Botswana Savings Bank

Consolidated and Separate Financial Statements

for the year ended 31 March 2024

Contents

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

General Information

Country of incorporation and domicile	Botswana

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.

During the current year the assurance business started trading and was included in the Group results. No trading occured in the prior year and hence no comparative information included at a Group level in the financial statements.

A Transition Act (The BSB Transition Act 2012) was 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.

Directors	Name	Position
	Mrs G Morekisi	Chairperson
	Mrs K Tshephe	Member
	Mr N Marumoloa	Chief Executive Officer
	Ms O Basinyi	Member
	Mr C Ramatlhakwane	Member
	Mrs S M Molale	Member
	Mrs E T Lemo	Member
	Mrs N Maruapula	Member

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

Chairman's Report

Introduction

2023-2024 has been an exceptional year for Botswana Savings Bank, marking significant achievements and underscoring the success of our strategic direction. The period under review reflects the second year of our ambitious three-year **Lesedi Strategy (2022-2025)**, which continues to drive us towards transforming the bank into a commercially viable and technologically advanced institution. We are proud of the milestones reached and the improved financial performance that is testament to our strategic efforts and the dedication of our entire team.

Financial Performance

The financial year 2023-2024 has been characterised by robust growth across key financial metrics. Profit increased by an impressive 258%, reaching P23.3 million (2023: P6.5 million). This remarkable growth was primarily driven by the new subsidiary contributing P11.3 million and an enhanced loan book performance. The bank's focus on expanding its offerings and improving operational efficiencies has yielded tangible results.

The Net Interest Income grew by 5%, from P164 million in 2023 to P173 million in 2024. This increase was attributable to the bank's revised sales strategy, which included expanding the banks direct sales agency network and revising the maximum loan amounts to stimulate demand. The bank's Net Advances grew by 17% year-on-year, reaching P2.7 billion (2023: P2.3 billion), demonstrating our ability to grow our asset base effectively.

Customer deposits increased modestly by 4%, standing at P2.5 billion (2023: P2.4 billion), which reflects our customers' continued trust and confidence in the bank. The Capital Adequacy Ratio (CAR) of the bank stood at 21%, comfortably above the regulatory requirement of 12.5%. This was supported by the P150 million Tier II Bond note issued in December 2023, reinforcing our capital structure, and positioning the bank for future growth.

The Liquidity Asset Ratio was maintained at 20%, exceeding the 10% regulatory threshold, highlighting our strong liquidity position. Furthermore, our Return on Equity (ROE) increased to 9%, a clear indicator of our improved profitability and efficient use of capital.

Economic Environment

The global economic outlook remains challenging, with the International Monetary Fund (IMF) projecting global growth of 3.2% in 2024 and 3.3% in 2025. Botswana's domestic economy has been affected by these global challenges, with real GDP growth slowing to 2.7% in 2023, down from 5.5% in 2022. This slowdown is due to deteriorating global economic conditions and geopolitical events, particularly the ongoing conflict in Ukraine, which has impacted demand for diamonds.

Despite these challenges, Botswana's economy is forecast to recover, with growth projected at 4.2% in 2024 and 5.4% in 2025. This optimism is underpinned by the government's economic transformation reforms and stimulative fiscal measures outlined in the 2024/25 Budget and the Transitional National Development Plan (TNDP).

Strategic Execution: Delivering on Lesedi 2025

The Lesedi 2025 strategy is pivotal in our transformation journey. Our vision is to shift from a traditional bank to a "No Frills" bank that is efficient, accessible, and ready to compete in the commercial banking space. We have set bold goals and are well on our way to achieving them.

The key deliverables of the strategy include:

- Enhancing customer access and outreach through the implementation of Digital Channels and Agency Banking, ensuring our services are accessible anywhere and anytime.
- Building internal efficiencies by fostering a High-Performance Culture and optimizing Business Processes, aimed at reducing bottlenecks and improving turnaround times.
- Growing the Deposit and Loan Book by targeting strategic market segments and introducing competitive products tailored to meet the needs of our customers.

Chairman's Report

We are confident that these strategic initiatives will continue to yield positive results, positioning Botswana Savings Bank as a leading player in the market. The transformation we are undergoing is not just about processes but also about improving our Employee Value Proposition (EVP), ensuring that we attract and retain the best talent to drive our business forward.

Corporate Governance

The governance framework at Botswana Savings Bank is robust, ensuring that we remain committed to our stakeholders' mission. The Board is responsible for overseeing the strategic direction of the bank and ensuring that management is aligned with these goals. We operate with the highest levels of transparency, integrity, and accountability.

To maintain effective governance, the Board undergoes biennial evaluations, or more frequently, if necessary, to ensure that we are functioning at the highest level. We continue to strengthen our governance practices, which are critical to sustaining our growth and ensuring long-term value creation for our stakeholders.

Risk Management

Risk management is a cornerstone of our operations. The bank has maintained a strong Capital Adequacy Ratio of 21%, in line with regulatory and international standards. Our risk management framework, which adheres to ISO 31000 and COSO guidelines, ensures that we effectively manage risks while pursuing opportunities. The Board, through the Risk & Compliance Committee, oversees all risk management activities, ensuring that our processes are up-to-date and aligned with market conditions.

Key risks, including financial, strategic liquidity, credit, and operational risks, are continuously monitored. We have modernized our policies to address emerging risks, particularly in the areas of anti-money laundering and counter-terrorism financing, ensuring that we protect our business and stakeholders.

Regulatory Compliance

Our commitment to regulatory compliance remains unwavering. As the regulatory landscape evolves, Botswana Savings Bank continues to adapt, ensuring that we remain compliant with all applicable laws and standards. Compliance is integral to our operational integrity and risk management framework. Our governance structures support a proactive approach to managing compliance risks, ensuring that we maintain our reputation as a trustworthy and reliable financial institution.

Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is deeply embedded in our business strategy. We continue to invest in initiatives that promote education, arts and culture, sports and recreation, and social welfare development in Botswana. Our CSR activities reflect our commitment to creating shared value for all stakeholders and contributing positively to the communities we serve.

We are proud of the impact we have made through our CSR initiatives and remain dedicated to further enhancing our efforts in this area. The Board and Management team are committed to ensuring that our CSR activities align with our broader strategic objectives and deliver tangible benefits to society.

Looking Ahead: Strengthening Our Foundation

As we approach the final year of the Lesedi 2025 Strategy, we are focused on consolidating the gains we have made and addressing any remaining challenges. Our goal is to ensure that Botswana Savings Bank is fully prepared to compete effectively in the commercial banking space.

The financial sector is undergoing rapid changes, with digital banking services gaining popularity and Fintech adoption on the rise. We are closely monitoring these trends and are committed to staying ahead of the curve by leveraging technology to enhance our service offerings and improve operational efficiencies.

Chairman's Report

The Board will continue to work closely with management to ensure that the bank remains on track to achieve its strategic objectives. We are confident that the foundation we have laid will enable us to navigate the challenges ahead and capitalise on the opportunities that arise.

Acknowledgements

On behalf of the Board of Directors, I would like to extend our deepest gratitude to our shareholder, the Government of Botswana, our funders, customers, suppliers, and staff. Your trust and support have been instrumental in our success, and we remain committed to delivering on our strategic objectives.

To my fellow Board members, I thank you for your dedication and leadership. Together, we will continue to steer Botswana Savings Bank towards a future of sustained growth and profitability.

Goitsemang Morekisi
Chairperson
18 October 2024

Chief Executive Officer's Report

1. Overview

This reporting year marks the end of the second year of Botswana Savings Bank's transformative three-year strategy, which is focused on digitizing services and shifting towards commercialization without abandoning our core mandate. Despite challenges, I am proud to report that our efforts are bearing fruit. The latter part of the third quarter showed a significant positive pivot in our performance, with revenue improvements as customers embraced our enhanced service offerings that delivered tangible value.

While the financial performance for the year was better than the previous year, it also set a strong foundation for sustained growth in the next financial period. Our entry into online and internet banking, transactional banking, and agency banking marked the beginning of our digital banking journey. Additionally, our recruitment of direct sales agents doubled our business and significantly boosted non-funded income, particularly through bancassurance.

These successes are a testament to the dedication and resilience of our management team and staff. Their energy and commitment to embracing change have been phenomenal. We also appreciate the pivotal role played by our treasury function and financial markets in supporting our growth.

Although we faced challenges such as rising costs and competition from established players, the risks we took to reposition the bank have been validated by our achievements. We remain confident that we are on track to meet most of our strategic targets by the end of this three-year period.

2 Financial performance

The bank admits that the targets achieved are modest by comparison to market leaders but remains proud of its achievement which surpasses the year before and is happy that it remains one of the few state-owned enterprises that have had to survive without government subvention funding since its formal establishment in 1992.

This could not have been achieved without the men and women who set as either Board of Directors of the bank and or employees of the bank over time.

3. Financial Highlights

- Net interest income increased by 5% to P173 million (2023: P164 million)
- Operating costs were up 22% year on year to P71 million (2023: P58 million)
- Profit after tax increased by 258% to P23.3 million (2023: P6.5 million)
- Net advances were up 17% at P2.7 billion (2023: P2.3 billion)
- Customer savings were up 4% to P2.5billion (2023: P2.4 billion)
- Return on Equity was 9% (2023: 3%)

4 Bond Issuance

In December 2023, Botswana Savings Bank successfully issued a 10-year tier-two fixed-rate bond of P150 million which is redeemable in 5 years. This bond issuance, which surpassed our debut issuance the previous year, was a strategic move to improve our regulatory capital and enhance liquidity. The success of this issuance is a vote of confidence in the bank’s stability and growth trajectory. We will continue to leverage domestic capital markets to support our expansion plans.

5. Risk Management

The bank continues to navigate risks prudently, ensuring alignment with strategic priorities while staying within risk appetite limits. Despite local, regional, and global challenges, the bank maintained a stable credit portfolio, managing impairments effectively to keep them within reasonable levels.

Our credit portfolio, while largely unsecured, is concentrated in sectors we perceive as stable. The current performance of our assets validates our management’s sound judgment. However, the bank's size and limited ability to raise liquidity through equity issuance remain challenges. Nevertheless, we have cultivated strong relationships with financial markets and deposit holders, enabling us to maintain sufficient liquidity to support our growth.

Chief Executive Officer's Report

We are proud of our record of full compliance with all mandatory regulatory ratios. Our risk function is actively engaged in embedding a strong risk culture across the bank, ensuring that governance requirements are met, and that risks are managed effectively.

6 Human Capital Strength

Over the past year, the bank has expanded its workforce and diversified skill sets to prepare for new market demands. Our Employee Engagement Initiatives have focused on wellness, work-life balance, and development. The wellness program prioritizes staff welfare and offers support for diverse challenges, while our coaching services help unlock employees' potential and boost productivity.

7. Strategic Thrust

Botswana Savings Bank remains committed to expanding its product offerings and enhancing non-funded income. A year ago, we established a bancassurance unit, and the positive financial results we have achieved this year validate this strategic decision.

Our expansion into agency banking is another key milestone. Although it is still early days, we are confident that this service will bring significant value to our brand, particularly given our deep roots in serving rural communities. Additionally, we have launched new service channels, including online banking, mobile banking, and point-of-sale machines across the country. While the impact of these initiatives has been minimal this year, we believe these investments are critical as we pursue our transformation journey.

8 Looking Forward

The current financial year has been transformative for Botswana Savings Bank. We have seen a marked recovery in our loan book, which continues into the 2024/25 financial year. We expect to meet, if not surpass, our financial targets in the coming year.

Our ongoing digital transformation initiatives are anticipated to bring much-needed efficiencies, cost reductions, and revenue growth. Additionally, we continue to engage with the government regarding the privatization of the bank. While discussions are ongoing, our focus remains on commercializing the bank and preparing it for the market.

I would like to extend my sincerest gratitude to the Board for their continued support and guidance, and to the staff of the bank for their hard work and resilience in achieving these improved results. Together, we will deliver on our Lesedi 2025 strategy and achieve full commercialization within the next twelve months.

Nixon Marumoloa
Chief Executive Officer
18 October 2024

Director's 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 consolidated and separate financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate financial statements fairly present the state of affairs of the Group and Company as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with IFRS® Accounting Standards as issued by the International Accounting Standards Board and the IFRIC Interpretations as issued by the IFRIC Interpretations Committee. The external auditor is engaged to express an independent opinion on the consolidated and separate financial statements and their opinion is presented on pages 9 - 13.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and Company 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 Group and Company and all employees are required to maintain the highest ethical standards in ensuring the Group and Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The Directors are aware of certain internal control deficiencies but no breakdowns involving material loss have been reported to the Directors. Improvement of the control environment continue to be a priority. The focus of risk management in the Group and Company is on identifying, assessing, managing and monitoring all known forms of risk across the Group and Company. While operating risk cannot be fully eliminated, the Group and Company 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 Group and Company 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 Group and Company's consolidated and separate financial statements give a true and fair view in accordance with the IFRS Accounting Standards.

