"> Remuneration and rewards Training, skills development and talent management Career development opportunities Safe and conducive work environment 	<ul style="list-style-type: none"> Ongoing engagement through internal platforms Development of training plans Talent management and succession planning Performance management and rewards system



Stakeholder	Description	Engagements	Key issues of concern	Response
Customers	Customers are our primary reason for existence and we exist to provide them with financial products	<ul style="list-style-type: none"> • Call centre • Physical branch • Corporate website • Marketing campaigns • Local media • Corporate events 	<ul style="list-style-type: none"> • Efficient service • Good products • Convenient access to Banking 	<ul style="list-style-type: none"> • Functional and informative website developed • Service excellence • Reliable and secure • Banking platform
Community	The impact we have on our community is important. We strive to be a good corporate citizen, through intentional and proactive participation in the development of our communities	<ul style="list-style-type: none"> • CSR programmes and donations • Communication through the Media • Meetings with local community leaders • Events 	<ul style="list-style-type: none"> • Access to efficient Banking solutions • Sponsorships and donations 	<ul style="list-style-type: none"> • Continue investment in community • Align CSR efforts with the needs of the community • Education Sector – Relationships formed and maintained through various CSR projects.
Suppliers and strategic partners	These parties support our operations and enable us to focus on our core business	<ul style="list-style-type: none"> • Meetings 	<ul style="list-style-type: none"> • Adherence to contractual obligations and payment terms • Relationship management for mutual benefit 	<ul style="list-style-type: none"> • Continued engagement with suppliers



OUR GOVERNANCE

The Board of Directors operates under the auspices of a Board Charter, whose purpose is to guide the Board and its Committees in the discharging of their responsibilities, duties, and accountability in accordance with the principles of Good Corporate Governance and best practices. The Board of Directors subscribes to and promotes the principles of good ethical conduct, both during the conduct of Board deliberations and dealing with our Stakeholders. The Board of Directors shall ensure the establishment and monitoring of Code of Conduct and Ethics to promote high ethical behaviour and to act as a guide on ethical considerations in running the business.

The Board Charter defines matters reserved for the Board's determination and matters delegated to its Committees and management. The Board is satisfied that the delegation of authorities as specified in the Board Charter provides role clarity and the effective exercise of authority.

The Board provides the Bank's strategic direction and ensures the development of supporting objectives to serve and sustain the strategy. The Board provides leadership and vision in a manner that is consistent with the principles of creating shared value and running a successful and sustainable entity. The effective and efficient day-to-day management of the Bank is delegated to the Chief Executive Officer who in turn has the support of the Management team.

Composition of the Board (BSB Act, Section)

Section 5(2) of the Botswana Savings Bank Act outlines the composition of the Board, which comprises the Chairman and eight other members. The constitution of the Board is as follows:

- Three members appointed by the Minister from the public service, one (1) of whom shall be appointed Chairperson.
- Four members appointed by the Minister from the private sector.
- The Chief Executive Officer of Botswana Postal Services shall be an ex-officio member
- The Chief Executive Officer of the Bank shall be an ex-officio member

The term of a member shall be four years with eligibility for re-appointment to a second term.

Meetings

The Board Charter stipulates that a minimum of four (4) meetings be held in a year. In the year under review, all the Committees and the Main Board have fulfilled the minimum requirement. Following the independent Board Assessment and Evaluation undertaken in 9 April 2021, the Board focussed on implementing the findings of the assessment.

An assessment of the performance of the Company Secretary is undertaken biennially, as part of the Board evaluation process. The assessment confirmed that the Company Secretary has fulfilled their duties as described in the Board Charter.

Overall, the performance of the Board and its Committees is satisfactory.

Lead Partner, Quality Review Partner (QRP) and Key Audit Partner Rotation Policy

We comply with the rotation requirements of the Mandatory Audit Firm Rotation (MAFR) rules as published by BAOA and the IESBA as applicable to a particular audited entity. For entities designated as Public Interest Entities (PIE) under BAOA, the audit term of office for an audit firm is five years, with an option to renew for a further five years. The maximum consecutive audit terms for an audit firm are set at two terms of five years each.

Where the engagement term of an auditor comes to an end either before or after the five-year period, a re-tendering process shall take place.

The lead partner and QRP tenures are set at five years. The cooling off period for the lead partner is set at five years and cooling off period for the QRP is set at three years in accordance with the requirements of the Code of Ethics for Professional Accountants (IESBA Code)

BOARD OF DIRECTORS



Goitsewang Morekisi
Chairperson



Esther Lemo
Deputy Chairperson



**Cornelius
Ramatlhakwane**

Board Member



Sarah Molale

Board Member



Neo Maruapula

Board Member



Khumiso Tshephe

Board Member



Matilda Basinyi

Board Member



Nixon Marumoloa

Board Member, CEO

BOARD OF DIRECTORS [continued]

BSB BOARD MEMBER PROFILES

Goitsewang Morekisi

Non-Executive Director

Chairperson

Date of Appointment: July 2022
Nationality: Motswana

Ms. Morekisi is the Permanent Secretary of the Ministry for State President. She provides leadership and strategic direction under the guidance of the Honourable Minister. Additionally, her mandate entails the development of strategic and corporate planning and delivery regarding Presidential Affairs, Governance, Governmental Budget, Performance Management, Botswana Honours, Public Administration, Appeals Management, Resource Management and other assignments.

She holds over 34 years of experience in service to the Government of Botswana. Her career covers a wide spectrum of expertise including policy analysis, economics, diplomatic relations and development planning.

Among her previous capacities of leadership, Ms. Morekisi has served as Permanent Secretary in other government ministries including that of the Ministry of Presidential Affairs, Governance and Public Administration, as Permanent Secretary of the Ministry of Transport and Communications, and Deputy Permanent Secretary – Corporate Services at the Ministry of Finance.

Ms. Morekisi holds a Master of Arts in Development Economics from the University of Sussex, United Kingdom, a Post Graduate Diploma in Economics from the University of Sussex, United Kingdom, and a Bachelor of Arts in Economics from the University of Botswana. Ms. Morekisi's membership on the Board of Botswana Savings Bank with her strategic oversight and guidance has been a great fortune for the Bank and its stakeholders.

Esther Tuelo Lemo

Non-Executive Director

Deputy Chairperson

Risk and Compliance Committee
Date of Appointment: July 2018

Nationality: Motswana

Ms. Lemo holds over 30 years in the Botswana Banking and Finance sector. Over her career she has been at the helm of the corporate Banking space with particular expertise in large-scale corporate, Local and Central Government, and Parastatal portfolio management.

Ms. Lemo holds an Associate Diploma from the Institute of Bankers South Africa, a Licentiate Diploma in Commercial Banking, Certificate in Banking from the Institute of Bankers South Africa and a Certificate in Communication Skills from the Institute of Development Management Botswana.

Cornelius Ramatlhakwane

Non-Executive Director

Member

Finance and Audit Committee
Date of Appointment: July 2018
Nationality: Motswana

Mr. Ramatlhakwane holds over 20 years experience in the local finance and postal services sectors. His areas of expertise from a luminous career path include business strategy and development, credit risk management, customer service, as well as sales and marketing.

In previous capacities he has served at major entities including Standard Chartered Bank, Deloitte and Touche, and is currently Chief Executive Officer at Botswana's largest courier, BotswanaPost, where he was appointed in 2015.

It has been during his leadership that the giant corporate returned to profitability in 2018-2019 - a first for the company in the past decade. Mr. Ramatlhakwane has a heart for people and thus mentorship and coaching.

He is passionate about creating exciting workplaces for employees to thrive in and to build quality team relationships. His professional qualifications include a Master of Science in Strategic Management and a Post-Graduate Certificate in Management Studies.

Sarah Moatle Molale

Non-Executive Director

Member

- Risk and Compliance Committee (Chairperson)
 - Human Capital Committee
- Date of Appointment: July 2018
Nationality: Motswana

Mrs. Molale has served over 28 years in the Public Finance sector through a variety of roles in leadership, where her passion for people-relations and building teams has been the golden thread in her lustrous career story. Her personality and professional discipline, coupled with a professed liking for a challenge, are strengths that continue to benefit the Bank leadership. She is currently Director of Finance Administration at the Ministry of Finance.

Mrs. Molale's rich expertise includes public accounting, policy concerning the capital markets and other non-Banking outfits, policy regarding Anti-Money Laundering/combating the Financing of Terrorism and Proliferation Financing (AML/CFT/CFP) and others. She has also been a key stakeholder concerning country legislative assignments involving the Financial Intelligence Act, the establishment of a Financial Intelligence Agency and Financial Intelligence Regulations.

In her current office she is also part of the leadership team overseeing the implementation of the national Financial Inclusion Agenda. Mrs. Molale holds a Master of Commerce in Accounting and Finance, a Post-Graduate Certificate in Financial Management from the National Institute of Financial Management in India, and a Bachelor of Commerce from the University of Botswana.

Matilda Ontlametse Basinyi
Non-Executive Director

Member

Human Capital Committee (Chairperson)
Date of Appointment: November 2017
Nationality: Motswana

Ms. Basinyi is a chartered professional with over 20 years of experience in the finance industry. Ms. Basinyi has served in a variety of leadership capacities in the Botswana public service with a focus in the areas of development planning, taxation, procurement and investment. Her previous roles have included Chief Finance Officer at the Ministry of Finance.

She is currently Director – Procurement Oversight at the Ministry of Labour and Home Affairs at the helm of compliance with public procurement legislation.

Since her appointment in 2017, Ms. Basinyi has been instrumental to the Bank through a variety of assignments in the Board including as Chairperson and Member of the Board Tender Committee, and as a Member of the Finance and Audit Committee.

She is a Chartered Member of the Institute of Logistics and Transport (CMILT); Member of the Chartered Institute of Logistics and Transport South Africa (CILTSA); Affiliate Member of the Chartered Institute of Procurement and Supply (CIPS); Associate Member of the Association of Certified Fraud Examiners (ACFE); and a Member of the Botswana Institute of Chartered Accountants (BICA).

Ms. Basinyi holds a Master of Science in Logistics and Supply Chain Management from the University of Bolton, United Kingdom; Master of Commerce in Accounting & Finance Macquarie University, Australia and a Bachelor of Commerce in Accounting from the University of Botswana.

Neo Maruapula
Non-Executive Director

Member

Finance and Audit Committee (Chairperson)
Date of Appointment: December 2021
Nationality: Motswana

Ms. Maruapula is a Finance and Operations Consultant at EBAT Consultants Limited. She holds over a decade in business management especially in the arenas of Operational Strategy, Business Policy, Accounting & Finance Management, Auditing, Information Technology, and Corporate Training. Ms. Maruapula holds additional experience in the Education and Human Capital sectors with an evident passion for skills development.

Ms. Maruapula holds a Master of Business Administration in Finance from the University of North West, South Africa; Bachelor of Science in Computer Information Systems from Saginaw State University, USA; and an Associate Degree in Accounting and Management from Tucson College of Business, USA.

Khumiso Tshephe
Non-Executive Director

Member

• Board Tender Committee
• Risk and Audit Committee
Date of Appointment: December 2021
Nationality: Motswana

Ms. Tshephe holds over 15 years experience in the legal industry. She is Founding and Managing Partner of Tshephe Legal Firm. In her dexterous legal career Ms. Tshephe has acquired particular expertise in Corporate and Commercial, Property, Debt Collection, Foreclosure, Civil and Criminal Litigation, Labour and Family law.

Ms. Tshephe attained her Bachelor of Law from the University of Botswana and is duly admitted as an Attorney, and a Notary Public and Conveyancer. She is a member of the Law Society of Botswana.

Nixon Mpho Marumoloo
Executive Director

Ex-Officio Member

• Human Capital Committee
• Risk and Compliance Committee
• Finance and Audit Committee
Date of Appointment: April 2018
Nationality: Motswana

As Chief Executive Officer at the Bank, Mr. Marumoloo is the custodian of the BSB mandate and entrusted to lead his team to deliver on the corporate strategy, drive shared value and lead the Bank's drive to commercialisation.

Mr. Marumoloo has been at the helm of Botswana's financial service sector for well over 20 years. He has brought to the Bank a rich experience across a variety of sectors including corporate and consumer Banking, SME Banking, development finance, trade finance and commodity trade respectively.

His evident gifting and passion for leading impactful teams has continued to be prized, with a stellar leadership record boasting of some of the biggest outfits in the local economy including Standard Chartered Bank, First National Bank, Citizen Entrepreneurial Development Agency (CEDA) and more.

Mr. Marumoloo holds a Bachelor of Arts in Economics & Administration from the University of Botswana, and further qualifications from the Insurance Institute of South Africa, Henley Business School in South Africa, Gordon Institute of Business Science in South Africa and Wits Business School in South Africa.

BOARD OF DIRECTORS [continued]

Board of Directors	Workplace Address and Position Held	Date of First Appointment	Professional/Academic Qualifications	Other Institutions in which he/she is a Director
Mrs Goitsewang Morekisi (R) Non-Executive Director and Board Chairperson	Permanent Secretary Ministry for State President	July 1, 2022	<ul style="list-style-type: none"> • Development Economics • Bachelor of Economics • Master's degree in Development Economic 	<ul style="list-style-type: none"> • None
Mrs Esther Tuelo Lemo (NR) Non-Executive Director and Deputy Chairperson	Pensioner	July 1, 2018	<ul style="list-style-type: none"> • Associate Diploma in Banking • Licentiate Diploma in Banking • The Certificate in Banking • Certificate in Communication • Senior Certificate in Preaching (Methodist Church of Southern Africa) 	<ul style="list-style-type: none"> • Maiteko Enterprises • A J Lemo Investments (Pty) Ltd • Mosokelatsebeng Cellular (Pty) Ltd
Mrs Sarah Mootle Molale (R) Non-Executive Director	Director Finance Administration (LA) Ministry of Finance and Economic Development	July 1, 2018	<ul style="list-style-type: none"> • Masters of Commerce (Finance) • Bachelors of Commerce (Accounting) • Post Graduate Diploma in Financial Management 	<ul style="list-style-type: none"> • None
Ms Matilda Ontlametse Basinyi (R) Non-Executive Director	Manager, Procurement Ministry of Labour and Home Affairs	November 1, 2017	<ul style="list-style-type: none"> • Master of Commerce (Accounting and Finance) • Bachelor of Commerce • Master of Science in Logistics and Supply Chain Management • Chartered Member of the Institute of Logistics and Transport (CMILT) • Accounting Technician. 	<ul style="list-style-type: none"> • Oretshidise Investment • S.T.S Trading (Pty) Ltd

Board of Directors	Workplace Address and Position Held	Date of First Appointment	Professional/Academic Qualifications	Other Institutions in which he/she is a Director
Ms Neo Maruapula (NR) Non-Executive Director	EBAT Consultants (Pty) Ltd Finance & Operations Director	December 14, 2021	<ul style="list-style-type: none"> • MBA (Finance) • BSc (Computer Information Systems) • Associate degree in accounting & Management 	<ul style="list-style-type: none"> • EBAT Consultants (Pty) Ltd
Mrs Khumiso Tshephe (NR) Non-executive Director	Tshephe Legal Firm Managing Partner	September 24, 202	<ul style="list-style-type: none"> • Bachelor of Laws 	<ul style="list-style-type: none"> • None
Mr Mpho Nixon Marumoloo (R) Executive Director Chief Executive Office	Chief Executive Officer Botswana Savings Bank	April 9, 2018	<ul style="list-style-type: none"> • Bachelor of Arts (Social Sciences) • Certificate of Proficiency 	<ul style="list-style-type: none"> • Human Resource Development Council • Botswana Institution of Banking and Finance • Kaylane (Pty) Ltd
Mr Cornelius Ramatlhakwane (R) Non-Executive Director	Chief Executive Officer Botswana Postal Services	July 1, 2018	<ul style="list-style-type: none"> • MSc Strategic Management • Certificate – Management Studies • AAT Membership 	<ul style="list-style-type: none"> • Wipix Holding (Pty) Ltd • Southern African Postal Operators Association (SAPOA) • Botswana Postal Services

EXECUTIVE MANAGEMENT



Nixon Marumoloa

Board Member
Chief Executive Officer



Mike Dube

Chief Financial Officer



Kabelo Ngwako
Director, Information
Technology



Phenyio Tshiamiso
Director Human Capital (Ag)



Bose Masuku
Director Risk (Ag)

EXECUTIVE MANAGEMENT [continued]

SENIOR MANAGEMENT	PROFESSIONAL/ACADEMIC QUALIFICATIONS
Nixon Marumolo Chief Executive Officer	<ul style="list-style-type: none"> • Bachelor of Arts (Social Sciences) • Certificate of Proficiency
Shemah Michael Dube Chief Financial Officer	<ul style="list-style-type: none"> • ACCA (Fellow Member) • Bachelor of Commerce • Accelerated Development Programme (ADP) • Certificate of Proficiency
Kabelo Ngwako Director, Information Technology	<ul style="list-style-type: none"> • Bachelor of Science (Computer Science) • PRINCE 2 Practitioner
Rosemary Bomolemo Selaledi Head, Marketing & Corporate Affairs	<ul style="list-style-type: none"> • Bachelor of Arts (Environmental Science & English) • Post Graduate Diploma in Education • High National Diploma in TESL
Beauty Bareki Head, Banking Operations	<ul style="list-style-type: none"> • Bachelor of Social Sciences (Economics and Public Administration) • Management Development Programme
Mooketsi Nkau Head, Internal Audit	<ul style="list-style-type: none"> • ACCA • Bachelor of Accounting
Obusitswe Keabaitse Head, Retail Banking & Services	<ul style="list-style-type: none"> • Masters of Business Administration (International Business) • Bachelor of Commerce (Economics and Advanced Management) • Certificate in Credit Risk Assessment
Bose Masuku Director Risk (Ag)	<ul style="list-style-type: none"> • Bachelor Of Accounting • Postgraduate Certificate in Enterprise Risk Management • Associate Diploma In Banking • Certificate of Proficiency
Phenyo Tshiamiso Head, Human Capital (Ag)	<ul style="list-style-type: none"> • Bachelor of business Economics & Industrial Psychology • Certificate Human Behaviour Business Psychology • Talent Management
Tshepo Mothoeng Head, Strategy and Innovation (Ag)	<ul style="list-style-type: none"> • Executive Master of Business Administration • Bachelor of Organisational Psychology and Human Resource Management • Certified Project Management Prince II Practitioner • Certified Balanced Scorecard graduate – Strategy Management
Tshepang Larona Mokhurutshe Head, Legal & Board Secretary (Ag)	<ul style="list-style-type: none"> • LLB • Bachelor of Arts (Political Science and Human Rights)CISI (Fundamentals of Financial Services)
James Koobake Head, Bancassurance	<ul style="list-style-type: none"> • Fellow membership (FIISA) – Insurance Institute of South Africa • Management Development Programme • Advanced Diploma in Insurance • Diploma in Insurance • Intermediary Certificate in Business Studies • Certificate of Proficiency – Short Term & Long Term • Bachelor of Finance

Board Secretary and Legal Department (BSLD)

The Board Secretary and Legal Department (BSLD) is divided into two main functions: the Board Secretarial function and the Legal and Governance Function. The function provides legal and secretarial services and advice to the statutory instruments of the Bank. In addition, BSLD provides legal advice on the administration, operations and financial activities of the Bank. BSLD ensures that the Bank's activities and operations are consistent with the constitutive documents and other legal instruments of the Bank, policies, and as appropriate, with the norms and principles of international and commercial law and the best practices of Banking in general.

As the Bank operates at the intersection of public and private law, the BSLD ensures that the Bank functions at the highest possible level whilst fulfilling its mandate to its stakeholders in government and the private sector.

Board Committees Finance and Audit Committee (FAC)

The purpose of the FAC is to review and monitor the effectiveness of the company, controls in the areas of financial performance, liquidity risk and regulatory compliance.

Duties performed

- Endorsed the Annual Financial Statements for the Financial Year 2021/2022
- Endorsed the Risk Based Internal Audit Plan for 2023/2024 for final approval from the Board of Directors.
- Approved the External Audit Plan and the associated fee for the financial year 2023/2024.
- Endorsed the annual budget for the financial year 2023/2024 for final approval from the Board of Directors.
- Monitored the performance of the Bank in line with the approved budget for financial year 2021/2022.
- Reviewed the Bank's strategic and corporate performance.
- Reviewed the findings raised by the Bank's assurance providers and the efforts made by management towards addressing the findings.

Statement of the Independence of External Auditors

The Finance and Audit Committee (FAC) assessed the independence of the External Auditors. The FAC was satisfied with the Independence of the Auditors in providing an impartial evaluation of the Bank's financial statements and systems of internal control.

Human Capital Committee

The Human Capital Committee is tasked with providing oversight

authority and overseeing the overall human resources strategy and implementation thereof for the Bank.

Risk Compliance Committee (RCC)

The purpose of the RCC is to review and monitor the effectiveness of the Bank's controls in the areas of operational risk, legal and regulatory compliance.