Approval of the consolidated and separate financial statements

The financial statements of the Group and Company, as set out on pages 14 to 84, were approved by the Board of Directors on 18 October 2024 and signed on their behalf by:

Mrs G Morekisi
Chairperson

Mr N Marumoloa
Chief Executive Officer

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF BOTSWANA SAVINGS BANK GROUP

Opinion

We have audited the consolidated and separate financial statements ('the financial statements') of Botswana Savings Bank ("the Bank" or "the Company"), and its subsidiary ('the Group'), set out on pages 14 to 84, which comprise the statement of consolidated and separate statements of financial position as at 31 March 2024, the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity, consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group and Company as at 31 March 2024, and their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the 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 Matters

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

Key Audit Matter	How the matter was addressed in the audit
Expected credit losses ("ECL") on loans and advances (Group and Company)	
The Group and Company 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 ECLs. The impairment of loans and advances was considered to be a matter of significant importance to our current year audit due to the following: • Loans and advances are material to the consolidated and separate 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. Key areas of significant management judgement and estimation applied in the measurement of ECL on loans and advances include: • 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. • 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 consolidated and separate financial statements. Related disclosures in the consolidated and separate financial statements: • Note 1.9 - Financial instruments - Credit risk measurement. • Note 1.20 - (a) Key sources of estimation uncertainty - Measurement of Expected credit losses (ECL). • Note 6 - Net impairment expense/ (reversal) of financial assets. • Note 14 – Loans and Advances to customers; and • Note 31 - Financial risk management: credit risk section.	We assessed the ECL policies and judgements applied by management against the requirements of IFRS 9.We evaluated the design and implementation, of key controls over the loan and advances impairment process, focusing on the identification of the SICR, the management processes implemented for credit models and inputs into the ECL models and 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. Making use of our credit risk specialists we reperformed and assessed the reasonableness of the ECL calculation by performing the following procedures: • 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 PDs, EADs and LGDs. • 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 on a sample basis 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. • Evaluated the adequacy of the consolidated and separate financial statement disclosures including key assumptions, judgements, and sensitivities for compliance with IFRS Accounting Standards. In conclusion, we determined that the impairment of loans and advances is not materially misstated, and the related disclosures are appropriate.

Key Audit Matter	How the matter was addressed in the audit
Weak control environment over financial reporting and the impact on the financial statements (Group and Company)	
International Accounting Standard ("IAS") 1: Presentation of Financial Statements, provides the requirements to be applied in preparing and presenting general purpose financial statements in accordance with IFRS Accounting Standards. Strong internal controls over the financial reporting process are key to ensuring that financial statements are reliable and fairly presented. Various balances on the consolidated and separate financial statements are calculated manually which is subject to human error and require significant input to be made by employees in the different business units. These calculations, assumptions and estimates are not subject to a level of detailed internal checking processes which are commensurate with a strong internal control environment. During the current year, the loss of staff members in the Finance Department further resulted in deficiencies in oversight and monitoring of internal controls which in turn heightened the risk of material misstatement in various financial statement areas. While certain mitigating actions have been taken to improve the internal control environment, it is our view that weaknesses in the overall internal control environment are still prevalent, specifically control deficiencies over reconciliation of financial reporting information, errors in information produced by the entity in particular the deficiencies around the preparation and review of financial statements, deficiencies in data management and record keeping and inadequate controls over the reconciliation of suspense and clearing accounts. Significant management effort was required to appropriately address the matters identified which delayed the audit process and the resultant reporting on the consolidated and separate financial statements. Due to the significance and pervasive impact the internal controls have on financial reporting and the overall efficiency, level of expertise and effort associated with the audit, we consider this to be a Key Audit Matter.	Our procedures to address the Key Audit Matter included the following: • We adopted a largely substantive audit approach to the audit of the consolidated and separate financial statements. • We applied auditor judgement to consider the appropriateness of the nature, timing and extent of our audit procedures performed over financial statement account balances and classes of transactions and where appropriate altered them to address additional risks based on control deficiencies identified. • We increased our sample size selections to address the risk arising from the weak control environment and internal control deficiencies. • We checked the accuracy of inputs into spreadsheets, corroborated estimates with reference to external data wherever possible, checked the logic, mathematical accuracy, and integrity of formulas, evaluated the consistency in the application of assumptions with other data in the financial records and ensured the policies adopted are consistent with IFRS Accounting Standards. • We performed procedures on the key suspense and clearing account reconciliations to ensure that uncleared reconciling items were valid. • We increased the level of involvement by our senior audit team members to evaluate key judgements made in the consolidated and separate financial statements including checking the accuracy and completeness of disclosures. • We evaluated the sufficiency of audit evidence obtained by reassessing the results of audit procedures performed, including the appropriateness of the nature and extent of such evidence. • The audit process was delayed to allow management and the directors sufficient time to close out on the key reconciliations and drafting of the consolidated and separate financial statements. Based on the audit procedures performed and the level of expertise and effort associated with the current year audit, we are satisfied that our audit procedures were sufficient to mitigate the audit risks arising from the weak control environment.

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 consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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 consolidated and separate financial statements in accordance with IFRS Accounting 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 consolidated and separate 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 Group and or the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Deloitte.

Auditor’s Responsibilities for the Audit of the Consolidated and Separate Financial Statements (Continued)

- Conclude on the appropriateness of the Directors’ use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s and Company’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 consolidated and separate 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 Group or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 consolidated and separate 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

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Deloitte & Touche
Firm of Certified Auditors
Practicing Member: Magritha Juanita Wotherspoon (CAP 0032 2024)

22 October 2024
Gaborone

Statements of Profit or Loss and Other Comprehensive Income

		Group	Company	
Figures in Pula thousand		2024	2024	2023
Interest income		363,399	363,321	337,418
Interest expense		(189,906)	(189,906)	(173,469)
Net interest income	3	**173,493**	**173,415**	**163,949**
Fee and commission income		34,540	18,304	10,426
Fee and commission expense		(9,269)	(9,269)	(9,196)
Net fee and commission income	4	**25,271**	**9,035**	**1,230**
Other income	5	9,248	8,766	3,530
Amortisation of government grant income	25	14,471	14,471	19,438
Total income		**222,483**	**205,687**	**188,147**
Net operating income		**198,764**	**182,450**	**165,179**
Net impairment (expense)/reversal of financial assets	6	**(1,784)**	**(1,784)**	**5,709**
Net income		**220,699**	**203,903**	**193,856**
Employee benefits	7	(97,157)	(95,948)	(101,594)
Depreciation and amortisation	8	(23,557)	(23,530)	(20,683)
Administrative and general expenses	9	(71,410)	(70,437)	(58,460)
Profit before taxation		**28,575**	**13,988**	**13,119**
Income tax expense	10	(5,270)	(1,937)	(6,668)
Profit for the year		**23,305**	**12,051**	**6,451**
Other comprehensive income for the year		**-**	**-**	**-**
Total comprehensive income for the year		**23,305**	**12,051**	**6,451**

Statements of Financial Position as at 31 March 2024

		Group	Company		
Figures in Pula thousand	Note(s)	2024	2024	2023 Restated *	2022 Restated *
Assets					
Cash and cash equivalents*	11	340,236	325,943	241,143	150,356
Investment in financial assets*	12	162,525	162,525	403,485	259,350
Balances with related parties		-	-	-	50,443
Other assets	13	20,220	20,220	11,311	8,610
Loans and advances to customers	14	2,689,349	2,689,349	2,346,542	2,698,368
Investment in subsidiary	15	-	911	-	-
Current tax receivable	16	5,308	5,308	3,308	263
Deferred tax	17	17,797	17,795	19,732	27,444
Right-of-use assets	18	30,673	30,673	30,310	30,287
Intangible assets	19	51,975	51,975	58,323	37,196
Property, plant and equipment	20	56,439	56,129	51,504	77,101
Total Assets		**3,374,522**	**3,360,828**	**3,165,658**	**3,339,418**
Equity and Liabilities					
Liabilities					
Deposits due to customers	21	2,499,069	2,499,100	2,429,240	2,737,658
Current tax payable	16	3,335	-	-	-
Other liabilities	22	37,670	38,534	19,049	41,915
Borrowings	23	446,591	446,591	338,160	166,879
Dormancy account liability	24	26,730	26,730	27,144	29,108
Government grant	25	54,384	54,384	70,143	89,581
Lease liabilities	18	37,023	37,023	35,507	34,313
Total Liabilities		**3,104,802**	**3,102,362**	**2,919,243**	**3,099,454**
Equity					
Unrecallable capital	26	19,721	19,721	19,721	19,721
Statutory reserves	27	72,789	72,789	69,776	68,163
Retained earnings		177,210	165,956	156,918	152,080
		269,720	**258,466**	**246,415**	**239,964**
Total Equity and Liabilities		**3,374,522**	**3,360,828**	**3,165,658**	**3,339,418**

*The Group and Company changed its classification and presentation of cash and cash equivalents by accounting for money market instruments and short term deposits as investments in financial assets where these do not meet the requirement of IAS 7 - Statement of Cash Flows. These money market instruments and short term deposits were previously classified as cash and cash equivalents in the previous year. Refer to Note 35 for details.

Statements of Changes in Equity

Figures in Pula thousand	Unrecallable capital	Statutory reserve	Retained earnings	Total equity
Group				
Balance at 01 April 2023	**19,721**	**69,776**	**156,918**	**246,415**
Total comprehensive income for the year	-	-	23,305	23,305
Transfer between reserves	-	3,013	(3,013)	-
Balance at 31 March 2024	**19,721**	**72,789**	**177,210**	**269,720**
Note(s)	26	27		
Company				
Balance at 01 April 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 01 April 2023	**19,721**	**69,776**	**156,918**	**246,415**
Total comprehensive income for the year	-	-	12,051	12,051
Transfer between reserves	-	3,013	(3,013)	-
Balance at 31 March 2024	**19,721**	**72,789**	**165,956**	**258,466**
Note(s)	26	27		

Statements of Cash Flows

		Group	Company	
Figures in Pula thousand	Note(s)	2024	2024	2023 Restated *
Cash flows from operating activities				
Interest receipts*		345,151	345,073	326,151
Interest payments		(180,453)	(180,452)	(116,135)
Fees and commission received		34,540	18,304	10,426
Fees and commission paid		(9,269)	(9,269)	(9,196)
Rent and other income received		9,073	8,591	3,530
Cash payments to employees and suppliers		(154,072)	(151,889)	(134,476)
Cash flows from operating activities before changes in operating assets and liabilities*		**44,970**	**30,358**	**80,300**
Changes in operating assets and liabilities				
Movement in loans and advances to customers		(344,615)	(344,615)	339,277
Movement in amounts due to customers		92,794	92,824	(348,448)
Movement in other assets		(8,909)	(8,909)	(2,702)
Movement in other liabilities		11,352	12,215	(22,873)
Movement in related party balances		-	-	52,337
Movement in dormancy account liability		(414)	(414)	(1,964)
Tax paid	16	(2,000)	(2,000)	(2,001)
Net cash (used in)/generated from operating activities*		**(206,822)**	**(220,541)**	**93,926**
Cash flows from/(to) investing activities				
Purchase of property, plant and equipment	20	(11,158)	(10,821)	(14,188)
Proceeds from disposal of property, plant and equipment	20	383	383	-
Proceeds from disposal of other intangible assets	19	-	-	(338)
Net cash paid on acquisition of subsidiary	15	-	(911)	-
Withdrawals from investment in financial assets*	12	943,054	943,054	785,967
Deposits in financial assets*	12	(698,323)	(698,323)	(927,588)
Net cash gereated from/(used in) investing activities		**233,956**	**233,382**	**(156,147)**
Cash flows from financing activities				
Repayment of Government Grant	25	(1,288)	(1,288)	-
Borrowings raised	23	150,050	150,050	192,050
Repayment of principal - long term borrowings	23	(45,067)	(45,067)	(23,695)
Repayment of interest - long term borrowings	23	(26,018)	(26,018)	(10,121)
Lease liability payments - principal	18	(2,766)	(2,766)	(2,673)
Lease liability payments - interest	18	(2,952)	(2,952)	(2,553)
Net cash generated from financing activities		**71,959**	**71,959**	**153,008**
Net movement in cash and cash equivalents for the year*		**99,093**	**84,800**	**90,787**
Cash and cash equivalents at the beginning of the year*		241,143	241,143	150,356
Total cash and cash equivalents	11	**340,236**	**325,943**	**241,143**

*The Group and Company changed its classification and presentation of cash and cash equivalents by accounting for money market instruments and short term deposits as investments in financial assets where these do not meet the requirement of IAS 7 - Statement of Cash Flows. These money market instruments and short term deposits were previously classified as cash and cash equivalents in the previous year. Refer to Note 35 for details.

Material Accounting Policies

Corporate information

Botswana Savings Bank (“The Bank”), together with its subsidiary Botswana Savings Insurance Agency Proprietary Limited (“The Agency”), provides retail, corporate banking, and insurance agency services throughout the Country. Botswana Savings Bank is the ultimate parent of the group.

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) was 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.

The Bank has issued several bonds listed on the Botswana Stock Exchange.

These consolidated financial statements comprise the statutory financial statements of Botswana Savings Bank Limited and it's subsidiary. (collectively refered to as the Group)

The Group has prepared consolidated financial statements for the first time for the financial year ended 31 March 2024, consequently no comparatives have been presented as the subsidiariary only started trading in the current financial year.

1. Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with IFRS Accounting Standards, including IFRIC interpretations issued by the International Accounting Standards Board(IASB) and the Botswana Savings Bank Act of 1992.

These consolidated and separate financial statements represent the Bank's statutory consolidated and separate financial statements and were approved for issue by the Board of Directors on 18 October 2024.

1.1 Basis of preparation

The consolidated and separate financial statements are presented in Botswana Pula, which is the Group functional currency and are rounded off to the nearest thousand pula, unless otherwise stated.

The consolidated and separate financial statements have been prepared on the historic cost basis, except where otherwise stated. The consolidated and separate financial statements incorporate the company and it’s subsidiary. A Subsidiary is an entity which is controlled by the Parent. The Parent entity (“The Bank”) hold 100% ordinary shares of the subsidiary. The Parent measures investments in a subsidiary in its separate financial statements at cost less impairment.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Group and Company have prepared consolidated financial statements on the basis that they will continue to operate as a going concern and incorporates the following accounting policies which are consistent with those applied in the previous year except where otherwise stated.

1.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 March 2024. The Group consolidates a subsidiary when it controls it. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

When assessing whether it has power over an investee and therefore controls the variability of its returns, the Group considers all relevant facts and circumstances, including:

• The purpose and design of the investee

• The relevant activities and how decisions about those activities are made and whether the Group can direct those activities

• Contractual arrangements such as call rights, put rights and liquidation rights

Whether the Group is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns.

Material Accounting Policies

The subsidiary was acquired on the date of incorporation and consequently no goodwill arose on the date of initial recognition.

When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies in line with the Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between the Subsidiary and the Parent are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets, liabilities, Non-Controlling Interest (NCI) and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control

1.3 Segmental reporting

The Group has reportable segments that comprise the structure used by the chief operating decision maker ("CODM") to make key operating decisions and assess performance. The group's reportable segments are operating segments that are differentiated by the industry in which they operate.

The Group evaluates the performance of its reportable segments based on earnings before interest and tax ("EBIT") as well as earnings before interest, tax, depreciation, amortisation and impairments ("adjusted EBITDA"). The group accounts for intersegment sales and transfers as if the sales and transfers were entered into under the same terms and conditions as would have been entered into in a market-related transaction.

The financial information (including revenue, EBIT, adjusted EBITDA, total assets and total liabilities) of the group's reportable segments is reported to the CODM for purposes of making decisions about allocating resources to the segment and assessing its performance.

A number of segments are included in the "Other countries" segment as they individually don't meet the quantitative thresholds indicated in IFRS 8 Operating Segments.

1.4 Interest income and expense

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or expense over the relevant period. 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 Group and Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

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

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

Commitment fees for unutilised funds made available to customers in the past, are recognised as revenue over the period the facility remains unutilised. Commitment fees paid upfront for a future facility, where it is not probable that a specific lending arrangement will be entered into by the Group and Company, are recognised as revenue on a straight-line basis over the period for which the funds are committed.

Material Accounting Policies

1.5 Revenue from contracts with customers

The Group and Company 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: Recognise Revenue when (or as) the entity satisfies a performance obligation.

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

The Group and Company 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 recognised over the period over which the underlying service is provided to the customer. Transactional fees such as cash withdrawal fees, deposit fees, etc. are recognised at the point in time of transactions with customers and payment is received monthly.

Fees and commissions that form an integral part of the effective interest rate is excluded from fees and commissions from customers and are recognised in non-interest income.

Fee and commission income is earned by the Group and Company by providing customers with a range of services and products, consists of the following main categories:

- banking fee and commission income;
- knowledge-based fee and commission income;
- management, trust and fiduciary fees;
- fee and commission income from service providers; and
- other non-banking fees and commission income.

Fee and commission income which typically includes transactional banking fees, such as bank charges, interchange fees, point-of-sale fees, exchange commissions, cash deposit fees and knowledge-based fee and commission income, are recognised at a point in time when the performance obligation is fulfilled.

Where the distinct performance obligation is satisfied over a period of time, the fees are recognised as follows:

- fees for services rendered are recognised on an accrual basis as the service is rendered and the Group and Company's performance obligation is satisfied, e.g. annual card fees and asset management and related fees; and
- commission income on bills endorsed is credited to profit or loss over the life of the relevant instrument on a time apportionment basis.

Material Accounting Policies

1.5 Revenue from contracts with customers (continued)

Commission revenue from the sale of insurance policies

The Group and Company generates revenue primarily through commissions from insurer ("Customer"). The promised service is the effective placement of insurance policies relating to life and property and casualty insurance. Commissions vary depending upon several factors, which may include the amount of premium, the type of insurance or coverage provided by the insurer. In addition, the transaction price might include an element of consideration that is variable or contingent on the outcome of future events, such as policy cancellations, lapses or renewals, volume of business, claims experience or performance bonuses.

At the completion of the insurance policy placement process once coverage is effective (I.e, performance obligation), the customer obtains control over the service promised by the Group and Company. Commissions may be invoiced near the effective date of the underlying policy or over the term of the arrangement in instalments during the policy period. The performance obligation is therefore discharged at a specific point in time.

The Group and Company allocates variable consideration to a single performance obligation because:

The variable payment relates to a specific performance obligation or outcome from satisfying that performance obligation.

Allocating the variable amount of the consideration entirely to the separate performance obligation is consistent with the amount of consideration to which the entity expects to be entitled for satisfying that performance obligation after considering all other performance obligations and payment terms in the contract.

The Group and Company has elected to apply the practical expedients to not disclose the revenue related to unsatisfied performance obligations if:

The contract has an original duration of 1 year or less,

The Group and Companyy has recognised revenue for the amount which it has the right to bill, and

The variable consideration is allocated entirely to an unsatisfied performance obligation which is recognised as a series of distinct goods or services that form a single performance obligation.

1.6 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 include sales of tender documents and profit from fixed assets sales. Other non-operating revenue streams are recognised at the point in time when the transaction takes place.

* Refer to the Group and Company as lessor section under accounting policy 1.14 Leases.

1.7 Government grant income

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

Material Accounting Policies

1.8 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 recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised 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 recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Terminal benefits

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

Pension obligations

The Group and Company operates a defined contribution pension scheme and its assets are managed by an independent fund under supervision of the board of trustees. The Group and Company pays 15% contributions on behalf of its employees and the employees contribute 5% of basic salary. Once the contributions have been made, the Group and Company 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.

1.9 Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised in the Bank’s statement of financial position when the Group and Company becomes a party to the contractual provisions of the instrument.

Recognised 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 Group business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

Business model

The Group and Company 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.

Material Accounting Policies

1.9 Financial instruments (continued)

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 Group and Company only considers a transaction a sale if the asset is derecognised for accounting purposes.

Cashflow characteristics

For a debt instrument to be measured at amortised 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 standardised.

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.

Amortised cost

Financial assets are measured at amortised 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 Group and Company applies the credit-adjusted effective interest rate. This interest rate is determined based on the amortised 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.

The cash flows on retail loans and advances are solely payments of principal and interest. Interest charged to customers compensates the Group and Company 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 Group and Company 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 amortised cost

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

- deposits;
- lease liabilities; and
- borrowings.

Material Accounting Policies

1.9 Financial instruments (continued)

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

This policy applies to financial assets, measured at amortised 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)	(Credit-impaired assets)
12-month expected credit losses	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 Group and Company 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.

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 Group and Company 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 Group 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 amortising 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 Group and Company to actions such as the realisation of security. Indicators of the unlikeliness to pay include examples such as the application for bankruptcy or obligor insolvency.

Material Accounting Policies

1.9 Financial instruments (continued)

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 Group and Company 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, theGroup and Company 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 Group and Company 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 Group daily operational management.

(i) 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.

(ii) 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 utilising 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.

(iii) Loss given default (LGD)

Loss given default or loss severity represents the Group 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 summarised 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 Group and Company.
- 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 Group and Company 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 Group and Company defines credit-impaired and default is explained further below.

1.9 Financial instruments (continued)

- 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.

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 amortisation 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 utilisation 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 behaviour. 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 behaviour 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.

Material Accounting Policies

1.9 Financial instruments (continued)

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.

Transfers, modifications and derecognition

Financial instruments are derecognised 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 derecognised when the Group and Company 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 amortised cost are modified (changed or restructured, including distressed restructures), the Group and Company 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 recognised.

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 Group and Company 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 recognise the asset:

Offsetting of financial instruments and collateral

Where the requirements of IFRS are met, the Group and Company 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.

1.10 Impairment of non-financial assets

The Group and Company 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 Group and Company 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.

Material Accounting Policies

1.10 Impairment of non-financial assets (continued)

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 amortisation is recognised immediately in profit or loss.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised 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 recognised for the asset in prior periods.

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

1.11 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised 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 recognised 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 recognised 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 recognised 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 utilised. A deferred tax asset is not recognised 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 recognised 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 utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised 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 recognised 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.

Material Accounting Policies

1.12 Property, plant 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 recognised in profit and loss.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognised in profit or loss during the financial period in which they are incurred. However, major renovations are capitalised and included in the carrying amount of the assets when it is probable that future economic benefits in excess of the originally assessed standard of performance of the assets will flow to the Group and Company. Major renovations are depreciated over the remaining useful life of the related asset or until the next planned major renovations, if this period is shorter. The carrying amount of the replaced part is derecognised.

Depreciation on property and equipment is calculated using the straight line method to allocate the depreciable carrying amounts of the assets over their estimated remaining useful and economic lives. The following are the estimated useful lives applied in depreciating the Bank's assets.

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 lifes and residual values of the following asset classes:

(a) Furniture and fixtures;

(b) Motor vehicles;

(c) 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 evaluated the current useful lives as 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 recognised in profit and loss.

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

Material Accounting Policies

1.13 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.

1.14 Leases

The Group and Company 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 Group and Company 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.

Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Group and Company is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Group and Company recognises 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 Group and Company is a lessee are presented in note 18 Right of use asset and lease liabilities (Group and Company as lessee).

Company as a Lessor

Leases for which the Company 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.

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

Lease receipts from operating leases are recognised 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 form 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.

Material Accounting Policies

1.14 Leases (continued)

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.

Right-of-use assets

The Group and Company 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

Group and Company as lessor

Leases for which the Group and Company 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 Group and Company 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 Group and Company 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 Group and Company retains in underlying assets are not considered to be significant, the Group and Company employs strategies to further minimise these risks. For example, ensuring all contracts include clauses requiring the lessee to compensate the Group and Company when a property has been subjected to excess wear-and tear during the lease term.

Lease receipts from operating leases are recognised 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 form 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.

Material Accounting Policies

1.15 Intangible assets

An intangible asset is recognised 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 recognised at cost.

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised 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 amortisation 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. Amortisation 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 amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation 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 amortised over its useful life.

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

Amortisation 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	Straight line	5 years

1.16 Government grants

Government grants are recognised 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 recognised 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 Group and Company.

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

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

1.17 Transactions with Botswana Postal Services

These comprised 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 Group and Company that are past due attract compound interest.

Material Accounting Policies

1.18 Unrecallable capital

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

1.19 Statutory reserve

At the end of every financial year, the Group and Company pays into the statutory reserve fund an amount not less than 25% of its net profits.

1.20 Key sources of estimation uncertainty

(a) 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 Group and Company 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 reaming 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.

Material Accounting Policies

1.20 Key sources of estimation uncertainty (continued)

Key credit risk metrics	Motor vehicle loans	Residential loans	Personal loans	Weighted average
Coverage Ratios				
31 March 2024	0.17 %	0.64 %	4.04 %	3.42 %
31 March 2023	0.73 %	0.50 %	4.54 %	3.58 %
31 March 2022	0.58 %	0.42 %	3.86 %	3.17 %
Loss Given Default (LGD)				
31 March 2024	29.13 %	17.21 %	85.96 %	75.69 %
31 March 2023	26.08 %	23.01 %	86.77 %	72.95 %
31 March 2022	26.08 %	22.69 %	91.81 %	77.91 %
Probability of Default (PD)				
31 March 2024	0.57 %	3.74 %	4.70 %	4.52 %
31 March 2023	2.79 %	2.18 %	5.23 %	5.00 %
31 March 2022	2.22 %	1.85 %	4.21 %	4.07 %

Forward-looking information

The Group and Company has considered the different scenarios and related probabilities in determining its forward-looking assumptions for purposes of measuring its Expected Credit Loss (ECL). The Group and Company 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 2024 ECL computation.

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

The Group and Company projects inflation to be under control at between 4-5.5% in spite of anticipated heightened local pressure from election driven spending in the fourth quarter of 2024 into 2025 and global uncertainties in oil and commodities prices. GDP is forecast to grow by 4.0-5.5% over the forecast period on account of the full implementation of government infrastructure projects and fiscal driven policies meant to stimulate the local economy. Interest rates are forecast to marginally reduce as the central bank adopts an accommodative monetary policy that seeks to unwind the triple increase from 2024.

Overall the Group and Company projects that employment levels in the government and related sectors, that comprise over 90% of its exposure, will be maintained and minimal impact is expected of macro-economic variables on the expected credit loss estimate.

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

Material Accounting Policies

1.20 Key sources of estimation uncertainty (continued)

Macroeconomic forecast

Projection period	Real GDP growth 2024	Real GDP growth 2023	Real interest rate 2024	Real interest rate 2023	General inflation rate 2024	General inflation rate 2023
First year	5.00 %	3.60 %	0.50 %	0.50 %	4.00 %	8.90 %
Second year	5.40 %	4.10 %	(0.25)%	0.30 %	5.40 %	6.60 %
Third year	4.70 %	3.50 %	0.50 %	(0.30)%	5.40 %	7.00 %

Macroeconomic scenarios driving FLI`s

Period	Upside Inflation	Upside Change in RIR	Downside Inflation	Downside Change in RIR
2024	5.00 %	1.00 %	3.50 %	- %
2025	7.00 %	0.50 %	5.00 %	(0.50)%
2026	7.00 %	0.75 %	5.00 %	0.25 %

Impact of forward- looking information (FLI) on ECL - 31 March 2024

Loans and advances	Motor Vehicle advances P'000	Residential property loans P'000	Personal loans P'000	Total P'000
ECL before FLI adjustments	19	3,217	87,675	90,911
Impact of FLI	-	-	657	657
ECL after FLI adjustments	**19**	**3,217**	**88,332**	**91,568**

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

Loans and advances	Motor Vehicle advances P'000	Residential property loans P'000	Personal loans P'000	Total P'000
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**

Sensitivity of ECL for loans and advances - 31 March 2024	**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 31 March 2024	91,568	92,108	90,494	93,332	89,961
Change in ECL (P'000)	-	541	(1,074)	1,765	(1,607)
% change in ECL	-	0.59 %	(1.17)%	1.90 %	(1.80)%
Change in inflation rate	4.00 %	5.00 %	3.00 %	- %	- %
Change in real interest rate	(0.50)%	- %	- %	0.50 %	(1.50)%

Material Accounting Policies

1.20 Key sources of estimation uncertainty (continued)

Sensitivity of ECL for loans and advances - 31 March 2023	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 31 March 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	-	0.50 %	(0.70)%	1.70 %	(1.60)%
Change in inflation rate	8.90 %	9.90 %	7.90 %	- %	- %
Change in real interest rate	0.25 %	- %	- %	1.25 %	(0.75)%

(i) 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 Group and Company. 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 Group and Company has exposure to the related party.