Board Committee and Meetings Attendance

The Board Charter stipulates that a minimum of four (4) meetings be held in a year. In the year under review, all the Committees and the Main Board have fulfilled the minimum requirement. Following the independent Board Assessment and Evaluation undertaken in 2021, the Board focussed on implementing the findings of the assessment.

Directors' Remuneration

The remuneration of the members is in line with the Government of Botswana sitting allowance guidelines.

Corporate Governance Review - King IV

Botswana Savings Bank adopted King IV Corporate Governance Code; and implementation began during the year under review. The below report demonstrates which requirements we were able to fulfil and those that require more intervention.

Board Committee and Meetings Attendance

Board Member	Board	FAC	RCC	HCC	BTC
K. Molelowatladi (Chairperson)	2/7	n/a	n/a	n/a	n/a
G. Morekisi (Chairperson)	5/7	n/a	n/a	n/a	n/a
E. Lemo	7/7	n/a	5/5	n/a	1/1
M. Basinyi	7/7	2/6	n/a	7/7	1/1
C. Ramathlakwane	5/7	6/6	n/a	n/a	n/a
S. Molale	4/7	n/a	5/5	7/7	n/a
K. Tshephe	7/7	n/a	4/5	1/7	0/1
N. Maruapula	7/7	6/6	n/a	n/a	n/a
H. Mocuminyane-Hlanti	0/7	1/6	n/a	1/7	n/a
N. Marumoloa	7/7	6/6	5/5	7/7	1/1

Notes:

Mr Molelowatladi's term ended 30 June 2022

Ms Hlanti's term ended 4th August 2022

Mrs Morekisi's term commenced 1 July 2022

SENIOR MANAGEMENT



Bomolemo Selaledi

Head, Marketing & Public Relations



James Koobake

Head Bancassurance



Obusitswe Keabaitse

Head Retail Banking & Sales



Tshepo Mothoeng

Head Strategy & Customer Excellence



**Tshephang
Mokhurutshe**

Head Legal and Board
Secretary



Mooketsi Nkai

Head Internal Audit



Beauty Bareki

Head Banking Operations

CORPORATE GOVERNANCE REVIEW [continued]

Risk and Internal Audit

RISK GOVERNANCE

The Board is the ultimate responsible party for our risk management. This responsibility entails ensuring that risks are adequately identified, measured, mitigated and monitored.

In rolling out the Strategic Plan, risks and opportunities are contained within the set risk appetite levels. One of the prime responsibilities of the Department is to provide assurance to the Board of Directors, in line with the combined assurance model.

The Risk Department performs a second line of defense role, with business being the first line of defense and Internal Audit being the third line of defense.

Risk priorities

- Capital management
- Account reconciliation
- Loan scheme administration
- Roll-out of the social protection project
- Credit
- Deposit concentration
- Liquidity
- Money laundering, financial terrorism &

- proliferation financing
- Disaster preparedness
- Governance

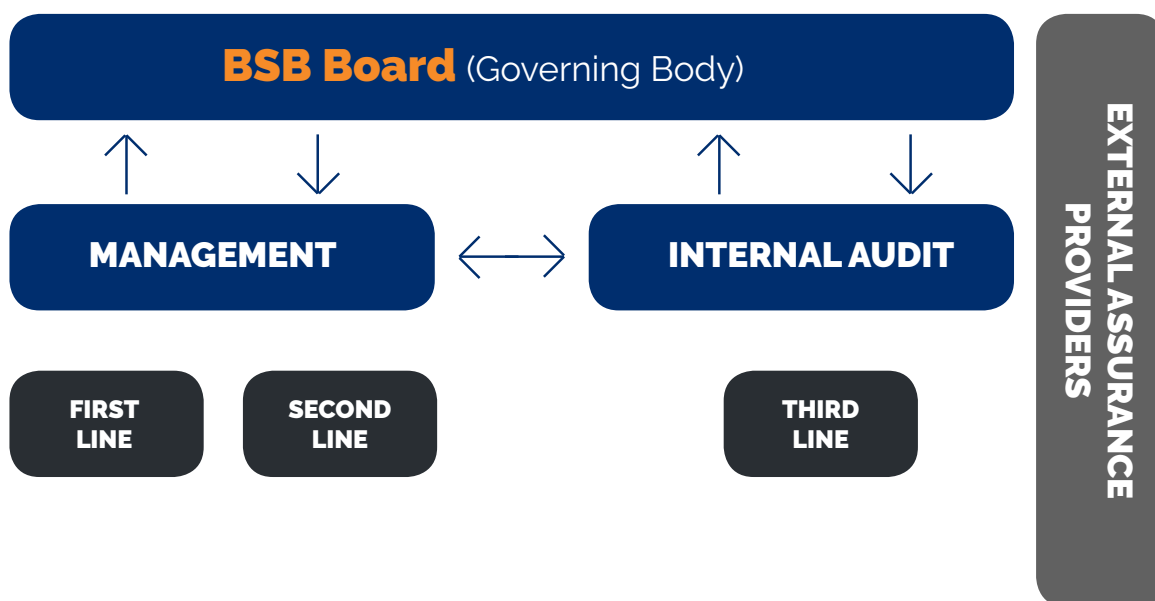
Risk Management Approach

BSB Enterprise-wide Risk Management Framework provides guidance on an integrated risk management methodology and incorporates international best practice in the enterprise-wide risk management discipline. With the Banking industry knowledge, the Board, Management and Staff proactively identify and manage specific risks and opportunities facing the Bank.

BSB is committed to a structured and systematic approach to the management of risks across the Bank, in accordance with the current industry standards and best practice. BSB Risk Management Framework is based on risk governance, risk infrastructure, and management and risk ownership.

The Board has overall responsibility and is supported by the Risk & Compliance Committee in the execution of its roles, such key structures provide the tone at the top and shapes the risk culture. The Risk & Compliance Committee and the Board meets quarterly to discuss the risk agenda, this provides sufficient transparency and visibility into the Bank's Risk Management practices.

Three lines of defense model



Risk management has been integrated into the processes of the various business activities of the Bank. At all levels of planning and decision-making, deliberate steps are taken to embrace the mitigations for risks and opportunities. Through the adoption of the COSO Framework, BSB has aligned risk, strategy and performance into one.

Enterprise Risk Management Frameworks

The BSB ERM Framework was adopted from the commonly used ERM framework, ISO 31000 and the COSO ERM Framework which are the two widely accepted risk management standards organisations used to help manage risks.

The Bank's ERM Framework places more emphasis on the risk management process as described in the COSO Framework where there is a direct relationship between objectives, which are what the Bank strives to achieve, and enterprise risk management components, which represent what is needed to achieve them.

Risk Appetite Statement

The Board identifies the parameters of the risk appetite along key strategic, operational, reporting and compliance objectives. In determining the risk appetite, the Bank has adopted three (3) approaches:

By facilitation of discussions

This method includes facilitation of discussions the Staff, Management and Board, after such iterations, the risk appetite statement is developed, representing the combined view of the Bank's leadership and governance bodies. Collectively the Bank is able to prioritize its goals and related risk appetite, collective discussions assist in considering various scenarios and how they influence decision making. In determining the risk appetite statement discussions must be guided by the strategic plan and values of the Bank.

Discussing related objectives and strategies

This approach focuses on Management considering major issues facing the Bank, such as new product, expansion plans, such as increasing the branch network, technological and innovative advancements. Various viewpoints from the Management team with low and high appetite positions are able to express their considerations. Reviewing and assessing these reactions can provide insight into the Bank's current risk appetite. This approach looks at what the perceived risks are under the various strategic objectives. Proposed risk appetite for the

various strategic objectives by the Management are thereafter reviewed by Board. The Board may support or challenge Management decisions on risk appetite. Management may further appreciate the Board risk appetite for certain strategic objectives and may further incorporate such knowledge into the risk management process. The detail however in this model may be limited, creating challenges in comprehending the specificity of the application of risk appetite.

Development of Performance Models

This is where the Bank uses quantitative measures to express its overall risk appetite. Such measures are often derived through performance modelling. Economic capital can be used to express risk appetite. Economic capital is the capital that the Bank needs to remain solvent. Management makes an assessment of how much capital is required taking into account the regulatory requirements.

The Bank models its risk profile using the "bottom-up approach", considering specific risks, including industry factors and broad economic factors. This risk profile is compared with the overall risk appetite; the comparison will guide as to how much risk the Board and management is willing to accept.

Key ratios are applied from peer banks in the industry to gain an understanding of the suitable risk level. Considerable data is required for performance modelling. Certain risks are difficult to quantify and model with precision. Management and Board will hold discussions at the appropriate levels of capital to be maintained.

Strategies are reflected in performance objectives, and risk appetite is expressed in terms of risk tolerance. The more precise articulation of performance objectives and risk tolerances are, the more effective management is in identifying situations where corrective actions are needed. Performance metrics and risk tolerances that are more specific are easily monitored.

In carrying out the operations of the Bank, the risk appetite framework has been an important yardstick in propelling decisions to areas where the Board is willing to operate along. Performance measures against the risk appetite are reported to the Board through the Risk and Compliance Committee.

CORPORATE GOVERNANCE REVIEW [continued]

The Risk Department comprises of the following units:

- Credit Risk
- Collections
- Credit Operations
- Financial Crimes
- Compliance
- Enterprise Risk
- Safety Health & Environment (SHE) and Physical Security report is contained under the Human Capital report.

Emerging Risks

The national address by His Excellency Dr. M.E.K. Masisi, an announcement to the effect that Botswana Savings Bank will be privatized as a way of adding value to the private sector and to align with rationalisation of the Government's responsibilities.

The privatisation of the bank is an opportunity for the Bank to speed up the commercialisation drive and enhance the capital structure.

As part of the rationalisation exercise, some state-owned entities are to merge and to reviewed. The BSB loan book predominantly comprises of civil servants, where reforms are made at the organisational level, recovery of loans may be affected where losses of jobs may be suffered.

Effective 28th April 2022 the Central Bank will introduce reforms to the monetary policy framework. The reforms are aimed at three objectives being:

1. To enhance monetary policy transmission and desired market response to monetary policy and monetary operations adjustments.
2. To designate an anchor policy rate capable of affecting liquidity management decisions, and thus providing a direct link to policy changes.
3. To achieve an interest rate structure that influences commercial banks decisions and market responses, fostering an active interbank market and also, effectively reflecting the policy stance and desired impact of monetary operations.

The following reforms to the monetary policy will be introduced effective 28th April 2022:

4. Adopt the yield on the main monetary operations instrument (currently the 7-day BoBCs) as the anchor policy rate (in place of the Bank Rate); this new policy signalling rate will be called the Monetary Policy Rate.

5. Change the auction format for the main monetary operations instrument (7-day BoBCs) from the current multiple price system to a fixed rate full allotment system.

6. Establish an interest rate corridor, with a 200-basis points margin, comprising a new Standard Deposit Facility (SDF) at the Bank of Botswana at 100 basis points below the anchor policy rate and a new Standard Credit Facility (SCF) at 100 basis points above the anchor policy rate.

7. Retain the Credit Facility, at a Credit Facility Rate (CFR) to be anchored on the policy rate plus a margin that will be determined by the Bank given prevailing circumstances. In the current market environment, the margin will be set above the policy rate.

8. Undertake liquidity absorption and injection (fine tuning operations) on a less frequent basis (two to three times within the Primary Reserve Averaging maintenance period), conducted at the policy rate; and

9. Introduce a one-month paper (BoBC), auctioned once a month, that will help address some of the structural liquidity positions and support the construction of the short-end of the yield curve, especially since government bills are not issued for this tenor. The one-month BoBC will be issued at fixed-amount flexible-price auctions for price discovery. The fixed amount would be lower than the main seven-day operation in order to keep traction of the seven-day rate as the main market rate.

Bank of Botswana considers it prudent to allow commercial banks to independently determine their own Prime Lending Rate (PLR). However, to ensure a smooth and orderly transition and treatment of pricing of existing products/financial contracts, the PLR should not be more than 5.25 percent except in the event of an adjustment of the anchor policy rate.

The proposed reforms are not expected to have a significant impact on the Bank's operations.

CORPORATE GOVERNANCE REVIEW [continued]

Credit Risk

Credit risk arises from the potential that a counter-party is either unwilling to perform on an obligation or a counter-party's ability to perform such obligation is impaired resulting in economic loss to the Bank.

The Bank is mainly funded by interest income from the loan book. Losses stem from outright default due to inability or unwillingness of a customer or counter-party to meet its commitment in relation to lending and other financial transactions. Losses may result from reduction in portfolio value due to actual or perceived deterioration in credit quality.

Credit risk is inter-connected to other risks, for instance the defaulted loan may attract liquidity challenges. Non-performing loans result in impairments to the Bank and result in elevated costs and reduction in profits.

In addition, credit risk occurs where counterparties fail to remit customer deposits and scheme loan repayments in line with the agreed timelines.

The Bank predominantly operates a Banking book which supports the interest income generated for the year. Credit Risk primarily originates from the extension of facility to retail customers and the inability to service the facility in line with the terms of the facility. BSB offers deduction-at-source facilities, this being a mitigation against loss suffered by the Bank.

In addition, credit risk occurs where counterparties fail to remit customer deposits and scheme loan repayments in line with the agreed timelines.

Liquidity Risk

Liquidity risk is the risk that the bank may be unable to meet its financial obligation to

counterparties.

The risk arises when the cushion provided by the liquid assets are not sufficient to meet its obligation. The customer demand accounts and fixed deposits are used as a primary source of liquidity, such funding is considered more cost-effective, than loans and bonds. Conditions of funding through the market depend upon liquidity in the market and borrowing institution's liquidity. When market prices of raising liquidity in the market are high, this would affect the earnings of the Bank.

Intensified competition has been noticed during the year has resulted in increased pricing of deposits in the market threatening the deposit book. A controlled asset growth approach has been adopted to ensuring that our determined appetite levels are observed. The Bank has opted for the debt capital market participation in raising funding required to propel the Bank's loan book growth.

Market Risk

This is the risk that the value of on and off-balance sheet positions of a financial institution will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates, equity rates, equity prices, spreads and/ or commodity prices resulting in a loss to earnings or capital.

The Bank is exposed to market risk in the form of interest rate risk due to mismatch of loans and deposits. Market risk is potential for loss resulting from adverse movements in market risk factors such as interest rates, forex rates, equity and commodity prices.

Interest rate risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specified period. The Bank's lending, funding

and investment activities give rise to interest rate risk. The immediate term impact of variation in interest rate is on the Bank's net interest income, while liabilities and off-balance sheet exposure are affected.

Consequently, there are common perspectives for the assessment of interest rate risk.

Earnings perspective:

The focus of analysis is the impact of variation in interest rates on accrual or reported earnings. This is a traditional approach to interest rate risk assessment and obtained by measuring the changes in the net interest income or net interest margin, the difference between the total interest income and the total interest expense.

Economic value perspective:

This perspective reflects the impact of fluctuation in the interest rates on economic value of a financial institution. Economic value of the Bank can be viewed as the present value of the future cash flows. In this respect economic value is affected both by changes in cash flows and discount rate used for determining present value. Economic value perspective considers the potential longer-term impact of interest rates on an institution.

Sources of interest rate risks for BSB are:

- Differences between the timing of rate changes and the timing of cash flows – repricing risk.
- Changing rate relationships among different yield curves effecting bank activities (basis risk); and
- Changing rate relationships across the range of maturities (yield curve risk).

The Bank currently does not a trading book, thus not exposed to other forms of market risk.

Increasing pricing on deposits and a shift in taste by the depositors as they preferred shorter to longer dated deposits. There has been tense competition in the market with regards to pricing of deposits.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events.

Operational risk is associated with human error, system failures and inadequate procedures and controls. It is the risk of loss arising from the potential that inadequate information systems, technology failures, breaches in internal controls, fraud, unforeseen catastrophes, or other operational problems may result in unexpected losses or reputational problems. Operational risk exists in all products and business activities.

Operational risk event types that have the potential to result in substantial losses includes internal fraud, external fraud, employment practices and workplace safety, clients, products and business practices, business disruption and system failures, damage to physical assets, and family execution, delivery and process management.

The Bank aims to understand what drives operational risk exposure and seeks to allocate related resources towards such areas. Management and Staff identify trends internally and externally to try and predict such exposures and reduce errors and loss of funds. Failure to understand and manage operational risk, may greatly increase the likelihood that some risks will go unrecognized and uncontrolled.

- Reconciliation of some accounts were a challenge, mitigations included manual interventions while automation of such accounts are being implemented.
- Loan scheme processing for some counterparties did not meet expectations as determined by the Bank. Processes are in place to ensure seamless and timely automated processes.

TOP 10 RISKS FACING THE BUSINESS

Top risks have remained under the radar of the Board throughout the year. Among the top risks that the Bank focused on included, credit and operational risks. Mitigations have been mapped and are closely monitored to ensure that the areas highlighted are managed within acceptable levels.

Our top ten risks which we manage closely are:



CORPORATE GOVERNANCE REVIEW [continued]

#	Risk	Risk Description	Risk Mitigations
1	Capital Management Risk	The risk associated with the effective deployment of capital to achieve profitable growth and to be an effective cushion in the event of financial risks that arise.	Application of a subordinated debt from the market as a way of improving the equity position of the Bank in relation to the Basel Accord. Improving profitability of the Bank through growing non-interest income. Revising pricing of scheme loan facilities. Enhancing the assets risk weightings (driving secured loan facilities). Structured the note programme with subordinated facilities which will contribute to the Bank's regulatory capital.
2	Failure to effectively reconcile transactions	The risk relating to the inability to effectively reconcile Card and ATM transactions between BSB records and counter-party records in a timely manner.	Adherence to the processes and procedures manual and the Card Policy. Daily settlement of transactions after carrying out investigations. Daily reconciliations to be carried out by the Card Division. Finance Department to carry out independent periodic checks.
3	Poor administration of loan scheme	This risk relates to the inability between BSB and the counterparty to administer the loan deductions and remittance in an accurate and timely manner.	Constitute a dedicated reconciliations team that will ensure timely submission of standing orders to employers and reconciliations thereof. Review of existing procedures manual and ensure the procedure manual adequately covers administration of deduction-from-source (deductions and remittances).
4	Inadequate roll-out of the social protection project	Failure on the part of the Bank to deliver on the client's social benefits.	To roll out and deploy Agency Banking Solution
5	Credit Risk	The risk of loans defaulting on monthly payments, leading to high loan impairments and financial loss.	Monitor the affected industries and engage closely on a monthly basis to ensure recovery of loans. Assess loan repayment relief arrangements and ensure adherence. Monitor of collection performance targets against the actual collections. Engagement with clients on the outstanding guarantees. Engagement with counterparties on the outstanding debt and delayed remittance of customer deposits. Strengthen collections on the loan schemes. Resolve the timely posting of loan repayments to customer loan accounts.

#	Risk	Risk Description	Risk Mitigations
6	Deposit concentration	This relates to fixed deposits being from a few customers. In the event that the depositor does not rollover the fixed deposit at maturity or terminates the contract, the Bank may be challenged to honour the obligations and to maintain sufficient levels of funds required for the operations of the Bank.	Broadening the corporate customer base. Significantly increasing the retail deposit customer base.
7	Insufficient liquidity	This relates to the risk of the Bank not having sufficient funds to meet its daily obligations.	P1 billion bond note programme is in process of being listed through the capital markets, this is expected to provide the much-needed liquidity to the Bank. Matching of corporate fixed deposit maturities falling due within 6 months. Sales campaigns on savings product.
8	Money Laundering, Financial Terrorism & Proliferation Financing Risk	This relates to the risk associated with the Bank not adhering to the Financial Intelligence Act and related regulations.	KYC remediation project to update KYC information. Implementation of CBS with AML module. Identification of PIPS in the Bank's database. The exercise is to be preceded by data cleaning and KYC remediation. Risk profiling of all customers, existing and new. The exercise is to be preceded by data cleaning and KYC remediation. Strengthen ongoing Customer Due Diligence. Automation of Suspicious Transaction Reporting filtering system.
9	Disaster Preparedness - BCM Risk	The level of preparedness of the Bank during a time of disaster and the ability of the Bank to assume operational resilience and resume operations seamlessly.	Updating Business Continuity Plans for all branches and departments. Implementation of Disaster Recovery site. Installation of generators for core-branded branches.
5	Governance Risk	The risk of governing policies and procedures being absent resulting in limited guidance to the operations of the Bank, resulting in inconsistency in execution of roles. Furthermore, adherence to a selected governance code.	Policies and procedure manuals across the Bank. To prepare implementation plan for King 4 code.

CORPORATE GOVERNANCE REVIEW [continued]

In the year under review, a core banking system was implemented, which was coupled with cleaning up data and improved efficiency of processes, which lead to an enhanced internal control environment.

Rising deposits in pricing has resulted in compressed margins in the net interest margins. Improved processes have led to better profitability for the Bank.