(ii) 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 Group and Company 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.

(iii) Loss given default (LGD)

Loss given default or loss severity represents the Group and Company'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.

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.

(b) Lessee's incremental borrowing rate

The Group and Company 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 Group and Company could be offered by their lenders if they were to source for funding.

The Group and Company used incremental borrowing rates ranging from Prime plus 1.5% to prime plus 3.75% in recognizing the lease liabilities at the date of initial application.

Material Accounting Policies

1.20 Key sources of estimation uncertainty (continued)

(c) 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 Group and Company 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 Group and Company has several lease contracts that include extension and termination options. The Group and Company 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.

(d) 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. Unrecognised 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.

(e) Residual values and useful lives of intangible assets and property and equipment

The Group and Company 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 Consolidated and Separate Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

International tax reform - Pillar two model rules - amendments to IAS 12

The amendments incorporate into IAS 12, taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. As an exception, deferred tax assets and liabilities shall not be recognised, nor information about them disclosed related to Pillar Two income taxes. Disclosures about applying this exception to deferred tax are required. Any current tax income or expense related to Pillar Two income taxes is required to be disclosed separately. In addition, where the legislation is enacted or substantively enacted, but not yet in effect, management are required to disclose known or reasonably estimable information of the entity's exposure to Pillar Two taxes arising from that legislation.

The effective date of the amendment is for years beginning on or after 01 January 2023.

The Group and Company has adopted the amendment for the first time in the 2024 consolidated and separate financial statements.

The impact of the amendment is not material.

Initial application of IFRS 17 - Insurance Contracts and IFRS 9 - Financial Instruments - 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 01 January 2023.

The Group and Company has adopted the amendment for the first time in the 2024 consolidated and separate financial statements.

The impact of the amendment is not material.

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 01 January 2023.

The Group and Company has adopted the amendment for the first time in the 2024 consolidated and separate financial statements.

The impact of the amendment is not material.

Disclosure of accounting policies: Amendments to IAS 1- Making Material Judgements and IFRS Practice Statement 2 - Disclosure of Accounting Policies

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the consolidated and separate financial statements. The amendment did not result in any changes to measurement or recognition of financial statement items. Management has reviewed 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 01 January 2023.

Notes to the Consolidated and Separate Financial Statements

2. New Standards and Interpretations (continued)

The Group and Company has adopted the amendment for the first time in the 2024 consolidated and separate financial statements.

The impact of the amendment is not material.

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 consolidated and separate financial statements that are subject to measurement uncertainty."

The effective date of the amendment is for years beginning on or after 01 January 2023.

The Group and Company has adopted the amendment for the first time in the 2024 consolidated and separate financial statements.

The impact of the amendment is not material.

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 01 January 2023.

The Group and Company expects to adopt the standard for the first time in the 2024 consolidated and separate financial statements.

The impact of the standard is not material.

2.2 Standards and interpretations not yet effective

The Group and Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group and Company's accounting periods beginning on or after 01 April 2024 or later periods:

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.

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 01 January 2024.

The Group and Company expects to adopt the amendment for the first time in the 2025 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the Group and Company's consolidated and separate financial statements.

2. New Standards and Interpretations (continued)

Amendments to IFRS 10 - Consolidated Financial Statements 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 recognised 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 recognised 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 Group and Company's consolidated and separate financial statements.

Amendments to IAS 21 - Lack of exchangeability

The amendments apply to currencies which are not exchangeable. The definition of exchangeable is provided as being when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. The amendments require an entity to estimate the spot exchange rate at measurement date when a currency is not exchangeable into another currency. Additional disclosures are also required to enable users of financial statements to understand the impact of the non-exchangeability on financial performance, financial position and cash flow.

The effective date of the amendment is for years beginning on or after 01 January 2025.

The Group and Company expects to adopt the amendment for the first time in the 2026 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the Group and Company's consolidated and separate financial statements.

Supplier finance arrangements - amendments to IAS 7-Statement of Cashflows and IFRS 7-Financial Instrument Disclosures

The amendment applies to circumstances where supplier finance arrangements exist. These are arrangements whereby finance providers pay the suppliers of the entity, thus providing the entity with extended payment terms or the suppliers with early payment terms. The entity then pays the finance providers based on their specific terms and conditions. The amendment requires the disclosure of information about supplier finance arrangements that enable users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows as well as on the entity's exposure to liquidity risk.

The effective date of the amendment is for years beginning on or after 01 January 2024.

The Group and Company expects to adopt the amendment for the first time in the 2025 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the Group and Company's consolidated and separate financial statements.

2. New Standards and Interpretations (continued)

Non-current liabilities with covenants - amendments to IAS 1-Presentation of Financial Statements

The amendment applies to the classification of liabilities with loan covenants as current or non-current. If an entity has the right to defer settlement of a liability for at least twelve months after the reporting period, but subject to conditions, then the timing of the required conditions impacts whether the entity has a right to defer settlement. If the conditions must be complied with at or before the reporting date, then they affect whether the rights to defer settlement exists at reporting date. However, if the entity is only required to comply with the conditions after the reporting period, then the conditions do not affect whether the right to defer settlement exists at reporting date. If an entity classifies a liability as non-current when the conditions are only required to be met after the reporting period, then additional disclosures are required to enable the users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period.

The effective date of the amendment is for years beginning on or after 01 January 2024.

The Group and Company expects to adopt the amendment for the first time in the 2025 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the Group and Company's consolidated and separate 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 recognise 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 01 January 2024.

The Group and Company expects to adopt the amendment for the first time in the 2025 consolidated and separate financial statements.

The amendment is not expected to have a material impact on the Group and Company's consolidated and separate financial statements.

IFRS 18 - Presentation and Disclosure in Financial Statements

IFRS 18 aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows.

IFRS 18 aims to improve financial reporting by:

- requiring additional defined subtotals in the statement of profit or loss;
- requiring disclosures about management-defined performance measures; and
- adding new principles for grouping (aggregation and disaggregation) of information

The effective date of the amendment is for years beginning on or after January 1, 2027.

The Group and Company expects to adopt the amendment for the first time in the 2028 consolidated and separate financial statements.

The new standard is expected to impact the Group and Company's presentation of the statement of profit or loss.

Notes to the Consolidated and Separate Financial Statements

2. New Standards and Interpretations (continued)

IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information

IFRS S1 requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity’s cash flows, its access to finance or cost of capital over the short, medium or long term (collectively referred to as ‘sustainability-related risks and opportunities that could reasonably be expected to affect the entity’s prospects’).

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

The Group and Company expects to adopt the amendment for the first time in the 2025 consolidated and separate financial statements.

Management is assessing the likely impact of the amendment on the Group and Company's consolidated and separate financial statements.

IFRS S2 Climate-related Disclosures

IFRS S2 requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity’s cash flows, its access to finance or cost of capital over the short, medium or long term (collectively referred to as ‘climate-related risks and opportunities that could reasonably be expected to affect the entity’s prospects’).

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

The Group and Company expects to adopt the amendment for the first time in the 2025 consolidated and separate financial statements.

Management is assessing the likely impact of the amendment on the Group and Company's consolidated and separate financial statements.

Notes to the Consolidated and Separate Financial Statements

	Group	Company	
Figures in Pula thousand	2024	2024	2023
3. Net interest income			
Interest income			
Loans and advances to customers	305,525	305,525	295,832
Other fixed deposits	23,304	23,226	14,764
Call accounts with other financial institutions	24,885	24,885	13,300
Botswana Post interest charge	-	-	4,768
Unwinding of discounted staff loans	9,685	9,685	8,754
	363,399	**363,321**	**337,418**
Interest expense			
Ordinary savings	(3,850)	(3,850)	(2,230)
Sesigo savings	(3,547)	(3,547)	(4,151)
Save-As-You-Earn	(196)	(196)	(173)
Thobo savings	-	-	(7)
National savings certificates (NSC)	(44)	(44)	(517)
Corporate deposits	(127,135)	(127,135)	(132,711)
Fixed deposits	(21,570)	(21,570)	(16,289)
Borrowings	(30,505)	(30,505)	(14,751)
Transaction account	(107)	(107)	(87)
Lease liability interest	(2,952)	(2,952)	(2,553)
	(189,906)	**(189,906)**	**(173,469)**
Net interest income	**173,493**	**173,415**	**163,949**
4. Net fee and commission income			
Fee and commission income			
Account maintenance fees	11,344	11,344	5,600
Over-the-counter fees	3,588	3,588	2,237
Commission on loan repayments	3,174	3,174	2,497
Card transaction fees	198	198	92
Revenue - insurance commission	16,236	-	-
	34,540	**18,304**	**10,426**
Fee and commission expense			
Agency fees	-	-	(1,797)
Commissions	(5,891)	(5,891)	(4,530)
VISA expenses	(3,378)	(3,378)	(2,869)
	(9,269)	**(9,269)**	**(9,196)**
Net fee and commission income	**25,271**	**9,035**	**1,230**

Notes to the Consolidated and Separate Financial Statements

		Group	Company	
Figures in Pula thousand		2024	2024	2023
5. Other income				
Rental income		2,980	2,980	3,153
Rooftop hosting fees		883	1,130	374
Social benefits recoveries		4,414	4,414	-
Other income		796	67	3
Profit on disposal of property, plant and equipment		175	175	-
		9,248	**8,766**	**3,530**
Future minimum rental income under non–cancellable leases as at 31 March were, as follows:				
Within 1 year		-	-	2,248
After 1 year within 5 years		-	-	-
6. Net impairment expense/(reversal) of financial assets				
Specific impairment - stage 3		4,798	4,798	13,753
Related party impairment		-	-	(1,894)
Portfolio (reversal)/impairment - (stage 1 & 2)		(1,524)	(1,524)	(15,286)
Recoveries		(1,490)	(1,490)	(2,282)
Net impairment expense/(reversal) on financial assets		**1,784**	**1,784**	**(5,709)**
Movement on specific impairments (Stage 3)				
Balance at the beginning of the year		62,343	62,343	48,590
Charge for the year		4,798	4,798	13,753
Balance at the end of the year		**67,141**	**67,141**	**62,343**
Movement on portfolio impairments (Stage 1 & 2)				
Balance at the beginning of the year		25,951	25,951	41,237
Current year reversal		(1,524)	(1,524)	(15,286)
Balance at the end of the year		**24,427**	**24,427**	**25,951**
Balance specific and portfolio impairments at the end of the year	14	**91,568**	**91,568**	**88,294**
Related party impairment				
Balance at the beginning of the year		-	-	1,894
Impairment reversal		-	-	(1,894)
Balance at the end of the year		**-**	**-**	**-**

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

Notes to the Consolidated and Separate Financial Statements

		Group	Company	
Figures in Pula thousand		2024	2024	2023

7. Employee Benefits

Salaries, wages and allowances	64,030	62,895	60,085
Pension and medical aid contributions	11,154	11,093	9,742
staff loan benefits	14,501	14,501	25,119
Training and recruitment costs	3,175	3,162	3,705
Staff welfare	4,297	4,297	2,896
Organisational restructuring	-	-	47
	97,157	**95,948**	**101,594**

The average number of persons employed by the Group and Company during the year was 238 (2023: 211).

Pension and medical aid contributions comprise pension contribution for the Group of P6.1 million (2023: P - million) and for the Company of P6.1 million (2023: P 5.4 million) and medical aid contributions for the Group of P5.0 million (2023: P -million) and for the Company of P5.0 million (2023: P 4.0 million)

8. Depreciation and amortisation

Depreciation of property, plant and equipment	20	7,699	7,672	7,344
Amortisation of intangible assets	19	11,939	11,939	9,495
Amortisation of right-of-use asset	18	3,919	3,919	3,844
		23,557	**23,530**	**20,683**

9. Administrative and general expenses

Audit fees*	3,069	2,899	2,132
Consulting and professional fees	5,997	5,901	4,069
Debt recovery	384	384	1,034
Non-executive directors fees	519	519	383
Insurance premiums	3,354	3,341	1,041
Sales expenses	1,198	1,197	344
Setup costs - projects	6,181	6,181	4,662
Other operating expenses	1,557	1,556	1,001
Cash security expenses	1,943	1,943	1,828
Subscription fees	1,082	1,078	723
Motor vehicle expenses	736	727	623
Exchange losses	223	223	278
Passbook conversion expenses	2,548	2,542	2,244
Bank and other charges	635	632	464
Tax interest and penalty	607	-	-
Office expenses	211	172	122
Property management and security fees	7,917	7,917	5,729
Advertising and publicity	6,931	6,928	5,695
Repairs and maintenance	5,034	5,034	6,036
Software licencing and IT costs	16,139	16,132	14,216
Stationery, utilities and postage	5,145	5,131	5,836
	71,410	**70,437**	**58,460**

*The audit fees for the consolidated and separate financial statements comprise of the following:

Audit fees - current year	2,281	2,151	1,772
Audit fees - prior year under provision	678	653	360
Regulatory related services	15	-	-
Other non-audit services	95	95	-
	3,069	**2,899**	**2,132**

Notes to the Consolidated and Separate Financial Statements

	Group	Company	
Figures in Pula thousand	2024	2024	2023

10. Income tax expense

Current			
Local income tax - current year	3,335	-	-
Local income tax - prior year (over) under provision	-	-	(1,044)
	3,335	**-**	**(1,044)**
Deferred			
Deferred tax (current year)	4,244	4,246	6,531
Deferred tax - prior year (over)/under provision	(2,309)	(2,309)	1,181
	1,935	**1,937**	**7,712**
Income tax expense	**5,270**	**1,937**	**6,668**

Numerical reconciliation of income tax expense to prima facie tax payable

Reconciliation between accounting profit and tax expense.

Profit before taxation	28,575	13,988	13,119
Tax at the applicable tax rate of 22% (2023: 22%)	6,287	3,077	2,886
Tax effect of adjustments on taxable income			
Disallowed expenses	1,292	1,169	3,645
Adjustment in respect to prior years	(2,309)	(2,309)	137
Income tax expense	**5,270**	**1,937**	**6,668**

11. Cash and cash equivalents*

Cash and cash equivalents consist of:

			Restated*
Cash on hand	16,246	16,246	14,727
Bank of Botswana	13,219	99	865
Aluwani money market fund	11,020	10,966	-
Stanbic Bank Botswana Limited	136,972	136,972	9,967
First National Bank of Botswana Limited	54,325	53,206	20,475
First Capital Bank Botswana Limited	126	126	30,724
ABSA Bank Botswana Limited	3,296	3,296	859
Access Bank Limited	3,841	3,841	160,063
Bank Gaborone Limited	1,191	1,191	3,463
BBS Bank Limited	100,000	100,000	-
	340,236	**325,943**	**241,143**

*The Group and Company changed its classification and presentation of cash and cash equivalents by accounting for money market instruments and short term deposits as investments in financial assets where these do not meet the requirement of IAS 7 - Statement of Cash Flows. These money market instruments and short term deposits were previously classified as cash and cash equivalents in the previous year. Refer to Note 35 for details.

Cash and cash equivalents comprises cash on hand and investments in financial assets and money markets funds that are highly liquid instruments. The balances held with BBS Bank includes amounts relating to dormancy balances of P 26.7 million (2023: P - million). The 2023 balances of P27.1 million were included in the balances held with First Capital Bank.

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

Notes to the Consolidated and Separate Financial Statements

	Group	Company	
Figures in Pula thousand	2024	2024	2023

11. Cash and cash equivalents* (continued)

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

12. Investment in financial assets*

			Restated*
Stanbic Bank Botswana Limited	-	-	101,408
Vunani Botswana Money Market Fund	2,188	2,188	15,936
Bank Gaborone Limited	18,437	18,437	35,871
BBS Bank Limited	85,060	85,060	-
Access Bank Limited	8,249	8,249	109,026
Morula Capital Partners	11,128	11,128	141,244
Kgori Capital Unit Trust	10,561	10,561	-
IPRO Money Money Market Fund	5,269	5,269	-
Botswana Insurance Fund Manager Money Market Fund	21,633	21,633	-
	162,525	**162,525**	**403,485**

*The Group and Company changed its classification and presentation of cash and cash equivalents by accounting for money market instruments and short term deposits as investments in financial assets where these do not meet the requirement of IAS 7 - Statement of Cash Flows. These money market instruments and short term deposits were previously classified as cash and cash equivalents in the previous year. Refer to Note 35 for details.

Movement in investments - Restated			
Opening balance	403,485	403,485	259,350
Additions	698,323	698,323	927,588
Disposals	(943,054)	(943,054)	(785,967)
Prior year accured interest received	(3,277)	(3,277)	(763)
Accrued interest	7,048	7,048	3,277
	162,525	**162,525**	**403,485**

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. At year end the investments maturity periods were all 12 months or less. Interest rates are negotiable on a deal by deal basis. The interest rates ranged between 3.9% to 9.0% (2023 4% to 9.35%) during the current year. Fixed deposits at or below 3 months are classified as cash and cash equivalents.

The current year balance includes cash collateral for VISA transactions of P3.4 million (2023: P 6.6 million) held with Access Bank Limited.

Balances with other banks and funds placed with Fund Managers are considered to be low credit risk and have not been impaired as these placements are made to banks and fund Managers that have high credit standing.

Fair value of balances due from other banks and placements with Fund Managers approximate carrying amount due to their short term tenure.

Analysis by period			
Within 1 year	162,525	162,525	403,485

Notes to the Consolidated and Separate Financial Statements

		Group	Company	
Figures in Pula thousand		2024	2024	2023

13. Other assets

Other receivables	12,418	12,418	3,385
Prepayments	5,312	5,312	4,525
Stock of stationery	2,490	2,490	3,401
	20,220	**20,220**	**11,311**

Analysis of other assets

Financial instruments	12,418	12,418	3,385
Non-financial instruments	7,802	7,802	7,926
	20,220	**20,220**	**11,311**

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.

14. Loans and advances to customers

Motor vehicles advances		13,996	13,996	10,493
Residential property loans		503,793	503,793	526,310
Personal loans		2,263,128	2,263,128	1,898,033
		2,780,917	2,780,917	2,434,836
Less impairment provision	6	(91,568)	(91,568)	(88,294)
		2,689,349	**2,689,349**	**2,346,542**

Analysis by period			
Within 1 year	60,492	60,492	49,262
After 1 year within 5 years	1,164,225	1,164,225	1,086,698
After 5 years	1,556,200	1,556,200	1,298,876
	2,780,917	**2,780,917**	**2,434,836**

Sectorial analysis:			
Central Government employees	2,454,875	2,454,875	2,139,675
Parastatal employees	75,150	75,150	65,849
Local government employees and other customers	149,190	149,190	130,726
Staff loans	101,702	101,702	98,586
	2,780,917	**2,780,917**	**2,434,836**

Analysis of impairment losses on loans and advances			
Opening balance	88,294	88,294	89,827
Impairment expense/(reversal)	3,274	3,274	(1,533)
	91,568	**91,568**	**88,294**

The Bank has a credit facility with Access Bank Limited for the equivalent of P70 million (2023: P70 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 2024, the security is equivalent to P62 million (2023: P85 miilion).

	Group	Company	
Figures in Pula thousand	2024	2024	2023

14. Loans and advances to customers (continued)

Motor vehicle and residential loans to employees of the Government of Botswana have a 70% (previously 80%) 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 P750 thousand repayable over 120 months (compared to P200 thousand with repayment up to 5 years for Motheo). Express is a short term loan for up to 48 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.

15. Investment in subsidiary

The following table lists the entities which are controlled directly by the Company, and the carrying amount of the investment in the Company's separate financial statements. Refer to accounting policy note 1.2 for the basis of consolidation.

Name of entity	Held by	% voting power 2024	% voting power 2023	% holding 2024	% holding 2023	Carrying amount 2024	Carrying amount 2023
BSB Insurance Agency Proprietary Limited	Botswana Savings Bank	100.00 %	- %	100.00 %	- %	911	-

16. Current tax receivable

	Group 2024	Company 2024	Company 2023
Opening Balance	(3,308)	(3,308)	(263)
Charge for the year	3,335	-	(1,044)
Tax paid during the year	(2,000)	(2,000)	(2,001)
Closing balance	**(1,973)**	**(5,308)**	**(3,308)**

	Group 2024	Company 2024	Company 2023
Current tax payable	3,335	-	-
Current tax receivable	(5,308)	(5,308)	(3,308)
	(1,973)	**(5,308)**	**(3,308)**

Notes to the Consolidated and Separate Financial Statements

	Group	Company	
Figures in Pula thousand	2024	2024	2023

17. Deferred tax

Deferred tax asset

At beginning of year	19,732	19,732	27,444
Charge for the year	(4,244)	(4,246)	(6,531)
Prior year over/(under) provision	2,309	2,309	(1,181)
Closing Balance	**17,797**	**17,795**	**19,732**

The balance comprises temporary differences attributable to:

Property, plant and equipment	(1,981)	(1,983)	(880)
Right of use assets	(6,748)	(6,748)	(6,668)
Intangible assets	(4,310)	(4,310)	(3,797)
Lease liability	8,145	8,145	7,812
Impairment of loans and advances	5,376	5,376	5,709
Unamortised Government grant	12,210	12,210	15,432
Unamortised Arrangement fees	2,744	2,744	-
Unamortised DSA fees	(3,487)	(3,487)	-
Deductible loss	5,848	5,848	2,124
Total deferred tax asset	**17,797**	**17,795**	**19,732**

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

Deductible tax analysis

Tax year	Tax loss	Loss written off	Loss c/fwd	Tax year loss expires
	P'000	P'000	P'000	
2023	(9,657)	-	(9,657)	2028
2024	(16,923)	-	(16,923)	2029

The Botswana Tax Act allows companies to claim tax losses against future profits over the next five years after which the tax loss is no longer recoverable.

Botswana Savings Bank reviewed the future earnings prospects over the next 3 years and concluded that the future taxable profits would increase. The amount of future taxable profits will enable Botswana Savings Bank to utilise the deferred tax asset.

Botswana Savings Bank does not envisage significant capex and profits are expected to increase through a growing loan book and non-funded income by the use of agents and automation.

Restructuring of the group is being considered, that is creation of a holding company for both the bank and Agency to enable utilisation of tax losses or alternatively liquidating of Bostwana Savings Bank Insurance Agency and offering the insurance services as part of the bank's services.

Notes to the Consolidated and Separate Financial Statements

18. Right of use asset and lease liabilities

Group	2024		
	Cost or revaluation **P'000**	Accumulated depreciation **P'000**	Carrying value **P'000**
Right-of-use assets	46,779	(16,106)	30,673

Reconciliation of carrying amounts, right-of-use assets - Group - 2024

	Opening balance **P'000**	Additions **P'000**	Disposals **P'000**	Modifications **P'000**	Depreciation **P'000**	Closing balance **P'000**
Buildings	30,310	177	(137)	4,242	(3,919)	30,673

Company	2024			2023		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	P'000	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**
Right of use assets	46,779	(16,106)	30,673	42,479	(12,169)	30,310

Reconciliation of carrying amounts, right-of-use assets - Company - 2024

	Opening balance **P'000**	Additions **P'000**	Disposals **P'000**	Modifications **P'000**	Depreciation **P'000**	Closing balance **P'000**
Buildings	30,310	177	(137)	4,242	(3,919)	30,673

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

	Opening balance **P'000**	Additions **P'000**	Disposals **P'000**	Modifications **P'000**	Depreciation **P'000**	Closing balance **P'000**
Buildings	30,287	423	(308)	3,752	(3,844)	30,310

Notes to the Consolidated and Separate Financial Statements

	Group	Company	
Figures in Pula thousand	2024	2024	2023

18. Right of use asset and lease liabilities (continued)

Lease liabilities

Lease liability - Opening balance	35,507	35,507	34,313
Repayments - principal & interest	(5,718)	(5,718)	(2,673)
Additions during the year	177	177	423
Remeasurement of right-of-use asset	4,242	4,242	3,752
Disposal of right-of-use asset	(137)	(137)	(308)
Lease interest	2,952	2,952	-
Lease liability - Closing balance	**37,023**	**37,023**	**35,507**

The maturity analysis of lease liabilities is as follows:

Within one year	2,843	2,843	3,230
After 1 year, within 5 years	20,059	20,059	16,557
More than five years	14,121	14,121	15,720
	37,023	**37,023**	**35,507**

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	(2,766)	(2,766)	(2,673)
Lease liability payments - Interest	(2,952)	(2,952)	(2,553)
Total cash outflows - leases	**(5,718)**	**(5,718)**	**(5,226)**

19. Intangible assets

Group	2024		
	Cost P'000	Accumulated amortisation P'000	Carrying value P'000
Computer software	87,446	(42,746)	44,700
Capital work in progress	7,275	-	7,275
Total	**94,721**	**(42,746)**	**51,975**

Company	2024			2023		
	Cost P'000	Accumulated amortisation P'000	Carrying value P'000	Cost P'000	Accumulated amortisation P'000	Carrying value P'000
Computer software	87,446	(42,746)	44,700	72,681	(30,807)	41,874
Capital work in progress	7,275	-	7,275	16,449	-	16,449
Total	**94,721**	**(42,746)**	**51,975**	**89,130**	**(30,807)**	**58,323**

19. Intangible assets (continued)

Reconciliation of intangible assets - Group - 2024

	Opening balance	Additions	Transfers	Transfer to Property and equipment	Amortisation	Closing balance
	P'000	P'000	P'000	P'000	P'000	P'000
Computer software	41,874	-	14,765	-	(11,939)	44,700
Capital work in progress	16,449	7,275	(14,765)	(1,684)	-	7,275
	58,323	**7,275**	**-**	**(1,684)**	**(11,939)**	**51,975**

Reconciliation of carrying amounts, intangible assets - Company - 2024

	Opening balance	Additions	Transfers	Transfer to property and equipment	Amortisation	Closing balance
	P'000	P'000	P'000	P'000	P'000	P'000
Computer software	41,874	-	14,765	-	(11,939)	44,700
Capital work in progress	16,449	7,275	(14,765)	(1,684)	-	7,275
	58,323	**7,275**	**-**	**(1,684)**	**(11,939)**	**51,975**

Reconciliation of carrying amounts, intangible assets - Company - 2023

	Opening balance	Additions	Transfers	Amortisation	Closing balance
	P'000	P'000	P'000	P'000	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**

Intangible assets comprise of the Bank's core banking software, cyber security software and other miscellaneous software. As at year end, there were no commitments on Capital work in progress.