Compliance Report

The Financial Intelligence Act, 2022 has been approved by Parliament and consent applied, the Financial Intelligence Act, 2019 has since been repealed. Assessment have been made on the Bank's policies and procedures owing to such changes and alignments have since been made. There was no identified significant impact on the part of the Bank. Other pieces of legislation have remained unchanged.

Management has worked tirelessly to ensure that the bank was compliant in all areas without exceptions. Regulatory covenants were monitored in line with minimum requirements as determined by the Central Bank.

The Compliance Department continued to promote a culture of shared and collective accountability towards responding to the compliance requirements. Through the various communication platforms, each staff member is reminded of their responsibility towards ensuring the adherence to the internal processes and policies, as well as relevant statutes. Professionals across the Bank have been entrusted with ethics when driving the business.

Financial Crimes

Revisions were made to the AML/ CFT/PF policy in order to align with the Financial Intelligence Act, and Financial Intelligence Regulations, 2022. Through the Money Laundering Reporting Officer (MLRO), staff members received ongoing AML/CFT/PF training. This initiative encouraged staff members to report suspicious behaviour or transactions to the MLRO.

Internal Audit

The Internal Audit function plays a critical role in ensuring that the Bank accomplishes its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes.

Internal Audit achieves this by giving independent and objective assurance as well as performing consulting engagements across various areas of the

Bank with the ultimate goal off adding value and improving the Bank's operations.

Internal Audit is a catalyst for improving the Banks effectiveness and efficiency by providing insight and recommendations based on analysis and assessment of data and business processes. This is done through implementation of the Risk-based audit plan for the 2022/2023 financial year. The audit plan aligns the focus of Internal Audit activities to the Banks objectives and aims to address the risks faced by the Bank that have the greatest potential to affect the achievement of the Banks strategic objectives.

Internal Audit reports functionally to the BSB Board and administratively to the Chief Executive Officer.

Internal Audit conducts its activities in line with the International Professional Practices Framework (IPPF), issued by The Institute of Internal Auditors (IIA). This is a commitment to ensuring that the work of Internal audit is of high quality.

Internal audit continues to explore measures to further enhance its operations through regular assessment of sources of leading practices to determine relevance, value adding, affordability and appropriate fit for the Internal Audit activity.

1. Internal Audit reporting

Internal Audit reports quarterly to the Finance and Audit Committee on significant risk and internal control issues along with updates on the implementation of the Audit plan and status of findings raised by all assurance providers.

2. Quality Assurance

Internal Audit has a Quality Assurance and Improvement Program (QAIP) in place. Since inception, an external assessment and self-assessments have been performed to ensure that the department conforms with the Definition of Internal Auditing and International Standards for the Professional Practice of Internal Auditing at all times.

3. Combined assurance process

The Bank adopts a combined assurance approach over operations. This is depicted by the three lines

model. The model plays a critical role in assisting the Bank to identify structures and processes that are key in promoting the achievement of the Bank's objectives. Furthermore, it facilitates strong governance and risk management.

The Board, through the Finance and Audit committee provides oversight over the three lines model and the Bank's assurance providers. The Board ensures appropriate structures are in place for effective governance as well as ensuring the alignment of organizational objectives to the interest of the stakeholder.

Internal controls, Management assurance activities, risk assessments and reviews, governance reviews, Internal audit reviews, regulator assessments and inspections, and any other independent external assurance activities are coordinated to ensure a common view of risks and issues and more effective oversight.

Internal Audit remains independent from operations, however it is a key contributor to the combined assurance model by ensuring alignment with other assurance providers.

Risk and Material Matters

BSB's material matters represent the key issues identified that have the potential to significantly impact our performance and/or ability to create sustainable value for our stakeholders over the longer term.

Internal Process

Management uses the following inputs to determine the material matters:

- Review of the legislative environment
 - Scan our external environment
 - Analyse stakeholders' needs and concerns
 - Consider the risks identified through our risk management process
 - Discussions and workshops
- Board, Management and Staff conduct workshops to encourage discourse on key issues to form a holistic view of our business.



As part of our planning process, we conduct a rigorous analysis of the business to identify the risks and opportunities we face. We assess the impact on our business and prioritise the issues and develop action plans to respond appropriately.

CORPORATE GOVERNANCE REVIEW [continued]

Our Material Matters

We have determined the following issues to be material in terms of affecting our ability to realise our strategic goals in the short, medium and long-term.

Material Matter	Why this is Important	Our Response
Financial stability to create sustainable, long-term stakeholder value	It is imperative that the Bank shifts from supporting operations through the Government subvention and increases its efforts to be a self-sustaining business.	Diversification of our income stream is a critical objective for the future. We plan on introducing broad-based revenue streams, delivered through the development of new products and the introduction of new distribution channels. We also anticipate that our digital channels will generate significant revenue.
Key business processes and accelerated technology adoption	In efforts to transform to a commercial Bank, we will need to expedite the implementation and rollout of operational technology platforms, and digital Banking channels.	We have introduced the new core Banking system and engaged in business process modelling and optimisation. These initiatives are geared to align operations with the technology adoption.
Rationalisation and privatisation of the public sector His Excellency Dr. Mokgweetsi Eric Keabetswe Masisi during a national address announced that BSB will be privatised as a way of adding value to the private sector, and to align with rationalisation of the Government's responsibilities.	Privatisation of the Bank is an opportunity for the Bank to speed up the commercialisation drive and enhance our capital structure. However, as part of the rationalisation exercise, some state-owned entities are to merge and to be reviewed. The BSB loan book predominantly comprises of civil servants, so where reforms are made at the organisational level we anticipate that recovery of loans may be affected in instances where there are retrenchments and any type of job losses.	Robust credit risk management initiatives are important so that we mitigate and manage our exposure to loan defaults and impairment risk.
Our people - inculcating a high performance culture	In order to transform into a commercial Bank and compete with existing Banks, we will need to attract and retain well qualified people, and an embedded performance culture.	We have embarked on a culture transformation journey, to totally overhaul our operations and inculcate a customer centric and service-oriented culture. We reviewed our remuneration structure to enhance our employee value proposition. We are now focused on organisational development initiatives to ensure our people are well positioned to implement our strategy.



10:15 **Home Day** User Profiles Mogobodi

Fixed Income **CLOSED** 09:35:00 - 14:05:00

Foreign Equity **OPEN** 25/01/2023 09:35:00 - 14:05:00

Number of Hits - (340)

Inactive (0) Suspended (183)

Symbol	OrderBook	Schedule
ABBL-EGG	AON	Domestic Equi
ABBL-EGG	BLOCKTRADE	Domestic Equi
ABBL-EGG	Ins Stat	Domestic Equi
ABBL-EGG	NORMAL	Domestic
ACC-EGG	AON	Domestic
ACC-EGG	BLOCKTRADE	Domestic
ACC-EGG	Ins Stat	Domestic
EGG	NORMAL	Domestic
EGG	AON	Domestic
EGG	BLOCKTRADE	Domestic
EGG	Ins Stat	Domestic
EGG	NORMAL	Domestic
EGG	AON	Domestic
EGG	BLOCKTRADE	Domestic
EGG	Ins Stat	Domestic
EGG	NORMAL	Domestic
EGG	AON	Domestic

ANNUAL FINANCIAL STATEMENTS

For The Year Ended 31 March 2023







The reports and statements set out below comprise the annual financial statements presented to the shareholder:

General Information

Chairman's Report

Chief Executive Officer's Report

Director's Responsibility Statement

Independent Auditor's Report

Statement of Profit or Loss and Other

Comprehensive Income Statement of

Financial Position

Statement of Changes in Equity

Statement of Cash Flows

Accounting Policies

Notes to the Annual Financial Statements

GENERAL INFORMATION

BUSINESS

Botswana Savings Bank was established by an Act of Parliament, the Botswana Savings Bank Act of 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.

	Name	Position	First Appointment	Terminated
Directors	Mr K Molelowatladi	Former Chairperson	01/07/2018	30/06/22
	Mrs G Morekisi	Chairperson	01/07/2022	
	Mrs K Tshephe	Member	24/9/2021	
	Mr N Marumoloo	Chief Executive Officer	01/04/2018	
	Ms O Basinyi	Member	01/11/2017	
	Mr C Ramatlhakwane	Member	01/07/2018	
	Mrs S M Molale	Member	01/07/2018	
	Mrs E T Lemo	Member	01/07/2018	
	Mrs Hilda Mocominyane	Member	24/09/2021	30/08/2022
	Mrs N Maruapula	Member	11/01/2021	

Registered office Botswana Savings Bank
Tshomarelo House
Cnr Letswai/Lekgarapa Rd
Broadhurst Mall
Gaborone

Postal address P.O Box 1150 Gaborone

Bankers Bank of Botswana
Bank Gaborone Limited
Stanbic Bank Botswana Limited
ABSA Bank Botswana
First Capital Bank Botswana Limited
Access Bank Botswana
First National Bank of Botswana Limited

Auditor Deloitte & Touche
Firm of Certified Auditors
P.O Box 778
Gaborone, Botswana

CHAIRPERSON'S REPORT

Overview

The past year has been marked by significant changes in the Bank's operations. The adoption of the new core Banking system came into full effect and with it came a new way of doing things for the Bank's staff members and a new way for our customers to interact with the Bank. As with all changes of this magnitude, there have been teething issues that had to be overcome, but I am pleased to say that our staff remained committed to minimising the inconvenience to our customers as much as possible. The Bank has truly taken a significant step in delivering digital solutions to our customer base.

The Bank parted ways with Botswana Post, who had been a key distribution partner, in December 2022. The dissolution of this partnership paves the way for the Bank to reach our customers using different channels that leverage off the digital footprint that the Bank is establishing. The agency Banking model that the Bank is implementing will plug the gap left by Botswana Post and provide even wider coverage for the Bank to the country's remote areas, supporting the Bank's initiative of financial inclusion.

Financial Performance

The financial services industry went through a structural shift in the past year. The monetary policy stance changed from the accommodative regime that had been in place for more than a decade to a tightening cycle. This came on the back of the retirement of the Bank rate as a monetary policy tool to a new monetary policy rate that could better be referenced by Bank of Botswana. Furthermore, the Russia-Ukraine war exacerbated supply issues and caused run-away inflation the likes of which we had not seen since before 2008.

The above mentioned meant that the Bank faced challenging trading conditions that saw profitability decline from P34.3 million in 2021/22 to P6.5 million in 2022/23. Interest income rose by 12% to P337 million, however this was offset by the 26% increase in interest expense, which reflects the increase in interest rates that happened in the past year. The increases in interest rates negatively impacted the Bank's loan book as they resulted in customers not meeting the affordability measures of the Bank, hence limiting the growth of the loan book, which is the Bank's primary source of revenue.

The Board is extremely proud that during this past year, the management team was able to raise a bond in the financial markets to assist with capitalising the business. This was a first for the Bank and to raise P192 million in a debut auction was a significant achievement.

Delivering on our Strategy

2022/23 birthed a new strategic direction that the Bank embarked on, being Lesedi 2025. Lesedi 2025 is a 3-year strategy that is aimed at propelling the Bank into the digital Banking space. The core driver underpinning Lesedi 2025 is the new core Banking system that will allow the Bank to unlock digital offerings to our customers.

While serving our customers is key to the sustainability of the Bank, the Board recognises that customers are not the only stakeholders that contribute to its success. The Bank operates within a community that is impacted by its activities, therefore as a responsible entity, it is important that the Bank gives back through corporate social initiatives, which forms part of the strategy deliverables.

The Bank's staff is the frontline that interfaces with our customers, as such, for them to deliver excellent customer service, they need to be taken care of, which is another pillar of Lesedi 2025. Offering our customers cutting edge service, giving back to the community and staff wellness will allow the Bank to unlock value that the shareholders require from the Bank, delivering sustainable returns.

We are especially thankful that our shareholders have kept faith in our growth initiatives by supporting us in carrying out our mandate of financial inclusion.

Regulatory Compliance

The Bank operates in an environment where there are regulatory bodies that stipulate requirements that must be met to be considered to be operating in a prudent manner. The Board take these regulatory obligations seriously and make it a priority to ensure that the Bank meets all regulatory requirements.

As custodian of our valued customers funds, to instill good faith, the Bank adheres to the strictest compliance regime. The Board is satisfied that the Bank operates in an environment that is within all regulatory prescriptions.

CHAIRPERSON'S REPORT

Corporate Governance

The role and responsibility of the Board is to set the strategic direction and guide the implementation of the Banks strategy. This corporate function is carried out in that in a manner that is in compliance with the laws, the guidelines on corporate governance for Banks and financial institutions licensed and supervised by the Bank of Botswana and the King IV Code on Corporate Governance.

Risk Management

As a responsible Banking institution, risk management is paramount to ensure that the Bank is sound and conducts business in a manner that does not expose our customers to unacceptable risks. As testament to the emphasis that the Board places on risk management, the Board oversaw the review and revision of the Bank's risk policies, as well as other policies, in order to bring them up to date.

With market conditions changing in the past year, the economy experiencing a rate hike cycle, inflation soaring to double digits and the adoption of the new core Banking solution, the Board had to be satisfied that the risk processes were reflective of the environment and did not lag behind.

The Board and management remain ready to adapt to any emergent risks.

Looking Ahead

With one year of the three-year Lesedi 2025 strategy done, the Board is of the view that management has laid a solid foundation towards implementation of the strategy. Initiatives have commenced that will bear fruit in the next two years, bringing the Bank closer

to the privatisation goal. Challenges brought on by the Russia-Ukraine war are expected to peter out, returning economic conditions back to normal and allowing the Bank to resume its growth trajectory.

Acknowledgement

On behalf of the Board of Directors, I wish to thank the Government of the Republic of Botswana for entrusting me with the responsibility to provide leadership and direction to the Bank and ultimate delivery of its strategic plan. We will always be grateful for the invaluable support we continue to receive from our parent Ministry.

I would also like to personally extend my sincere gratitude to the management team and staff of the Bank for their dedication throughout the years.

To our valued customers, I am incredibly grateful for your support, loyalty, and patronage that the Bank has enjoyed.

Finally, I would like to thank my fellow Board members from whom I have drawn some wisdom and insights.



Goitsewang Morekisi
Chairperson
July 30, 2023

CHIEF EXECUTIVE OFFICER'S REPORT

Executive summary

The year ended March 31, 2023 kicked off BSB's new strategy, Lesedi 2025. Lesedi 2025 is a three-year strategy that aims to take the Bank to the next level. We have set very high targets for ourselves which will require all stakeholders to stretch themselves to so as to achieve set objectives. I have no doubt however, that with the tenacity and resilience that we have shown in the past, we will be able to achieve Lesedi 2025 goals.

Botswana Savings Bank has over the years transitioned from a traditional Savings Bank into a semi-digital Bank, which offers a variety of competitive platforms for its customers. Together with the technology shift, the Bank undertook to ensure the re-alignment of the organizational structure as well as its underlying business process to ensure the fulfillment of the operational requirements of commercialization.

Top amongst these changes was the adoption of the new Core Banking System, which has just completed its first financial year of being functional. The Core Banking System will improve the BSB customer experience and level the playing field towards the Banks entrance into the commercial market space. What is expected in the coming financial year is increased customer access through digital channels and agency Banking initiatives.

There were some unique challenges that we faced in 2022/23, but it is testament to the Bank's Board of Directors, Management and staff's hard work that the Bank produced a positive set of results.

Financial Performance

- Net interest income increased by 0.1% to P163.9 million (2022: P163.8 million)
- Operating costs were up 21% year on year to P160 million (2022: P132 million)
- Profit after tax was P6.5 million, down from 2022 profit of P34.3 million.
- Net advances were down 13% to P2.35 billion (2022: P2.70 billion)
- Customer savings were down 11% to P2.43 billion (2022: P2.74 billion)
- Return on Equity was 2.62% (2022: 14.4%)

Financial Sector Highlights

The financial services industry went through major changes in the past financial year. There was a reform to how the prime rate is determined, with the Bank rate falling away and a new monetary policy rate introduced. The monetary policy rate would be the mechanism that Bank of Botswana uses to effect monetary policy changes. Banks are now allowed to set their own prime rate, with most Banks choosing to maintain their prime rates at the same level as others. The monetary policy rate was increased 3 times last year, a cumulative increase of 1.51% within the space of 6 months. The rate hikes were in response to increased inflation that was brought on by the Russia-Ukraine war, amongst others. The increased rates reduced loan affordability for most Botswana, but the Bank

managed to contain impairments within reasonable levels. The increased interest rates also had an adverse impact in terms of what the Bank had to pay as cost of funds, increasing the Bank's interest expense.

The monthly bond auctions conducted by Bank of Botswana since the advent of Covid-19 grew in quantum over the year as government sought to access funding from the market rather than from its coffers. Corporate depositors diverted a large portion of their funds from Banks and invested them in government bonds. This had the effect of reducing overall funding liquidity in the market, which further escalated the cost of funding in the market.

Bond Issuance

On a positive note, it was my privilege to be part of a truly historic milestone for the Bank, where the Bank issued and listed a bond on the Botswana Stock Exchange (BSE). The bond issuance was a culmination of years of planning and engagements with the Board and our shareholders to bring the note programme into reality. Of the more than 60 state owned enterprises in Botswana, BSB became the 4th one to list a bond on the BSE.

I am extremely proud of the BSB Management who put together the note programme, embarked on roadshows to build investor confidence in BSB's name and negotiated to raise just over P192 million. For a debut auction, this was a significant amount raised and it showed that investors believe in BSB's vision and the Banks strategic direction.

Risk Management

Our Board entrusts the management team with the responsibility of ensuring that the Bank operates within the confines of prudent risk parameters. As a Banking institution, we have to comply with the regulatory requirements stipulated by Bank of Botswana through regular reporting to the regulator. The Bank maintained sufficient levels of capital to meet obligations as they became due during the year. As a loan disbursing entity, the Bank faces the risk that funds loaned out will not be paid back. Our screening and vetting process ensure that only quality loans are disbursed by the Bank, resulting in tight controls over impairments.

Whilst the overall corporate governance responsibility rests with the Board of Directors, risk management is coordinated and monitored by the Bank Management through the Risk Department. The responsibility for the implementation of risk management is shared with all staff members across the Bank.

CHIEF EXECUTIVE OFFICER'S REPORT

Strategic Thrust

Bancassurance

Lesedi 2025 has set ambitious revenue and profit targets for the Bank by the year 2025. Part of broadening the revenue generation and growing profitability involved establishing a Bancassurance Unit. I am pleased to report that Bancassurance was launched in the past financial year, and we are expecting to realise tangible results from this business unit in the years to come.

Service accessibility and financial inclusion

A new Agency Banking model that allows the Bank to reach a greater number of Batswana in all corners of the country was initiated in the past year. Agency Banking gives access to Banking services through retail service points that have partnered with the Bank. The Bank continues to contract with service partners that will provide it with a presence in over 200 locations across the country. This will provide convenience to its customers and will reduce commute time to access our services for those in remote areas.

Digital transformation

To further position itself and enhance its efficiency through the new Core Banking System, the Bank is phasing out the traditional passbooks as it prepares to roll out its digital channels. These digital channels will introduce new point-of-sale machines (POS), internet Banking and mobile app. All the behind-the-scenes setup, piloting and testing for digital channels have been done and there is just final testing to be concluded before it is rolled out to all our customers. Online Banking will enable our customers to transact whenever they want and wherever they are at their own convenience. This is in line with the Bank's purpose to reach the underserved members of the community. Moreover, the digital channels will ensure smoother Banking and better service for our customers.

Human capital strength

Bagoetsho, we are people before anything else. While there are procedures, processes and machines that are used on a daily basis, the drivers behind these are our people. We recognise that our staff are our most valuable asset that deliver customer service to our client base. It is important that the Bank nurtures its staff to enable them to perform at their best. In the past year, the Bank instituted an Employee Wellness Programme. The Wellness Programme places emphasis on staff welfare and provides channels that support our staff through challenges they may be facing. There are also coaching services to help staff unlock their potential and be even more productive.

Looking Forward

2022/23 was very crucial in setting a foothold for Lesedi 2025. I am looking forward to seeing our Agency Banking take our services to the underBanked and unBanked populace in Botswana in the next two years. Our Online Banking platform will soon be available to our customers and will bring new ways in which we interact with our customers, increasing our engagement levels with our customer base. Our digital footprint will keep expanding as we fully step up into the digital arena and we measure ourselves against the commercial Banks.

Quality service comes from quality human capital. Our focus on retaining and recruiting quality human capital will propel us to the achievement of Lesedi 2025. I have no doubt we will see a synergy between our human capital and infrastructure investments blending to provide a smooth Banking experience for our customers.

We remain confident that despite the rapid changes in the economic environment, strategic priorities set for the subsequent years will drive sustainable growth for the business.

Conclusion

To the shareholder and the Board of Directors, thank you for being able to facilitate the Bank to navigate the challenges of the past year, successfully.

To our valued customers, I would like to thank you for your patience, continued support and loyalty, and more importantly, for trusting us to grow your wealth.