Additions to Capital work in progress includes an amount of P7.3 million worth of assets that were not paid for at year end and have therefore been treated as non-cash flow additions.

*An amount of P1.7 million relating to work-in-progress for property and equipment was erroneously classified as work-in-progress intangible assets. The error was prospectively corrected in the current year..

20. Property, plant and equipment

Group	2024		
	Cost	Accumulated depreciation	Carrying value
	P'000	**P'000**	**P'000**
Buildings & leasehold improvements	40,080	(17,843)	22,237
Furniture and fixtures	13,066	(10,254)	2,812
Motor vehicles	9,476	(5,555)	3,921
Office equipment	62,903	(35,741)	27,162
Capital - Work in progress	307	-	307
Total	**125,832**	**(69,393)**	**56,439**

Notes to the Consolidated and Separate Financial Statements

20. Property, plant and equipment (continued)

Company	2024			2023		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	P'000	P'000	P'000	P'000	P'000	P'000
Buildings & leasehold improvements	39,967	(17,832)	22,135	39,967	(16,257)	23,710
Furniture and fixtures	12,926	(10,241)	2,685	12,531	(9,639)	2,892
Motor vehicles	9,476	(5,555)	3,921	8,275	(5,192)	3,083
Office equipment	62,819	(35,738)	27,081	52,947	(31,435)	21,512
Capital - Work in progress	307	-	307	307	-	307
Total	**125,495**	**(69,366)**	**56,129**	**114,027**	**(62,523)**	**51,504**

Reconciliation of property, plant and equipment - Group - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
	P'000	P'000	P'000	P'000	P'000	P'000
Buildings & leasehold improvements	23,710	112	-	-	(1,585)	22,237
Furniture and fixtures	2,892	534	-	-	(614)	2,812
Motor vehicles	3,083	2,240	(208)	-	(1,194)	3,921
Office equipment	21,512	8,272	-	1,684	(4,306)	27,162
Capital - Work in progress	307	-	-	-	-	307
	51,504	**11,158**	**(208)**	**1,684**	**(7,699)**	**56,439**

Reconciliation of carrying amounts of property, plant and equipment - Company - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
	P'000	P'000	P'000	P'000	P'000	P'000
Buildings & leasehold improvements	23,710	-	-	-	(1,575)	22,135
Furniture and fixtures	2,892	394	-	-	(601)	2,685
Motor vehicles	3,083	2,240	(208)	-	(1,194)	3,921
Office equipment	21,512	8,187	-	1,684	(4,302)	27,081
Capital - Work in progress	307	-	-	-	-	307
	51,504	**10,821**	**(208)**	**1,684**	**(7,672)**	**56,129**

Reconciliation of carrying amounts of property, plant and equipment - Company - 2023

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Total
	P'000	P'000	P'000	P'000	P'000	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**

The Capital - work in progress of P307 thousand (2023: P 307 thousand) comprises of hardware for the Point-of-sale project. As at year end, there were no commitments on Capital work in progress.

Notes to the Consolidated and Separate Financial Statements

	Group	Company	
Figures in Pula thousand	2024	2024	2023

20. Property, plant and equipment (continued)

*The transfer of P1.7 million in the current year relates to work in progress classified in intangible assets being prospectively corrected in the current year.

21. Deposits due to customers

Ordinary savings	306,810	306,810	120,724
Save-As-You-Earn	19,193	19,193	24,929
Sesigo savings	187,311	187,342	195,115
Thobo savings	443	443	422
Transactional account	38,743	38,743	40,350
National savings certificates (NSC)	1,796	1,796	6,221
Corporate fixed deposits	1,555,798	1,555,798	1,674,079
Corporate savings	11,612	11,612	17,306
Retail fixed deposits	376,584	376,584	347,957
Special savings account	779	779	2,137
	2,499,069	**2,499,100**	**2,429,240**

Maturity and Interest Rates	**Maturity**	**Interest Rate**	
		2024	**2023**
Ordinary savings	- On demand	1.75%	1.75%
Save-As-You-Earn	- 24 months	1.25%	1.25% - 2.00%
Sesigo savings	- On demand	1.75% - 2.75%	1.75% - 2.75%
Thobo savings	- 12 months	1.75%	1.75%
Transactional account	- On demand	0.3%	1.75%
National savings certificates (NSC)	- 60 months	3.75% - 4.5%	3.75% - 4.5%
Corporate fixed deposits	- 1 month to 3 years	Negotiable	Negotiable
Corporate savings	- On demand	Negotiable	Negotiable
Retail fixed deposits	- 3 months to over 24 months	Negotiable	0.54% - 1.52%
Special savings account	- 3 months to over 24 months	Negotiable	Negotiable

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	1,804,892	1,804,923	2,064,582
Due after 12 months	694,177	694,177	364,658
	2,499,069	**2,499,100**	**2,429,240**

Notes to the Consolidated and Separate Financial Statements

	Group	Company	
Figures in Pula thousand	2024	2024	2023

22. Other liabilities

Trade payables	9,658	9,200	4,519
Other creditors*	1,779	1,919	509
Clearing accounts	4,553	4,553	2,319
Accrued audit fees	1,712	1,542	2,000
Other accrued expenses	667	-	-
Unclaimed balances	5,322	5,322	1,635
Insurance premium payable	5,381	8,714	1,767
Payroll expenses	7,318	7,065	5,987
Pay as you earn	219	219	313
Value added tax	1,061	-	-
	37,670	**38,534**	**19,049**

Analysis of other liabilities

Financial instruments	29,072	31,250	12,749
Non-financial instruments	8,598	7,284	6,300
	37,670	**38,534**	**19,049**

*Other creditors comprise of Visa P1.5 million (2023: P208 thousand).

23. Borrowings

Principal amount outstanding at the beginning of the year	338,160	338,160	166,879
Proceeds from long term borrowings	150,050	150,050	192,050
Repayment of principal - long term borrowings	(45,067)	(45,067)	(23,695)
Repayment of interest - long term borrowings	(26,018)	(26,018)	(10,121)
Accrued Interest	29,466	29,466	13,047
	446,591	**446,591**	**338,160**

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.

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 six unsecured bonds listed on the Botswana Stock Exchange Limited of which one bond matured during the year. An additional bond was also issued in the current year increasing the amount to P 328.8 million (2023: P 195.2 million).

	Group	Company	
Figures in Pula thousand	2024	2024	2023

23. Borrowings (continued)

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 payment dates are 9th December and 9th June every year. 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 every year. The bond matures on 9 January 2028.

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 payment dates are 9th December and 9th June every year. The bond matures on 9 December 2027.

BSB-CRB-1233-05 bond commenced on the 11 December 2023 with a fixed rate of 10.50% and a principle amount of P150.1 million. The interest paid twice a year December and June. The bond matures on 11 December 2033 but redeemable after 5 years.

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 is paid twice a year, December and June. 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 bond matured on the 9 December 2023 and was fully settled.

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 jeopadise the lender's security;.

The Bank shall maintain a minimum net interest margin of 3%; 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.

The analysis of closing balances for borrowings is presented below.

Botswana government subordinated loan	66,383	66,383	72,416
Access Bank Limited loan	51,381	51,381	70,565
Unsecured subordinated long-term bonds	154,841	154,841	-
Unsecured long-term bonds	173,986	173,986	195,179
	446,591	**446,591**	**338,160**

Notes to the Consolidated and Separate Financial Statements

	Group	Company	
Figures in Pula thousand	2024	2024	2023

23. Borrowings (continued)

The maturity analysis for borrowings is presented below.

Within 1 year	65,667	65,667	52,517
After 1 year within 5 years	345,924	345,924	244,999
After 5 years	35,000	35,000	40,644
	446,591	**446,591**	**338,160**

24. Dormancy account liability

Balance at the beginning of the year	27,144	27,144	29,108
Movement for the year	(414)	(414)	(1,964)
Balance at the end of year	**26,730**	**26,730**	**27,144**

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.

25. Government grant

Opening balance	70,143	70,143	89,581
Grant refunded	(1,288)	(1,288)	-
Current year movement	(14,471)	(14,471)	(19,438)
	54,384	**54,384**	**70,143**

Current year movement comprise of capital grant amortisation amount of P14 million (2023: P 12 million) and expenditure on capital projects amounting to P- million (2023: P 7 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. Grants used for acquisition of assets are amortised over the useful lives of the respective assets acquired to match with the depreciation and amortisation costs for the acquired assets.

26. Unrecallable capital

Subscribed			
Subscribed share capital	5,000	5,000	5,000
Unrecallable capital	14,721	14,721	14,721
	19,721	**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.

Notes to the Consolidated and Separate Financial Statements

	Group	Company	
Figures in Pula thousand	2024	2024	2023

27. Statutory reserve

Balance at the beginning of the year	69,776	69,776	68,163
Movement for the year	3,013	3,013	1,613
Balance at the end of year	**72,789**	**72,789**	**69,776**

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.

28. 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	1,908	1,908	3,679

29. 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.

30. 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 - Group - 2024

	Note(s)	Financial assets at amortised cost P'000	Financial liabilities at amortised cost P'000	Equity and non financial assets and liabilities P'000	Total P'000	Fair value P'000
Assets						
Loans and advances to customers	14	2,689,349	-	-	2,689,349	2,689,349
Investment in financial assets	12	162,525	-	-	162,525	162,525
Other assets	13	12,418	-	7,802	20,220	20,220
Cash and cash equivalents	11	340,236	-	-	340,236	340,236
Total Assets		**3,204,528**	**-**	**7,802**	**3,212,330**	**3,212,330**
Liabilities						
Deposits due to customers	21	-	2,499,069	-	2,499,069	2,499,069
Borrowings	23	-	446,591	-	446,591	446,591
Dormancy account liability	24	-	26,730	-	26,730	26,730
Lease liabilities	18	-	37,023	-	37,023	37,023
Other liabilities	22	-	29,072	8,598	37,670	37,670
Total Liabilities		**-**	**3,038,485**	**8,598**	**3,047,083**	**3,047,083**

Notes to the Consolidated and Separate Financial Statements

Assets and liabilities category - Company - 2024

	Note(s)	Financial assets at amortised cost P'000	Financial liabilities at amortised cost P'000	Equity and non financial assets and liabilities P'000	Total P'000	Fair value P'000
Assets						
Investment in subsidiary	15	-	-	911	911	911
Loans and advances to customers	14	2,689,349	-	-	2,689,349	2,689,349
Investment in financial assets	12	162,525	-	-	162,525	162,525
Other assets	13	12,418	-	7,802	20,220	20,220
Cash and cash equivalents	11	325,943	-	-	325,943	325,943
Total Assets		**3,190,235**	**-**	**8,713**	**3,198,948**	**3,198,948**
Liabilities						
Deposits due to customers	21	-	2,499,100	-	2,499,100	2,499,100
Borrowings	23	-	446,591	-	446,591	446,591
Dormancy account liability	24	-	26,730	-	26,730	26,730
Lease liabilities	18	-	37,023	-	37,023	37,023
Other liabilities	22	-	31,250	7,284	38,534	38,534
Total Liabilities		**-**	**3,040,694**	**7,284**	**3,047,978**	**3,047,978**

Assets and liabilities category - Company - 2023 - Restated*

	Note(s)	Financial assets at amortised cost P'000	Financial liabilities at amortised cost P'000	Equity and non financial assets and liabilities P'000	Total P'000	Fair value P'000
Assets						
Loans and advances to customers	14	2,346,542	-	-	2,346,542	2,346,542
Investment in financial assets*	12	403,485	-	-	403,485	403,485
Other assets	13	3,385	-	-	3,385	3,385
Cash and cash equivalents*	11	241,143	-	-	241,143	241,143
Total Assets		**2,994,555**	**-**	**-**	**2,994,555**	**2,994,555**
Liabilities						
Deposits due to customers	21	-	2,429,240	-	2,429,240	2,429,240
Lease liabilities	18	-	35,507	-	35,507	35,507
Borrowings	23	-	338,160	-	338,160	338,160
Dormancy account liability	24	-	27,144	-	27,144	27,144
Other liabilities	22	-	12,748	-	12,748	12,748
Total Liabilities		**-**	**2,842,799**	**-**	**2,842,799**	**2,842,799**

*The Group and Company changed its classification and presentation of cash and cash equivalents by accounting for money market instruments and short term deposits as investments in financial assets where these do not meet the requirement of IAS 7 - Statement of Cash Flows. These money market instruments and short term deposits were previously classified as cash and cash equivalents in the previous year. Refer to Note 35 for details.

31. 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:

a) Market risk

b) Credit risk

c) Liquidity risk

d) 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 (Assets and Liability Committee) 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.

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.

31. Financial risk management (continued)

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 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.

Group **31 March 2024**	**0 - 3 months** **P '000**	**3 - 12 months** **P '000**	**1 - 5 years** **P '000**	**Over 5 years** **P '000**	**Total** **P '000**
Assets					
Cash and cash equivalents	340,236	-	-	-	340,236
Investment in financial assets	-	162,525	-	-	162,525
Loans and advances	1,759	14,524	971,051	1,793,583	2,780,917
Total financial assets	**341,995**	**177,049**	**971,051**	**1,793,583**	**3,283,678**
Liabilities					
Deposits due to customers	863,318	941,574	694,177	-	2,499,069
Borrowings	5,191	60,453	195,897	185,050	446,591
Lease liabilities	616	2,227	20,059	14,121	37,023
Total financial Liabilities	**869,125**	**1,004,254**	**910,133**	**199,171**	**2,982,683**
Total interest re-pricing gap	**(527,130)**	**(827,205)**	**60,918**	**1,594,412**	**300,995**

Company **31 March 2024**	**0 - 3 months** **P '000**	**3 - 12 months** **P '000**	**1 - 5 years** **P '000**	**Over 5 years** **P '000**	**Total** **P '000**
Assets					
Cash and cash equivalents	325,943	-	-	-	325,943
Investment in financial assets	-	162,525	-	-	162,525
Loans and advances	1,759	14,524	971,051	1,793,583	2,780,917
Total financial assets	**327,702**	**177,049**	**971,051**	**1,793,583**	**3,269,385**
Liabilities					
Deposits due to customers	863,349	941,574	694,177	-	2,499,100
Borrowings	5,209	60,453	195,879	185,050	446,591
Lease liabilities	616	2,227	20,059	14,121	37,023
Total financial Liabilities	**869,174**	**1,004,254**	**910,115**	**199,171**	**2,982,714**
Total interest re-pricing gap	**(541,472)**	**(827,205)**	**60,936**	**1,594,412**	**286,671**

31. Financial risk management (continued)

Company 31 March 2023 - Restated*	0 - 3 months P '000	3 - 12 months P '000	1 - 5 years P '000	Over 5 years P '000	Total P '000
Assets					
Cash and cash equivalents*	241,143	-	-	-	241,143
Investment in financial assets*	137,279	266,206	-	-	403,485
Loans and advances	19,241	30,021	1,086,698	1,298,876	2,434,836
Total financial assets	**397,663**	**296,227**	**1,086,698**	**1,298,876**	**3,079,464**
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	**(703,354)**	**(723,085)**	**460,484**	**1,242,512**	**276,557**

*The Group and Company changed its classification and presentation of cash and cash equivalents by accounting for money market instruments and short term deposits as investments in financial assets where these do not meet the requirement of IAS 7 - Statement of Cash Flows. These money market instruments and short term deposits were previously classified as cash and cash equivalents in the previous year. Refer to Note 35 for details.

An increase of 100 basis points in interest rates during the reporting period would have a positive yield of P287 thousand (2023: P 277 thousand). 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 short-term negative gap, the Bank aims to change its lending strategies by advancing short-term loans and advances using short-term deposits. 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
- Investments in financial assets.

In order to minimise credit risk, the Bank has developed and maintains it's 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.

31. 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.

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Financial Risk team.

31. Financial risk management (continued)

Group and Company - 31 March 2024	Stage 1 12-month ECL P'000	Stage 2 Lifetime ECL P'000	Stage 3 Lifetime ECL P'000	Total P'000
Gross exposure as at 01 April 2023	2,324,902	24,694	85,240	2,434,836
Transfer to stage 1 (12-month ECL)	85,989	(22,523)	(63,466)	-
Transfer to stage 2 (Lifetime ECL)	(7,726)	7,726	-	-
Transfer to stage 3 (Credit impaired)	(3,101)	(1,517)	4,618	-
Net transfers in/(out) of stage	75,162	(16,314)	(58,848)	-
Exposure increase from scheduled instalments	1,063,903	242,753	302,057	1,608,713
Exposure reduction from final repayments	(235,449)	(235,449)	(235,450)	(706,348)
Business activity for the year	(547,151)	(4,528)	(4,605)	(556,284)
Increase in exposure for the year	281,303	2,776	62,002	346,081
Gross exposure as at 31 March 2024	**2,681,367**	**11,156**	**88,394**	**2,780,917**

Group and Company - 31 March 2023	Stage 1 12-month ECL P'000	Stage 2 Lifetime ECL P'000	Stage 3 Lifetime ECL P'000	Total P'000
Gross exposure as at 01 April 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 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 year	(338,213)	(11,135)	(4,011)	(353,359)
Gross exposure as at 31 March 2023	**2,324,902**	**24,694**	**85,240**	**2,434,836**

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
- 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.

Notes to the Consolidated and Separate Financial Statements

31. Financial risk management (continued)

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:

Group and Company - 31 March 2024	**Stage 1 12-month ECL P'000**	**Stage 2 Lifetime ECL P'000**	**Stage 3 Lifetime ECL P'000**	**Total P'000**
Loss allowance as at 01 April 2023	18,690	7,261	62,343	88,294
Transfer to stage 1 (12-month ECL)	64,185	(6,620)	(57,565)	-
Transfer to stage 2 (Lifetime ECL)	(8)	8	-	-
Transfer to stage 3 (Credit impaired)	(4)	(60)	64	-
Net transfers in/(out) of stage	64,173	(6,672)	(57,501)	-
Exposure reduction from scheduled instalments	(2,186)	(297)	(4,156)	(6,639)
Exposure reduction from repayments	(5,185)	(1,102)	(4,604)	(10,891)
Business activity for the year	11,576	633	5,350	17,559
Model & changes in PD's, LGD's & FLI's	(64,335)	1,871	65,709	3,245
Provisions for the year	(60,130)	1,105	62,299	3,274
Loss allowance as at 31 March 2024	**22,733**	**1,694**	**67,141**	**91,568**

Company - 31 March 2023	**Stage 1 12-month ECL P'000**	**Stage 2 Lifetime ECL P'000**	**Stage 3 Lifetime ECL P'000**	**Total P'000**
Loss allowance as at 01 April 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 in/(out) of stage	16,867	(9,994)	(6,873)	-
Exposure reduction from scheduled instalments	(7,224)	(591)	(2,216)	(10,031)
Exposure reduction from 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 year	(25,221)	3,062	20,626	(1,533)
Loss allowance as at 31 March 2023	**18,690**	**7,261**	**62,343**	**88,294**

Notes to the Consolidated and Separate Financial Statements

31. 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.

Group and Company - 31 March 2024	Stage 1 12-month ECL P'000	Stage 2 Lifetime ECL P'000	Stage 3 Lifetime ECL P'000	Total P'000
Exposure				
Personal loans	2,180,524	6,010	76,594	2,263,128
Motor vehicle loans	13,996	-	-	13,996
Residential property loans	486,847	5,146	11,800	503,793
Total	**2,681,367**	**11,156**	**88,394**	**2,780,917**
ECL				
Personal loans	22,160	1,637	64,535	88,332
Motor vehicle loans	19	-	-	19
Residential loans	554	57	2,606	3,217
Total	**22,733**	**1,694**	**67,141**	**91,568**
Coverage ratios				
Personal loans	1.0 %	27.2 %	84.3 %	3.9 %
Motor vehicle loans	0.1 %	- %	- %	0.1 %
Residential loans	0.1 %	1.1 %	22.1 %	0.6 %
Total	**0.8 %**	**15.2 %**	**76.0 %**	**3.3 %**

Company - 31 March 2023	Stage 1 12-month ECL P'000	Stage 2 Lifetime ECL P'000	Stage 3 Lifetime ECL P'000	Total P'000
Exposure				
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 %**

31. Financial risk management (continued)

Impairment of related party balances

Exposure

	March 2024 Stage 3 Lifetime ECL P'000	March 2023 Stage 3 Lifetime ECL P'000
Gross exposure as at the beginning of the year	-	52,337
Exposure reduction from payments	-	(156,053)
Business activity for the year	-	103,716
Reduction in exposure for the year	-	(52,337)
Gross exposure as at the end of the year	**-**	**-**

Loss allowance

	March 2024 Stage 3 Lifetime ECL P'000	March 2023 Stage 3 Lifetime ECL P'000
Loss allowance as at start of the year	-	1,894
Exposure reduction from payments	-	(1,894)
Reduction in exposure for the year	-	(1,894)
Loss allowance as at end of the year	**-**	**-**

The related party loan was fully settled in 2023 and the impairment allowance was reversed to the statement of profit and loss and other comprehensive income.

Maximum exposure to credit risk before collateral held or other credit enhancements-All Financial instruments

	Group	Company	
Credit risk exposures relating to on-statement-of-financial-position assets are as follows:	**2024**	**2024**	**2023 Restated***
Cash and cash equivalents*	340,236	325,943	241,143
Investment in financial assets*	162,525	162,525	403,485
Other assets	12,418	12,418	3,385
Gross loans and advances to customers			
Motor vehicles advances	13,996	13,996	10,493
Residential property loans	503,793	503,793	526,310
Personal loans	2,263,128	2,263,128	1,898,033
Total on-statement of financial position exposure	3,296,096	3,281,803	3,082,849
Credit risk exposure relating to off-statement-of-financial-position items are as follows:			
Loan commitments	1,908	1,908	3,679
Total off-statement-of-financial position exposure	1,908	1,908	3,679
Total credit risk exposure	**3,298,004**	**3,283,711**	**3,086,528**

Notes to the Consolidated and Separate Financial Statements

31. Financial risk management (continued)

*The Group and Company changed its classification and presentation of cash and cash equivalents by accounting for money market instruments and short term deposits as investments in financial assets where these do not meet the requirement of IAS 7 - Statement of Cash Flows. These money market instruments and short term deposits were previously classified as cash and cash equivalents in the previous year. Refer to Note 35 for details.

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 March 2024, 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.

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.

Group and Company **31 March 2024** **Credit grade**	**Stage 1** **12-month ECL** **P'000**	**Stage 2** **Lifetime ECL** **P'000**	**Stage 3** **Lifetime ECL** **P'000**	**Total** **P'000**
Investment grade	2,680,023	-	-	2,680,023
Standard monitoring	1,344	-	-	1,344
Special monitoring	-	11,156	-	11,156
Default	-	-	88,394	88,394
Gross carrying amount	**2,681,367**	**11,156**	**88,394**	**2,780,917**
Loss allowance	(22,733)	(1,694)	(67,141)	(91,568)
Carrying amount	**2,658,634**	**9,462**	**21,253**	**2,689,349**

Company **31 March 2023** **Credit grade**	**Stage 1** **12-month ECL** **P'000**	**Stage 2** **Lifetime ECL** **P'000**	**Stage 3** **Lifetime ECL** **P'000**	**Total** **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**

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.

31. Financial risk management (continued)

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:

- 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 70% (previously 80%) 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.

Notes to the Consolidated and Separate Financial Statements

31. Financial risk management (continued)

Valuation assumptions	**2024**		**2023**	
	Motor vehicle loans	**Residential property loans**	**Motor vehicle loans**	**Residential property loans**
Weighted average discount rate	3%	10% to 27%	6%	5% to 10%
Weighted average time to recovery	12 - 18 months	12 - 18 months	9 months	9 months

Financial year end	**Recovery time**	**Discount rates**
31 March 2024	12 to 18 months	5% to 8%
31 March 2023	8 to 12 months	5% to 10%

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 3% (2023: 5.3%), whilst the private sector is discounted at 10% (2023: 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 18 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 - 27% (2023: 10%) for the estimated time to realisation, which is 12 months (2023: 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.

31. Financial risk management (continued)

ii) 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

i. 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.
- 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.

Notes to the Consolidated and Separate Financial Statements

31. Financial risk management (continued)

- ♦ 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.

	Group and Company 2024		Company 2023	
	Loans and advances to customers P '000	Investments in financial assets P '000	Loans and advances to customers P '000	Investments in financial assets P '000 Restated*
Performing/Past due but not impaired	2,692,523	162,525	2,349,596	403,485
Individually impaired	88,394	-	85,240	-
Gross	2,780,917	162,525	2,434,836	403,485
Less: allowance for impairment	(91,568)	-	(88,294)	-
Net	**2,689,349**	**162,525**	**2,346,542**	**403,485**

a) 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.

b) 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.

31. Financial risk management (continued)

c) 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.

31 March 2024	Neither past nor impaired	Past due but not individually impaired	Individually impaired	Total
Exposure	**P '000**	**P '000**	**P '000**	**P '000**
Personal loans	2,180,524	6,010	76,594	2,263,128
Motor vehicle advances	13,996	-	-	13,996
Residential property loans	486,847	5,146	11,800	503,793
	2,681,367	**11,156**	**88,394**	**2,780,917**

31 March 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**

Group and Company - 31 March 2024	Motor Vehicle advances	Personal loans	Residential property loans	Total	Related party
Stage 1	13,996	2,180,524	486,847	2,681,367	7,150
Stage 2	-	6,010	5,146	11,156	-
Stage 3	-	76,594	11,800	88,394	-
	13,996	**2,263,128**	**503,793**	**2,780,917**	**7,150**
Interest in suspense	-	(3,568)	(116)	(3,684)	-
Fair value of collateral	(7,474)	-	(388,051)	(395,525)	-
Total	6,522	2,259,560	115,626	2,381,708	7,150
Impairment raised against unsecured amounts	(18)	(88,276)	(3,274)	(91,568)	-
Net exposure	**6,504**	**2,171,284**	**112,352**	**2,290,140**	**7,150**

Notes to the Consolidated and Separate Financial Statements

31. Financial risk management (continued)

31 March 2023	**Motor Vehicle advances**	**Personal loans**	**Residential property loans**	**Total**
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**	**-**

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 6.

Included in loans and advances is a related party balance of P7.2 million (2023: P 5.6 million)

The following section summarises the credit quality of financial assets and exposures to corresponding and counterparty banks.