Lastly, to our partners and other stakeholders, I wish to thank you for partnering with us to deliver smooth life event solutions to our clients. The Bank remains committed to growing its partnerships and strengthening its relationships.



Nixon Marumoloo
Chief Executive Officer
July 30, 2023

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required in terms of the Botswana Savings Bank Act of 1992 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Bank as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards (IFRS). The external auditor is engaged to express an independent opinion on the annual financial statements and their opinion is presented on pages 9 - 12.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Bank and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the Bank and all employees are required to maintain the highest ethical standards in ensuring the Bank's business is conducted in a manner that in all reasonable

circumstances is above reproach. The focus of risk management in the Bank is on identifying, assessing, managing and monitoring all known forms of risk across the Bank. While operating risk cannot be fully eliminated, the Bank endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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 external auditor is responsible for independently auditing and reporting on whether the Bank's annual financial statements give a true and fair view in accordance with the International Financial Reporting Standards.

Approval of the annual financial statements

The annual financial statements of Botswana Savings Bank, as set out on pages 13 to 79, were approved by the Board of Directors on June 30, 2023 and signed on their behalf by:



Mrs G. Morekisi
Chairperson



Mr N. Marumoloo
Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF BOTSWANA SAVINGS Bank

Opinion

We have audited the financial statements of Botswana Savings Bank ("the Bank"), set out on pages 13 to 79, which comprise the statement of financial position as at 31 March 2023, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies and other explanatory disclosures.

In our opinion, the Financial Statements give a true and fair view of financial position of the Bank as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 are independent of the Bank in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (including International Independence Standards) and other independence requirements applicable to performing audits of financial statements in Botswana, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Partners: CV Ramatlapeng (Botswana) P Naik (Zimbabwe) MJ Wotherspoon (South Africa)

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE SHAREHOLDER OF BOTSWANA SAVINGS Bank

Key Audit Matter	How the matter was addressed in the audit
Expected credit losses ("ECL") on loans and advances	
<p>The Bank applies IFRS 9 - Financial Instruments ("IFRS 9"), which requires it to assess allowances for impairment of loans and advances on an expected loss basis. Accordingly, the Bank measures such allowances using its own impairment model to calculate Expected Credit Losses ("ECLs").</p> <p>The impairment of loans and advances was considered to be a matter of significant importance to our current year audit due to the following:</p> <ul style="list-style-type: none"> • Loans and advances are material to the financial statements. • The level of subjective judgement applied in determining the ECL on loans and advances; and • Significant assumptions applied in the recognition and measurement of credit risk. <p>Key areas of significant management judgement and estimation applied in the measurement of ECL on loans and advances include:</p> <ul style="list-style-type: none"> • The assessment of whether there has been a Significant Increase in Credit Risk ("SICR") since origination date of the exposure to the reporting date; • Determination of relevant macroeconomic forecasts and forward-looking information. • The determination of the recoverable collateral values of the credit impaired book; and • Input assumptions to estimate the probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD"). More details of the input assumptions are disclosed in note 1.20 to the financial statements. <p>Related disclosures in the financial statements:</p> <ul style="list-style-type: none"> • Note 1.8 - Financial instruments - Credit risk measurement; • Note 1.21 - (a) Key sources of estimation uncertainty - Measurement of Expected credit losses (ECL); • Note 6 - Net impairment reversal/(loss) of financial assets; • Note 14 - Loans and Advances to customers; and • Note 31 - Financial risk management: credit risk section. 	<p>We assessed the ECL policies and judgements applied by management against the requirements of IFRS 9. We evaluated the design and implementation and tested the operating effectiveness of controls relating to the loan origination as part of our understanding of the Bank's credit risk.</p> <p>Making use of our Deloitte internal credit risk specialist we reperformed and assessed the reasonableness of the ECL calculation by performing the following procedures:</p> <ul style="list-style-type: none"> • Obtained an understanding of the methodologies and assumptions used by management in the various ECL model components (PD, EAD, LGD) and assessed these against the requirements of IFRS 9 and best practice; • Assessed and challenged management on the data inputs and key assumptions into the ECL model, which includes the macroeconomic scenario estimates, stage classification of exposures and the estimated probability of default, exposure at default and loss given default; • Evaluated the ECL model and key assumptions applied in the calculation of the ECL and accuracy of the calculations in the model; • Confirmed that the latest available and relevant probability weighted forward-looking information has been appropriately incorporated within the impairment model by comparing these to widely available market data; • Tested the information with respect to loans and advances utilised in the model to underlying accounting records and other information such as loan agreements and collateral valuation reports maintained by the Bank; • Assessed the reasonableness of the calculated ECL by comparing it against ECL ratios for other local Banking entities; and • Evaluated the adequacy of the financial statement disclosures including key assumptions, judgements, and sensitivities. <p>In conclusion, we determined that the impairment of loans and advances is not materially misstated and the related disclosures are appropriate.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE SHAREHOLDER OF BOTSWANA SAVINGS Bank

Other Information

The directors are responsible for the other information. The other information comprises the General Information, Chairman's Report, Chief Executive Officer's Report and Directors' Responsibility Statement. The 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 express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information 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 on the other information that we obtained prior to the date of this auditor's report, 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

The directors are responsible for the preparation and fair presentation of the financial statements 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.

The directors are responsible for overseeing the Bank's financial reporting process.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED) **TO THE SHAREHOLDER OF BOTSWANA SAVINGS Bank**

- 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 Finance and Audit Committee 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.

We also provide the Finance and Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Finance and Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche
Firm of Certified Auditors
Practicing Member: Cecilia Veeta Ramatlapeng (CAP 008 2023)

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2023 P'000	2022 P'000
interest income		337,418	301,466
Interest expense		(173,469)	(137,667)
Net interest income	3	163,949	163,799
Fee and commission income		10,426	12,503
Fee and commission expense		(9,196)	(10,314)
Net fee and commission income	4	1,230	2,189
Net operating income		165,179	165,988
Other income	5	3,530	3,027
Amortisation of government grant income	24	19,438	9,842
Total income		188,147	178,857
Net impairment reversal of financial assets	6	5,709	12,904
Net income		193,856	191,761
Employee benefits	7	(101,594)	(83,151)
Depreciation and amortisation	8	(20,683)	(16,345)
Administrative and general expenses	9	(58,460)	(48,850)
Profit before tax		13,119	43,415
Toxotion	10	(6,668)	(9,073)
Profit for the year		6,451	34,342
Other comprehensive income for the year		-	-
Total comprehensive income for the year		6,451	34,342

Statement of Financial Position as at March 31, 2023

	Note(s)	2023 P'000	2022 P'000
Assets			
Cash and cash equivalents	12	535,295	402,083
Balances with other Banks	13	109,332	7,623
Balances with related parties	15	-	50,443
Other assets	19	11,311	8,610
Loans and advances to customers	14	2,348,542	2,698,368
Current tax receivable	20	3,308	263
Property and equipment	16	51,504	77,101
Right-of-use assets	17	30,310	30,287
Intangible assets	18	58,323	37,196
Deferred tax	11	19,732	27,444
Total Assets		3,165,657	3,339,418
Equity and Liabilities			
Liabilities			
Deposits due to customers	23	2,429,240	2,737,658
Other liabilities	22	19,048	41,915
Borrowings	21	338,160	166,879
Dormancy account liability	25	27,144	29,108
Government grant	24	70,143	89,581
Lease liabilities	17	35,507	34,313
Total Liabilities		2,919,242	3,099,454
Equity			
Unrecallable capital	26	19,721	19,721
Statutory reserve	27	69,776	68,163
Retained earnings		156,918	152,080
		246,415	239,964
Total Equity and Liabilities		3,165,657	3,339,418

Statement of Changes in Equity

	Unrecalable capital P '000	Statutory reserve P '000	Retained earnings P '000	Total equity P '000
Balance at April 1, 2021	19,721	59,577	126,324	205,622
Total comprehensive income for the year	-	-	34,342	34,342
Transfer between reserves	-	8,586	(8,586)	-
Balance at April 1, 2022	19,721	68,163	152,080	239,964
Total comprehensive income for the year	-	-	6,451	6,451
Transfer between reserves	-	1,613	(1,613)	-
Balance at March 31, 2023	19,721	69,776	156,918	246,415
Note(s)	26	27		

Statement of Cash Flows

	Note(s)	2023 P'000	2022 P'000
Cash flows from operating activities			
Interest receipts		322,581	303,959
Interest payments		(116,133)	(107,673)
Fees and commission receipts		10,426	12,503
Fees and commission expense		(9,196)	(8,271)
Rent and other income received		3,530	3,0271
Cash payments to employees and suppliers		(134,476)	(131,343)
Cash flows from operating activities before changes in operating assets and liabilities		76,732	72,202
Changes in operating assets and liabilities			
Movement in loans and advances to customers		339,277	(306,559)
Movement in amounts due to customers		(348,448)	153,932
Movements in other assets		(2,702)	(450)
Movements in other liabilities		(22,873)	(28,024)
Movement in related party balances		52,337	13,602
Movement in dormancy account liability		(1,964)	779
Tax paid		(2,001)	(6,382)
Net cash generated from/(used in) operating activities		97,203	(100,900)
Cash flows (to)/from investing activities			
Purchase of property and equipment	16	(14,188)	(31,921)
Purchase of other intangible assets	18	(338)	(31,715)
(Payments)/Receipts - Balances with other Banks		(95,628)	105,805
Net cash (used in)/generated from generated from investing activities		(110,154)	42,169
Cash flows from financing activities			
Borrowings raised	21	192,050	100,000
Repayment of principal - long term borrowings	21	(23,695)	(17,407)
Repayment of interest - long term borrowings	21	(10,121)	(8,243)
Lease liability payments - principal		(2,673)	(2,534)
Lease liability payments - interest		(2,553)	(2,415)
Net cash generated from financing activities		153,008	69,401
Net movement in cash and cash equivalents for the year		133,212	10,670
Cash and cash equivalents at the beginning of the year		402,083	391,413
Total cash and cash equivalents	12	535,295	402,083

ACCOUNTING POLICIES

Botswana Savings Bank
Annual Financial Statements for the year ended March 31, 2023

Statement of compliance

The statutory annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee (IFRIC). These annual financial statements represent the Bank's statutory

differences between the initial carrying amount of an interest-bearing instrument and its amount calculated on an effective interest method.

Basis of preparation

The annual 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 effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or expense over the relevant period. 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 annual financial statements have been prepared on the historic cost basis, except where otherwise stated. The annual financial statements incorporate the following accounting policies which are consistent with those applied in the previous year except where otherwise stated.

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 recognized in the net interest income

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized 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.

Interest income and expense

Interest income and expense for all interest-bearing financial instruments is recognized on an accrual basis using the effective interest method on the original settlement amount. Interest income includes the amortization of any discount or other

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

Revenue from contracts with customers

- The Bank applies IFRS 15 Revenue from Contracts with Customers.
- IFRS 15 contains a single model that establishes a five-step approach to revenue recognition:
- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognize Revenue when (or as) the entity satisfies a performance obligation.

The Bank recognizes revenue when (or as) a performance obligation is transferred to the customer. Fees and commissions charged for services provided by the Bank are recognized as the services are provided, for example on completion of an underlying transaction.

ACCOUNTING POLICIES

Botswana Savings Bank
Annual Financial Statements for the year ended March 31, 2023

Revenue from contracts with customers (continued)

The Bank applies IFRS 15 - Revenue from Contracts with Customers to the following sources of revenue:

- Fees and commissions income

Fees and commission income

Fees and commission income comprise of fees charged on customers' accounts such as insufficient funds fees, overdraft charges, late fees, over-the-limit fees, wire transfer fees and monthly service charges. These fees are recognized over the period over which the underlying service is provided to the customer. Transactional fees such as cash withdrawal fees, deposit fees, etc. are recognized at the point in time of transactions with customers and payment is received monthly.

Other income

Other income comprises of income from:

- Rentals*,
- Rooftop satellite hosting fees* and
- Other non-operating revenue streams. These relates to fees earned from selling activities other than those related to Banking operations. This includes sales of tender documents and profit from fixed assets sales. Other non-operating revenue streams are recognized at the point in time when the transaction takes place.

Refer to the Bank as lessor section under accounting policy 1.14 Leases.

Grant income relating to projects funded by the government grant. Deferred income is initially recognized as a liability. Subsequently, the deferred income is released to the statement of profit or loss and other comprehensive income over the expected life of the asset at the same rate at which the related asset is depreciated.

Agency fees

The Bank had entered into an agreement with Botswana Post for the provision of Banking services to its clients. Botswana Post is entitled to an agency fee payable monthly in arrears upon submission of a monthly transaction report. The fees are recognized as an expense directly to the profit and loss.

Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognized in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognized as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognized as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Government grant income

ACCOUNTING POLICIES

Botswana Savings Bank
Annual Financial Statements for the year ended March 31, 2023

Employee benefits (continued)

Terminal benefits

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

Pension obligations

The Bank operates a defined contribution pension scheme and its assets are managed by an independent Bank 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.

Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognized in the Bank's statement of financial position when the Bank becomes a party to the contractual provisions of the instrument.

Recognized financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would consider when pricing the asset or liability.

Classification and subsequent measurement of financial assets

Management determines the classification of its financial assets at initial recognition, based on:

- the Bank's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

ACCOUNTING POLICIES

Botswana Savings Bank
Annual Financial Statements for the year ended March 31, 2023

Financial instruments (continued)

Business model

- The Bank distinguishes three main business models for managing financial assets:
- holding financial assets to collect contractual cash flows;
- managing financial assets and liabilities on a fair value basis or selling financial assets; and
- a mixed business model of collecting contractual cash flows and selling financial assets.

The business model assessment is not performed on an instrument-by-instrument basis, but at a level that reflects how portfolios of financial assets are managed together to achieve a particular business objective.

In considering whether the business objective of holding a portfolio of financial assets is achieved primarily through collecting contractual cash flows, amongst other considerations, management monitors the frequency and significance of sales of financial assets out of these portfolios for purposes other than managing credit risk. For the purposes of performing the business model assessment, the Bank only considers a transaction a sale if the asset is derecognized for accounting purposes

Cashflow characteristics

For a debt instrument to be measured at amortized cost, the cash flows on the asset have to be SPPI (Solely Payments of Principal and Interest), consistent with those of a basic lending agreement. The SPPI test is applied on a portfolio basis for retail advances, as the cash flow characteristics of these assets are standardized.

If the contract contains prepayment penalties, the amount of the prepayment penalty is compared to the present value of the margin that would be earned if the loan is not prepaid. If the amount of the prepayment penalty is

lower than or equal to the margin lost due to prepayment, this is considered reasonable compensation and the loan passes the SPPI test.

Amortized cost

Financial assets are measured at amortized cost using the effective interest method, when they are held to collect contractual cash flows which are solely payments of principle and interest, and sales of such assets are not significant or frequent. These comprise of the retail loans and advances, related party receivables, other assets, balances with other Banks, cash and cash equivalents.

For purchased or originated credit-impaired financial assets, the Bank applies the credit-adjusted effective interest rate. This interest rate is determined based on the amortized cost and not the gross carrying amount of the financial asset and incorporates the impact of expected credit losses in the estimated future cashflows of the financial asset.

Cash and cash equivalents is comprised of coins and Bank notes, money at call and short notice and balances with central Banks. All balances included in cash and cash equivalents have a maturing date of less than three months from the date of acquisition. Money at call and short notice constitutes amounts withdrawable in 90 days or less. Retail loans and advances are held to collect contractual cash flows. The business model focus on growing advances within acceptable credit appetite limits and maintaining robust collection practices. The products included under this business models include:

- residential mortgages;
- vehicle finance; and
- personal loans.

ACCOUNTING POLICIES

Botswana Savings Bank
Annual Financial Statements for the year ended March 31, 2023

Financial instruments (continued)

The cash flows on retail loans and advances are solely payments of principal and interest. Interest charged to customers compensates the Bank for the time value of money, credit risk and administrative costs (including a profit margin). Penalties on the prepayment of advances are limited to reasonable compensation for early termination of the contract.

Classification and subsequent measurement of financial liabilities

The Bank classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual agreement.

Financial liabilities measured at amortized cost

The following liabilities are measured at amortized cost using the effective interest rate method:

- deposits;
- lease liabilities; and
- borrowings.

Impairment of financial assets and off-balance sheet exposures subject to impairment

This policy applies to financial assets, measured at amortized cost which includes:

- Loans and advances;
- Cash equivalents;
- Loan commitments;
- Lease receivables; and
- Related parties receivables.

IFRS 9 establishes a three-stage approach for the impairment of financial assets:

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	impaired
expected	Lifetime expected credit losses	Lifetime expected credit losses

Loans and advances

Significant increase in credit risk since initial recognition (SICR)

To determine whether loans and advances have experienced a significant increase in credit risk (SICR), the probability of default (PD) of the asset calculated at the origination date is compared to that calculated at the reporting date. The origination date is defined to be the most recent date at which the Bank re-prices loans and advances/facility. A change in terms and conditions results in derecognition of the original loan and advance/facility and recognition of a new loan and advance/facility.

ACCOUNTING POLICIES

Botswana Savings Bank
Annual Financial Statements for the year ended March 31, 2023

Financial instruments (continued)

SICR test thresholds are re-assessed and, if necessary, updated, on at least an annual basis. Any facility that is more than 30 days past due, or in the case of instalment-based products one instalment past due, is automatically considered to have experienced a significant increase in credit risk. In addition to the quantitative assessment based on PDs, qualitative considerations are applied when determining whether individual exposures have experienced a SICR. One such qualitative consideration is the appearance of retail client's facilities on a credit watchlist. Any up-to-date facility that has undergone a distressed restructure (i.e. modification of contractual cash flows to prevent a client from going into arrears) will be considered to have experienced a significant increase in credit risk and will be disclosed within stage 2 at a minimum.

The credit risk on an exposure is no longer considered to be significantly higher than at origination if no qualitative indicators of a significant increase in credit risk are triggered, and if comparison of the reporting date PD to the origination date PD no longer indicates that a significant increase in credit risk has occurred. No minimum period for transition from stage 2 back to stage 1 is applied.

Low credit risk

The Bank applies the low credit risk assumption and classifies loans and advances meeting this criteria in stage 1.

Credit-impaired financial assets

Loan and advances are considered credit impaired if they meet the definition of default. The Bank's definition of default applied for calculating provisions under IFRS 9 is aligned to the definition applied for regulatory capital calculations across all portfolios, as well as those applied in operational management of credit and for internal risk management purposes. Exposures are in default when they are more than 90 days past due or, in the case of amortizing products, have three or more unpaid instalments. In addition, an exposure is considered to have defaulted when there

are qualitative indicators that the borrower is unlikely to pay their credit obligations in full without any recourse by the Bank to actions such as the realization of security. Indicators of the unlikelihood to pay include examples such as the application for Bankruptcy or obligor insolvency.

Any distressed restructures of accounts that have experienced a SICR since initial recognition are defined as default events. Loans and advances are considered to no longer be in default if they meet the stringent cure definition which has been determined at a portfolio level based on an analysis of re-defined rates.

Credit risk measurement

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The Bank has developed statistical models to support the quantification of credit risk. These quantitative models are in use for all key credit portfolios and form the basis for measuring default risks. In measuring the credit risk of loans and advances at a counterparty level, the Bank considers three components, namely: (i) the 'probability of default' (PD) by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Bank derives the 'exposure at default' (EAD); and (iii) the expected loss on the defaulted obligations (the 'loss given default') (LGD).

These credit risk measurements, which reflect expected loss (the 'expected loss model'), are required by the Basel Committee on Banking regulations and the supervisory practices (the Basel Committee) and are embedded in the Bank's daily operational management.

ACCOUNTING POLICIES

Botswana Savings Bank
Annual Financial Statements for the year ended March 31, 2023

Financial instruments (continued)

Probability of default (PD)

The probability of default is an indication of the probability that a given loan will default. Under Basel II and IFRS 9 the elements that make up a loss are defined as economic loss and will include direct and indirect costs associated with collecting on the exposure such as allocations of internal overheads and other non-cash costs.

Exposure at default (EAD)

The exposure at default under Basel II and IFRS 9 will take into account an expectation of future draw-downs until the default event has occurred by utilizing loan run down for amortizing products and a credit conversion factor for non-amortizing products. For example, for a loan this is the face value at the default date. For a commitment, the Bank includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

Loss given default (LGD)

Loss given default or loss severity represents the Bank's expectation of the extent of loss on a claim should default occur (1 - recovery rate). It is expressed as percentage loss per unit of exposure. It typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. The measurement of exposure at default and loss given default is based on the risk parameters standard under Basel II and IFRS 9.

Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes on credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk

continuously monitored by the Bank.

- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired. A description of how the Bank determines when a significant increase in credit risk has occurred is explained further below.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. A description of how the Bank defines credit-impaired and default is explained further below.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. A description of inputs, assumptions and estimation techniques used in measuring the ECL is explained further below.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should carry forward-looking information. Note 31 includes an explanation of how the Bank has incorporated this in its ECL models.