Group - 31 March 2024	**Carrying amount**	**Investment grade (AAA to BBB)**	**Unrated**	**Total**
	P '000	**P '000**	**P '000**	**P '000**
Cash equivalents	340,236	-	340,236	340,236
Investment in financial assets	162,525	-	162,525	162,525
Other assets	12,418	-	12,418	12,418
Total assets (excluding loans and advances and other securities)	**515,179**	**-**	**515,179**	**515,179**

Company -31 March 2024	**Carrying amount**	**Investment grade (AAA to BBB)**	**Unrated**	**Total**
	P '000	**P '000**	**P '000**	**P '000**
Cash equivalents	325,943	-	325,943	325,943
Investment in financial assets	162,525	-	162,525	162,525
Other assets	12,418	-	12,418	12,418
Total assets (excluding loans and advances and other securities)	**500,886**	**-**	**500,886**	**500,886**

31. Financial risk management (continued)

Company - 31 March 2023	Carrying amount P '000	Investment grade (AAA to BBB) P '000	Unrated P '000	Total P '000
Cash equivalents*	241,143	-	241,143	241,143
Investment in financial assets*	403,485	-	403,485	403,485
Other assets	3,385	-	3,385	3,385
Total assets (excluding loans and advances and other securities)	**648,013**	**-**	**648,013**	**648,013**

*The Group and Company changed its classification and presentation of cash and cash equivalents by accounting for money market instruments and short term deposits as investments in financial assets where these do not meet the requirement of IAS 7 - Statement of Cash Flows. These money markets were previously classified as cash and cash equivalent in previous year. Refer to Note 35 for details.

Unrated exposures consist mainly of cash balances, investments in financial assets 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 investments in financial assets 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.

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.

Assumptions for the valuation of collateral	Motor vehicle loans	Residential property loans
Group and Company - 31 March 2024		
Valuation assumptions		
Range of discount rates	3%	10% - 27%
Weighted average time to recovery	18 months	12-18 months

Assumptions for the valuation of collateral	Motor vehicle loans	Residential property loans
Company - 31 March 2023		
Valuation assumptions		
Range of discount rates	6.00%	5% - 10%
Weighted average time to recovery	9 months	9 months

Notes to the Consolidated and Separate Financial Statements

31. Financial risk management (continued)

	Motor vehicle loans	Residential property loans
Valuation assumptions		
Weighted average discount rates	0.03	0.05 - 0.27
Weighted average time to recovery	18 months	12 - 18 months
Weighted average hair cut to market value of collateral	1.8%	10

Range of assumptions	**Recovery time**	**Discount rates**
Financial year end		
31 March 2024	18 months	10% to 27%
31 March 2023	8 to 12 months	5% to 10%
31 March 2022	8 to 12 months	3.5% to 10%
31 March 2021	8 to 12 months	3.5% to 10%
31 March 2020	12 months	0.05%

Liquidity risk

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

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

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

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

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

a. Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customer;

b. Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

c. Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and

d. Managing the concentration and profile of debt maturities.

i) Management of liquidity risk

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the 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 Consolidated and Separate Financial Statements

31. Financial risk management (continued)

ii) Exposure to liquidity risk

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

Maturity analysis table

Group

31 March 2024	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Assets	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**
Cash and cash equivalents	340,236	-	-	-	340,236
Investments in financial assets	-	162,525	-	-	162,525
Loans and advances to customers**	1,786	16,017	1,439,444	3,991,197	5,448,444
Other assets	12,418	-	-	-	12,418
Total assets	**354,440**	**178,542**	**1,439,444**	**3,991,197**	**5,963,623**
Liabilities	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**
Deposits due to customers**	1,077,554	1,066,666	890,938	618	3,035,776
Other liabilities	31,251	-	-	-	31,251
Borrowings**	7,431	91,243	309,043	269,951	677,668
Dormancy account liability	26,730	-	-	-	26,730
Lease liabilities**	1,408	4,329	25,022	22,913	53,672
Total liabilities	**1,144,374**	**1,162,238**	**1,225,003**	**293,482**	**3,825,097**
Net liquidity gap	**(789,934)**	**(983,696)**	**214,441**	**3,697,715**	**2,138,526**

Company

31 March 2024	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Assets	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**
Cash and cash equivalents	325,943	-	-	-	325,943
Investments in financial assets	-	162,525	-	-	162,525
Loans and advances to customers**	1,786	16,017	1,439,444	3,991,197	5,448,444
Other assets	12,418	-	-	-	12,418
Total assets	**340,147**	**178,542**	**1,439,444**	**3,991,197**	**5,949,330**
Liabilities	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**
Deposits due to customers**	1,077,554	1,066,666	890,938	618	3,035,776
Other liabilities	31,250	-	-	-	31,250
Borrowings**	7,431	91,243	309,043	269,951	677,668
Dormancy account liability	26,730	-	-	-	26,730
Lease liabilities**	1,408	4,329	25,022	22,913	53,672
Total liabilities	**1,144,373**	**1,162,238**	**1,225,003**	**293,482**	**3,825,096**
Net liquidity gap	**(804,226)**	**(983,696)**	**214,441**	**3,697,715**	**2,124,234**
Cumulative liquidity gap	**-**	**(1,787,922)**	**(1,573,481)**	**2,124,234**	**2,124,234**

Notes to the Consolidated and Separate Financial Statements

31. Financial risk management (continued)

31 March 2023	**0 - 3 months**	**3 - 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
Assets	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**
Cash and cash equivalents*	241,143	-	-	-	241,143
Investments in financial assets*	-	403,485	-	-	403,485
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	**263,780**	**434,484**	**1,400,891**	**1,794,272**	**3,893,427**
Liabilities	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**
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 liability**	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	**(913,563)**	**(651,552)**	**618,673**	**1,724,546**	**778,104**
Cumulative liquidity gap	**-**	**(1,565,115)**	**(946,442)**	**778,104**	**778,104**

*The Group and Company changed its classification and presentation of cash and cash equivalents by accounting for money market instruments and short term deposits as investments in financial assets where these do not meet the requirement of IAS 7 - Statement of Cash Flows. These money market instruments and short term deposits were previously classified as cash and cash equivalents in the previous year. Refer to Note 35 for details.

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.

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:

Group	**2024**
	P '000
Total liquid assets	502,761
Total deposits	2,499,069
Ratio	20 %

Company	**2024**	**2023**
	P '000	**P '000**
Total liquid assets	488,468	644,628
Total deposits	2,499,100	2,429,240
Ratio	20 %	27 %

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

a) Notes and coins;

b) Balances due from Bank of Botswana excluding primary reserve requirement balances;

c) Balances due from domestic banks with maturities less than 184 days;

d) Treasury bills equal to or less than 6 months;

31. Financial risk management (continued)

e) Government bonds with maturities less than 12 months;

f) Bank of Botswana Certificates - those pledged as security;

g) Other government obligations with less than 12 months' maturity; and

h) 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:

a) Tier 1 (core) capital, comprising mainly shareholders' funds, is the highest tier

b) Tier 2 capital includes perpetual, medium and long term subordinated debt and general provisions for bad and doubtful debts.

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 unrecallable share capital together with the general and the statutory reserves. The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain growth of the business. The objective is to strike a balance between the higher returns that might be possible with greater earnings and the advantages and security afforded by a sound capital position. The Bank has complied with all externally imposed capital requirements throughout the period. The capital adequacy ratio 21.0% as at 31 March 2024 (2023: 13.6%). The minimum capital adequacy rate as set by the Bank of Botswana is 12.5%.

Notes to the Consolidated and Separate Financial Statements

	Group	Company	
Figures in Pula thousand	2024	2024	2023

31. Financial risk management (continued)

The following table shows the capital adequacy for the Bank and the risk weighted assets based on Basel II as at 31 March 2024:

Company	**2024 P '000**	**2023 P '000**
Tier 1 capital		
Stated Capital	19,721	19,721
Statutory reserve	72,789	69,776
Retained earnings	165,956	156,918
Deduct		
Intangible assets	(51,975)	(58,323)
Total Tier 1 capital	**206,491**	**188,092**
Tier 2 capital		-
Provisional reserve	24,025	23,968
Subordinated debt	221,224	72,416
Total qualifying capital	**451,740**	**284,476**
Credit RWAs	1,922,037	1,918,155
Operational RWAs	193,408	171,861
Total Risk weighted assets	**2,115,445**	**2,090,016**
Tier 1 risk based capital ratio (minimum 7.5%)	9.8 %	9.0 %
Total risk-weighted capital ratio (minimum 12.5%)	21.4 %	13.6 %

32. Related parties

100% shareholding — Botswana Government

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") had an agency agreement where the latter accepts deposits and pays out withdrawals through the postal network for a fee. Botswana Savings Bank existed from the relationship in the prior year.

Key management personnel refers to the Bank's Board of Directors, executive management team and senior management team.

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:

Related party balances

Balance due to related parties			
Interest due on Borrowings - Botswana Government	2,216	2,216	2,416
Capital due on borrowings - Botswana Government	64,167	64,167	70,000
Insurance premium payable - BSB Insurance Agency	-	8,714	-
	66,383	**75,097**	**72,416**

Notes to the Consolidated and Separate Financial Statements

	Group	Company	
Figures in Pula thousand	2024	2024	2023

32. Related parties (continued)

Related party transactions

Transaction with Botswana Post			
- Fees and commissions paid to BPS	-	-	1,797
-Total amount of net deposits received from Botswana Post	-	-	61,929
Commissions paid to Botswana Government	-	-	4,530
	-	**-**	**68,256**
Transactions with BSB Insurance Agency			
Rent paid to Botswana Savings Bank	-	68	-
Capital contribution by Botswana Savings Bank	-	911	-
Payments for shared services	-	182	-
Non-executive directors fees			
Board meeting fees and expenses	519	519	383
Compensation to Executive and Senior management			
- Salaries and allowances	6,852	6,035	7,996

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	7,150	7,150	5,570

33. 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, 2024.

34. Segment Reporting

Banking segment - Comprising loan advances, deposits and the revenue flowing from individual customers.

BancAssurance- Comprise commission from placing credit and life cover with underwriters.

The Group presents interest income after the cost of funding and interest expenditure after the benefit of funding for each reportable segment. These are the amounts that are presented to the Chief Operating Decision Maker for management reporting purposes when assessing performance and allocating resources. This presentation is in line with the management approach of presenting segment information.

Group - 2024	**Retail segment**	**BancAssurance Segment**	**Elimination**	**Total**
Income Statement	**P'000**	**P'000**	**P'000**	**P'000**
Interest income using effective interest rate	363,321	78	-	363,399
Fee and commission income	18,304	16,236	-	34,540
	381,625	16,314	-	397,939
Interest, fee and commission expense	(199,175)	-	-	(199,175)
	182,450	16,314	-	198,764
Net impairment expense of financial assets	(1,784)	-	-	(1,784)
Other Income	23,237	724	(242)	23,719
	203,903	17,038	(242)	220,699
Depreciation and amortisation	(23,530)	(82)	55	(23,557)
Employee benefits	(95,948)	(2,416)	1,207	(97,157)
Administrative and general expenses	(70,437)	(973)	-	(71,410)
Profit before tax	13,988	13,567	1,020	28,575
Taxation				(5,270)
				23,305

Statement of Financial Position	**P'000**	**P'000**	**P'000**	**P'000**
Loans and advances to customers	2,780,917	-	-	2,780,917
Loss allowances	(91,568)	-	-	(91,568)
Net advances to customers	2,689,349	-	-	2,689,349
Deposits from customers	2,499,100	-	(31)	2,499,069

Net advances to customers

Notes to the Consolidated and Separate Financial Statements

35. Adjustment and restatement of prior year financial statements

In the prior year, investments in money market and short term deposits were incorrectly classified as cash and cash equivalents in the statement of financial position and the statement of cashflows.

The bank has re-evaluated the classifiecation of the investments in money market funds/short-term deposits as investment in financial assets. The prior year financial statements have been restated to correct these errors.

Extract from the statement of financial position

As at 31 March 2023	As previously reported	Cumulative movements to March 2023 Opening Restated	Current Year	Total	Restated
	P'000	P'000	P'000	P'000	Total
Cash and cash equivalents	535,295	150,356	(444,508)	(294,152)	241,143
Investments in financial assets*	-	259,350	144,135	403,485	(403,485)
Balances with other banks*	109,332	-	(109,332)	(109,332)	-

As at 31 March 2022	As previously reported	Cumulative movements to March 2022		Adjustment	Restated
	P'000	P'000	P'000	P'000	Total
Cash and cash equivalents	402,083	-	-	(251,727)	150,356
Investments in financial assets*	-	-	-	259,350	(259,350)
Balances with other banks*	7,623	-	-	(7,623)	-

*Management changed the description used in the prior year from Balances with other banks to Investments in financial assets.

Extract from the statement of cashflow for the year ended 31 March 2023

	As previously stated			Adjustments	Restated
	P'000	P'000	P'000	P'000	P'000
Interest receipts	322,581	-	-	3,570	326,151
Cash flows from operating activities before changes in operating assets and liabilities	76,732	-	-	3,568	80,300
Net cash generated from/(used) in operating activities	90,358	-	-	3,568	93,926
Withdrawals from investment in financial assets	-	-	-	785,967	785,967
Deposits in financial assets	-	-	-	(927,588)	(927,588)
Net cash(used in)/generated from investing activities	(110,154)	-	-	(45,993)	(156,147)
Net movement in cash and cash equivalents for the year	133,212	-	-	(42,425)	90,787
Cash and cash equivalents at the beginning of the year	402,083	-	-	(251,727)	150,356
Cash and cash equivalents at the end of the year	535,295	-	-	(294,152)	241,143

The restatement impacted the statements of financial position, the statements of cashflow, note 11, note 12, note 30 and note 31.

The restatement did not have any impact on the statements of profit or loss and other comprehensive income nor the statements of changes in equity.