Further explanation is also provided on how the Bank determines appropriate groupings when ECL is measured on a collective basis (refer to note 31).

Measuring ECL-Explanation of inputs, assumptions and estimates on techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit has occurred since initial recognition or whether an asset is considered to be credit-impaired.

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Financial instruments (continued)

SICR test thresholds are re-assessed and, if necessary, updated, on at least an annual basis. Any facility that is The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival. This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12 month PD. The maturity profile looks at how defaults develop on a portfolio from the point of observation throughout the remainder of the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio segment. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortization products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by the borrower. Early repayment/refinance assumptions are also incorporated into the calculation.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilization band, based on analysis of the Bank's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type. This is supported by historical analysis of recoveries per portfolio segment, including the discounting of the recoveries to the default date as well as the recovery costs accounted for.

The assumptions underlying the ECL calculation are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation

techniques or significant assumptions made during the reporting period.

Write-offs

Write-off must occur when it is not economical to pursue further recoveries i.e., there is no reasonable expectation of recovering the carrying amount of the asset (gross amount less specific impairments raised):

By implication loans and advances for secured as well as unsecured exposures, write-offs cannot occur if there is evidence of recent payment behavior. Each credit portfolio has articulated a write-off policy that aligns with the principles of IFRS 9 while taking the business context of that portfolio into account.

Within the loans and advances portfolios, write-off definitions have been determined with reference to analysis of the materiality of post write-off recoveries. The result of this is that retail secured loans are written off on sale of collateral and retail unsecured loans are written off when observation of post-default payment behavior indicates that further material recoveries are unlikely. Write-off points within loans and advances unsecured portfolios are defined on a per-portfolio basis with reference to cumulative delinquency and/or payment recency, with write-offs typically occurring when 9 cumulative payments have been missed.

Other financial assets

Cash equivalents

Cash equivalents exposures are classified as stage 1 unless specific evidence of impairment exists. When evidence of specific impairments exists, then these assets will be immediately classified as stage 3 due to their nature.

Other assets

ECL for other assets and where applicable, are calculated using the simplified approach. This results in a lifetime ECL being recognised.

ACCOUNTING POLICIES

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Financial instruments (continued)

Transfers, modifications and derecognition

Financial instruments are derecognized when:

The contractual rights and obligations expire or are extinguished, discharged or cancelled, for example an outright sale or settlement;

- they are transferred and the derecognition criteria of IFRS 9 are met; or
- the contractual terms of the instrument are substantially modified and the derecognition criteria of IFRS 9 are met.

Financial assets are derecognized when the Bank has either transferred the contractual right to receive cash flows from the asset or it has assumed an obligation to pay over all the cash flows from the asset to another entity (i.e., a pass through arrangement under IFRS 9). If the contractual cash flows of a financial asset measured at amortized cost are modified (changed or restructured, including distressed restructures), the Bank determines whether this is a substantial modification, following which, results in the derecognition of the existing asset, and the recognition of a new asset, or whether the change is simply a non-substantial modification of the existing terms which does not result in derecognition.

A modification of a financial asset is substantial and will thus result in derecognition of the original financial asset, where the modified contractual terms are priced to reflect current conditions on the date of modification, and are not merely an attempt to recover outstanding amounts. Where the modification does not result in an accounting derecognition the original asset continues to be recognized.

Derecognition of financial liabilities includes when there is a substantial modification to the terms and conditions of an existing financial liability. A substantial modification to the terms occurs where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent (based on management best estimate) different from the discounted present value of the remaining cash flows of the original financial liability. The following transactions are entered into by the Bank in the normal course of business in terms of which it transfers financial assets directly to third parties or structured entities, or modifies the contractual terms of the asset and either achieves derecognition or continues to recognize the asset:

Offsetting of financial instruments and collateral

Where the requirements of IFRS are met, the Bank offsets financial assets and financial liabilities and presents the net amount. Financial assets and financial liabilities subject to master netting arrangements (MNA) or similar agreements are not offset, if the right of set-off under these agreements is only enforceable in the event of default, insolvency and Bankruptcy.

Impairment of non-financial assets

The Bank assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization other than goodwill is recognized immediately in profit or loss.

ACCOUNTING POLICIES

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Inventories

Inventories comprises of stock of stationeries and are measured at cost less impairment losses, if any.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognized as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognized as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognized for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. A deferred tax asset is not recognized when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognized for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognized as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and impairment losses. 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 disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amounts of these items and are recognized in profit and loss.

Subsequent costs are included in the asset's carrying amount or are recognized 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 recognized in profit or loss during the financial period in which they are incurred. However, major renovations are capitalized 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 derecognized.

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.

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Property and equipment (continued)

Item	Depreciation method	Average useful life
Buildings & leasehold improvements	Straight line	Shorter of 50 years or estimated life of period of the lease
Furniture and fixtures	Straight line	6 to 10 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	5 to 10 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

In the current financial year an assessment was carried out to review the useful lives and residual values of the following asset classes:

- Furniture and fixtures;
- Motor vehicles;
- Office equipment

As part of the assessment the useful life of furniture and fittings was changed from 6 years to 6-10 years, whilst office equipment was changed from 7 years to 5-10 years. There were no changes to the useful life of motor vehicles as management felt that the current useful lives are appropriate. In addition, the assessment did not result in changes to residual values.

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. 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 flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are recognized 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 recognized for the asset (cash generating unit) in prior periods. A reversal of an impairment loss is recognized 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.

Capital work-in-progress

Work-in-progress comprises costs of non-current assets acquired but not yet put into their intended use or projects under construction. Once management is satisfied that the asset is ready for its intended use, all costs associated with the asset are then transferred from the work-in-progress account to the respective assets account. No depreciation is charged on any work-in-progress balances.

ACCOUNTING POLICIES

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Leases

The Bank assesses whether a contract is, or contains a lease, at the inception of the contract.

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.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Bank has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Bank as lessee

A lease liability and corresponding right-of-use asset are recognized at the lease commencement date, for all lease agreements for which the Bank is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Bank recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being

allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

Details of leasing arrangements where the Bank is a lessee are presented in note 17 Right of use asset and lease liabilities (Bank as lessee).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are to be made over the lease period. The lease payments include fixed payments (including in substance fixed payments) less any lease payments incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. In calculating the present value of lease payment, the Bank uses its incremental borrowing rate (IBR) at the lease commencement date. Subsequently, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, change in lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value leases

The Bank applies the short-term lease recognition exemption to its short-term leases of property (that is, those leases that have a lease term of 12 months or less from the commencement date). The Bank also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term.

ACCOUNTING POLICIES

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Right-of-use assets

The Bank recognizes right of use assets at the commencement date of the lease (that is, the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

Item	Depreciation method	Average useful life
Leasehold property	Straight line	3 - 20 years

Leases for which the Bank is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

The Bank owns an office building that has vacant floors and now uses to earn rental income. The building is leased to a third party under an operating lease for fixed lease payments. The Bank has classified these lease as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Although the risks associated with rights that the Bank retains in underlying assets are not considered to be significant, the Bank employs strategies to further minimize these risks. For example, ensuring all contracts include clauses requiring the lessee to compensate the Bank when a property has been subjected to excess wear and tear during the lease term.

Lease receipts from operating leases are recognized on a straight-line basis over the term of the relevant lease, or on another systematic basis if that basis is more representative of the pattern in which the benefits from the use of the underlying asset are diminished. Operating lease income is included in other income (note 5).

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and are expensed over the lease term on the same basis as the lease income.

Modifications made to operating leases are accounted for as a new lease from the effective date of the modification. Any prepaid or accrued lease payments relating to the original lease are treated as part of the lease payments of the new lease.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15.

Intangible assets

An intangible asset is recognized when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognized at cost.

Expenditure on research (or on the research phase of an internal project) is recognized as an expense when it is incurred.

ACCOUNTING POLICIES

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Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognized when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortization and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortization is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortization is provided on a straight-line basis over their useful life.

The amortization period and the amortization method for intangible assets are reviewed every reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortized over its useful life.

Internally generated brands and items similar in substance are not recognized as intangible assets.

Amortization is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	5 years

Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. Grant income related to income expenditure is initially recognized as deferred income in the statement of financial position and subsequently released to

the statement of profit or loss when the intended expenditure is incurred by the Bank.

Grant income related to capital projects or physical assets is initially recognized as deferred income in the statement of financial position with a corresponding asset recognized in property, plant and equipment. Subsequently, the deferred income is released to the statement of comprehensive income over the expected useful life of the asset.

Grants related to income are presented as a credit in the profit or loss (separately).

Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Pula's, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Pula at the foreign exchange rate (mid-rate) ruling at the reporting date. Foreign exchange differences arising on translation are recognized in profit or loss.

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. Outstanding balances payable to the Bank that are past due attract compound interest.

Unrecallable capital

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

Statutory reserve

At the end of every financial year, the Bank pays into the statutory reserve fund an amount not less than 25% of its net profits. The statutory reserve is held for future, presently unidentified losses and is recognized in equity.

ACCOUNTING POLICIES

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Key sources of estimation uncertainty

Measurement of Expected credit losses (ECL) Key inputs and assumptions

The Expected Credit Loss of the financial asset is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred. The total Expected Credit Loss is a discounted product of the Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD) **Impairment of Loans and Advances Probability of Default (PD)**

Retail parameters are determined on a product level basis. Where appropriate an analysis at a sector level within a product is performed. The monthly staging ratings determined under SICR are used to model historic default rates using a credit transition matrix model based on cohorts that the Bank believes reflect conditions that are likely to apply in the future. The statistical models generate periodic probabilities of default, prepayment rates and recovery rates that reflect the average over the period of study, also called Through The Cycle (TTC). Lifetime default curves are developed from periodic TTC parameters to reflect increasing risk with time.

TTC parameters are converted to Point In Time (PIT) parameters that reflect forward looking information and are indicative of default, prepayment and recovery rates that will apply in the future.

Exposure At Default (EAD)

The loan level exposure at default is estimated at each point in time over the life of the facility taking into consideration loan commitments implicit prepayment rates, the outstanding loan balance, the remaining tenure, the effective interest, the current staging and implicit prepayment rate.

Loss Given Default (LGD)

Loss given default (LGD) rates are estimated at the product level for products that have uniform guarantee structures. The LGD considers factors such as changes in the credit quality of the collateral, the time to recovery of the collateral, costs of recovery, liquidity haircuts to market value and the appropriate discount rate for the collateral. For products that have heterogenous collateral arrangements at loan level, LGD is computed at loan level reflecting specific characteristics of the collateral structure.

Key sources of estimation uncertainty (continued)

Key credit risk metrics	Motor vehicle loans	Residential loans	Personal loans	Total
Coverage Ratios				
March 31, 2023	0.73 %	0.50 %	4.54 %	3.58 %
March 31, 2022	0.58 %	0.42 %	3.86 %	3.17 %
March 31, 2021	1.11 %	0.62 %	6.10 %	4.75 %
March 31, 2020	2.27 %	2.61 %	9.00 %	6.25 %
Loss Given Default (LGD)				
March 31, 2023	26.08 %	23.01 %	86.77 %	72.95 %
March 31, 2022	26.08 %	22.69 %	91.81 %	77.91 %
March 31, 2021	26.57 %	23.80 %	96.28 %	87.58 %
March 31, 2020	31.87 %	24.18 %	98.40 %	66.58 %
Probability of Default (PD)				
March 31, 2023	2.79 %	2.18 %	5.23 %	5.00 %
March 31, 2022	2.22 %	1.85 %	4.21 %	4.07 %
March 31, 2021	4.19 %	2.64 %	6.34 %	5.43 %
March 31, 2020	7.12 %	10.78 %	9.14 %	9.38 %

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Forward-looking information

The Bank has considered the different scenarios and related probabilities in determining its forward-looking assumptions for purposes of measuring its Expected Credit Loss (ECL). The Bank considers the scenarios to represent reasonable and supportable forward-looking views as at its reporting date.

Approach to Incorporate Forward-Looking Indicators (FLI)

Forward-looking macro-economic indicators (FLI) has been used to modify the TTC PD's to PIT PD's by applying scalars to TTC lifetime credit curve. These scalars were obtained through a logistic regression of historical PD's to various macroeconomic factors which included GDP, interest rates, inflation rates, commodity price index, Botswanan Stock exchange equity index, exchange rates and Banking sector liquidity. Macroeconomic forecasts were obtained by using historical relations between variables obtained by multi-variable regression analysis, these were checked for economic rationality and judgment was used in their application.

Forward-looking information is used to adjust the parameters that drive the LGD such as time to recovery, liquidity haircuts and expected

changes in credit quality.

Forward looking information applied in March 2023 ECL computation.

The FLIs applied in the current financial year modelling process are GDP, interest rates and inflation rates.

The Bank forecasts GDP to grow, but at the lower rate between 3.5%-4.1% per annum over the next three years, with threats to this forecast coming from inflation remaining elevated. The Bank also forecasts the central Bank to increase real interest rates by 50 basis points over the next three years in order to control inflation.

The following table shows the main macroeconomic factors used to estimate the allowances for credit losses on loans:

Accounting Policies

Key sources of estimation uncertainty (continued)
Macroeconomic forecast

Projection period	Real GDP growth		Real interest rate		General inflation rate	
	2023	2022	2023	2022	2023	2022
First year	3.6 %	3.8 %	0.5 %	1.8 %	8.9 %	8.7 %
Second year	4.1 %	3.5 %	0.3 %	1.3 %	6.6 %	6.0 %
Third year	3.5 %	3.5 %	(0.3)%	0.8 %	7.0 %	5.8 %

Macroeconomic scenarios driving FLI's

Period	Upside		Downside	
	Inflation	Change in RIR	Inflation	Change in RIR
2023	10.00 %	1.00 %	8.00 %	- %
2024	8.00 %	1.00 %	5.00 %	- %
2025	8.00 %	- %	6.00 %	(1.00)%

Impact of forward- looking information (FLI) on ECL - March 31, 2023

Loans and advances	Motor Vehicle advances	Residential property loans	Personal loans	Total
ECL before FLI adjustments	46	2,589	83,951	86,586
Impact of FLI	31	24	1,653	1,708
ECL after FLI adjustments	77	2,613	85,604	88,294

Impact of forward- looking information (FLI) on ECL - March 31, 2022

Loans and advances	Motor Vehicle advances	Residential property loans	Personal loans	Total
ECL before FLI adjustments	88	2,302	86,738	89,128
Impact of FLI	-	9	690	699
ECL after FLI adjustments	88	2,311	87,428	89,827

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Key sources of estimation uncertainty (continued)

Sensitivity of ECL for loans and advances	Change in variable				
	Base value	Inflation		Shift in real interest rate	
Change in variable		1.0% increase	1.0% decrease	1.0% increase	1.0% decrease
ECL (P'000) as at March 31, 2023	88,294	88,772	87,696	89,817	86,919
Change in ECL (P'000)	-	478	(598)	1,522	(1,376)
% change in ECL	-	0.5 %	(0.7)%	1.7 %	(1.6)%
Change in inflation rate	8.9 %	9.9 %	7.9 %	- %	- %
Change in real interest rate	0.3%	- %	- %	1.3 %	(0.7)%

Sensitivity of ECL for loans and advances	Change in variable				
	Base value	Inflation		Shift in real interest rate	
Change in variable		1.0% increase	1.0% decrease	1.0% increase	1.0% decrease
ECL (P'000) as at March 31, 2022	89,297	90,112	88,888	90,805	88,247
Change in ECL (P'000)	-	285	(940)	978	(1,580)
% change in ECL	-	0.3 %	(1.0)%	1.1 %	(1.8)%
Change in inflation rate	8.7 %	9.7 %	7.7 %	- %	- %
Change in real interest rate	1.8%	- %	- %	2.80 %	0.80 %

Impairment of related parties

Botswana Postal Services Limited (BPSL) provided Banking services on behalf of the Bank. BPSL ceased to provide the services in December 2022. As at March 31, 2023, all net deposits from the Bank's customers were remitted by BPSL. As at March 31, 2022, P52.337m of the net deposits was not remitted by BPSL. Due to the poor remittance history in the twelve months leading to March 31, 2022, an impairment allowance was estimated at P1.894m at that date. The Bank's agency agreement with BPSL was not collateralised and recovery was estimated from the statement of financial position of BPSL. The impairment allowance was computed using the same methodology as detailed in accounting policy note 1.8.

Probability of default (PD)

The probability of default is an indication of the probability that a given related party will not meet its contractual obligation to the Bank. Due to heterogeneity in the data relating to related party's the probability of default (PD) is modelled using various structural models of assessing credit risk. The probabilities of default under the structural model take into consideration the volatility of the related party's assets, liabilities, and volatility of assets. The volatility is adjusted to include forward looking information that will apply during the period that the Bank has exposure to the related party.

Botswana Savings Bank
Annual Financial Statements for the year ended March 31, 2023

Key sources of estimation uncertainty (continued)
Exposure at default (EAD)

The exposure at default considers an expectation of future drawdowns until the default event has occurred by utilizing loan run down for amortizing products and a credit conversion factor for non-amortizing products. For example, for a loan this is the face value at the default date. For a commitment, the Bank includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

For receivables that are impaired the exposure at default includes the amount of interest, charges and penalties that will be accrued till the expected time to recovery.

Loss given default (LGD)

Loss given default or loss severity represents the Bank's expectation of the extent of loss on a claim should default occur (1 - recovery rate). It is expressed as percentage loss per unit of exposure. It typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. The measurement of exposure at default and loss given default is based on the risk parameters standard under Basel II and IFRS 9.

For related party's in default but are still operating as a going concern, the loss given default (LGD) is computed as the product of the recovery rate in liquidation (LRR) and the probability of liquidation (PL).

The recovery rate in liquidation (LRR) is estimated using the discrete asset valuation method (DAV). The DAV method considers the value of assets at the valuation date, the time to recovery of each asset class, the appropriate discount rate for each asset, a liquidity haircut, the costs of insolvency, taxes and the waterfall structure of the recovered amounts to the various creditors.

The probability of liquidation is estimated using structural models, these models estimate the probability of being liquidated as a function of the assets, liabilities, and volatility of assets. The volatility is adjusted to include forward looking information that will apply during the period that the Bank has exposure to the related party.

Key assumptions concerning probability of liquidation and loss given default were made in valuing the ECL of related parties. The impact of a 5% change in each of the underlying variables is outlined in the following table

Sensitivity of ECL for loans and advances	Value resulting from changes in						
	Base value P('000)	Recovery rate %		Discount rate		Settlement period (days)	
2022		1.0% increase	1.0% decrease	1.0% increase	1.0% decrease	30days increase	30days decrease
ECL (P'000) as at March 31, 2022	1,894	1,819	2,018	2,055	1,732	1,600	-
Change in ECL (P'000)	-	(75)	124	161	(162)	287	(294)
% change in ECL	-	(4.0)%	6.6 %	(8.5)%	(8.6)%	15.1%	(15.5)%
Principal assumption used		94.9 %		15.0%		186	

The related party loan was fully settled by year end and the impairment allowance was reversed to the statement of profit and loss and other comprehensive income.

ACCOUNTING POLICIES

Botswana Savings Bank Annual Financial Statements for the year ended March 31, 2023

Key sources of estimation uncertainty (continued)

Lessee's incremental borrowing rate

The Bank has adopted the incremental borrowing rate as the discount factor. The discount factor takes into account the interest rates on the existing facilities where applicable and commercial rates the Bank could be offered by their lenders if they were to source for funding.

The Bank used incremental borrowing rates ranging from Prime plus 1.5% to prime plus 4% in recognizing the lease liabilities at the date of initial application.

Discount factor

Under IFRS 16, Leases, discount rates are used to determine the present value of the lease payments used to measure a lessee's lease liability. Discount rates are also used to determine lease classification for a lessor and to measure a lessor's net investment in a lease. For lessees the lease payments are required to be discounted using either the interest rate implicit in the lease if readily determined or the lessee's incremental borrowing rate.

Leases - Determining the lease term of contracts with renewal and termination options

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgment in evaluating if it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

Deferred Tax

Deferred tax is provided on temporary differences

at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Residual values and useful lives of intangible assets and property and equipment

The Bank depreciates its property and equipment on a straight-line basis by allocating the depreciable amount (original cost) equally over its estimated useful life. Useful lives are also reviewed annually and are adjusted when it is evident that the economic benefits initially anticipated will not flow from the asset over the same duration or to the same extent.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Botswana Savings Bank
Annual Financial Statements for the year ended March 31, 2023

New Standards and Interpretations

Standards and interpretations effective and adopted in the current year

In the current year, the Bank has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1

A subsidiary that uses the cumulative translation differences exemption, may elect in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.

The effective date of the Bank is for years beginning on or after January 1, 2022. The impact of the amendment is not material

Reference to the Conceptual Framework: Amendments to IFRS 3

The amendment makes reference to the Conceptual Framework for Financial Reporting issued in 2018 rather than to the IASC's Framework for the Preparation and Presentation of Financial Statements. The amendment specifically points to the treatment of liabilities and contingent liabilities acquired as part of a business combination, and which are in the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies. It clarifies that the requirements of IAS 37 or IFRIC 21 should be applied to provisions, contingent liabilities or levies to determine if a present obligation exists at the Acquisition date. The amendment further clarifies that contingent assets of acquirees share not be recognised as part of the business combination.

The effective date of the Bank is for years beginning on or after January 1, 2022. The impact of the amendment is not material.

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9

The amendment concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The effective date of the Bank is for years beginning on or after January 1, 2022. The impact of the amendment is not material.

Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16

The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts is now specifically required.

The effective date of the Bank is for years beginning on or after January 1, 2022. The impact of the amendment is not material.

Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37

The amendment defined the costs that are included in the cost of fulfilling a contract when determining the amount recognized as an onerous contract. It specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These are both the incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts (for example depreciation allocation).

The effective date of the Bank is for years beginning on or after January 1, 2022. The impact of the amendment is not material.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Botswana Savings Bank

Annual Financial Statements for the year ended March 31, 2023

Standards and interpretations not yet effective

The Bank has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Bank's accounting periods beginning on or after April 1, 2023 or later periods:

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognized in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognized in full in the parents' profit or loss.

The effective date of the amendment is to be determined by the IASB.

It is unlikely that the amendment will have a material impact on the Bank's annual financial statements.

Lease liability in a sale and leaseback - Amendment to IFRS 16

The amendment requires that a seller-lessee in a sale and leaseback transaction, shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

The effective date of the amendment is for years beginning on or after January 1, 2024.

The amendment is not expected to have a material impact on the Bank's annual financial statements.

New Standards and Interpretations (continued)

Initial application of IFRS 17 and IFRS 9 - Comparative information

A narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time. The amendment regards financial assets for which comparative information is presented on initial application of IFRS 17 and IFRS 9, but where this information has not been restated for IFRS 9. Under the amendment, an entity is permitted to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before. The option is available on an instrument-by-instrument basis. In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of IFRS 9.

The effective date of the amendment is for years beginning on or after January 1, 2023.

The amendment is not expected to have a material impact on the Bank's annual financial statements.

Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12

The amendment adds an additional requirement for transactions which will not give rise to the recognition of a deferred tax asset or liability on initial recognition. Previously, deferred tax would not be recognised on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit or loss. The additional requirement provides that the transaction, at the time of the transaction must not give rise to equal taxable and deductible temporary differences.

The effective date of the amendment is for years beginning on or after January 1, 2023.

The amendment is not expected to have a material impact on the Bank's annual financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Botswana Savings Bank
Annual Financial Statements for the year ended March 31, 2023

Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the annual financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

The effective date of the amendment is for years beginning on or after January 1, 2023.

The amendment is not expected to have a material impact on the Bank's annual financial statements.

Definition of accounting estimates: Amendments to IAS 8

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in annual financial statements that are subject to measurement uncertainty."

The effective date of the amendment is for years beginning on or after January 1, 2023.

The amendment is not expected to have a material impact on the Bank's annual financial statements.

Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

New Standards and Interpretations (continued)

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after January 1, 2023.

The amendment is not expected to have a material impact on the Bank's annual financial statements.

IFRS 17 Insurance Contracts

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The effective date of the standard is for years beginning on or after January 1, 2023.

The standard is not expected to have a material impact on the Bank's annual financial statements.

Notes to the Annual Financial Statements

	2023 P'000	2022 P'000
Net interest income		
Interest income		
Loans and advances to customers	295,832	274,892
Other fixed deposits	14,764	15,687
Call accounts with other financial institutions	13,300	4,240
Botswana Post interest charge	4,768	2,982
Unwinding of discounted staff loans	8,754	3,665
	337,418	301,466
Interest expense		
Ordinary savings	(2,230)	(2,260)
Sesigo savings	(4,151)	(4,754)
Save-As-You-Earn	(173)	(508)
Thobo savings	(7)	(15)
National savings certificates (NSC)	(517)	(537)
Corporate deposits	(132,711)	(113,174)
Fixed deposits	(16,289)	(5,774)
Borrowings	(14,751)	(8,048)
Transaction account	(87)	(182)
Lease liability interest	(2,553)	(2,415)
	(173,469)	(137,667)
Net interest income	163,949	163,799
Net fee and commission		
Fee and commission income		
Account maintenance fees	5,600	6,219
Pre-closure fees	-	260
Over-the-counter fees	2,237	3,605
Commission on loan repayments	2,497	2,388
Card transaction fees	92	31
	10,426	12,503
Fee and commission expense		
Agency fees	(1,797)	(2,839)
Commissions	(4,530)	(5,432)
VISA expenses	(2,869)	(2,043)
	(9,196)	(10,314)
	1,230	2,189

Notes to the Annual Financial Statements

	2023 P'000	2022 P'000
Other income		
Rental income	3,153	2,735
Rooftop hosting fees	374	189
Other income	3	103
	3,530	3,027
Future minimum rental income under non-cancellable leases as at 31 March were, as follows:		
Within 1 year	2,248	2,564
After 1 year within 5 years	-	1,923
	2,248	4,487
Net impairment (reversal)/loss of financial assets		
Specific impairment - stage 3	13,753	(5,424)
Related party impairment	(1,894)	(6,618)
Portfolio (reversal)/impairment - (stage 1 & 2)	(15,286)	(643)
Recoveries	(2,282)	(219)
Net impairment reversal of financial assets	(5,709)	(12,904)
Movement on specific impairments (Stage 3)		
Balance at the beginning of the year	48,590	77,707
Bad debts written off	-	(23,693)
Charge/(Reversal) for the year	13,753	(5,424)
Balance at the end of the year	62,343	48,590
Movement on portfolio impairments (Stage 1 & 2)		
Balance at the beginning of the year	41,237	41,880
Current year reversal	(15,286)	(643)
Balance at the end of the year	25,951	41,237
	88,294	89,827
Related party impairment		
Balance at the beginning of the year	1,894	8,512
Impairment reversal	1,894	(6,618)
Balance at the end of the year	-	1,894

Notes to the Annual Financial Statements

		2023 P'000	2022 P'000
Employee Benefits			
Salaries, wages and allowances		60,085	54,764
Pension and medical aid contributions		9,742	8,563
staff loan benefits		25,119	3,359
Training and recruitment costs		3,705	1,887
Staff welfare		2,896	2,169
Organisational restructuring		47	12,409
		101,594	83,151
The average number of persons employed by the Bank during the year was 211 (2022: 204).			
Depreciation and amortisation			
Depreciation of property, plant and equipment	16	7,344	8,055
Amortisation of intangible assets	18	9,495	4,347
Amortisation of right-of-use asset	17	3,844	3,943
		20,683	16,345
Administrative and general expenses			
Audit fees*		2,132	1,470
Consulting and professional fees		4,069	4,380
Debt recovery		1,034	484
Non-executive directors fees		383	411
Insurance premiums		1,041	3,823
Sales expenses		344	1,703
Setup costs - projects		4,662	1,705
Other operating expenses		1,001	579
Cash security expenses		1,828	1,873
Subscription fees		723	622
Motor vehicle expenses		623	360
Exchange losses		278	2,929
Passbook conversion expenses		2,244	-
Bank and other charges		464	1,294
Office expenses		122	122
Property management and security fees		5,729	3,977
Advertising and publicity		5,695	3,879
Repairs and maintenance		6,036	3,070
Software licencing and IT costs		14,216	11,919
Stationery, utilities and postage		5,836	4,250
		58,460	48,850

Notes to the Annual Financial Statements

	2023 P'000	2022 P'000
Income tax expense		
Current		
Prior year overprovision	(1,044)	6,605
Deferred		
Deferred tax charge (Current year)	6,531	2,484
Deferred tax charge (Prior year)	1,181	-
Adjustments in respect of prior periods	-	(16)
	7,712	2,468
Income tax expense	6,668	9,073
Numerical reconciliation of income tax expense to prima facie tax payable		
Reconciliation between accounting profit and tax expense.	13,119	43,415
Profit before taxation	2,886	9,551
Tax at the applicable tax rate of 22% (2022: 22%)		
Tax effect of adjustments on taxable income		
Disallowed expenses and non-taxable income	3,645	(462)
Adjustment in respect to prior periods	137	(16)
Income tax expense	6,668	9,073
Deferred tax		
Deferred tax asset		
At beginning of year	27,444	29,912
Charge for the year	(6,531)	(2,452)
Prior year under provision	(1,181)	(16)
Closing Balance	19,732	27,444
The balance comprises temporary differences attributable to:		
Property and equipment	(880)	(304)
Right of use asset	(6,668)	(6,663)
Intangible assets	(3,797)	(1,918)
Lease liability	7,812	7,549
Impairment of loans and advances	5,709	9,072
Unamortised Government grant	15,432	19,708
Deductible loss	2,124	-
Total deferred tax asset	19,732	27,444

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position.

Management expects to recover deferred tax assets when the deductible temporary differences reverse in the future.

Notes to the Annual Financial Statements

	2023 P'000	2022 P'000
Deferred tax (continued)		
Analysis by period		
Within 1 year	10,979	17,668
After 1 year within 5 years	8,753	9,776
	19,732	27,444
Cash and cash equivalents		
Cash on hand	14,727	8,452
Balances with Bank of Botswana	866	9,348
Stanbic Bank Botswana Limited	25,903	180,720
First National Bank of Botswana Limited	20,475	33,651
First Capital Bank Botswana Limited	30,724	29,418
ABSA Bank Botswana Limited	859	25,692
Access Bank Limited	261,163	29,676
Bank Gaborone Limited	39,334	85,126
Morula Capital Partners	141,244	-
	535,295	402,083

Cash and cash equivalents comprises cash on hand and deposits held with other Banks that are highly liquid instruments. The balances held with First Capital Bank includes amounts relating to dormancy balances of P27,144,000 (2022: P29,108,000).

Management has assessed the expected credit loss on cash and cash equivalents and noted no impairment as there is no history of default.

Fair value of cash and cash equivalents approximates carrying amount due to their short term tenure.

Balances with other Banks

Balances with other Banks	109,332	7,623
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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 customer requirements. Interest rates are negotiable on a deal by deal basis. The interest rates ranged between 4% to 9.35% during the current year.

The current year balance includes cash collateral for VISA transactions of P6.6 million held with Access Bank Limited.

Balances with other Banks are considered to be low credit risk and have not been impaired as these placements are made to Banks that have high credit standing.

Fair value of balances due from other Banks approximates carrying amount due to their short term tenure.

Analysis by period		
Within 1 year	109,332	7,623

Notes to the Annual Financial Statements

	2023 P'000	2022 P'000
Loans and advances to customers		
Motor vehicles advances	10,493	20,666
Residential property loans	526,310	544,116
Personal loans	1,898,033	2,223,413
	2,434,836	2,788,195
Less impairment provision	6 (88,294)	(89,827)
	2,346,542	2,698,368
Analysis by period		
Within 1 year	49,262	39,070
After 1 year within 5 years	1,086,698	446,722
After 5 years	1,298,876	2,302,403
	2,434,836	2,788,195
Sectorial analysis:		
Central Government employees	2,139,675	2,416,040
Parastatal employees	65,849	116,588
Local government employees and other customers	130,726	174,244
Staff loans	98,586	81,323
	2,434,836	2,788,195
Analysis of impairment losses on loans and advances		
Opening balance	89,827	119,587
Impairment reversal	(1,533)	(6,067)
Loans written off	-	(23,693)
	88,294	89,827

The Bank has a credit facility with Access Bank Limited for the equivalent of P70 million (2022, P88 million). The loan is interest bearing on commercial market related terms. As security for the facility, there is a deed of hypothecation in place in favour of Access Bank Limited to the value of 120% of the outstanding balance of the credit facility. For March 2023, the security is equivalent to P85 million (2022, P106 million).

Ipelegeng personal loans are advanced to customers who hold SAYE, Sesigo, Thobo and Ordinary accounts and are secured by these account balances held with the Bank. The customer must maintain these account balances with at least 60% of the outstanding portion of the loan. Interest rates for loans and advances range between prime to prime plus 4.59% for secured loans and prime plus 14% to prime plus 24.36% for unsecured personal loans.

Motor vehicle and residential loans to employees of the Government of Botswana have a 70% guarantee issued by the 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 P500 000 repayable over 84 months (compared to P200 000 with repayment up to 5 years for Motheo). Express is a short term loan for up to 12 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.

Management considers that the carrying amounts of loans and advances are a reasonable approximation of their fair value on account of being issued at market related interest rates.

Notes to the Annual Financial Statements

	2023 P'000	2022 P'000
Balances with related parties		
Amounts due from Botswana Postal Services	-	52,337
Less Impairment provision	-	(1,894)
Amounts due from Botswana Postal Services	-	50,443

Botswana Postal Services provided 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 last financial year were in respect of net deposits (deposits less withdrawals) which were to be settled upon demand, in the ordinary course of business. The agreement between Botswana Postal Services and the Bank ended during the financial year under review and all outstanding balances owed to the Bank have been fully repaid.

Fair value of balances with related parties approximates carrying amount due to their short term tenure. Balances with related parties are subject to impairment as outlined in accounting policy note 1.21

Property and equipment

	2023			2022		
	Cost P('000)	Accumulated depreciation P('000)	Carrying value P('000)	Cost or revaluation P('000)	Accumulated depreciation P('000)	Carrying value P('000)
Buildings & leasehold improvements	39,967	(16,257)	23,710	39,967	(14,500)	25,467
Furniture and fixtures	12,531	(9,639)	2,892	11,406	(9,177)	2,229
Motor vehicles	8,275	(5,192)	3,083	8,275	(4,002)	4,273
Office equipment	52,947	(31,435)	21,512	49,122	(28,612)	20,510
Capital - Work in progress	307	-	307	24,622	-	24,622
Total	114,027	(62,523)	51,504	133,392	(56,291)	77,101

Reconciliation of carrying amounts of property and equipment - 2023

	Opening balance P('000)	Additions P('000)	Transfers P('000)	Other changes, movements P('000)	Depreciation P('000)	Total P('000)
Buildings & leasehold improvements	25,467	-	-	-	(1,757)	23,710
Furniture and fixtures	2,229	833	293	-	(463)	2,892
Motor vehicles	4,273	-	-	-	(1,190)	3,083
Office equipment	20,510	5,328	-	(392)	(3,934)	21,512
Capital - Work in progress*	24,622	8,027	(30,578)	(1,764)	-	307
	77,101	14,188	(30,285)	(2,156)	(7,344)	51,504

Notes to the Annual Financial Statements

Property and equipment (continued)

Reconciliation of carrying amounts of property and equipment - 2022

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Total
	P('000)	P('000)	P('000)	P('000)	P('000)	P('000)
Buildings & leasehold improvements	21,798	687	4,821	-	(1,839)	25,467
Furniture and fixtures	1,548	530	592	(13)	(428)	2,229
Motor vehicles	2,191	3,128	-	-	(1,046)	4,273
Office equipment	17,029	849	7,377	(3)	(4,742)	20,510
Capital - Work in progress	10,685	26,727	(12,790)	-	-	24,622
	53,251	31,921	-	(16)	(8,055)	77,101

* In the current year, capital work-in-progress relating to set up costs for the digital channels and point-of-sale projects was transferred to intangible assets prospectively.

The Capital - work in progress of P307 000 comprises of hardware for the Point-of-sale project. As at year end, there were no commitments on Capital work in progress

Right of use asset and lease liabilities

	2023			2022		
	Cost	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
	P('000)	P('000)	P('000)	P('000)	P('000)	P('000)
Right of use assets	42,479	(12,169)	30,310	38,779	(8,492)	30,287

Reconciliation of carrying amounts, right-of-use assets - 2023

	Opening balance	Additions	Disposals	Remeasurement - new lease	Depreciation	Closing balance
	P('000)	P('000)	P('000)	P('000)	P('000)	P('000)
Buildings	30,287	423	(308)	3,752	(3,844)	30,310

Reconciliation of carrying amounts, of right-of-use assets - 2022

	Opening balance	Additions	Disposals	Remeasurement - new lease	Depreciation	Adjustments	Closing balance
	P('000)	P('000)	P('000)	P('000)	P('000)	P('000)	P('000)
Buildings	32,078	1,032	(2,323)	2,917	(3,943)	526	30,287

Lease liabilities

Lease liability - Opening balance						34,313	35,367
Repayments						(2,673)	(2,534)
Additions during the year						423	1,032
Remeasurement of right-of-use asset						3,752	2,917
Disposal of right-of-use asset						(308)	(2,323)
Lease liability - adjustment						-	(146)
Lease liability - Closing balance						35,507	34,313

Notes to the Annual Financial Statements

	2023 P'000	2022 P'000
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Right of use asset and lease liabilities (continued)

The maturity analysis of lease liabilities is as follows:

Within one year	3,230	3,698
After 1 year, within 5 years	16,557	15,567
More than five years	15,720	15,148
	35,507	34,413

The Bank has entered into commercial leases for premises. The leases have an average life of between 3 and 5 years. Details of the leasing arrangements are presented above.

Refer to note 8 for details relating to depreciation for right-of-use-assets and note 3 for interest charged on lease liabilities.

The table below shows the total cash outflows for leases.

Lease liability payments - Principal	(2,673)	(2,534)
Lease liability payments - Interest	(2,553)	(2,415)
Total cash outflows - leases	(5,226)	(4,949)

Intangible assets

	2023			2022		
	Cost P('000)	Accumulated amortisation P('000)	Carrying value P('000)	Cost P('000)	Accumulated amortisation P('000)	Carrying value P('000)
Computer software, other	72,681	(30,807)	41,874	58,508	(21,312)	37,196
Capital work in progress	16,449	-	16,449	-	-	-
Total	89,130	(30,807)	58,323	58,508	(21,312)	37,196

Reconciliation of carrying amounts, intangible assets - 2023

	Opening balance P('000)	Additions P('000)	Transfers P('000)	Amortisation P('000)	Total P('000)
Computer software	37,196	338	13,835	(9,495)	41,874
Capital work in progress	-	-	16,449	-	16,449
	37,196	338	30,284	(9,495)	58,323

Reconciliation of carrying amounts, intangible assets - 2022

	Opening balance P('000)	Additions P('000)	Transfers P('000)	Amortisation P('000)	Total P('000)
Computer software	9,828	70	31,645	(4,347)	37,196
Capital work in progress	-	31,645	(31,645)	-	-
	9,828	31,715	-	(4,347)	37,196

Notes to the Annual Financial Statements

	2023 P'000	2022 P'000
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Intangible assets (continued)

Intangible assets comprise of the Bank's core Banking software, cyber security software and other miscellaneous software.

The Capital - work in progress comprises of Digital Banking channels set up costs. As at year end, there were no commitments on Capital work in progress

Other assets

Other receivables	3,385	1,889
Prepayments	4,525	3,989
Accrued interest	-	763
Stock of stationery	3,401	1,969
	11,311	8,610

Analysis of other assets

Financial instruments	3,385	2,652
Non-financial instruments	7,926	5,958
	11,311	8,610

Other receivables comprise of tenant debtor balances, security deposits, amounts outstanding from VISA and staff advances.

Other assets are considered to be low credit risk and have not been impaired.

Fair value of other assets approximates carrying amount due to their short term tenure.

Current tax receivable

Opening Balance	(263)	(486)
Charge for the year	(1,044)	6,605
Tax paid during the year	(2,001)	(6,382)
Closing balance	(3,308)	(263)

Borrowings

Principal amount outstanding at the beginning of the year	166,879	84,481
Proceeds from long term borrowings	192,050	100,000
Repayment of principal - long term borrowings	(23,695)	(17,407)
Repayment of interest - long term borrowings	(10,121)	(8,243)
Accrued Interest	13,047	8,048
	338,160	166,879

Botswana Government subordinated loan

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 initially obtained for purposes of facilitating the submission of an application for a Banking licence to Bank of Botswana which is required for the commercialisation of Botswana Savings Bank.

Notes to the Annual Financial Statements

Borrowings (continued)

As the Bank's application for a Banking licence had not yet been submitted, the Bank was in violation of specific loan covenants and the loan had become callable at notice. The Bank renegotiated the loan agreement with the lender and the breach was remedied. The loan is repaid annually and interest accrues at 5% per annum on the amount outstanding and is fixed over the loan term

The loan was converted to a subordinated unsecured facility during the year ended March 2022.

Unsecured long term – bonds

The Bank has four unsecured bonds listed on the Botswana Stock Exchange Limited. The bonds were issued in the current year and amount to P192.1 million

Five year bonds

The BSB-CRB-1227-03 bond, which amounts to P60 million, commenced on 9 December 2022 with a floating rate of 9.01%. Interest is determined at the beginning of the period as the Monetary Policy rate (MoPR) plus 6.36% as published by Bank of Botswana. The interest payments dates are 9th December and 9th June commencing on 9th June 2023. The bond matures on 9 December 2027.

The BSB-CRB-1227-03 bond, which amounts to P82 million, commenced on 9 January 2023 with a floating rate of 9.01%. Interest is determined at the beginning of the period as the Monetary Policy rate (MoPR) plus 6.36% as published by Bank of Botswana. The interest payments dates are 9th July and 9th January commencing on 9th July 2023. The bond matures on 9 January 2028.

Two year bond

BSB-CRB-1224-02 commenced on 9 December 2022 with a fixed rate of 9.25% and a principal amount of P30 million. The interest payments dates are 9th December and 9th June commencing on 9th June 2023. The bond matures on 9 December 2024.

One year bond

BSB-CRB-1223-01 commenced on 9 December 2022 with a fixed rate of 9.00% and a principal amount of P20.1 million. The interest payments dates are 9th December and 9th June commencing on 9th June 2023. The bond matures on 9 December 2023.

Access Bank Limited loan

The Bank has a loan facility with Access Bank Limited of P100 million, meant to support the Bank's growth strategy of the retail book. The facility matures on 29 July 2026, is repaid monthly and bears interest at prime plus 1.5%.

The loan has the following covenants;

The Bank shall maintain a minimum Liquidity Asset Ratio(LAR) of 10%;

The Bank will not exceed non-performing loans ratio of 8%, with early trigger/terms re-negotiation at 7%; The Bank shall not pledge any assets that would jeopardize the lender's security; The Bank shall maintain a minimum net interest margin of 3.9%; and

Up to 120% of the outstanding balance of the loan will be secured by the Bank's loans and advances.

Management considers that the carrying amount of borrowings are a reasonable approximation of their fair value.

Notes to the Annual Financial Statements

	2023 P'000	2022 P'000
Borrowings (continued)		
The analysis of closing balances for borrowings is presented below.		
Botswana government subordinated loan	72,416	78,453
Access Bank Limited loan	70,565	88,426
Unsecured long-term bonds	195,179	-
	338,160	166,879
The maturity analysis for borrowings is presented below.		
Within 1 year	52,517	120,212
After 1 year within 5 years	244,999	46,667
After 5 years	40,644	-
	338,160	166,879
Other liabilities		
Trade payables	4,518	8,576
Payroll accruals	5,987	4,095
Other creditors	509	26,296
Clearing accounts	2,319	-
Accrued audit fees	2,000	1,695
PAYE and VAT	313	1,253
Unclaimed balances	1,635	-
Insurance premiums payable	1,767	-
	19,048	41,915
Analysis of other liabilities	12,748	36,567
Financial instruments	6,300	5,348
Non-financial instruments	19,048	41,915

March 2022 other creditors comprise of clearing accounts balances of P17.2 million, unclaimed balances of P6.7 million, insurance premiums of P1 million and other receivables of P1.4 million.

Notes to the Annual Financial Statements

	2023 P'000	2022 P'000
Deposits due to customers		
Ordinary savings	120,724	127,669
Save-As-You-Earn	24,929	25,155
Sesigo savings	195,115	242,935
Thobo savings	422	64
Transactional account	40,350	44,266
National savings certificates (NSC)	6,221	12,321
Corporate fixed deposits	1,674,079	2,070,287
Corporate savings	17,306	20,126
Retail fixed deposits	347,957	172,740
Special savings account	2,137	22,095
	2,429,240	2,737,658

		Maturity and Interest Rates	
		Maturity	Interest Rate
		2023	2022
Ordinary savings	On demand	1.75%	1.75%
Save-As-You-Earn	24 months		1.25% - 2.00%
Sesigo savings	On demand	1.75% - 2.75%	1.75% - 2.75%
Thobo savings	12 months		1.75%
National savings certificates (NSC)	60 months		3.75% - 4.5%
Corporate fixed deposits		Negotiable	Negotiable
Corporate savings	On demand	Negotiable	Negotiable
Retail fixed deposits	3 months to over 24 months		0.54% - 1.52%

Management considers that the carrying amount of deposits due to customers is a reasonable approximation of their fair value.

Maturity analysis for deposits due to customers is presented below;

Due within 12 months	2,064,582	2,248,356
Due after 12 months	364,658	489,302
	2,429,240	2,737,658

Government grant

Opening balance	89,581	99,423
Current year movement	(19,438)	(9,842)
	70,143	89,581

Current year movement comprise of capital grant amortisation amount of P12 million and expenditure on capital projects amounting to P7 million.

In 2020 a total of P141 million was secured from the Government of Botswana as a grant to fund specific BSB projects. The Bank completed new branches in Palapye, Molepolole, Gumare and Kanye, while a new cyber security system has been procured. The grant relating to new branches was limited to P22 million, while the cyber security software was limited to P14 million. The grants

are amortised over the useful lives of the respective assets acquired to match with the depreciation and amortisation costs for the acquired assets.

In the current year projects funded by the grant but not yet fulfilled, amount to P4 million (2022: P15 million) to be utilised for digital Banking channels.

Notes to the Annual Financial Statements

	2023 P'000	2022 P'000
Dormancy account liability		
Balance at the beginning of the year	29,108	28,329
Movement for the year	(1,964)	779
Balance at the end of year	27,144	29,108

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. The dormancy liability is transferred to a separate Bank account with another Bank as per section 18(2) of the BSB act.

A transfer can only be made twelve months following the publication in the Government Gazette of dormant customer accounts so identified.

The amount transferred from customer accounts is reported separately from deposits with customers under the dormancy account liability. In the event that a customer who was identified as dormant comes forward, their respective balance will be transferred to them from the dormancy liability account, either as a cash payment or transferred into their savings accounts.

Unrecallable capital

Subscribed

Subscribed share capital	5,000	5,000
Unrecallable capital	14,721	14,721
	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 share capital represents the Government's contribution towards the construction of Tshomarelo House and other set up costs

Statutory reserve

Balance at the beginning of the year	68,163	59,577
Movement for the year	1,613	8,586
Balance at the end of year	69,776	68,163

The statutory reserve has been 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 may utilise this reserve against any remaining loss after such loss has been applied against retained earnings.

Contingent liabilities and commitments

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 outstanding as at period end.

Loan commitments	3,679	3,463
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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. See note 7.

Notes to the Annual Financial Statements

Financial assets and liabilities by category

The disclosed fair value of these financial assets and liabilities measured at amortised cost approximate their carrying value because of their short-term nature except for loans, advances and leases which are at variable interest rates.

Management considers that the carrying amounts of loans and advances and all other assets and liabilities are a reasonable approximation of their fair value

Assets and liabilities category - 2023

	Note(s)	Financial assets at amortised cost	Financial liabilities at amortised cost	Equity and non financial assets and liabilities	Total	Fair value
Financial Assets						
Loans and advances to customers	14	2,346,542	-	-	2,346,542	2,346,542
Balances with other Banks	13	109,332	-	-	109,332	109,332
Other assets	19	3,385	-	-	3,385	3,385
Cash and cash equivalents	12	535,295	-	-	535,295	535,295
Total Financial Assets		2,994,554	-	-	2,994,554	2,994,554
Financial Liabilities						
Deposits due to customers	23	-	-	2,429,240	2,429,240	2,429,240
Borrowings	21	-	-	338,160	338,160	338,160
Dormancy account liability	25	-	-	27,144	27,144	27,144
Lease liability	24	-	-	35,507	35,507	35,507
Other liabilities	22	-	-	12,748	12,748	12,748
Total Financial Liabilities		-	-	2,842,799	2,842,799	2,842,799

Assets and liabilities category - 2022

	Note(s)	Financial assets at amortised cost	Financial liabilities at amortised cost	Equity and non financial assets and liabilities	Total	Fair value
Financial Assets						
Loans and advances to customers	14	2,698,368	-	-	2,698,368	2,698,368
Balances with other Banks	13	7,623	-	-	7,623	7,623
Balances with related parties	15	50,443	-	-	50,443	50,443
Other assets	19	2,652	-	-	2,652	2,652
Cash and cash equivalents	12	402,083	-	-	402,083	402,083
Total Financial Assets		3,161,169	-	-	3,161,169	3,161,169
Financial Liabilities						
Deposits due to customers	23	-	-	2,737,658	2,737,658	2,737,658
Borrowings	21	-	-	166,879	166,879	166,879
Dormancy account liability	25	-	-	29,108	29,108	29,108
Lease liability	24	-	-	34,313	34,313	34,313
Other liabilities	22	-	-	36,567	36,567	36,567
Total Financial Liabilities		-	-	3,004,525	3,004,525	3,004,525

Notes to the Annual Financial Statements

Financial risk management

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 retain 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 exchange risk, interest rate risk and credit risk. In addition, Internal Audit is responsible for the independent review of risk management process 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 loans 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:

- Market risk
- Credit risk
- Liquidity risk
- Capital risk

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Bank's income or the value of its holding of financial instruments.

Foreign exchange rate risk

The responsibilities of the finance department include monitoring of foreign exchange risk. Foreign exchange rate risk is the potential impact of adverse currency rates movements on earnings and economic value. This involves the risk of the Bank incurring financial loss on settlement of foreign exchange positions taken in the Banking books. The foreign exchange positions arise from the Bank holding foreign currency position in its books (e.g., Bank balances).

The finance department is responsible for:

- Ensuring that effective risk management systems and internal controls are in place.
- Monitoring significant foreign exchange exposure.
- Reviewing the policies, procedures, and currency limits regularly in line with changes in the economic environment.

The ALCO regularly monitors the controls put in place by the finance department.

The Bank's foreign exchange exposures in Botswana Pula at the reporting date were less than P5,000.

Notes to the Annual Financial Statements

Financial risk management (continued)

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).

Loans and advances to customers are variable rate based on the Bank rate. The Bank's loan arrangements with customers reserves the right to change the rate at any times the Bank rate changes as set out by the central Bank. The Bank also reserves the right to change the interest rates on deposits to customers in line with Bank rate changes as set out by the central Bank.

The Bank's main interest rate risk arises from retail deposits with variable rates, which exposes the Bank to the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in prime interest rate.

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO (Assets and Liability Committee) is the monitoring body for compliance with these limits and is assisted by finance department in its month-to-month monitoring activities. These activities include monitoring changes in the Bank's interest rate exposures, which include the impact of the Bank's outstanding or forecast debt obligations and changes to exposures arising from Bank rate reform.

ALCO is responsible for setting the overall investment strategy of the Bank. Finance is responsible for implementing that strategy by putting in place the individual investments arrangements.

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.

Reconciliation of carrying amounts, intangible assets - 2023

	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
	P('000)	P('000)	P('000)	P('000)	P('000)
March 31, 2023					
Assets					
Cash and cash equivalents	519,703	-	-	-	519,703
Balances with other Banks	-	109,332	-	-	109,332
Loans and advances	19,241	30,021	1,086,698	1,298,876	2,434,836
Total financial assets	538,944	139,353	1,086,698	1,298,876	3,063,871
Liabilities					
Deposits due to customers	1,095,154	969,428	364,658	-	2,429,240
Borrowings	5,029	47,488	244,999	40,644	338,160
Lease liabilities	834	2,396	16,557	15,720	35,507
Total financial Liabilities	1,101,017	1,019,312	626,214	56,364	2,802,907
Total interest re-pricing gap	(562,073)	(879,959)	460,484	1,242,512	260,964

Notes to the Annual Financial Statements

Financial risk management (continued)

	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
	P('000)	P('000)	P('000)	P('000)	P('000)
March 31, 2022					
Assets					
Cash and cash equivalents	384,282	-	-	-	384,282
Balances with other Banks	-	7,623	-	-	7,623
Balances with related parties	50,443	-	-	-	50,443
Other assets	763	-	-	-	763
Loans and advances	9,880	29,190	446,722	2,302,403	2,788,195
Total financial assets	445,368	36,813	446,722	2,302,403	3,231,306
Liabilities					
Deposits due to customers	1,468,412	779,944	489,302	-	2,737,658
Borrowings	5,920	27,024	87,268	46,667	166,879
Lease liabilities	1,735	1,963	15,467	15,148	34,313
Total financial Liabilities	1,476,067	808,931	592,037	61,815	2,938,850
Total interest re-pricing gap	(1,030,699)	(772,118)	(145,315)	2,240,588	292,456

An increase of 100 basis points in interest rates during the reporting period would have a positive yield of P0.261 million (2022: P 0.292 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.

To address the negative gap within the 5 years bracket, the Bank aims to reprofile some of its liabilities from short term to long term. During the current year, the Bank has been more aggressive in securing longer term deposits to match the assets and foregoing some of the short term deposits that would increase the negative gap.

Credit risk

Credit risk measurement

Credit risk is the risk that a counterparty will be unable to repay amounts when they fall due resulting in a financial loss to the Bank.

The Bank manages its credit risk exposure by placing limits on the acceptable risk exposure to individual borrowers or groups of borrowers.

Credit risk arises primarily from the following instruments:

- Loans and advances;
- Cash and cash equivalents;
- Other assets; and
- Balances with other Banks.

In order to minimise credit risk, the Bank has developed and maintains its credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

Notes to the Annual Financial Statements

Financial risk management (continued)

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure.

The following data are typically used to monitor the Bank's exposures:

- Payment record and ageing analysis;
- Extent of utilisation of granted limit;
- Forbearances (both requested and granted);
- Changes in business, financial and economic conditions; and
- Credit rating information supplied by external rating agencies.

Credit risk is monitored on an ongoing basis and managed through the implementation of comprehensive policies, processes and controls to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement, monitoring and reporting of credit risk exposure.

The assessment of credit risk relies on internally-developed quantitative models for addressing regulatory and business needs. The models are used for the internal assessment of the three primary credit risk components:

- probability of default (PD);
- exposure at default (EAD); and
- loss given default (LGD).

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The forecast of economic variables, regression analysis and expert judgement is applied and confirmed through internal governance structures.

Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Bank has considered benchmarking internal/external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are outlined below:

Retail – Groupings for collective measurement

- Product type
- Repayment type
- Collateral type

All stage 3 exposures for retail are assessed individually.

Notes to the Annual Financial Statements

Financial risk management (continued)

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Financial Risk team.

March 31, 2023	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	P('000)	P('000)	P('000)	P('000)
Gross exposure as at April 1, 2022	2,664,875	62,741	60,579	2,788,195
Transfer to stage 1 (12-month ECL)	59,957	(52,085)	(7,872)	-
Transfer to stage 2 (lifetime ECL)	(26,843)	30,087	(3,244)	-
Transfer to stage 3 (credit impaired)	(34,874)	(4,914)	39,788	-
Net transfers (out)/in of stage	(1,760)	(26,912)	28,672	-
Exposure reduction from scheduled instalments	(448,745)	(12,478)	(7,498)	(468,721)
Exposure reduction from final repayments	(98,028)	(1,610)	(678)	(100,316)
Business activity for the year	208,560	2,953	4,165	215,678
Reductions in exposure for the period	(338,213)	(11,135)	(4,011)	(353,359)
Gross exposure as at March 31, 2023	2,324,902	24,694	85,240	2,434,836

March 31, 2023	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	P('000)	P('000)	P('000)	P('000)
Gross exposure as at April 1, 2022	2,365,969	62,617	88,100	88,100
Transfer to stage 1 (12-month ECL)	26,452	(24,631)	(1,821)	(1,821)
Transfer to stage 2 (lifetime ECL)	(13,770)	15,866	(2,096)	(2,096)
Transfer to stage 3 (credit impaired)	(5,864)	(5,605)	11,469	11,469
Net transfers (out)/in of stage	6,818	(14,370)	7,552	7,552
Bad debts written off	-	-	(23,693)	(23,693)
Exposure reduction from scheduled instalments	(279,798)	(5,859)	(5,218)	(290,875)
Exposure reduction from final repayments	(251,831)	(9,848)	(10,199)	(271,878)
Business activity for the year	823,717	30,201	4,037	857,955
Reductions in exposure for the period	292,088	14,494	(35,073)	271,509
Gross exposure as at March 31, 2023	2,664,875	62,741	60,579	2,788,195

Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and

Notes to the Annual Financial Statements

Financial risk management (continued)

- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

The following table explain the changes in the loss allowance between the beginning and the end of the annual period due to the above factors:

March 31, 2023	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	P('000)	P('000)	P('000)	P('000)
Loss allowance as at April 1, 2022	27,044	14,193	48,590	89,827
Transfer to stage 1 (12-month ECL)	17,676	(11,646)	(6,030)	-
Transfer to stage 2 (lifetime ECL)	(354)	2,666	(2,312)	-
Transfer to stage 3 (credit impaired)	(455)	(1,014)	1,469	-
Net transfers (out)/in of stage	16,867	(9,994)	(6,873)	-
Exposure reduction from scheduled instalments	(7,224)	(591)	(2,216)	(10,031)
Exposure reduction from final repayments	(1,222)	(300)	(637)	(2,159)
Business activity for the year	1,695	718	4,849	7,262
Model & changes in PD's, LGD's & FLI's	(18,470)	3,235	18,630	3,395
Provisions for the period	(25,221)	3,062	20,626	(1,533)
Loss allowance as at March 31, 2023	18,690	7,261	62,343	88,294

March 31, 2022	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	P('000)	P('000)	P('000)	P('000)
Loss allowance as at April 1, 2021	25,681	16,199	77,707	119,587
Transfer to stage 1 (12-month ECL)	6,751	(5,265)	(1,486)	-
Transfer to stage 2 (lifetime ECL)	(245)	2,266	(2,021)	-
Transfer to stage 3 (credit impaired)	(79)	(1,495)	1,574	-
Net transfers (out)/in of stage	6,427	(4,494)	(1,933)	-
Bad debts written off	-	-	(23,693)	(23,693)
Exposure reduction from scheduled instalments	(4,456)	(1,521)	(4,009)	(9,986)
Exposure reduction from final repayments	(2,160)	(2,573)	(8,648)	(13,381)
Business activity for the year	10,566	6,934	2,250	19,750
Model & changes in PD's, LGD's & FLI's	(9,014)	(352)	6,916	(2,450)
Provisions for the period	(5,064)	2,488	(3,491)	(6,067)
Loss allowance as at March 31, 2022	27,044	14,193	48,590	89,827

Notes to the Annual Financial Statements

Financial risk management (continued)

Coverage Ratios

The Bank monitors the expected level of impairment through the coverage ratios. The coverage ratio is the expected loss divided by exposure. The following table details the coverage for the period.

March 31, 2023	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Exposure	P('000)	P('000)	P('000)	P('000)
Personal loans	1,805,054	20,719	72,260	1,898,033
Motor vehicle loans	10,408	-	85	10,493
Residential loans	509,440	3,975	12,895	526,310
Total	2,324,902	24,694	85,240	2,434,836

ECL				
Personal loans	18,467	7,143	59,994	85,604
Motor vehicle loans	52	-	25	77
Residential loans	172	117	2,324	2,613
Total	18,691	7,260	62,343	88,294

Coverage ratios

Personal loans	1.0 %	34.5 %	83.0 %	4.5 %
Motor vehicle loans	0.5 %	- %	29.4 %	0.7 %
Residential loans	- %	2.9 %	18.0 %	0.5 %
Total	0.8 %	29.4 %	73.1 %	3.6 %

March 31, 2023	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Exposure	P('000)	P('000)	P('000)	P('000)
Personal loans	2,120,882	52,995	49,536	2,223,413
Motor vehicle loans	20,395	271	-	20,666
Residential loans	523,598	9,475	11,043	544,116
Total	2,664,875	62,741	60,579	2,788,195

ECL				
Personal loans	26,802	13,951	46,675	87,428
Motor vehicle loans	66	22	-	88
Residential loans	176	220	1,915	2,311
Total	27,044	14,193	48,590	89,827

Coverage ratios

Personal loans	1.3 %	26.3 %	94.2 %	3.9 %
Motor vehicle loans	0.3 %	8.1 %	- %	0.4 %
Residential loans	- %	2.3 %	17.3 %	0.4 %
Total	1.0 %	22.6 %	80.2 %	3.2 %

Notes to the Annual Financial Statements

	2023 P'000	2022 P'000
Financial risk management (continued)		
Impairment of related party balances		
	Stage 3 Lifetime ECL	Stage 3 Lifetime ECL
Exposure	-	52,337
Impairment allowance	-	(1,894)
Balance at the end of year	-	50,443
Coverage ratio	-	3.62 %

The impairment allowance was computed by taking into consideration the following key parameters:

Probability of BPSL being liquidated	-	186
Loss in the event of a liquidation of BPSL	-	94.99 %
Impairment allowance coverage rate	-	3.62 %
Effective interest used in discounting impairment allowance	-	15.00 %

Exposure

	March 2023 Stage 3 Lifetime ECL P'000	March 2022 Stage 3 Lifetime ECL P'000
Gross exposure as at the beginning of the year	52,337	65,940
Exposure reduction from payments	(156,053)	(117,318)
Business activity for the year	103,716	103,715
Reduction in exposure for the year	(52,337)	(13,603)
Gross exposure as at the end of the year	-	52,337

Loss allowance

	March 2023 Stage 3 Lifetime ECL P'000	March 2022 Stage 3 Lifetime ECL P'000
Loss allowance as at start of the year	1,894	8,512
Exposure reduction from payments	(1,894)	(13,452)
Business activity for the year	-	6,834
Reduction in exposure for the year	(1,894)	(6,618)
Loss allowance as at end of the year	-	1,894

The related party loan was fully settled by year end and the impairment allowance was reversed to the statement of profit and loss and other comprehensive income.

Notes to the Annual Financial Statements

	2023 P'000	2022 P'000
Financial risk management (continued)		
Maximum exposure to credit risk before collateral held or other credit enhancements-All Financial instruments		
Credit risk exposures relating to on-statement-of-financial-position assets are as follows:	2023	2022
Cash and cash equivalents	535,295	402,083
Balances due from other Banks	109,332	7,623
Other assets	3,385	2,652
Balances with Related Parties	-	50,443
Gross loans and advances to customers		
Motor vehicles advances	10,493	20,666
Residential property loans	526,310	544,116
Personal loans	1,898,033	2,223,413
Total on-statement of financial position exposure	3,082,848	3,250,996
Credit risk exposure relating to off-statement-of-financial-position items are as follows:		
Loan commitments	3,679	3,463
Total off-statement-of-financial position exposure	3,679	3,463
Total credit risk exposure	3,086,527	3,254,459

The above table represents a worst case scenario of credit risk exposure to the Bank at March 31, 2023, without taking account of any collateral held or other credit enhancements attached. For all assets listed on the statement of financial position, the exposures set out above are based on carrying amounts as reported.

The most significant exposures are derived from loans and advances to customers.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loans and advances portfolio and other securities based on the following:

- The Bank employs a range of policies and practices to mitigate credit risk.
- Residential loans are backed by collateral.
- All financial assets, other than special mention and non-performing loans and advances, are neither past due nor impaired

Notes to the Annual Financial Statements

Financial risk management (continued)

Maximum exposure to credit risk - Financial instruments

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets.

March 31, 2023	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade	P('000)	P('000)	P('000)	P('000)
Investment grade	2,292,949	-	-	2,292,949
Standard monitoring	31,953	-	-	31,953
Special monitoring	-	24,694	-	24,694
Default	-	-	85,240	85,240
Gross carrying amount	2,324,902	24,694	85,240	2,434,836
Loss allowance	(18,690)	(7,261)	(62,343)	(88,294)
Carrying amount	2,306,212	17,433	22,897	2,346,542
March 31, 2022	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade	P('000)	P('000)	P('000)	P('000)
Investment grade	2,587,385	-	-	2,587,385
Standard monitoring	77,490	-	-	77,490
Special monitoring	-	62,741	-	62,741
Default	-	-	60,579	60,579
Gross carrying amount	2,664,875	62,741	60,579	2,788,195
Loss allowance	(27,044)	(14,193)	(48,590)	(89,827)
Carrying amount	2,637,831	48,548	11,989	2,698,368

Risk limit control and mitigation policies

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a monthly basis and are subject to regular review. Limits on the level of credit risk are approved by the Board of Directors.

Exposure to credit risk is managed upfront when an application for credit is received. The Credit Risk Management Model is utilised by the Bank and assesses the three components of safety, desirability and profitability. Throughout the lifespan of the credit facility, regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations is assessed and lending limits are changed where appropriate. Exposure to credit risk is also managed in part by obtaining collateral, insurance and personal guarantees. The amount the Bank is willing to lend

unsecured is capped and approved by the Board.

Placements with Banks, including loans and advances to Banks, are subject to the normal credit process. Some other specific control and mitigation measures are outlined below:

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. Within the credit risk area, mandates are predetermined in order to ensure that the applicable level of authority provides guidance and approval for advances. Risk exposure to advances is reduced by obtaining approved security as defined by the Board Risk Committee and listed in the advance instruction manual.

The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation and the principal collateral types for loans and advances are:

Notes to the Annual Financial Statements

Financial risk management (continued)

- cash deposited with and ceded to the Bank;
- deposit with any registered financial institution and ceded to the Bank;
- life assurance policies with a confirmed surrender value; and
- any other form of tangible collateral security subject to approval by the Board Credit Committee.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

Collateral per class of loans and advances:

Residential Property Loans (Mortgages):

- All loans issued under the GEMVAS scheme are guaranteed by the Botswana Government
- The government guarantees 80% of the book value (70% for loans issued after 1 April 2019)
- All other residential property loans (staff residential loans) are secured by a first, second or third lien on the property and the Bank obtains a cession on the insurance policy

Motor vehicle loans:

- All motor vehicle loans are issued under the scheme with the employer
- The employer guarantees between 70% to 100% of the loan balance
- Most employers on this scheme are parastatals

The following security can be given for any loan class depending on the circumstances and purpose of the loan:

- Suretyships
- Registered cession of life insurance policy
- Cession of fixed deposits, notice deposits, bills, bonds, shares, investments or debtors.

Valuation assumptions	2023		2022	
	Motor vehicle loans	Residential property loans	Motor vehicle loans	Residential property loans
Weighted average discount rate	6%	5% to 10%	3.5% to 10%	3.5% to 10%
Weighted average time to recovery	9.00	9.00	9.00	9.00
Financial year end	Recovery time		Discount rates	
March 31, 2023	8 to 12 months		5% to 10%	
March 31, 2022	8 to 12 months		3.5% to 10%	

Notes to the Annual Financial Statements

Discount rates

The Bank applies the discount rates based on the employment sector of customers. The collateral on loans of customers employed in the government sector is discounted at 5.3% (2022: 3.5%), whilst the private sector is discounted at 10%.

Valuation methodologies

In determining the recoverable amount of the government guarantees the following are taken into consideration: Government guarantees on GEMVAS residential property loans.

- The guarantee is discounted at the risk-free rate for the estimated time to realization, which is 9 months.

Property collateral on staff residential property loans

- Forced sales values are used as collateral, resulting in a range of haircuts.
- The value of the collateral is limited to the book value of the loan
- The limited collateral is discounted at 10% for the estimated time to realisation, which is 9 months.

Property valuation

In the case where a property is offered as security in the form of covering a mortgage bond, the valuation of the property is valid for three years in the Banking book. A revaluation of the property needs to be done when there is an indication that the value of the property has declined. An approved revaluation of the property is required when a further advance or additional mortgage is applied for, when repayment comes in arrears, when an application for the release of collateral or any additional security is received or for properties in possession. Homeowners comprehensive insurance is compulsory for all the mortgage loans. All articles financed by the Bank must be comprehensively insured.

Life insurance valuation

Life insurance that is used as security for loans taken out at the Bank is ceded to the Bank and the cession is registered by the insurance Bank. The values of the life insurance policies ceded to the Bank **must be updated** at least annually to determine the security value and to establish whether premiums are up to date.

Credit life insurance

The customer signs a formal loan agreement and sufficient credit life insurance is ceded to the Bank. A formal payroll agreement between the applicant's employer and the Bank is also signed. Non-government applicants must sign an acknowledgement of debt and cede their surplus benefits (e.g. unpaid leave) payable on termination of service to the Bank.

Long-term finance and lending is generally secured. In addition, in order to minimise the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances. Although revolving individual credit facilities are generally unsecured, these are only granted to clients after stringent credit reviews.

Notes to the Annual Financial Statements

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurance that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because long-term commitments generally have a greater degree of credit risk than short-term commitments.

Credit quality of loans and advances and other financial instruments

Credit quality and management of loans and advances Initial applications

The Bank applies a standardised approach when assessing applications for credit. All applications are completed according to the Botswana Savings Bank risk model, which covers all information required to make an informed decision when granting advances. The risk model has the main components of safety, desirability and profitability which is further broken down as:

- background;
- needs;
- financial position;
- security;
- desirability;
- profitability; and
- recommendation – positive / negative aspects.

Subsequent credit assessments

Management information system reports were developed over time in order to effectively monitor and manage the quality of the loan portfolio and pro-actively identify problem accounts and trends. The following reports are generated:

- Excesses are reported and reviewed on a daily basis.
- The branches submit a monthly report on specific issues in order to take remedial actions on dormant accounts, suspended accounts, irregular accounts (outstanding 45 days and longer), outstanding security, special mention accounts, guarantees, and bad debts written off within branch mandates.

Notes to the Annual Financial Statements

Financial risk management (continued)

- The credit department submits a monthly report to the executive management team and a more detailed report to the Board of Directors on a quarterly basis regarding the status of the credit portfolio of the Bank.
- Monthly statistics per product are used to monitor the quality and management of the loan portfolio per branch.
- All clients with exposures approved above branch level are interviewed by credit before non-performing accounts are transferred to legal collection branch.
- All transfers to the legal collections branch with an impairment provision higher than P2,000 are scrutinised by the credit department and categorised under:
 - poor assessment
 - poor management
 - poor collateral
 - economic reasons; and
 - other

The Bank has a process to proactively manage potential problem accounts to prevent possible losses. These advances are identified with assistance of the branches and are part of monthly credit reporting processes. Impairment provisions on these active accounts are raised in accordance with the credit policy.

March 31, 2023	2023		2022	
	Loans and advances to other customers	Due from other Banks	Loans and advances to other customers	Due from other Banks
	P('000)	P('000)	P('000)	P('000)
Performing/Past due but not impaired	2,349,596	109,332	2,727,616	7,623
Individually impaired	85,240	-	60,579	-
Gross	2,434,836	109,332	2,788,195	7,623
Less: allowance for impairment	(88,294)	-	(89,827)	-
Net	2,346,542	109,332	2,698,368	7,623

Loans and advances neither past due nor impaired

Loans and advances to customers in this category primarily comprise structured finance to clients, which have no evidence of a deterioration of credit quality.

Loans and advances past due but not individually impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contract.

Notes to the Annual Financial Statements

Financial risk management (continued)

Loans and advances individually impaired

Loans and advances are managed with reference to the days in arrears. Days in arrears are calculated based on the amount past due relative to the instalment amount. Loans and advances outstanding for longer than 90 days are considered non-performing and are included in stage 3 for the loss allowance calculation.

March 31, 2023	Neither past nor impaired	Past due but not individually impaired	Individually impaired	Total
Exposure	P('000)	P('000)	P('000)	P('000)
Personal loans	1,805,054	20,719	72,260	1,898,033
Motor vehicle advances	10,408	-	85	10,493
Residential property loans	509,440	3,975	12,895	526,310
	2,324,902	24,694	85,240	2,434,836

March 31, 2022	Neither past nor impaired	Past due but not individually impaired	Individually impaired	Total
Exposure	P('000)	P('000)	P('000)	P('000)
Personal loans	2,120,882	52,995	49,536	2,223,413
Motor vehicle advances	20,395	271	-	20,666
Residential property loans	523,598	9,475	11,043	544,116
	2,664,875	62,741	60,579	2,788,195

Notes to the Annual Financial Statements

Financial risk management (continued)

Refer to pages 67 and 78 for fair value of collateral narrative disclosures.

March 31, 2023	Motor Vehicle advances	Personal loans	Residential property loans	Total	Related party
Stage 1	10,408	1,805,054	509,440	2,324,902	-
Stage 2	-	20,719	3,975	24,694	-
Stage 3	85	72,260	12,895	85,240	-
	10,493	1,898,033	526,310	2,434,836	-
Fair value of collateral	(5,974)	-	(470,384)	(476,358)	-
Total	4,519	1,898,033	55,926	1,958,478	-
Impairment raised against unsecured amounts	(77)	(85,604)	(2,613)	(88,294)	-
Net exposure	4,442	1,812,429	53,313	1,870,184	-

March 31, 2022	Motor Vehicle advances	Personal loans	Residential property loans	Total	Related party
Stage 1	20,395	2,120,882	523,598	2,664,875	-
Stage 2	271	52,995	9,475	62,741	-
Stage 3	-	49,536	11,043	60,579	52,337
	20,666	2,223,413	544,116	2,788,195	52,337
Fair value of collateral	(8,211)	(6)	(506,717)	(514,934)	-
Total	12,455	2,223,407	37,399	2,273,261	52,337
Impairment raised against unsecured amounts	(88)	(87,428)	(2,311)	(89,827)	(1,894)
Net exposure	12,367	2,135,979	35,088	2,183,434	50,443

The value of tangible collateral disclosed above is limited to the outstanding balance, therefore any over-collateralised portion of a loan is excluded from the value of tangible collateral. Impairments are raised for under-collateralised non-performing loans, resulting in a net exposure of nil. Further information of the impairment allowance for loans and advances to customers is provided in note

Notes to the Annual Financial Statements

Financial risk management (continued)

The following section summarises the credit quality of financial assets and exposures to corresponding and counterparty Banks.

March 31, 2023	Carrying amount	Investment grade (AAA to BBB)	Unrated	Total
	P('000)	P('000)	P('000)	P('000)
Cash equivalents	519,703	-	519,703	519,703
Balances with other Banks	109,332	-	109,332	109,332
Other assets	3,385	-	3,385	3,385
Total assets (excluding loans and advances and other securities)	632,420	-	632,420	632,420

March 31, 2022	Carrying amount	Investment grade (AAA to BBB)	Unrated	Total
	P('000)	P('000)	P('000)	P('000)
Cash equivalents	384,282	-	384,282	384,282
Balances with related parties	50,443	-	50,443	50,443
Balances with other Banks	7,623	-	7,623	7,623
Other assets	2,652	-	2,652	2,652
Total assets (excluding loans and advances and other securities)	445,000	-	445,000	445,000

Unrated exposures consist mainly of cash balances, due from other Banks and Bank of Botswana certificates, which are short term and highly liquid in nature. The creditworthiness of these government and large commercial Banks' money market instruments are of high quality, which poses low credit risk. Other assets consist of accounts receivable as well as clearing and settlement accounts. Rated and unrated exposures are not collateralised.

Cash and cash equivalents and balances with other Bank's are considered to have a low credit risk. The Bank considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'Investment grade (AAA to BBB)'

Repossessed collateral

The Bank obtains assets by taking possession of collateral held as security. During the reporting period collateral repossessed included government guarantees on GEMVAS residential properties, which came on the form of cash. Repossessed assets are classified in the statement of financial position under cash and cash equivalents.

The Bank manages credit concentration risk by imposing credit risk concentration caps on the exposure for different loans and advances classifications, such as product classes, regions and industry. The credit risk concentration caps are directly linked to the Board-approved risk capacity, appetite and tolerance thresholds, and are managed as part of the risk management process. The credit concentration risk is also further assessed using stress testing and scenario analyses quantitative models.

Notes to the Annual Financial Statements

Financial risk management (continued)

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:

- 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 customer;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

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 Asset and Liabilities Committee (ALCO). A summary report, including any exceptions and remedial action taken, is submitted regularly to the ALCO Committee.

Notes to the Annual Financial Statements

Financial risk management (continued)

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

	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
	P('000)	P('000)	P('000)	P('000)	P('000)
March 31, 2023					
Assets					
Cash and cash equivalents	535,295	-	-	-	535,295
Fixed deposits with Banks*	-	112,264	-	-	112,264
Loans and advances to customers*	19,252	30,999	1,400,891	1,794,272	3,245,414
Other assets	3,385	-	-	-	3,385
Total assets	557,932	143,263	1,400,891	1,794,272	3,896,358
	P('000)	P('000)	P('000)	P('000)	P('000)
Liabilities					
Deposits due to customers*	1,129,541	1,028,584	441,535	-	2,599,660
Other liabilities	12,749	-	-	-	12,749
Borrowings*	6,488	53,199	316,519	49,000	425,206
Dormancy account liability	27,144	-	-	-	27,144
Lease Liabilities*	1,421	4,253	24,164	20,726	50,564
Total liabilities	1,177,343	1,086,036	782,218	69,726	3,115,323
Net liquidity gap	(619,411)	(942,773)	618,673	1,724,546	781,035
Cumulative liquidity gap	-	(1,562,184)	(943,511)	781,035	781,035
	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
	P('000)	P('000)	P('000)	P('000)	P('000)
March 31, 2022					
Assets					
Cash and cash equivalents	402,083	-	-	-	402,083
Fixed deposits with Banks	-	7,623	-	-	7,623
Loans and advances to customers	9,880	29,190	446,722	2,212,576	2,698,368
Balances with related parties	50,443	-	-	-	50,443
Other assets	2,652	-	-	-	2,652
Total assets	465,058	36,813	446,722	2,212,576	3,161,169
	P('000)	P('000)	P('000)	P('000)	P('000)
Liabilities					
Deposits due to customers*	1,493,528	538,892	805,416	-	2,837,836
Other liabilities	36,567	-	-	-	36,567
Borrowings*	7,865	33,225	106,383	57,167	204,640
Dormancy account liability	29,108	-	-	-	29,108
Lease Liabilities*	1,291	4,012	27,805	14,100	47,208
Total liabilities	1,568,359	576,129	939,604	71,267	3,155,359
Net liquidity gap	(1,103,301)	(539,316)	(492,882)	2,141,309	5,810
Cumulative liquidity gap	-	(1,642,617)	(2,135,499)	5,810	-

As per the maturity analysis table, there is an overall liquidity mismatch in period 0-5 years, management is addressing this through regular monitoring of current and future cash flows. Furthermore, Management is aiming to raise long term debt to reduce the reliance on short term deposits which are causing the significant short-term gap.

* Balances represent undiscounted cash flows in accordance with IFRS 7.

Notes to the Annual Financial Statements

	2023 P'000	2022 P'000
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Financial risk management (continued)

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:

Total liquid assets	644,627	409,706
Total deposits	2,429,240	2,737,658
Ratio	27 %	15 %

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

- Notes and coins;
- Balances due from Bank of Botswana excluding primary reserve requirement balances;
- Balances due from domestic Banks with maturities less than 184 days;
- Treasury bills equal to or less than 6 months;
- Government bonds with maturities less than 12 months;
- Bank of Botswana Certificates - those pledged as security;
- Other government obligations with less than 12 months' maturity; and
- Other liquid assets.

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 12.5% 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 counterparties.

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 lending 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 counterparty.

Regulatory guidelines define two tiers of capital resources:

- Tier 1 (core) capital, comprising mainly shareholders' funds, is the highest tier
- Tier 2 capital includes perpetual, medium and long term subordinated debt and general provisions for bad and doubtful debts.

Notes to the Annual Financial Statements

Financial risk management (continued)

Both tiers can be used to meet trading and Banking activity requirements. 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 framework. 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 unrecalable 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 14.4% as at March 31, 2023 (2022: 13.7%). The high ratio is as a result of lower weighted risk. The minimum capital adequacy rate as set by the Bank of Botswana is 12.5%.

The following table shows the capital adequacy for the Bank and the risk weighted assets based on Basel II as at March 31, 2023:

	2023 P'000	2022 P'000
Tier 1 capital		
Stated Capital	19,721	19,721
Statutory reserve	69,776	68,163
Retained earnings	156,918	152,080
Deduct		
Intangible assets	(58,323)	(37,196)
Total Tier 1 capital	188,092	202,768
Tier 2 capital		
Provisional reserve	23,968	26,132
Subordinated debt	72,416	78,453
Total qualifying capital	284,476	307,353
Credit RWAs	1,917,413	2,090,602
Operational RWAs	171,904	148,691
Total Risk weighted assets	2,089,317	2,239,293
Tier 1 risk based capital ratio (minimum 7.5%)	9.0 %	9.1 %
Total risk-weighted capital ratio (minimum 12.5%)	13.6 %	13.7 %

Notes to the Annual Financial Statements

Related parties

100% shareholding Botswana Government

Key management personnel refers to the Bank's Board of Directors, executive management team and senior management team.

Related parties comprise the Government of the Republic of Botswana, Botswana Postal Services and key management personnel. 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.

Information on borrowings from the Botswana Government is disclosed in note 22.

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

	2023 P'000	2022 P'000
Related party balances		
Balance due from BPS		
Balance of fees, deposits and withdrawals made at BPS branches	-	52,337
Impairment provision	-	(1,894)
	-	50,443
Balance due to related parties		
Interest due on borrowings - Botswana Government	2,416	2,620
Capital due on borrowings - Botswana Government	70,000	75,833
	72,416	78,453
Related party transactions		
Transaction with Botswana Post		
- Fees and commissions paid to BPS	1,797	2,839
- Total amount of net deposits received from Botswana Post	61,929	116,956
Commissions paid to Botswana Government	4,530	5,432
	68,256	125,227
Non-executive director's fees		
Board meeting fees and expenses	383	411
Compensation to Executive and Senior management		
- Salaries and allowances	9,170	7,996
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 9.		
Loans to directors		
Executive directors loans	5,570	10,762

Notes to the Annual Financial Statements

Events after the reporting period

There are no material or significant events or contingencies after the reporting date, which require disclosure or adjustment in the financial statements for the year ended March 31, 2023.





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